

my prospectus

Myer Holdings Limited ABN 14 119 085 602

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piece of
MY ^ MYER

Joint Lead Managers Credit Suisse Goldman Sachs J&W Macquarie Capital

IMPORTANT INFORMATION

Offer

The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares in Myer Holdings Limited (Myer or Company) (Shares).

Lodgement and Listing

This Prospectus is dated 28 September 2009 and a copy was lodged with the Australian Securities and Investments Commission (ASIC) on that day.

The Company will apply to ASX Limited (ASX) within seven days after the Prospectus Date for admission of the Company to the official list of ASX and quotation of its Shares on ASX. None of ASIC, ASX or their officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry Date

No Shares will be issued or transferred on the basis of this Prospectus later than 13 months after the Prospectus Date.

Note to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the performance of Myer. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares. Some of the key risk factors that should be considered by prospective investors are set out in Section 9. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect Myer's business, financial condition and results of operations.

No person named in this Prospectus, nor any other person, guarantees the performance of Myer or the repayment of capital or any return on investment made pursuant to this Prospectus.

No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus may not be distributed to, or relied upon by, persons in the United States or who are US Persons unless accompanied by the Institutional Offering Memorandum as part of the Institutional Offer. For details of selling restrictions that apply to the Shares in certain jurisdictions outside of Australia and New Zealand, please refer to Section 10.

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the offer must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The New Shares and Existing Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws. The Offer is not being extended to any investor outside Australia or New Zealand, other than to Institutional Investors as part of the Institutional Offer. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

Financial information presentation

The Historical Financial Information included in this Prospectus for FY2007, FY2008 and FY2009 has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, except where otherwise stated.

The Forecast Financial Information presented in this Prospectus is unaudited.

The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and they are qualified by reference to, the information contained in Section 7.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, SaleCo, the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information in this Prospectus.

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. In addition, consistent with customary market practice in offerings in Australia, Forecast Financial Information has been prepared and included in this Prospectus in Section 7.

The Company has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements and the Forecast Financial Information are subject to various risk factors that could cause Myer's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 9. As set out in Section 3.10, it is expected that the Shares will be quoted on ASX initially on a conditional and deferred Settlement basis.

Myer disclaims all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Exposure Period

The Corporations Act prohibits Myer from processing Applications in the seven day period after the date of Prospectus Lodgement (Exposure Period). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

Obtaining a copy of this Prospectus

A paper copy of the Prospectus is available free of charge to any person in Australia and New Zealand by calling the Myer Share Offer Hotline on 1300 820 260 (within Australia) or +61 3 9415 4332 (outside Australia) from 9.00am until 5.00pm Melbourne Time Monday to Friday.

This Prospectus is also available to Australian and New Zealand resident investors in electronic form at the Offer website, www.mypieceofmyer.com.au. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website from Australia. It is not available to persons in the United States. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Applications for Shares may only be made on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its soft copy form which must be downloaded in its entirety from www.mypieceofmyer.com.au. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus are explained in Section 11. Unless otherwise stated or implied, references to times in this Prospectus are to Melbourne Time.

Unless otherwise stated or implied, references to dates or years are calendar year references.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated.

Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Photographs and diagrams

Photographs and diagrams in this Prospectus do not depict assets owned or used by Myer unless otherwise indicated. Diagrams used in the Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Privacy

By completing an Application Form, you are providing personal information to the Company, SaleCo and the Share Registry, which is contracted by the Company to manage Applications. The Company, SaleCo and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in Myer's public register. The information must continue to be included in Myer's public register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed.

The Company, SaleCo, and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- The Share Registry for ongoing administration of the Shareholder register;
- The Joint Lead Managers in order to assess your Application;
- Printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- Market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- Legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about Myer's privacy practices by contacting the Share Registry or Myer. Myer aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact Myer or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

Syndicate structure

The Joint Lead Managers to the Offer are Credit Suisse, Goldman Sachs JBWere and Macquarie Capital Advisers. Co-Lead Managers are Citic, Commonwealth Securities, Deutsche Bank, J.P. Morgan, Merrill Lynch and RBS.

This document is important and should be read in its entirety.

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Key dates

Prospectus Date	Monday, 28 September 2009
Retail Offer and Noteholder Exchange Offer open	Tuesday, 6 October 2009
Noteholder Exchange Closing Date	5.00pm Tuesday, 20 October 2009
MYER one Record Date	5.00pm Friday, 23 October 2009
Retail Offer closes	5.00pm Friday, 23 October 2009
Institutional Offer opens	Wednesday, 28 October 2009
Institutional Offer closes	Thursday, 29 October 2009
Pricing and allocation announced	Friday, 30 October 2009
Expected commencement of trading on ASX (conditional and deferred Settlement basis)	Monday, 2 November 2009
Settlement under the Institutional Offer and last day of conditional trading	Thursday, 5 November 2009
Issue and transfer of Shares under the Offer	Friday, 6 November 2009
Expected despatch of holding statements and any refund payments if required	Tuesday, 10 November 2009
Shares expected to begin trading on a normal Settlement basis	Wednesday, 11 November 2009

Note: This timetable is indicative only. Unless otherwise indicated, all times are Melbourne Time. The Existing Shareholders, the Company and the Joint Lead Managers reserve the right to vary the dates and times of the Offer, including to close the Offer early or to accept late Applications, without notifying any recipient of this Prospectus or any Applicants. Investors are encouraged to submit their Applications as soon as possible.

Key Offer information

Key Offer statistics

Indicative Price Range¹	\$3.90 – \$4.90
Total number of Shares available under the Offer²	479.3 million – 499.5 million
Total number of Shares on issue on completion of the Offer³	564.8 million – 585.0 million
Total proceeds from the Offer⁴	\$1,937 million – \$2,337 million
Indicative market capitalisation⁵	\$2,282 million – \$2,768 million
Pro forma net debt (as at 25 July 2009)⁶	\$392 million
Indicative enterprise value	\$2,673 million – \$3,159 million

Notes:

1. The Indicative Price Range is indicative only. The Final Price may be within, above or below this range.
2. Based on the Indicative Price Range. Includes the transfer of Existing Shares through SaleCo and the issue of New Shares including under the Employee Gift Offer. Assumes 90% sell-down by NB Swanston; 90% sell-down by M F Custodians; 8% aggregate sell-down by Directors, Reporting Managers and other current and former employees and certain key contractors of the Myer Group; and 75% of Myer Notes are Exchanged. The actual number of Shares available under the Offer may be below, within or above this range depending on sell-down levels by the Selling Shareholders, Myer Notes Exchange take-up and the Final Price.
3. Based on the Indicative Price Range. Includes the number of Shares available under this Prospectus plus Existing Shares retained by the Existing Shareholders.
4. Based on the Indicative Price Range. Includes proceeds from the transfer of Existing Shares, Exchange of Myer Notes and the issue of New Shares. Does not include the Employee Gift Offer. \$422 million – \$434 million of this will be paid to Myer, with the balance to be paid to the Selling Shareholders through their arrangement with SaleCo.
5. Based on the Indicative Price Range and the total number of Shares on issue on completion of the Offer.
6. Please refer to Section 7.5 for further information.

Forecast Financial Information

Pro forma FY2010 EBITDA¹	\$330 million
Pro forma FY2010 earnings per Share²	27.3 – 28.3 cents
FY2010 dividend per Share (fully franked)²	20.5 – 21.2 cents
Enterprise value / pro forma FY2010 EBITDA³	8.1x – 9.6x
Price / pro forma FY2010 earnings per Share³	14.3x – 17.3x
Annualised FY2010 dividend yield³	4.3% – 5.3%

Notes:

1. Please refer to Section 7.3 for further information.
2. Basic pro forma EPS and DPS based on 564.8 million – 585.0 million shares on issue at completion of the Offer. Actual EPS and DPS for FY2010 are expected to differ from the pro forma EPS and DPS as outlined above as non-recurring transaction costs have been excluded from the pro forma FY2010 forecast.
3. Based on the Indicative Price Range.

Letter from the Chairman

28 September 2009

Dear Investor,

On behalf of the Directors, it gives me great pleasure to offer you the opportunity to become a Shareholder in Myer Holdings Limited (Myer).

Myer has a long and proud history dating back to 1900 when Sidney Myer opened the first store in Bendigo. Today, Myer is Australia's largest department store retailer with one of the most reputable retail brands in the country. Last financial year, the business generated Total Sales Value (including sales by concession operators) of over \$3.2 billion from 65 stores in prime retail locations across Australia. Myer's comprehensive product offering, carefully structured to deliver value and fashion at a wide range of price points, is designed to appeal to all Australians. The business has a strong and loyal customer base, with over three million people belonging to our *MYER one* loyalty program.

Over the last three years, under our new ownership, Myer has undergone a major transformation, and can today be truly labelled as an iconic Australian retailer. Since 2006, the Company has invested more than \$400 million in rebuilding a world class retail platform and reinvigorating its store portfolio. Myer has a transformed retail execution capability, a performance based culture and a strong track record of financial performance. The business is well positioned for growth.

Plans are well underway to open 15 new stores in the next five years with 12 conditional agreements for lease already signed. The rebuild of our Melbourne flagship store to an international class standard, together with our continuing program of store refurbishments and enhancements, will further improve our store portfolio and drive growth. Many of the benefits from Myer's transformation are still to be realised, and we are excited about the many opportunities to come, including the continued growth of our *MYER one* loyalty program and the roll-out of our new point-of-sale system, which is expected to significantly improve customer service.

Myer's strong operating cash flows will fund its planned growth strategies as well as support a forecast fully franked FY2010 dividend yield of 4.3% to 5.3%, and beyond the forecast period, a planned payout ratio of 70% to 80% of net profit after tax.

The dramatic and multifaceted transformation of the Myer business is a credit to all our team members and the Management Team, led by Bernie Brookes. I commend them for their vision, hard work and ongoing commitment. Today is really the beginning of a new journey for Myer, and I am personally very excited about the future of this business and about inviting you to be part of that future.

This Prospectus contains detailed information about Myer, the details of the Offer and a description of some of the key risks associated with an investment in Myer. Some of the key risks that Myer may face include that the retail environment and general economic conditions may deteriorate and that Myer's turnaround initiatives, growth strategies and new store roll-out may not meet their objectives. See Section 9 for further information on the key risks of investing in Myer.

You should read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

To apply for Shares, you will need to fill out the relevant Application Form attached to this Prospectus. If you have any questions about how to apply for Shares, please call the Myer Share Offer Hotline on 1300 820 260 (within Australia) or +61 3 9415 4332 (outside Australia) from 9.00am until 5.00pm Melbourne Time Monday to Friday. The Retail Offer is expected to close at 5.00pm Melbourne Time on 23 October 2009.

On behalf of the Board of Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,



Howard McDonald
Chairman

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my inspiration

Iconic
Australian
retailer

Highly reputable Australian brand

For further information refer to page 22, Section 1.2.1 >

National footprint of **65 stores**
in prime locations with plans to
expand to **80 stores** in the next
five years

For further information refer to page 22, Section 1.2.2 >

Present in **25 of the top 30** retail
centres, attracting **185 million**
store visits in FY2009

For further information refer to page 22, Section 1.2.2 >

New South Wales

Albury
Bankstown
Blacktown
Bondi
Castle Hill
Charlestown
Chatswood
Dubbo
Eastgardens
Erina
Hornsby
Hurstville
Liverpool
Macquarie
Miranda
Orange
Parramatta
Penrith
Roselands
Sydney City
Wagga Wagga
Warringah
Wollongong

Victoria

Ballarat
Bendigo
Chadstone
Dandenong
Doncaster
Eastland
Forest Hill
Frankston
Geelong
Highpoint
Knox City
Melbourne City
Northland
Southland
Werribee

Queensland

Brisbane
Brookside
Cairns
Carindale
Chermside
Indooroopilly
Loganholme
Maroochydore
North Lakes
Pacific Fair
Toowoomba

Western Australia

Carousel
Fremantle
Garden City
Karrinyup
Morley
Perth City

South Australia

Adelaide
Colonnades
Elizabeth
Marion
Tea Tree Plaza

ACT

Belconnen
Canberra City
Tuggeranong

Tasmania

Hobart
Launceston

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1900
Sidney Myer opened the first small shop in Bendigo



1911
Sidney Myer expanded into Melbourne after acquiring the drapery business of Wright & Neil on Bourke Street



1925
The Myer Emporium Limited was formed (public company)

1928
Myer Adelaide opened following the purchase of James Marshall & Co. business

1931
A four to seven year building program for the Melbourne store announced at the height of the Great Depression



1956
First Myer Christmas window, Bourke Street store

1961
Myer acquired Farmer & Company, a drapery business based in Sydney



1983
Myer acquired Grace Bros Pty Ltd, a department store chain based in Sydney



1985
Myer accepted a merger offer from G.J. Coles & Co Ltd. The merged entity became Coles Myer Ltd

2004
Grace Bros stores rebadged to Myer

2006
Myer acquired by current owners

2008
World class supply chain fully operational

2009
Opened refurbished Sydney flagship store



my store

Myer
Exclusive

Broad customer appeal

Basque
\$179



Blaq
\$200



Vue Bedlinen
\$130



Comprehensive offer with more than **600,000 product lines** across 11 core product categories, comprising **2,400 brands** sourced from over **800 suppliers globally**

For further information refer to page 22, Section 1.2.3 >

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**Designers
@ Myer**

**International
and National**

Designer

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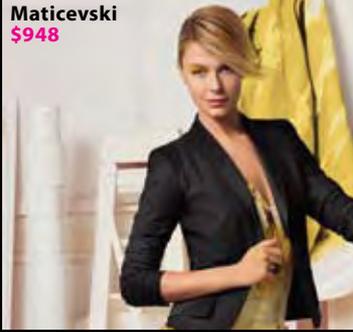
NF by
Nicola Finetti
\$199



Charlie Brown
\$329



Maticevski
\$948



**Women's
fashion**

Wayne by
Wayne Cooper
\$599



Van Heusen
\$349



Hugo Boss
\$1,100



**Men's
fashion**

Kylie at home Bedlinen
\$249



Sheridan Premium Bedlinen
\$270



Missoni Home
\$1,010



Home

Market leader in
beauty, fragrance
and cosmetics,
intimate apparel
and fashion
accessories

Flexibility to
tailor offering
to suit the
demographic
profiles of
individual
stores

Offering a
wide range
of price
points
underpins
broad
customer
appeal

MYER
ismystore

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my reward

A Leading retail loyalty program

MYER one has grown from
1.1 million members in June 2006
to over **3 million members** today

For further information refer to Page 72, Section 5.7 >

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MY ^ MYER

Myer distributed over **\$43 million Myer gift cards** to *MYER one* members in FY2009

For further information
refer to page 72, Section 5.7 >

On average, *MYER one* members spend 3.3 times the value of the gift cards redeemed

For further information
refer to page 72, Section 5.7 >

MYER one **members contribute over 60% of Myer's sales,** providing valuable customer insights

MYER one



my experience

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Transformed business

Over **\$400m invested** in Myer since 2006, creating a **world class supply chain** and enhanced IT systems

For further information refer to page 23, Section 1.2.5 >

Improved retail execution and revitalised in-store environment are delivering a better customer experience





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MY MYER



Supply chain now has the capacity to support over 100 stores



Improved store efficiency means more focus on customer service



New PoS system is expected to drive further productivity improvements



New CCTV network is expected to generate additional cost savings



For further information refer to page 68, Section 5.4.2 >

my team

Proven and experienced team

Proven and committed Management
Team with over **300 years of
combined experience**

For further information refer to page 23, Section 1.2.8 >

“

HOWARD MCDONALD/4
Chairman/

'I'm inspired by the strong results, both financial and operational, that have been delivered over the past three years – and the best is yet to come.'

MEGAN FOSTER/2
Director of Store Concepts and Design/

'I am proud that Myer can offer up to the minute fashion to suit any budget, in a store environment that is dynamic and yet welcoming.'

NEVASHA WOOD/8
Graduate

Menswear Buying/
'I feel lucky to be part of the Graduate Program and to have such broad exposure to the Company, and access to key leaders within the business. Myer is serious about building and developing talent and I'm proud to be part of the company during such a time of change.'

PAUL DAVIS/6
Team Member

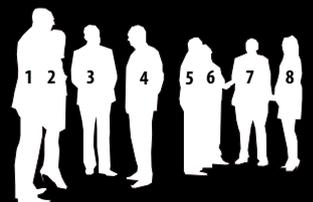
Myer Altona DC/
'We work much more closely with our colleagues in Buying and Stores than we have ever done. I enjoy working for Myer because while it's a business built on tradition, it's always aiming to improve and to be the best.'

PETER LUSKAN/1
Store Manager

Myer Highpoint/
'I value the clear focus and direction of Myer – I feel more accountable for the success of my store, and more empowered to make decisions that I believe are going to benefit our customers. I'm inspired by the many opportunities I've been given to build and broaden my skills and experience.'

DAMIAN GLASS/3
Corporate Affairs Manager/

'This is a fantastic time to be part of Myer. I feel privileged to have been a part of the transformation that has taken place over the last couple of years. We have a very clear picture of what our brand stands for and our path going forward.'



ZORAN TOSEV/5
Team Member

Myer Doncaster/
'Under Myer, there is a real energy and dynamism about the business, and the way we do business has improved a great deal. I am passionate about serving our customers, and I'm inspired and motivated by the many rewards and incentives offered by Myer.'

BERNIE BROOKES/7
Chief Executive Officer/

'I feel inspired by the passion and commitment shown by our team over the past three years, and I'm proud of our many achievements so far in turning around this great business. We've got a long way to go, but we're on the right track.'

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my future

Strong, clear growth strategy

Myer's growth strategy is built on four key pillars: comparable store sales growth, new store openings, gross margin improvement and reductions in the cost of doing business

For further information refer to page 24, Section 1.2.10 >

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Strong track record of growth is expected to deliver attractive returns

EBIT Growth



For further information refer to page 24, Section 1.2.9 >

Fully franked FY2010 dividend yield of 4.3% to 5.3% and a planned payout ratio of 70% to 80% beyond the forecast period

For further information refer to page 24, Section 1.2.9 >

Long-term potential to grow to beyond 100 stores

Store refurbishments and refreshments

Grow and leverage the *MYER one* program

New product categories, brands, concepts and concessions

The full benefits of our business transformation are still to come ...



Key investment risks

You should consider the key risks associated with an investment in Myer before deciding whether to invest

For further information refer to page 127, Section 9 >

The key risks to Myer's business include (but are not limited to) the following:

Retail environment and general economic conditions may deteriorate

Myer's turnaround initiatives and growth strategies may not achieve their objectives

Information technology failures may occur and information technology projects may not be successfully implemented

Myer's competitive position may deteriorate

Customer preferences may change

Myer brand name may diminish in reputation and value

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Key investment risks

continued

You should consider the key risks associated with an investment in Myer before deciding whether to invest

For further information refer to page 127, Section 9 >

Other key risks to Myer's business include (but are not limited to) the following:

Myer's relationships with key brand owners, designers or concession operators may deteriorate

Myer's relationships with landlords may deteriorate

Myer's relationships with suppliers may deteriorate, production costs may increase and Myer may be adversely impacted by conditions affecting foreign suppliers

New store roll-out program may not meet its objectives

Myer Melbourne rebuild may be delayed further

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PROJEO

CITY NEWS

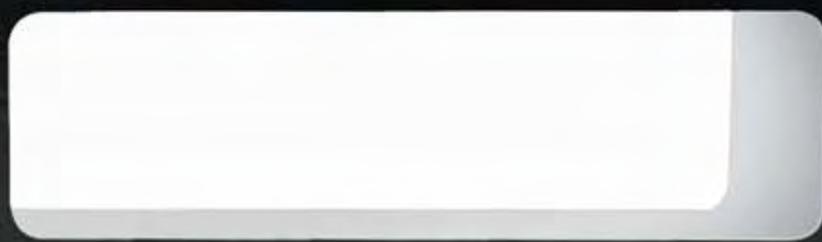
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1

Investment overview

1 Investment overview

1.1 Business overview

Myer is Australia's largest department store group¹ and has been synonymous with style and fashion for over 100 years. With a valuable footprint of 65 stores in prime retail locations across Australia, generating Total Sales Value (including sales by concession operators) of over \$3.2 billion in FY2009, Myer is a leader in Australian retailing. Myer has a strong connection with its customers, with one of the most reputable retail brands in Australia. It is known for its welcoming, familiar, trusted, stylish and fun shopping environment as well as its strong culture of philanthropy and local community engagement.

Myer caters for a large number of Australian households, offering more than 600,000 product lines, comprising approximately 2,400 brands sourced from over 800 suppliers globally. Myer's offering comprises 11 core product categories, being womenswear; menswear; youth fashion; childrenswear; intimate apparel; beauty, fragrance and cosmetics; homewares; electrical goods; toys; fashion accessories; and general merchandise. The broad appeal of Myer's offering is evidenced by its strong store patronage, with approximately 185 million visits in FY2009.

1.2 Investment highlights

1.2.1 Iconic and highly reputable brand with over 100 years of retailing heritage provides a strong connection with customers

- One of the most reputable brands in Australia², which has been synonymous with style and fashion for over 100 years
- Strong connection with its customers, recognised for providing a welcoming, familiar, trusted, stylish and fun shopping environment
- Customer connection is further reinforced by Myer's long-standing philanthropic and community engagement through a wide range of initiatives both in-store and in the local community
- High level of recognition and regard for the Myer brand is fundamental to Myer's ability to attract customers which in turn drives sales

1. This statement applies within the department store category of the Australian department store segment, which comprises both department stores and discount department stores. Please refer to Section 4.1.2 for more information.

2. Source: AMR Interactive and Reputation Institute Survey (2009).

1.2.2 National store network in prime locations is difficult to replicate and captured approximately 185 million visits in FY2009

- Australia's largest department store retailer¹, with a national network of 65 stores in attractive locations across the country, capturing approximately 185 million customer visits in FY2009
- Stores occupy prime locations in each of the top 10 shopping centres and 25 of the top 30 shopping centres (by turnover) in Australia
- Plans to expand Myer's premium store network from 65 to 80 stores in the next five years, with long term potential to expand to over 100 stores
- Valuable store network is a key competitive advantage that is difficult to replicate

1.2.3 Comprehensive offering at a wide range of price points underpins broad customer appeal and provides flexibility to be tailored to each store's demographic profile

- Comprehensive offer with more than 600,000 product lines across 11 core product categories, comprising approximately 2,400 brands sourced from over 800 suppliers globally
- Broad customer appeal is evidenced by strong foot traffic averaging approximately 3.5 million visitors per week in FY2009
- Flexibility to tailor offering to suit the demographic profiles of individual stores and respond quickly to changing customer preferences and economic conditions
- Well positioned in all key product categories – market leader in intimate apparel, beauty, fragrance and cosmetics and fashion accessories, which are significant drivers of foot traffic

1.2.4 A leading retail loyalty program provides valuable customer insights and serves as a powerful marketing tool to drive sales

- *MYER one* is a leading retail customer loyalty program with more than three million members who contribute over 60% of Myer's sales, spending on average 15% more per year at Myer than non-*MYER one* members
- *MYER one* drives sales by drawing customers back to the stores with attractive member benefits such as gifts, special offers, VIP events and targeted marketing and promotions
- *MYER one* provides valuable customer insights which are used to tailor marketing to specific customers, drive sales through enhanced cross-selling, merchandising and retail space allocation decisions and assist in identifying new store locations

1.2.5 World class supply chain and enhanced IT systems drive productivity and speed to market improvements with capacity to support over 100 stores

- More than \$400 million has been invested into the business over the last three years, a significant amount of which was invested in supply chain and information technology, driving a transformation of Myer's infrastructure platform and optimisation of its cost structure
- Significant supply chain cost reductions of approximately 45% in the period since acquisition, with further benefits expected
 - Speed to market improved by over 40% since 2007, increasing fashion responsiveness and stock availability
 - Distribution centre costs reduced by over 50% since FY2007
 - New overseas merchandising hubs introduced
 - Supply chain now capable of supporting over 100 stores
- IT systems are being transformed and are driving productivity improvements and cost efficiencies across the business
 - New merchandising, supply chain and payroll systems introduced
 - Currently implementing new point-of-sale (PoS) system, which is expected to drive further productivity improvements, and a new CCTV network which is expected to generate additional cost savings

1.2.6 Transformed retail execution capability significantly enhances the customer experience

- Supplier collaboration and partnering enabling a faster reaction to changes in customer preferences
- Disciplined inventory management reducing out-of-stocks and allowing conversion of in-store reserve space into selling space
- Supply chain and administration improvements enabling efficiency improvements and back-of-store staff to be reallocated to front-of-store sales roles, increasing customer service
- Customer service improved through the 'Awesome Service' training program, which over 90% of Myer's staff have completed
- Brand offering continually developing to meet customer needs

- Visual merchandise projects, in-store fashion events and in-store theatre reinvigorating the in-store environment
- More relevant, targeted and effective marketing through the combination of events marketing, innovative advertising, *MYER one* and local community marketing

1.2.7 Performance based culture and investment in team members are delivering improved productivity and customer focus

- Significant investment has been made in Myer's team members, including product knowledge, advanced selling skills and customer service programs. Additionally, staff retention has improved
- Team member incentive structures including commissions, bonus schemes and an awards program directly link rewards to sales, profits and customer service
- 'Myer for me' program is directed at improving team member alignment with the Company and retention by providing benefits such as travel offers, financial services, employee discounts and paid parental leave

1.2.8 Proven Management Team with over 300 years of combined experience is transforming Myer and positioning the business for growth

- CEO Bernie Brookes has over 34 years of experience in the retail industry and, along with the Management Team and Board, has led the turnaround in Myer's performance since its change of ownership in 2006
- The Management Team is very committed to the future of Myer and will retain approximately 83.4% of their Shareholdings on average upon Listing¹ until at least after the release of the final results for FY2010. Chairman Howard McDonald and CEO Bernie Brookes will retain 100% and 90% of their Shareholdings, respectively
- Board members collectively have relevant experience in core retail operations including fashion, buying, supply chain, store operations, store design, property development, project management, marketing and information technology, and financial and public company experience

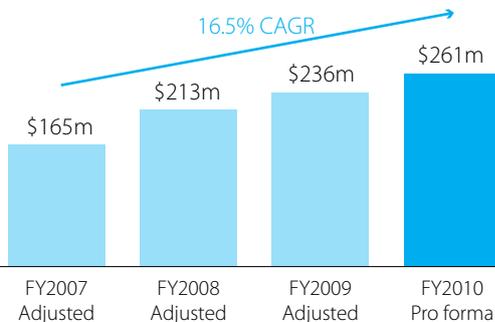
1. This percentage includes Shares that may be acquired on the exercise of options that vest on or before Listing.

1 Investment overview

1.2.9 Strong track record of growing cash flows, earnings and returns underpins a forecast FY2010 dividend yield of 4.3%–5.3%

- Over the past three years, Myer has demonstrated a strong track record of financial performance
- EBIT increased significantly from FY2007 to FY2009 and is forecast to continue this strong growth trajectory in FY2010

EBIT growth



	FY2007	FY2008	FY2009	FY2010
Adjusted historical/pro forma forecast	\$165m	\$213m	\$236m	\$261m
Adjustments	\$15m	\$236m	\$0m	\$(81)m
Statutory historical/forecast	\$180m	\$449m	\$236m	\$180m

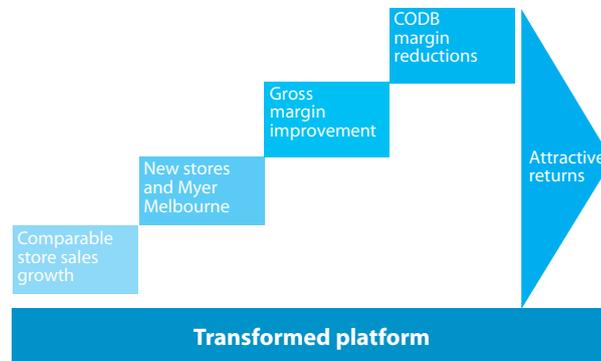
Note: The above EBIT numbers are derived from the audited Historical Financial Information and the Forecast Financial Information contained in Section 7. Details of the adjustments are also in Section 7.

- Strong adjusted return on funds employed of 22.4% in FY2009¹
- Annual capital expenditure has more than doubled since 2006, with over \$400 million invested into the business in the last three years, creating a strong and sustainable business platform and positioning the Company for future growth and margin expansion
- Continued strong forecast operating cash flows support a fully franked FY2010 dividend yield of 4.3%–5.3%, and beyond the forecast period, a planned payout ratio of 70%–80%

1.2.10 Strong, identifiable growth strategy is expected to deliver attractive returns

- Myer's growth strategy is built on four key pillars: growing comparable store sales, the planned roll-out of new stores (including the Myer Melbourne rebuild), gross margin improvement and reductions in cost of doing business margins

Myer's growth strategy



- Myer's growth strategy includes the following key initiatives:
 - Expand *MYER one* program through increased targeted marketing to *MYER one* members and Myer Visa Card and Myer Card holders, and better utilisation of valuable customer data to drive sales
 - Strengthen in-store execution through better buying practices, customer service improvements and greater labour productivity to improve the customer experience, drive sales growth and improve margins
 - Continue to introduce new product categories, brands, concepts and concessions to attract customers and drive sales
 - Drive sales of Myer's highly profitable exclusive brands by increasing their in-store profile, improving speed to market and introducing new exclusive brands
 - Continue store refreshment and refurbishment programs, enhancing store presentation and driving foot traffic and sales
 - Complete rebuild of the flagship Myer Melbourne store, which is expected to result in a significant sales uplift relative to its current contribution
 - Commence store roll-out program which is planned to add 15 new full-sized stores over the next five years, each with attractive new store economics including earnings contribution and returns

1. Calculated as EBIT divided by average funds employed. Funds employed are calculated as net assets plus net debt at the beginning and end of each year.

- Aim to reduce loss from theft (shrinkage) through introduction of a new CCTV network, improved shrinkage administration, additional fitting room attendants, electronic article surveillance gates and undercover security guards
- Complete installation of a new PoS system which is expected to generate productivity improvements and improve customer service and staff satisfaction
- Improve markdown management with better product allocation to stores, improved forecasting processes, real-time promotional price changes using the new PoS system and increased supplier collaboration
- Implement better sourcing practices to maximise gross margin and create a product offering more closely aligned with customer preferences and trends
- Deliver additional store support efficiencies and improve margins through 'floor ready' initiatives, technology improvements and centralisation of back-of-store administration processes

Some of the risks associated with these growth strategies are discussed in Section 9.

1.3 Summary of key risks

Potential investors should be aware that there are risks associated with investing in Myer, including risks associated with the Myer business and risks associated with investing in the stock market generally. Some risks are beyond the control of Myer and its Directors and management and may have a material impact on Myer's operating and financial performance. See Section 9 for further information on the key risks.

Before deciding whether to apply for Shares, potential investors should read the Prospectus in its entirety and carefully consider the assumptions underlying the financial forecasts and the risk factors that could affect the future performance of Myer.

Some of the key risks of investing in Myer are described below.

1.3.1 Retail environment and general economic conditions may deteriorate

There is a risk that Australian economic conditions will worsen as the effect of recent Federal Government stimulus measures dissipates and the full impact of the global financial crisis flows through to the Australian economy. This may lead to a deterioration in the retail environment and a reduction in consumer spending which could result in a decrease in Myer's financial performance.

1.3.2 Myer's turnaround initiatives and growth strategies may not achieve their objectives

There may be delays or cost overruns in the implementation of Myer's turnaround initiatives and growth strategies and there is no guarantee that these initiatives and strategies will generate the full benefits anticipated. The implementation of Myer's turnaround initiatives and growth strategies may result in unintended consequences including a decline in financial performance if changes to Myer's product mix do not match customer preferences.

1.3.3 Information technology failures may occur and information technology projects may not be successfully implemented

Myer relies on key information technology systems including the MyMerch merchandising system and, from 2010 (as currently planned), the new PoS and CCTV systems. Any significant and sustained failure of the information technology systems of Myer or its external service providers could result in significant disruption to Myer's business. There is a risk of further delays in the implementation of the PoS and CCTV systems, unanticipated increases in costs to Myer arising from the implementation process or a failure of these systems to work as intended.

1.3.4 Myer's competitive position may deteriorate

The retail environment in which Myer operates is competitive and Myer's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors or a failure by Myer to position itself successfully as the retail environment changes. Any deterioration in Myer's competitive position may result in a decline in financial performance and a loss of market share.

1.3.5 Customer preferences may change

A significant proportion of Myer's revenues are generated from fashion related products which are subject to rapid and occasionally unpredictable changes in customer preferences. If Myer misjudges customer preferences or fails to provide appealing product offerings when required, this may result in a decline in financial performance.

1.3.6 Myer brand name may diminish in reputation and value

The reputation and value of the Myer brand name could be adversely impacted by a number of factors including failure to provide customers with the quality of product and service standards they expect, disputes or litigation with third parties or adverse media coverage.

1 Investment overview

1.3.7 Myer's relationships with key brand owners, designers or concession operators may deteriorate

The loss or impairment of Myer's relationships with key brand owners, designers or concession operators or an inability to renew existing contractual arrangements with such parties on terms which are no less favourable to Myer is likely to result in a reduction in Myer's financial performance.

1.3.8 Myer's relationships with landlords may deteriorate

Any default under a lease by Myer, failure to renew existing leases on acceptable terms or inability to negotiate alternative arrangements could have a material adverse effect on Myer's ability to operate stores in preferred locations, which may result in a reduction in Myer's financial performance.

1.3.9 Myer's relationships with suppliers may deteriorate, production costs may increase and Myer may be adversely impacted by conditions affecting foreign suppliers

Myer's suppliers may cease providing merchandise, or seek to pass on their operational or transportation difficulties to Myer. Myer is also exposed to risks associated with foreign suppliers including political instability, currency and exchange rate risks and labour practices.

1.3.10 New store roll-out program may not meet its objectives

Myer's growth strategy includes the planned roll-out of 15 additional stores over the next five years. Myer's ability to successfully open new stores on schedule may be affected by factors including project delays, cost overruns and disputes with developers. Myer's ability to open new stores also depends on the successful implementation of its new PoS system.

1.3.11 Myer Melbourne rebuild may be delayed further

The Myer Melbourne rebuild has experienced delays and there is a risk of further delays to the rebuild of the Bourke Street store, which may impact on the level of trading revenue generated from Myer Melbourne. In addition, there is a risk that the costs of the rebuild for which Myer is responsible may exceed the levels anticipated.

1.4 Summary Financial Information

The following table summarises Myer's adjusted Historical Financial Information for FY2007, FY2008 and FY2009 and pro forma Forecast Financial Information for FY2010. The Financial Information is intended as a summary only. More detailed financial information can be found in Section 7.

\$ millions	Adjusted historical			Pro forma forecast
	FY2007	FY2008	FY2009	FY2010
Weeks in year	52	52	52	52
Wholesale sales	3,002	2,940	2,843	2,937
Sales by concession operators	287	380	418	423
Total Sales Value ¹	3,289	3,320	3,261	3,360
Gross profit ²	1,283	1,312	1,278	1,331
EBITDA ³	215	275	301	330
EBIT	165	213	236	261
Net profit after tax				160
EPS (cents) ⁴				27.9
DPS (cents) ⁴				20.9
Key ratios				
EBIT margin (% Total Sales Value)	5.0%	6.4%	7.2%	7.8%
EBIT growth		29.0%	10.6%	10.7%
Reconciliation to statutory income statement				
Adjusted historical/pro forma forecast EBIT	165	213	236	261
Net adjustments ⁵	15	236	0	(81)
Statutory historical/statutory forecast EBIT	180	449	236	180

Notes:

- Total Sales Value represents all sales (both by Myer and concession operators) generated in Myer stores and excludes costs associated with the customer loyalty program. Concession income (net) is shown in the statutory financial statements as other operating revenue. In the above presentation, concession sales (gross) have been shown in order to illustrate the level of sales value at Myer stores and provide a basis of comparison with similar department stores. Of the concession sales included in Total Sales Value, the net concession income derived by Myer was \$64 million in FY2007, \$87 million in FY2008 and \$95 million in FY2009 and is expected to be \$96 million in the FY2010 pro forma forecast.
- Gross profit is calculated as the net concession income derived by Myer plus wholesale sales less the cost of wholesale sales. Adjusted gross profit also includes other income, which represents additional income from operating activities.
- EBITDA is calculated as gross profit less the cost of doing business. The cost of doing business does not reflect any salary costs associated with concession sales, as these costs are generally borne by the concession operators.
- At the midpoint of the Indicative Price Range (\$4.40), the number of Shares utilised in the calculations of EPS and DPS is 573.8 million.
- See Sections 7.11.1, 7.11.2, 7.11.3 and 7.11.4 for a detailed explanation of the historical and forecast adjustments.

1 Investment overview

1.5 Dividend policy

Subject to the financial forecasts being achieved and other relevant factors, the Directors expect to declare an interim dividend for the six months ending 23 January 2010 and a final dividend for the six months ending 31 July 2010.

The FY2010 annualised dividend yield is forecast to be 4.3%–5.3% based on the Indicative Price Range of \$3.90–\$4.90.

Dividends are expected to be fully franked.

Beyond the forecast period, the Directors' dividend policy is to distribute 70%–80% of net profit after tax and to frank and impute dividends to the greatest extent possible.

In respect of future years, subject to available profits and the financial position of the Company, an interim dividend is expected to be payable annually in May, with a final dividend payable annually in November. No guarantee can be given about future dividends, or the level of franking or imputation of such dividends, as these matters will depend upon the future profits of the Company, its financial and taxation position and the Directors' view of the appropriate payout ratio at the time.

1.6 Purpose of the Offer and use of proceeds

The purpose of the Offer is to achieve Listing on ASX and provide Myer with additional financial flexibility to pursue growth opportunities, improve access to capital markets, provide a liquid market for Shares, provide an opportunity for employees and customers to invest in the Company and provide an opportunity for Existing Shareholders to sell down their current Shareholdings.

The proceeds of the Offer will be applied to:

- Pay for the purchase of Existing Shares from SaleCo;
- Repay debt; and
- Pay costs of the Offer.

The proceeds received by SaleCo will be paid to those Selling Shareholders who sold Existing Shares to SaleCo. Proceeds received by Myer from the issue of New Shares will be used to repay debt and to pay costs of the Offer.

The Directors are of the opinion that, on completion of the Offer, Myer will have sufficient working capital, capital resources and liquidity to carry out its stated objectives.

1.7 Enquiries

All enquiries in relation to this Prospectus should be directed to the Myer Share Offer Hotline on 1300 820 260 (within Australia) or +61 3 9415 4332 (outside Australia) or to the Joint Lead Managers (see the corporate directory for contact details). The Myer Share Offer Hotline will be open from 9.00am until 5.00pm Melbourne Time Monday to Friday. Information about the Offer is also available on the Offer website at www.mypieceofmyer.com.au.

If you are unclear in relation to any matter or are uncertain as to whether Myer is a suitable investment for you, you should seek professional advice from your stockbroker, solicitor, accountant or other independent professional adviser.

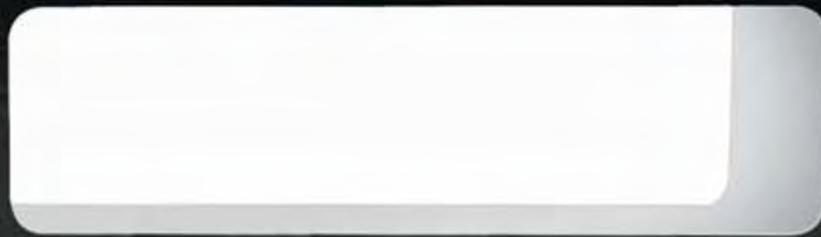
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2

Key questions

2 Key questions

Topic	Summary	Where to find more information
Who are the issuers of this Prospectus?	Myer Holdings Limited and SaleCo.	Sections 3 and 10
What does Myer do?	Myer operates a portfolio of 65 department stores across Australia offering a range of products in 11 categories: womenswear; menswear; youth fashion; childrenswear; intimate apparel; beauty, fragrance and cosmetics; homewares; electrical goods; toys; fashion accessories; and general merchandise.	Sections 1 and 5
What is being offered?	SaleCo is offering to transfer 345.6 million–431.0 million Existing Shares and Myer Holdings Limited is offering to issue 98.6 million–101.3 million New Shares, depending on the Final Price representing in aggregate 77.6%–92.6% of the issued capital of Myer following the Offer ¹ .	Section 3
What is the Offer structure?	The Offer comprises: <ul style="list-style-type: none"> – The Retail Offer consisting of the <i>MYER one</i> Priority Offer, Employee Priority Offer, Employee Gift Offer and Broker Firm Offer; – The Noteholder Exchange Offer; and – The Institutional Offer. 	Sections 3 and 10
What is the Noteholder Exchange Offer and what will happen to the Myer Notes?	Eligible Myer Noteholders have the right to Exchange part or all of their Myer Notes for Shares in the Offer. Shares issued or transferred as part of the Noteholder Exchange Offer will be issued or transferred at a price equal to 97.5% of the Final Price for an amount equal to the principal outstanding on the Exchanged Myer Notes. Eligible Myer Noteholders who Exchange all of their Myer Notes for Shares in the Offer also have the ability to apply for additional Shares in the Offer. There is no discount on additional Shares applied for by Eligible Myer Noteholders. These will be issued or transferred at the Final Price. If Myer Noteholders do not Exchange their Myer Notes for Shares, subject to the Offer proceeding, Myer intends to Redeem any outstanding Myer Notes at a 2.5% premium to the principal amount outstanding on the Myer Notes, pursuant to the Myer Notes Trust Deed. The Myer Notes are expected to be suspended from trading from 13 October 2009.	Sections 3 and 10
What is the Final Price?	Myer has set an Indicative Price Range of \$3.90–\$4.90 per Share. The Final Price will be set after the conclusion of the Institutional Offer. The Final Price will be determined by NB Swanston, the Company and the Joint Lead Managers according to the factors set out in Section 3.7.3. The Final Price under the Offer may be within the Indicative Price Range or above the upper limit, or below the lower limit, of the Indicative Price Range.	Section 3
What is the Offer size?	479.3 million–499.5 million Shares in aggregate are being offered under this Prospectus ² . Based on the Indicative Price Range for the Offer of \$3.90–\$4.90 per Share, the gross proceeds from the Offer are expected to be in the range of \$1,937 million–\$2,337 million ³ .	Section 3

1. Based on the sell-down ranges for each Selling Shareholder (please refer to Section 3.4) and the midpoint of the Indicative Price Range (\$4.40). Assumes 75% of Myer Notes are exchanged. The actual number of New Shares issued under the Offer and the aggregate percentage of the issued capital available under the Offer may be below, within or above the ranges shown depending on sell-down levels by the Selling Shareholders, Myer Notes Exchange take-up and the Final Price.
2. Based on the Indicative Price Range. Includes the transfer of Existing Shares through SaleCo and the issue of New Shares including under the Employee Gift Offer. Assumes 90% sell-down by NB Swanston; 90% sell-down by M F Custodians; 8% aggregate sell-down by Directors, Reporting Managers and other current and former employees and certain key contractors of the Myer Group; and 75% of Myer Notes are Exchanged. The actual number of Shares available under the Offer may be below, within or above this range depending on sell-down levels by the Selling Shareholders, Myer Notes Exchange take-up and the Final Price.
3. Includes proceeds from the transfer of Existing Shares, Exchange of Myer Notes and the issue of New Shares. Does not include the Employee Gift Offer. \$422 million–\$434 million of this will be paid to Myer, with the balance to be paid to the Selling Shareholders through their arrangement with SaleCo.

Topic	Summary	Where to find more information
How will the proceeds of the Offer be used?	<p>The proceeds of the Offer will be applied to:</p> <ul style="list-style-type: none"> – Pay for the purchase of Existing Shares from SaleCo; – Repay debt; and – Pay costs of the Offer. 	Section 3
Where is the Offer being conducted?	<p>The Retail Offer consisting of the <i>MYER one</i> Priority Offer, Employee Priority Offer, Employee Gift Offer and Broker Firm Offer is to be conducted in Australia and New Zealand.</p> <p>The Noteholder Exchange Offer is open to Eligible Myer Noteholders who are residents of Australia and New Zealand, or are Institutional Investors in certain other jurisdictions as described in Section 3.6.1.</p> <p>The Institutional Offer is open to Institutional Investors in Australia, New Zealand and certain other jurisdictions.</p>	Sections 3 and 10
Is the Offer underwritten?	The Offer is not underwritten.	Section 3
Who are the Existing Shareholders and are they retaining a Shareholding?	<p>The Existing Shareholders are:</p> <ul style="list-style-type: none"> – NB Swanston, an entity associated with TPG and Blum Strategic Capital, which will sell between 308.4 million–385.5 million Existing Shares (between 80%–100% of its pre-Offer Shareholding) to SaleCo, depending on the outcome of the bookbuild under the Institutional Offer and other factors, leaving it with a Shareholding of between 0.0%–13.5% following the Offer¹; – M F Custodians, a subsidiary of The Myer Family Company, which will sell between 33.4 million–41.8 million Existing Shares (between 80%–100% of its pre-Offer Shareholding) to SaleCo, depending on the outcome of the bookbuild under the Institutional Offer and other factors, leaving it with a Shareholding of between 0.0%–1.5% following the Offer¹; and – Current and former employees and certain key contractors of the Myer Group. Current employees and certain key contractors have, as at the Prospectus Date, irrevocably offered to sell 3.7 million Existing Shares (approximately 8% of their aggregate pre-Offer Shareholding) to SaleCo to be sold under the Offer, leaving current and former employees and certain key contractors with an aggregate Shareholding of approximately 7.7% following the Offer¹. 	Section 3

1. Based on the midpoint of the Indicative Price Range (\$4.40). Actual ownership following the Offer could be above, within or outside of these ranges depending on the Final Price, Myer Notes Exchange take-up, and the sell-down level of each Selling Shareholder.

2 Key questions

Topic	Summary	Where to find more information
<p>What is SaleCo and what role does it play in the Offer?</p>	<p>SaleCo, a special purpose vehicle, has been established to enable Selling Shareholders to sell all or a portion of their investment in Myer. The Selling Shareholders have executed deed polls in favour, and for the benefit, of SaleCo under which they irrevocably offer to sell Existing Shares to SaleCo free from encumbrances and third party rights and conditional on Listing. As at the Prospectus Date, Selling Shareholders have irrevocably offered to sell approximately 345.6 million–431.0 million Existing Shares to SaleCo. The final number of Existing Shares to be sold by SaleCo will depend on the final level of sell-down by NB Swanston and M F Custodians, which will depend on the outcome of the bookbuild under the Institutional Offer and other factors.</p> <p>The Existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants under the Offer for the Final Price.</p>	<p>Sections 3 and 10</p>
<p>What is the minimum investment size under the Offer?</p>	<p>The minimum Application for Eligible <i>MYER one</i> Members under the <i>MYER one</i> Priority Offer is \$2,000. Applications over \$2,000 should be in multiples of \$500.</p> <p>The minimum Application for Eligible Employees under the Employee Priority Offer is \$2,000. Applications over \$2,000 should be in multiples of \$500.</p> <p>Under the Employee Gift Offer, Eligible Employees will be offered the opportunity to acquire, at no cost, the nearest number of whole Shares (rounded down) up to the value of \$725.</p> <p>The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker.</p> <p>There is no minimum Application under the Noteholder Exchange Offer. Eligible Myer Noteholders who Exchange all of their Myer Notes under the Noteholder Exchange Offer may also apply for additional Shares. The minimum Application size for additional Shares is \$2,000. Applications over \$2,000 should be in multiples of \$500.</p> <p>NB Swanston, the Company and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for other than Shares issued to Eligible Myer Noteholders pursuant to Exchange of their Myer Notes.</p>	<p>Section 3</p>

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Topic	Summary	Where to find more information
<p>Will I be guaranteed a minimum allocation under the Offer?</p>	<p>Applicants under the <i>MYER one</i> Priority Offer may be entitled to a guaranteed minimum allocation of Shares depending on their <i>MYER one</i> membership status. See Section 3.5.4 for more information.</p> <p>Applicants under the Employee Priority Offer are guaranteed a minimum allocation of \$2,500 (or such lower value applied for, subject to the minimum Application size of \$2,000 and in \$500 increments thereafter).</p> <p>Eligible Employees under the Employee Gift Offer are guaranteed a minimum allocation of \$725.</p> <p>Any guaranteed minimum allocation for Applicants under the Broker Firm Offer is as directed by the Applicant's Broker.</p> <p>Applicants under the Noteholder Exchange Offer are guaranteed to receive the value of Shares equivalent to the Myer Notes Exchanged. However, there is no guaranteed minimum allocation for Applications for additional Shares under the Noteholder Exchange Offer.</p> <p>NB Swanston, the Company and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for.</p>	<p>Section 3</p>
<p>How can I apply?</p>	<p>You may apply for Shares online at www.mypieceofmyer.com.au, or by paying for your application via BPAY® (no Application Form needed when paying in this manner), or by submitting a valid and properly completed Application Form accompanying this Prospectus:</p> <ul style="list-style-type: none"> – The blue Application Form is to be completed by Applicants under the <i>MYER one</i> Priority Offer only (alternatively these Applicants can apply via the Offer website at www.mypieceofmyer.com.au); – The green Application Form is to be completed by Applicants under the Employee Priority Offer only (alternatively these Applicants can apply via the Offer website at www.mypieceofmyer.com.au); and – The white Application Form is to be completed by Applicants under the Broker Firm Offer only. <p>Eligible Employees who are entitled to participate in the Employee Gift Offer are not required to submit an Application Form and will be sent a personalised letter of offer.</p> <p>Eligible Myer Noteholders should previously have received an Exchange Notice. A personalised red Exchange Application Form should accompany your Prospectus. Submission of a valid and properly completed Exchange Application Form will allow you to receive Shares in Exchange for your Myer Notes under the Noteholder Exchange Offer and, if you have elected to Exchange all of your Myer Notes, to apply for additional Shares at the Final Price.</p>	<p>Section 3</p>

2 Key questions

Topic	Summary	Where to find more information
Am I eligible to participate in the Offer?	<ul style="list-style-type: none"> – To be eligible to participate in the <i>MYER one</i> Priority Offer, you must be a <i>MYER one</i> member at 5.00pm Melbourne Time on 23 October 2009 (the <i>MYER one</i> Record Date); – To be eligible to participate in the Employee Priority Offer, you must be an employee of the Myer Group at 5.00pm Melbourne Time on 2 October 2009; – To be eligible to participate in the Employee Gift Offer, you must be a permanent full-time or permanent part-time employee of the Myer Group who does not already participate in the Myer Equity Incentive Plan (MEIP) (or is not eligible to participate in the MEIP) and who is employed at 5.00pm Melbourne Time on 2 October 2009 (and remains employed at 5 November 2009); – To determine your eligibility to participate in the Broker Firm Offer, please contact your Broker; and – All Myer Noteholders as at Noteholder Exchange Closing Date (20 October 2009) are eligible to participate in the Noteholder Exchange Offer. 	Section 3
What is the forecast FY2010 yield on the Shares?	<p>Subject to the Directors' forecasts being achieved and other relevant factors, the Directors expect to declare an interim dividend for the six months ending 23 January 2010 (expected to be paid in May 2010) and a final dividend for the six months ending 31 July 2010 (expected to be paid in November 2010).</p> <p>The FY2010 annualised dividend yield is forecast to be 4.3%–5.3% based on the Indicative Price Range of \$3.90–\$4.90. Dividends are expected to be fully franked.</p>	Section 1
When will dividends on the Shares be paid?	<p>Subject to available profits and the financial position of the Company, an interim dividend is expected to be payable annually in May, with a final dividend payable annually in November. No guarantee can be given about future dividends, or the level of franking or imputation of such dividends, as these matters will depend upon the future profits of the Company, its financial and taxation position and the Directors' views of the appropriate payout ratio at the time.</p>	Section 1

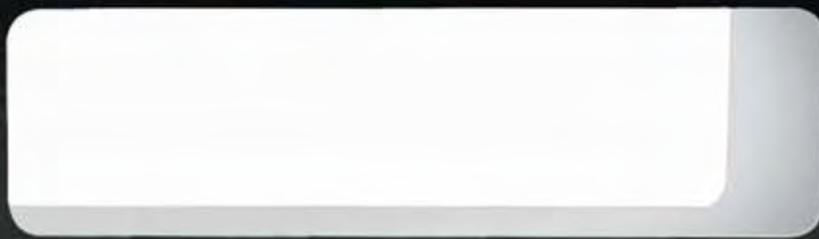
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Topic	Summary	Where to find more information
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 3
What are the tax implications of investing in the Shares?	Shareholders will be subject to Australian tax on dividends. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to investing.	Section 10
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched by standard post on or around 10 November 2009.	Section 3
Where can I find more information?	<ul style="list-style-type: none"> <li data-bbox="587 1008 1347 1064">– By speaking to your stockbroker, solicitor, accountant or other independent professional adviser; and/or <li data-bbox="587 1070 1347 1160">– By calling the Myer Share Offer Hotline on 1300 820 260 (within Australia) or +61 3 9415 4332 (outside Australia) or by visiting the Offer website at www.mypieceofmyer.com.au. 	Corporate directory

For personal use only



For personal use only



3

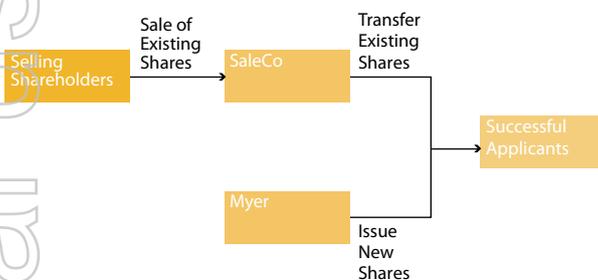
Details of the Offer

3 Details of the Offer

3.1 Description of the Offer

The Offer comprises the issue of New Shares by Myer and the transfer of Existing Shares by SaleCo. Please refer to Section 10.4 for a description of the role of SaleCo in the Offer process.

Offer structure



479.3 million–499.5 million Shares in aggregate are being offered under this Prospectus¹. Based on the Indicative Price Range for the Offer of \$3.90–\$4.90 per Share, the gross proceeds from the Offer will be in the range of \$1,937 million to \$2,337 million².

Except for the Exchange of Myer Notes, all Shares will be issued or transferred at the Final Price. The Final Price will be determined by NB Swanston, the Company and the Joint Lead Managers, after the close of the Institutional Offer as described in Section 3.7. The Final Price may be set within, above or below the Indicative Price Range, which is \$3.90–\$4.90 per Share. For additional information on the determination of the Final Price, please refer to Section 3.7.3.

The price paid by Exchanging Myer Noteholders under the Noteholder Exchange Offer is 97.5% of the Final Price for an amount equal to the principal outstanding on the Exchanged Myer Notes (please refer to Sections 3.6 and 10.5). Eligible Myer Noteholders also have the ability to apply for additional Shares in the Offer provided that they elect to Exchange all of their Myer Notes. To the extent that Exchanging Myer Noteholders

apply for Shares in addition to the value of their Myer Notes, they will pay the Final Price for those additional Shares.

All Shares being offered under this Prospectus will rank equally with each other and will rank equally with Existing Shares.

The total number of Shares on issue at Listing will be approximately 564.8 million–585.0 million³.

3.2 Purpose of the Offer and use of proceeds

The purpose of the Offer is to achieve Listing on ASX and provide Myer with additional financial flexibility to pursue growth opportunities, improve access to capital markets, provide a liquid market for Shares and provide an opportunity for employees and customers to invest in the Company.

The proceeds of the Offer will be applied to:

- Pay for the purchase of Existing Shares from SaleCo;
- Repay debt; and
- Pay costs of the Offer.

The proceeds received by SaleCo will be paid to those Selling Shareholders who sold Existing Shares to SaleCo. Proceeds received by Myer from the issue of New Shares will be used to repay debt and to pay costs of the Offer.

The proceeds of the Offer applied to debt repayment will fund:

- Redemption of the Myer Notes (to the extent they are not Exchanged). Myer Notes have an interest rate of 10.2% per annum and a maturity date of 15 March 2013; and
- Repayment of drawn amounts on the Existing Senior Finance Facility. The Existing Senior Finance Facility had an average effective interest rate of 6.7% in FY2009 and a maturity date of 2 June 2012.

1. Based on the Indicative Price Range. Includes the transfer of Existing Shares through SaleCo and the issue of New Shares including under the Employee Gift Offer. Assumes 90% sell-down by NB Swanston; 90% sell-down by M F Custodians; 8% aggregate sell-down by Directors, Reporting Managers and other current and former employees and certain key contractors of the Myer Group; and 75% of Myer Notes are Exchanged. The actual number of Shares available under the Offer may be below, within or above this range depending on sell-down levels by the Selling Shareholders, Myer Notes Exchange take-up and the Final Price.

2. Includes proceeds from the transfer of Existing Shares, Exchange of Myer Notes and the issue of New Shares. Does not include the Employee Gift Offer. \$422 million–\$434 million of this will be paid to Myer, with the balance to be paid to the Selling Shareholders through their arrangement with SaleCo.

3. Based on the Indicative Price Range. Includes the number of Shares being offered under this Prospectus plus Existing Shares retained by the Existing Shareholders.

Sources and uses of funds¹

Sources of funds	\$1,937m–\$2,337m
Sale of Existing Shares	\$1,514m–\$1,903m
Issue of New Shares	\$422m–\$434m
Uses of funds	\$1,937m–\$2,337m
Payment to Selling Shareholders	\$1,514m–\$1,903m
Repayment of debt by Myer	\$315m
Costs of the Offer	\$108m–\$119m

3.3 Structure of the Offer

The Offer comprises:

- The Retail Offer, consisting of:
 - The *MYER one* Priority Offer open to Eligible *MYER one* Members;
 - The Employee Priority Offer open to Eligible Employees;
 - The Employee Gift Offer open to Eligible Employees;
 - The Broker Firm Offer open to Australian and New Zealand resident Retail Investors who have received a firm allocation from their Broker;
- The Noteholder Exchange Offer to Eligible Myer Noteholders; and
- The Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and a number of other overseas jurisdictions.

The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by NB Swanston, the Company and the Joint Lead Managers at their discretion, having regard to the allocation policy described in Sections 3.5.4 and 3.7.4.

No general public offer will be made under the Offer.

1. Based on the Indicative Price Range. Includes the transfer of Existing Shares through SaleCo and the issue of New Shares. Assumes 90% sell-down by NB Swanston; 90% sell-down by M F Custodians; 8% aggregate sell-down by Directors, Reporting Managers and other current and former employees and certain key contractors of the Myer Group; and 75% of Myer Notes are Exchanged. The actual sources and uses of funds may be below, within or above the ranges shown depending on sell-down levels by the Selling Shareholders, Myer Notes Exchange take-up and the Final Price.

3 Details of the Offer

3.4 Shareholders

The ownership structure of Myer immediately prior to and at the completion of the Offer is shown in the table below:

	Pre-Offer			At completion of the Offer ¹	
	Shares	%	% of pre-Offer Shareholding sold down	Shares	%
NB Swanston ²	385.5m	81.4%	80.0%–100.0%	0.0m–77.1m	0.0%–13.5%
M F Custodians ³	41.8m	8.8%	80.0%–100.0%	0.0m–8.4m	0.0%–1.5%
Directors, Reporting Managers and other current and former employees and certain key contractors of the Myer Group	46.5m ⁴	9.8% ⁴	8.0%	44.3m ⁵	7.7%
New Shareholders pursuant to the Offer ⁶	–	0.0%	NA	442.7m–530.8m	77.3%–92.3%
Total	473.9m	100.0%	72.9%–91.0%	572.4m–575.1m	100.0%

Notes:

1. Based on the midpoint of the Indicative Price Range (\$4.40). Assumes 75% of Myer Notes are Exchanged. The actual number of Shares and percentage ownership of each of these parties may be below, within or above the ranges shown depending on the selldown levels by the Selling Shareholders, Myer Notes Exchange take-up and the Final Price.
2. NB Swanston is owned by entities associated with TPG and Blum Strategic Capital.
3. M F Custodians is a subsidiary of The Myer Family Company.
4. Includes Shares that may be acquired on the exercise of options that vest on or before Listing.
5. Assumes 1.5 million of New Shares issued under the Employee Gift Offer.
6. Includes Myer Noteholders who elect to Exchange their Myer Notes. Excludes 1.5 million of New Shares which are issued under the Employee Gift Offer.

NB Swanston (an entity owned by entities associated with TPG and Blum Strategic Capital) intends to sell down to a Shareholding, following completion of the Offer, of between 0 million–77.1 million Shares (or 0.0%–13.5% of the issued capital of Myer based on the midpoint of the Indicative Price Range). The level of selldown by NB Swanston will depend on the outcome of the bookbuild under the Institutional Offer and other factors. It has agreed to enter into an escrow agreement in respect of its Shareholding retained following the Offer, which will apply until after the release of the preliminary final results for FY2010.

M F Custodians (a subsidiary of The Myer Family Company) intends to sell down to a Shareholding of between 0 million–8.4 million Shares (or 0.0%–1.5% of the issued capital of Myer based on the midpoint of the Indicative Price Range). Its level of selldown will depend on the outcome of the bookbuild under the Institutional Offer and other factors. It has agreed to enter into an escrow agreement in respect of its Shareholding retained following the Offer, which will apply until after the release of the preliminary final results for FY2010.

Directors and the Reporting Managers have agreed, in respect of Shares retained by them following the Offer, to enter into escrow arrangements with the Company, which will apply until the Company has reported its audited financial results for FY2010.

There are certain exceptions to these escrow restrictions. Details of the key escrow arrangements are set out in Section 10.12.

3.5 The Retail Offer

3.5.1 Who can apply in the Retail Offer?

MYER one Priority Offer

All Eligible *MYER one* Members are eligible to participate in the *MYER one* priority offer. Eligible *MYER one* Members are all *MYER one* members with a valid *MYER one* membership number as at 5.00pm Melbourne Time on 23 October 2009 who are residents of Australia and New Zealand.

The minimum Application size for the *MYER one* Priority Offer is \$2,000 and in \$500 increments thereafter.

Employee Priority Offer

All Eligible Employees are eligible to participate in the Employee Priority Offer. Eligible Employees are all employees of the Myer Group who are employed at 5.00pm Melbourne Time on 2 October 2009. If you are an Eligible Employee, you should have received a personalised Application Form with this Prospectus. If you are an Eligible Employee but did not receive your personalised Application Form, please contact the Myer Share Offer Hotline on 1300 820 260 (within Australia) or +61 3 9415 4332 (outside Australia).

Eligible Employees will receive a guaranteed minimum allocation of \$2,500 worth of Shares at the Final Price (or such lower value applied for, subject to the minimum Application size of \$2,000 and in multiples of \$500 worth of Shares thereafter).

Please refer to Section 3.5.2 for further details of the Employee Priority Offer.

Employee Gift Offer

All Eligible Employees are entitled to participate in the Employee Gift Offer. Eligible Employees are permanent full-time and permanent part-time employees of the Myer Group who do not already participate in the MEIP (and are not eligible to participate in the MEIP) and are employed at 5.00pm Melbourne Time on 2 October 2009 (provided that they remain so employed at 5 November 2009).

Eligible Employees in Australia will be offered the opportunity to acquire, at no cost, the nearest number of whole Shares (rounded down) up to the value of \$725, free of income tax in accordance with current Australian tax legislation if their adjusted taxable income (as defined) does not exceed \$180,000 per annum.

A separate offer letter will be sent together with this Prospectus to Eligible Employees detailing the terms of the Employee Gift Offer.

Please refer to Sections 3.5.2 and 10.7.5 for further details of the Employee Gift Offer and the Employee Share Acquisition Plan generally.

Broker Firm Offer

The Broker Firm Offer is open only to Australian and New Zealand resident Retail Investors who have received a firm allocation from their Broker.

3.5.2 How to apply for Shares under the Retail Offer

MYER one Priority Offer

Applications under the *MYER one* Priority Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter. Eligible *MYER one* Members who have requested to receive a Prospectus through the pre-registration process or following Prospectus Lodgement should have received a personalised Application Form with the Prospectus. Eligible *MYER one* Members who did not pre-register should go to www.mypieceofmyer.com.au or contact the Myer Share Offer Hotline on 1300 820 260 (within Australia) or +61 3 9415 4332 (outside Australia) to request a Prospectus and a personalised Application Form. Eligible *MYER one* Members may only apply for Shares by applying online at www.mypieceofmyer.com.au, or by paying your Application Monies via BPAY (no Application Form needed when paying in this manner), or by completing and returning the personalised Application Form with accompanying payment to the Share Registry. There are instructions set out on the Application Form to help you complete it. Application Monies (either via post and accompanied by a valid and properly completed Application Form or via BPAY) must be received by the Share Registry by 5.00pm Melbourne Time on 23 October 2009.

Applications submitted via post should use the business reply paid envelope accompanying this Prospectus, or be mailed to:

My Piece of Myer
GPO Box 2237
Melbourne VIC 8060.

Employee Priority Offer

Applications under the Employee Priority Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter. Eligible Employees may only apply for Shares by applying online at www.mypieceofmyer.com.au, or by paying your Application Monies via BPAY (no Application Form needed when paying in this manner), or by completing and returning your personalised Application Form with accompanying payment to the Share Registry. There are instructions set out on the Application Form to help you complete it. Application Monies (either via post and accompanied by a valid and properly completed Application Form or via BPAY) must be received by the Share Registry by 5.00pm Melbourne Time on 23 October 2009.

3 Details of the Offer

Applications submitted via post should use the business reply paid envelope accompanying this Prospectus, or be mailed to:

My Piece of Myer
GPO Box 2237
Melbourne VIC 8060.

Employee Gift Offer

A separate offer letter will be sent together with this Prospectus to Eligible Employees detailing the terms of the Employee Gift Offer.

Please refer to Section 10.7.5 for further details of the Employee Gift Offer.

Broker Firm Offer

Broker Firm Offer Applicants must complete their Application Form in accordance with the instructions received from their Broker.

Broker Firm Offer Applicants must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation.

3.5.3 Application Monies

Applicants under the *MYER one* Priority Offer and Employee Priority Offer can apply via BPAY by following the instructions on the Application Form. Alternatively, Applicants can submit their Applications online at www.mypieceofmyer.com.au or by posting their properly completed, personalised Application Form with the accompanying cheque(s) or bank draft(s).

Application Monies received under the Retail Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applicants. Applicants under the Retail Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be divided pro rata between Myer and the Selling Shareholders.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Amount by the Final Price. Where the Final Price does not divide evenly into the Application Amount, the number of Shares to be allocated will be rounded down to the nearest whole number of Shares. In this circumstance, surplus Application Monies resulting from unallocated fractions of Shares will become assets of Myer.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable:

- For *MYER one* Priority Offer Applicants – to 'My Piece of Myer Account';
- For Employee Priority Offer Applicants – to 'My Piece of Myer Account'; and
- For Broker Firm Offer Applicants – in accordance with the directions of the Broker from whom you received a firm allocation.

Cheque(s) and bank draft(s) should use the business reply paid envelope accompanying this Prospectus, or be mailed to:

My Piece of Myer
GPO Box 2237
Melbourne VIC 8060.

No payment is required for the Employee Gift Offer.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

Closing date of the Retail Offer

Applications and Application Monies must be received by the Share Registry by no later than 5.00pm Melbourne Time on 23 October 2009, unless NB Swanston, the Company and the Joint Lead Managers elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

Note that Applicants paying via BPAY should be aware that their own financial institution may implement earlier cut-off times with regards to electronic payment than the time at which the Retail Offer closes, and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds submitted through BPAY are received by the relevant due date.

What to do if you have queries or want extra copies of the Prospectus

Applicants with queries on how to complete the Application Form or who require additional copies of the Prospectus can contact the Myer Share Offer Hotline on 1300 820 260 (within Australia) or +61 3 9415 4332 (outside Australia) or contact the Joint Lead Managers (see the corporate directory for contact details). The Prospectus may be downloaded from the Offer website at www.mypieceofmyer.com.au.

3.5.4 Allocation policy under the Retail Offer

If the value of Applications in the Retail Offer is greater than the value of Shares available in the Retail Offer, Applications will be scaled back. NB Swanston, the Company and the Joint Lead Managers have absolute discretion regarding the allocation of Shares to Applicants in the Retail Offer and may reject any Application, or allocate fewer Shares than applied for, in their absolute discretion, except as set out below.

Firm stock which has been allocated to Brokers for allocation to their Australian and New Zealand resident Retail Investors will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of NB Swanston, the Company and the Joint Lead Managers to treat Applications which are for more than \$250,000 worth of Shares, or which are from persons whom they believe may be Institutional Investors, as Final Price bids in the Institutional Offer, or to reject them). It will be a matter for the Brokers how they allocate firm stock among their retail clients, and they (and not NB Swanston, the Company and the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

Eligible Gold and Silver *MYER one* Members as at the *MYER one* Record Date who correctly submit their Applications under the *MYER one* Priority Offer will receive a guaranteed minimum allocation of Shares at the Final Price (or such lower value applied for, subject to the minimum Application size of \$2,000 worth of Shares). The minimum Allocation guarantee for Silver *MYER one* members is subject to an overall cap of \$200 million. In the event that the total value of Applications from Silver members exceeds \$200 million, the guaranteed minimum will be scaled back at the discretion of NB Swanston, the Company and the Joint Lead Managers.

Guaranteed minimum allocations for each type of *MYER one* member are outlined as follows:

<i>MYER one</i> membership category	Value of guaranteed minimum allocation (\$)
Gold	\$25,000
Silver	\$5,000
Standard	None

3.5.5 Acceptance of Applications

An Application in the Retail Offer is an offer by the Applicant to the Company and SaleCo to subscribe for or purchase (as the case may be) Shares, for all or any of the Application Amount specified in and accompanying the Application Form, at the Final Price on the terms and conditions set out in this Prospectus including any supplementary or replacement Prospectus and the Application Form (including the conditions regarding quotation on ASX in Section 3.10). To the extent permitted by law, the Offer by an Applicant is irrevocable.

An Application may be accepted by NB Swanston, the Company and the Joint Lead Managers, in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

3.5.6 Announcement of the Final Price and final allocation policy in the Retail Offer

The Final Price and the final allocation policy in the Retail Offer will be advertised in *The Australian*, and other Australian newspapers selected by the Company, shortly after the close of the Institutional Offer. The publication of the announcement is expected to occur on 30 October 2009.

From the date the Final Price has been published, Applicants under the Retail Offer will be able to call the Myer Share Offer Hotline on 1300 820 260 (within Australia) or +61 3 9415 4332 (outside Australia) to find out details of their allocations. Applicants under the Broker Firm Offer will also be able to confirm their firm allocation through the Broker from whom they received their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Myer Share Offer Hotline or confirmed your firm allocation through a Broker.

3 Details of the Offer

3.6 Noteholder Exchange Offer

3.6.1 Myer Noteholder Exchange

Eligible Myer Noteholders have the right to Exchange their Myer Notes for Shares under the Noteholder Exchange Offer. Eligible Myer Noteholders are those holders of Myer Notes at the Noteholder Exchange Closing Date who continue to hold Myer Notes on the date they are Exchanged and who are residents of Australia or New Zealand, or are Institutional Investors in Hong Kong, Singapore, United Kingdom, China, France, Dubai, Germany, Ireland, Japan, Netherlands, Norway, Switzerland or the United Arab Emirates and who are not US Persons or persons who hold Myer Notes for the account or benefit of US Persons. In addition, holders of Myer Notes who are Institutional Investors in certain specified jurisdictions are Eligible Myer Noteholders (see Section 10.5.1).

If an Eligible Myer Noteholder validly completes and lodges the Exchange Application Form by the Noteholder Exchange Closing Date, that Eligible Myer Noteholder will receive a guaranteed allocation of Shares under the Offer as outlined below.

Under the Noteholder Exchange Offer, each Exchanging Myer Noteholder will be issued a number of Shares equal to the principal outstanding (\$100 per Myer Note) on the Exchanged Myer Notes divided by 97.5% of the Final Price. If you are an Eligible Myer Noteholder as at 28 September 2009, you should have already received an Exchange Notice and you should receive a personalised Exchange Application Form with this Prospectus. Please call the Myer Share Offer Hotline on 1300 820 260 (within Australia) or +61 3 9415 4332 (outside Australia) if you purchase your Myer Notes after 28 September 2009, have not already received an Exchange Notice or do not receive a personalised Exchange Application Form with this Prospectus.

Your Exchange Application Form (a personalised copy of which is attached to this Prospectus) must be received by the Share Registry by the Noteholder Exchange Closing Date, being 5.00pm Melbourne Time on 20 October 2009. You must continue to hold the Myer Notes you have sought to Exchange on the date the Myer Notes Register is closed, which is expected to be 20 October 2009.

Interest that has accrued on Myer Notes up to the date on which Shares are issued or transferred as a result of Exchange will be paid to Exchanging Myer Noteholders on or about the date Exchange occurs (currently expected to be 6 November 2009).

3.6.2 Applications for additional Shares by Exchanging Myer Noteholders

To the extent that Exchanging Myer Noteholders apply for Shares in addition to the value of their Exchanged Myer Notes, they will need to provide Application Monies with their Exchange Notice and a valid Exchange Application Form. If you apply for additional Shares, the minimum Application size is \$2,000. To apply for additional Shares, you should forward your Application Monies along with your Exchange Application Form to the Share Registry or pay your Applications Monies via BPAY in accordance with the instructions on the Exchange Application Form by the Noteholder Exchange Closing Date, being 5.00pm Melbourne Time on 20 October 2009. Exchanging Myer Noteholders will pay the Final Price for any additional Shares. Only Eligible Myer Noteholders who Exchange all of their Myer Notes are entitled to apply for additional Shares. Eligible Myer Noteholders who apply for additional Shares (including via BPAY) will be deemed to have elected to Exchange all of their Myer Notes.

The aggregate value of Applications for additional Shares by Myer Noteholders will be placed as a Final Price bid in the bookbuild under the Institutional Offer (refer to Section 3.7.2). The number of additional Shares allocated to Exchanging Myer Noteholders in total will be determined according to the allocation policy under the Institutional Offer (refer to Section 3.7.4). The allocation of any additional Shares among Exchanging Myer Noteholders who have applied for additional Shares will be determined by NB Swanston, the Company and the Joint Lead Managers with reference to the number of Myer Notes each Myer Noteholder holds, the size of each Myer Noteholder's Application for additional Shares and any other factors that NB Swanston, the Company and the Joint Lead Managers consider appropriate, in their sole discretion.

3.6.3 Application Monies

Exchanging Myer Noteholders who apply for additional Shares can apply via BPAY by following the instructions on the Exchange Application Form. Application Monies received for additional Shares from Exchanging Myer Noteholders will be held in a special purpose account until Shares are issued or transferred to Exchanging Myer Noteholders. Applicants under the Noteholder Exchange Offer whose Applications for additional Shares are not accepted, or who are allocated a lesser dollar amount of additional Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be divided pro rata between Myer and the Selling Shareholders.

Exchanging Myer Noteholders whose Applications for additional Shares are accepted in full will receive the whole number of Shares calculated by dividing the Application Amount by the Final Price. Where the Final Price does not divide evenly into the Application Amount, the number of additional Shares to be allocated will be rounded down to the nearest whole number of Shares. In this circumstance, surplus Application Monies resulting from unallocated fractions of Shares will become assets of Myer.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable to 'My Piece of Myer Account'. Cheque(s) and bank draft(s) should use the business reply paid envelope accompanying this Prospectus, or be mailed to:

My Piece of Myer
GPO Box 2237
Melbourne VIC 8060.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Exchange Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Exchange Application Form) or your Application for additional Shares may be rejected.

By making any payment for additional Shares you will be deemed to have elected to Exchange all of your Myer Notes.

3.6.4 Redemption of Notes not Exchanged by Myer Noteholders

The Myer Notes Issuer intends to Redeem any remaining Myer Notes, subject to the Offer proceeding, shortly after completion of the Offer. On Redemption, Myer Noteholders will receive 102.5% of the principal outstanding on the Myer Notes (i.e. \$102.50 for each Myer Note plus any accrued interest to the date of Redemption).

Please refer to Section 10.5 for further details of the Noteholder Exchange Offer.

3.7 The Institutional Offer

3.7.1 Invitations to bid

The Company, SaleCo and the Joint Lead Managers are inviting certain Institutional Investors to bid for Shares in the Institutional Offer.

The Institutional Offer is structured in three parts:

- An invitation to Australian and New Zealand resident Institutional Investors to bid for Shares – made under this Prospectus;
- An invitation to Australian and New Zealand Brokers who elect to bid for Shares at the Final Price under the Institutional Offer on behalf of Australian and New Zealand resident Retail Investors – made under this Prospectus; and
- An invitation to Institutional Investors resident in certain jurisdictions outside Australia and New Zealand – made under the Institutional Offering Memorandum.

The Joint Lead Managers (or their related bodies corporate or affiliates), any sub-underwriters and Co-Lead Managers may bid into the bookbuild.

3.7.2 The bookbuild process and Indicative Price Range

The Institutional Offer will be conducted using a bookbuild process managed by the Joint Lead Managers. Full details of how to participate, including bidding instructions, will be provided to eligible Institutional Investors by the Joint Lead Managers in due course.

Institutional Investors can only bid into the book for Shares through the Joint Lead Managers or the Co-Lead Managers. They may bid for Shares at specific price(s) or at the Final Price. Institutional Investors may bid above, within or below the Indicative Price Range, which is \$3.90 to \$4.90 per Share. The Indicative Price Range may be varied at any time by NB Swanston, the Company and the Joint Lead Managers.

The minimum bid size is 50,000 Shares, and thereafter in multiples of 10,000 Shares. However, NB Swanston, the Company and the Joint Lead Managers reserve the right to accept smaller bids (including any Applications in the Retail Offer which they elect to treat as Final Price bids in the Institutional Offer as described in Section 3.5.4). Bids must be received between 9.00am Melbourne Time on 28 October 2009 and 12 noon Melbourne Time on 29 October 2009, unless these times and dates are varied by NB Swanston, the Company and the Joint Lead Managers.

3 Details of the Offer

Bids may be submitted, amended or withdrawn by eligible Institutional Investors until 12 noon Melbourne Time on 29 October 2009. Any bid not withdrawn by this time (or such other time as varied by NB Swanston, the Company and the Joint Lead Managers) will be deemed to be an irrevocable offer by the relevant bidder to purchase the Shares bid for (or such lesser number as may be allocated) at or below the price bid per Share, on the terms and conditions in any bidding instructions provided by the Joint Lead Managers to participants and the conditions regarding quotation on ASX referred to in Section 3.10. Bids can be accepted or rejected by NB Swanston, the Company and the Joint Lead Managers in whole or in part, in their absolute discretion, without further notice to the bidder. Acceptance of a bid will give rise to a binding contract.

All successful bidders will pay the Final Price for each Share allocated to them.

3.7.3 Determination of Final Price

The bookbuild process will be used to determine the Final Price.

The Final Price will be determined by NB Swanston, the Company and the Joint Lead Managers. It is expected that the Final Price will be determined and announced by 30 October 2009.

In determining the Final Price, consideration will be given to the following factors:

- The level of demand for Shares in the Institutional Offer at various prices;
- The level of demand for Shares in the Retail Offer;
- The objective of maximising the proceeds of the Offer; and
- The desire for an orderly secondary market in the Shares.

The Final Price will not necessarily be the highest price at which Shares could be issued or transferred under the Offer and may be set above, within or below the Indicative Price Range. Accordingly, Successful Applicants under the Retail Offer and the Institutional Offer may pay a Final Price which is above, within or below the Indicative Price Range.

3.7.4 Allocation policy under the Institutional Offer

The allocation of Shares among bidders in the Institutional Offer will be determined by NB Swanston, the Company and the Joint Lead Managers. They have absolute discretion regarding the basis of allocation of Shares, and there is no assurance that any bidder will be allocated any Shares, or the number of Shares for which it has bid. The initial determinant of the allocation of Shares in the Institutional Offer will be the Final Price. Bids lodged at prices below the Final Price will not receive an allocation of Shares.

The allocation policy will be influenced by the following factors:

- The price and number of Shares bid for by particular bidders;
- The timeliness of the bid by particular bidders;
- The Company's desire for an informed and active trading market in Shares following Listing;
- The Company's desire to establish a wide spread of institutional Shareholders;
- The size and type of funds under the management of particular bidders;
- The likelihood that particular bidders will be long term Shareholders; and
- Any other factors that NB Swanston, the Company and the Joint Lead Managers consider appropriate, in their sole discretion.

3.8 Offer Management Agreement

The Offer is not underwritten. The Offerors and the Joint Lead Managers have entered into an Offer Management Agreement in respect of the management of the Offer.

Once the Final Price has been determined, the Joint Lead Managers or their affiliates will be obliged to provide settlement support in respect of successful bids in the Institutional Offer under the Offer Management Agreement. The Offer Management Agreement sets out a number of circumstances under which the Joint Lead Managers may terminate the agreement and their settlement support obligations. A summary of certain terms of the agreement and associated settlement support arrangements, including the termination provisions, is set out in Section 10.8.1.

3.9 ASX listing

Application for admission of the Company to the official list of ASX and quotation of the Shares on ASX will be made to ASX no later than seven days after the Prospectus Date.

If the Company does not make such an application within seven days after the Prospectus Date, or the Company is not admitted to the official list of ASX within three months after the Prospectus Date (or any longer period permitted by law), the Offer will be cancelled and all Application Monies will be refunded (without interest).

ASX takes no responsibility for this Prospectus or the investment to which it relates. Admission to the official list of ASX and quotation of the Shares on ASX are not to be taken as an endorsement by ASX of the Company.

3.10 Conditional and deferred Settlement trading

It is expected that the Shares will be quoted on ASX on or about 2 November 2009 initially on a conditional and deferred Settlement basis.

The contracts formed on acceptance of Applications and bids in the Institutional Offer will be conditional on ASX agreeing to quote the Shares on ASX, and on settlement occurring under the Offer Management Agreement (Settlement). Trades occurring on ASX before Settlement will be conditional on Settlement occurring.

Conditional trading will continue until the Company has advised ASX that Settlement has occurred, which is expected to be on or about 5 November 2009. Trading will then be on an unconditional but deferred delivery basis until the Company has advised ASX that holding statements have been despatched to Shareholders. Normal Settlement trading is expected to commence on or about 11 November 2009.

If Settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of Applications under the Retail Offer and Noteholder Exchange Offer and bids under the Institutional Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

3.11 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 10.14.5 for details of various fees payable by the Company to the Joint Lead Managers and by the Joint Lead Managers to certain Brokers.

3.12 Stamping fees

Brokers may claim a handling fee of 1.00% (inclusive of GST) on successful Applications under the *MYER one* Priority Offer. Where the Applicant is allotted Shares, a Broker may make a claim with the handling fee payable by the Joint Lead Managers. There is a cap on such handling fees of \$2,500 (inclusive of GST) per Application (or multiple Applications believed to be from the same person). No handling fees will be payable on Applications under the Broker Firm Offer, Employee Priority Offer, Employee Gift Offer or Noteholder Exchange Offer.

Details of the claims process are to be separately communicated by the Share Registry.

3 Details of the Offer

3.13 Discretion regarding the Offer

NB Swanston, the Company and the Joint Lead Managers reserve the right not to proceed with the Offer or any part of it at any time before the allocation of Shares to Applicants in the Retail Offer and the Noteholder Exchange Offer and to bidders in the Institutional Offer. If the Offer or any part of it is cancelled, all Application Monies, or the relevant Application Monies, will be refunded (without interest).

NB Swanston, the Company and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid (other than Applications from Eligible Myer Noteholders pursuant to Exchange of their Myer Notes), or allocate to any Applicant or bidder fewer Shares than applied or bid for (other than Shares issued to Eligible Myer Noteholders pursuant to Exchange of their Myer Notes).

Following Settlement, Shareholders will be sent a holding statement that sets out the number of Shares that they have been allocated. This statement will also provide details of a Shareholder's Holder Identification Number for CHES holders or, where applicable, the Securityholder Reference Number of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

3.15 Enquiries

If you require assistance to complete the Application Form, you should contact the Myer Share Offer Hotline on 1300 820 260 (within Australia) or +61 3 9415 4332 (outside Australia) from 9.00am until 5.00pm Melbourne Time Monday to Friday.

If you are unclear in relation to any matter or are uncertain as to whether Myer is a suitable investment for you, you should seek professional advice from your stockbroker, solicitor, accountant or other independent professional adviser.

3.14 CHES and issuer sponsored holdings

The Company will apply to participate in ASX's Clearing House Electronic Subregister System (CHES), in accordance with the Listing Rules and the ASTC Settlement Rules.

CHES is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become Approved Financial Products (as defined in the ASTC Settlement Rules), holdings will be registered in one of two subregisters, an electronic CHES subregister or an issuer sponsored subregister. Successful Applicants in the *MYER one* Priority Offer and the Employee Priority Offer will have their Shares issued on the issuer sponsored subregister of Myer and will receive an issuer sponsored holding statement following allocation of the Shares. Post allocation, Shareholders will be able to instruct their sponsoring participant to convert or transfer their Shares into an existing CHES holding. For all other Successful Applicants, the Shares of a Shareholder who is a participant in CHES or a Shareholder sponsored by a participant in CHES will be registered on the CHES subregister. All other Shares will be registered on the issuer sponsored subregister.

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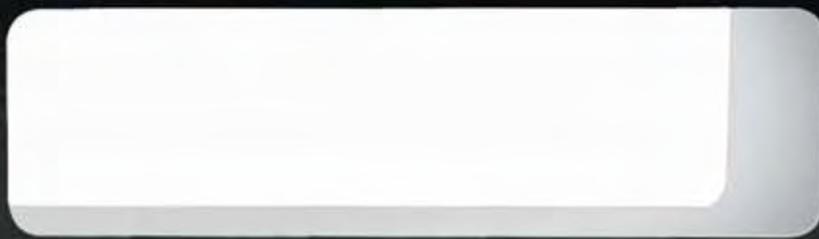
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MYER

METALICUS

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4

Industry overview

4 Industry overview

4.1 Overview

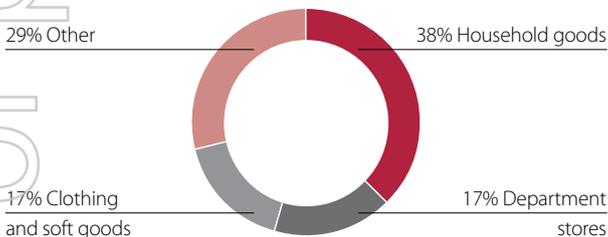
4.1.1 Australian non-food retail industry

As a department store chain, Myer offers a broad range of product categories and operates across major segments of the Australian non-food retail industry.

According to the Australian Bureau of Statistics (Retail Trade Australia, July 2009), the Australian non-food retail industry generated total sales of approximately \$112 billion for the 12 months ended 31 July 2009 and comprises four segments:

- Household goods (\$42.3 billion sales): includes furniture, floor coverings, housewares, textile goods, electrical and electronic goods, hardware, building and garden supplies;
- Clothing and soft goods (\$19.0 billion sales): includes clothing, footwear and other personal accessories;
- Department stores (\$18.7 billion sales): includes stores where a significant proportion of revenue is attributable to clothing, textile goods, furniture, kitchenware, china, glassware and housewares, electrical, electronic and gas appliances, perfumes, cosmetics and toiletries; and
- Other (\$32.1 billion sales): includes newspapers, books, other recreational goods (e.g. sporting equipment, camping equipment, toys and games and entertainment media), pharmaceuticals, cosmetics, toiletries and other goods (e.g. stationery, garden supplies, antiques and non-store retailing).

Australian non-food retail industry composition by segment (12 months ended July 2009)



Source: Australian Bureau of Statistics (Retail Trade Australia, July 2009).

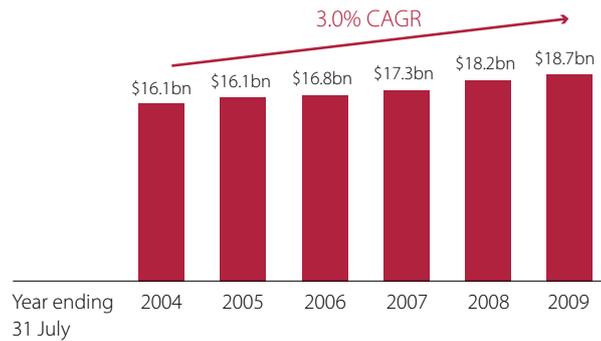
Note: Percentages may not sum to 100% due to rounding.

The Australian non-food retail industry comprises a wide range of retail formats including department stores, discount department stores, specialty chains, discount store chains and single store operations as well as alternate channels such as internet retailers and direct retailers.

4.1.2 Department store segment

As a multi-category retailer, Myer operates within the department store segment. Over the last five years, the segment has grown at a compound annual growth rate (CAGR) of 3.0%.

Department store segment historical turnover (July 2004–July 2009)



Source: Australian Bureau of Statistics (Retail Trade Australia, July 2009). Data shown is in nominal terms.

The department store segment is generally considered to be further divided into two broad categories: department stores and discount department stores. Differentiation between these two categories is partly driven by their focus on different target customer groups and, consequently, the nature of their product offering. Department stores generally focus on medium to higher income earners, whereas discount department stores generally target lower to medium income earners. In Australia, there are two main department store operators: Myer and David Jones. David Jones is the second largest and only other national department store operator, with 36 stores as at July 2009. David Jones competes in similar categories to Myer but generally has a narrower product range targeting a higher income demographic.

4.2 Basis of competition

As a multi-category retailer, Myer competes with a broad range of retailers including:

- Other multi-category retailers including department stores such as David Jones and discount department stores such as Target, Kmart and BIG W;
- Other womenswear retailers such as Portmans and Witchery;
- Other menswear retailers such as Roger David, Fletcher Jones and GAZ MAN;
- Other youth fashion retailers such as Just Jeans, SUPRÉ and Jay Jays;
- Other childrenswear retailers such as Seed and Pumpkin Patch;
- Other intimate apparel retailers such as Bras N Things;
- Other beauty, fragrance and cosmetics retailers such as Priceline and The Perfume Connection;
- Other homewares retailers such as Freedom and IKEA;
- Other electrical goods retailers such as JB Hi-Fi, Clive Peeters and Harvey Norman;
- Other toys retailers such as Toys'R'Us; and
- Other fashion accessories retailers such as diva and Strandbags.

Competition tends to be based on the following key factors:

- **Store location:** Competition tends to be region based rather than state-wide or nation-wide, with customers preferring to shop at stores which are conveniently located relative to their homes or places of work. Retail space in major shopping centres and malls tends to be in very high demand and large vacancies in popular locations are rare;
- **Price:** Within a given region, price is a factor. The relative importance of price to the customer is dependent on demographics as well as product;
- **Product range:** Many customers prefer to shop at places with a broad category offering ('one-stop-shop') and extensive product and brand range within a given category. Product range gives department stores a comparative advantage against specialty retailers;
- **Brand recognition:** A well recognised and trusted brand is a key competitive advantage, and the major department stores invest significantly in advertising and marketing. Brands are also differentiated by value added products and services such as customer reward schemes and in-house credit cards; and

- **Customer service:** Pleasant and efficient customer service, including strong product knowledge, is highly valued by customers, particularly in department stores which tend to target more affluent customers.

4.3 Consumer demand drivers

The level of consumer demand in the non-food retail industry and in the department store segment is driven by a range of factors including:

- Disposable income;
- Household wealth;
- Household debt; and
- Consumer sentiment.

These key consumer demand drivers are sensitive to the influence of general economic conditions including GDP growth, unemployment rates, wages growth, inflation and interest rate levels.

From 2004 to 2007, growth in department store sales was supported by growth in the level of household disposable income as a result of consistent macroeconomic growth, relatively low levels of unemployment, overall wage increases and taxation relief as well as by strong gains in house and share prices, generally increasing wealth levels and disposable incomes of households. However, the recent deterioration in global financial and macroeconomic conditions has resulted in rising unemployment and wealth destruction throughout most of 2008 and 2009. The negative influence of these events on consumer demand has been partially offset by the Federal Government's economic stimulus package as well as actions by the Reserve Bank of Australia to reduce official interest rates. Although retail sales fell in June and July 2009 as the effects of the stimulus began to wear off, positive news and data flow on domestic and global economic growth, employment, housing market strength, improving household consumption and a rising stock market over recent months have seen consumer confidence improve.

4 Industry overview

4.4 Outlook

4.4.1 General economic conditions

The Australian economy has begun to show signs of recovery with GDP growing more strongly than expected in June 2009 (0.6% quarter on quarter growth), after returning to positive growth in March 2009 (0.4% quarter on quarter growth)¹, supported by monetary and fiscal stimulus. News of the positive March 2009 quarter GDP result saw consumer sentiment confidence record its largest monthly gain in over 20 years². The resilience of the Australian labour market, including a stabilisation in job vacancies and small fall in overall employment numbers, provides further evidence of an emerging recovery in the economy¹.

Real GDP growth (quarter on quarter)



Source: Australian Bureau of Statistics (Australian National Accounts: National Income, Expenditure and Product, June 2009).

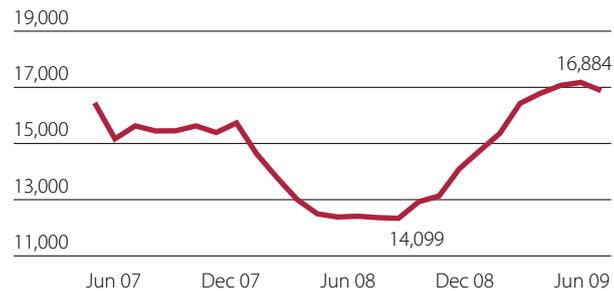
4.4.2 Consumer demand drivers

Recent improvements in consumer and business sentiment and evidence of improving housing construction and finance approvals indicate that consumer demand has begun to recover.

Housing finance approvals suggest that a housing recovery has commenced. Housing affordability has improved in the past 12 months and is now above its long term historical average. A recovery in the housing market alleviates consumer anxiety about wealth destruction and is typically a positive for household consumption expenditure and consumer demand.

The chart below tracks monthly house financing approvals since June 2007.

Housing financing approvals (\$m)



Source: Australian Bureau of Statistics (Housing Finance Australia, June 2009).

Household consumption expenditure growth has increased steadily since June 2008, driven by continued low interest rates, relatively stable unemployment rates and the Federal Government's economic stimulus package.

The chart below tracks quarterly household consumption expenditure growth since June 2007.

Household consumption expenditure growth (quarter on quarter)



Source: Australian Bureau of Statistics (Australian National Accounts: National Income, Expenditure and Product, June 2009).

Positive news and data flow on domestic and global economic growth, employment, housing market strength, improving household consumption and a rising stock market over recent months have seen consumer confidence improve. The Westpac – Melbourne Institute Survey of Consumer Sentiment shows a 34% increase in consumer sentiment since May 2009, the biggest four month gain since the survey began in 1975. The survey is up 51% from its July 2008 low and is currently at its highest level in two years. This strong improvement in consumer sentiment is a positive indicator for a recovery in consumer demand.

1. Source: Australian Bureau of Statistics (Australian National Accounts: National Income, Expenditure and Product, June 2009).

2. Source: Westpac – Melbourne Institute Survey of Consumer Sentiment, June 2009.

The chart below tracks the Westpac – Melbourne Institute's consumer sentiment index since June 2007.

Westpac – Melbourne Institute Survey of Consumer Sentiment



Source: Data assembled by Myer from monthly media reports released by Westpac – Melbourne Institute Survey of Consumer Sentiment, June 2007 to September 2009.

Consumer confidence is materially above the index's neutral sentiment level of 100, driven by evidence of improving economic conditions both domestically and internationally. Although retail sales fell in June and July 2009 as the effects of the stimulus began to wear off, the recent improvement in consumer confidence and other key indicators such as housing activity point to a potential return to positive real growth in retail spending, in particular non-food retailing (although there are conflicting views as to the rate of this growth). Any recovery will be further supported by the current low interest rate environment.

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5

Company overview

5 Company overview

5.1 Overview

Myer is Australia's largest department store retailer¹ and has been synonymous with style and fashion for over 100 years. With a valuable footprint of 65 stores in prime retail locations across Australia, generating Total Sales Value (including sales by concession operators) of over \$3.2 billion in FY2009, Myer is a leader in Australian retailing. Myer has a strong connection with its customers, with one of the most recognised and reputable retail brands in Australia². It is known for its welcoming, familiar, trusted, stylish and fun shopping environment, as well as its strong culture of philanthropy and local community engagement.

Myer caters for a large number of Australian households, offering more than 600,000 product lines, comprising approximately 2,400 brands sourced from over 800 suppliers globally. Myer's offering comprises 11 core product categories, being womenswear; menswear; youth fashion; childrenswear; intimate apparel; beauty, fragrance and cosmetics; homewares; electrical goods; toys; fashion accessories; and general merchandise. The broad appeal of Myer's offering is evidenced by its strong store patronage, with approximately 185 million visits in FY2009.

Recent transformation

Since the Company's separation from the Coles Group in 2006, over \$400 million has been invested in Myer to significantly transform the business. As a result of the turnaround initiatives undertaken to date, Myer's pre-existing competitive advantages have been expanded to include a world class supply chain, an improved retail execution capability and a performance based culture with a strong customer service focus. The following table illustrates the strong improvement in Myer's operating metrics since 2006.

Initiative	Previously ¹	Today ²
Supply chain costs	1.4% sales	0.7% sales
Distribution centres	8	4
Offsite merchandise warehouses	24	0
Store sortation points	227	464
Suppliers	1,053	893
Supplier 'floor ready' compliance	NA	66%
Creditor days	41 days	59 days
Inventory turns	3.4x	3.9x
% selling space in average store	66%	69% (80% for all new stores)
Out-of-stocks	9.7%	7.1%
PoS system	More than 21 years old	New system being rolled out (c. \$90m ³)
Merchandising system	44 separate systems	1 system (c. \$95m ⁴)

Notes:

1. Supply chain costs relate to FY2007. Distribution centres, offsite merchandise warehouses, store sortation points, supplier 'floor ready' compliance, creditor days, inventory turns, % selling space in average store, PoS system, and merchandising system data are as at the date of acquisition (2 June 2006). Number of suppliers relates to the period 2H FY2007. Out-of-stocks are an average over 2H FY2006.
2. Supply chain costs, creditor days and inventory turns data relate to FY2009. Distribution centres, offsite merchandise warehouses, supplier 'floor ready' compliance, % selling space in average store and merchandising system data are as at the Prospectus Date. Number of store sortation points is as at 31 August 2009. Number of suppliers relates to the period from July to September 2009. Out-of-stocks are an average over 2H FY2009.
3. Estimated project cost. Project expected to complete during 2010.
4. Not included in \$400 million total investment since June 2006 as most of the cost was funded by previous owners.

1. This statement applies within the department store categories of the Australian department store segment, which comprises both department stores and discount department stores. Please refer to Section 4.1.2 for more information.
2. Source: AMR Interactive and Reputation Institute Survey (2009).

5 Company overview

Myer's experienced and dedicated Management Team, led by CEO Bernie Brookes, has been responsible for this transformation over the last three years which has also resulted in a significant improvement in financial performance. Myer is now well positioned to enter the next chapter in its history as an increasingly profitable retailer with a strong, identifiable growth strategy. On a pro forma basis, the Directors forecast Total Sales Value and EBITDA of \$3.4 billion and \$330 million respectively for FY2010.

\$ millions	Adjusted historical			Pro forma forecast
	FY2007	FY2008	FY2009	FY2010
Weeks in year	52	52	52	52
Wholesale sales	3,002	2,940	2,843	2,937
Sales by concession operators	287	380	418	423
Total Sales Value ¹	3,289	3,320	3,261	3,360
Gross profit ²	1,283	1,312	1,278	1,331
EBITDA ³	215	275	301	330
EBIT	165	213	236	261
Net profit after tax				160
Key ratios				
EBIT margin (% Total Sales Value)	5.0%	6.4%	7.2%	7.8%
EBIT growth		29.0%	10.6%	10.7%
Reconciliation to statutory income statement				
Adjusted historical/pro forma forecast EBIT	165	213	236	261
Net adjustments ⁴	15	236	0	(81)
Statutory historical/statutory forecast EBIT	180	449	236	180

Notes:

- Total Sales Value represents all sales (both by Myer and concession operators) generated in Myer stores and excludes costs associated with the customer loyalty program. Concession income (net) is shown in the statutory financial statements as other operating revenue. In the above presentation, concession sales (gross) have been shown in order to illustrate the level of sales value at Myer stores and provide a basis of comparison with similar department stores. Of the concession sales included in Total Sales Value, the net concession income derived by Myer was \$64 million in FY2007, \$87 million in FY2008 and \$95 million in FY2009 and is expected to be \$96 million in the FY2010 pro forma forecast.
- Gross profit is calculated as the net concession income derived by Myer plus wholesale sales less the cost of wholesale sales. Adjusted gross profit also includes other income, which represents additional income from operating activities.
- EBITDA is calculated as gross profit less the cost of doing business. The cost of doing business does not reflect any salary costs associated with concession sales, as these costs are generally borne by the concession operators.
- See Sections 7.11.1, 7.11.2, 7.11.3 and 7.11.4 for a detailed explanation of the historical and forecast adjustments.

5 Company overview

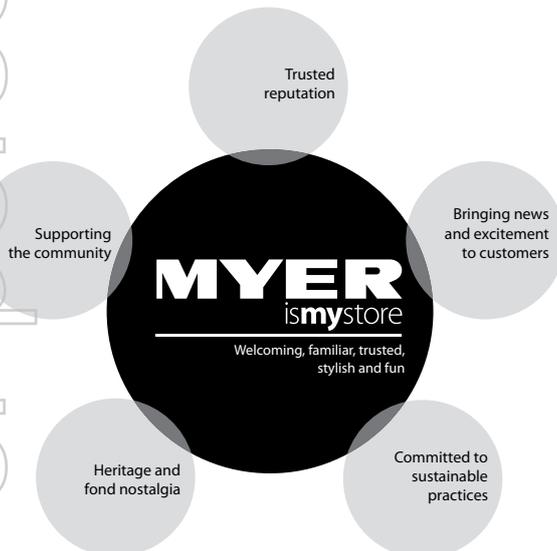
5.2 The Myer vision and brand identity

Iconic and highly reputable brand with over 100 years of retailing heritage provides a strong connection with customers

Myer's vision is to be an international class retail business providing inspiration to everyone. Myer has one of the most reputable brands in Australia and a strong connection with its customers who identify Myer as representing a welcoming, familiar, trusted, stylish and fun shopping environment. Myer's brand strength is further reinforced by its rich heritage of philanthropy and community engagement through a wide range of initiatives both in-store and in the local community.

The reputation and prominence of the Myer brand are considered fundamental to its ability to attract and retain customers which in turn drives sales.

Myer's identity



5 Company overview

5.3 Stores

National store network in prime locations is difficult to replicate and captured approximately 185 million visits in FY2009

5.3.1 Store footprint

Myer currently operates 65 stores in prime retail locations across Australia. The geographic distribution of the store portfolio is in line with Australia's geographic population distribution, with the majority of stores located in the more densely populated eastern seaboard states. This store footprint is difficult to replicate.

Geographic distribution of Myer's store portfolio



Source: Myer.

New South Wales is Myer's largest market and its 23 stores contribute a significant proportion of Myer's revenue. Victoria and Queensland are the second and third largest markets with 15 and 11 stores respectively. Myer's flagship Melbourne store is its largest store.

New South Wales

Albury
Bankstown
Blacktown
Bondi
Castle Hill
Charlestown
Chatswood
Dubbo
Eastgardens
Erina
Hornsby
Hurstville
Liverpool
Macquarie
Miranda
Orange
Parramatta
Penrith
Roselands
Sydney City
Wagga Wagga
Warringah
Wollongong

Victoria

Ballarat
Bendigo
Chadstone
Dandenong
Doncaster
Eastland
Forest Hill
Frankston
Geelong
Highpoint
Knox City
Melbourne City
Northland
Southland
Werribee

Queensland

Brisbane
Brookside
Cairns
Carindale
Chermside
Indooroopilly
Loganholme
Maroochydore
North Lakes
Pacific Fair
Toowoomba

Western Australia

Carousel
Fremantle
Garden City
Karrinyup
Morley
Perth City

South Australia

Adelaide
Colonnades
Elizabeth
Marion
Tea Tree Plaza

ACT

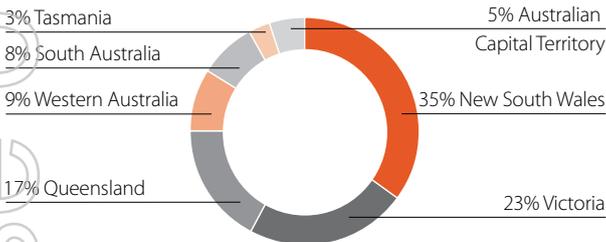
Belconnen
Canberra City
Tuggeranong

Tasmania

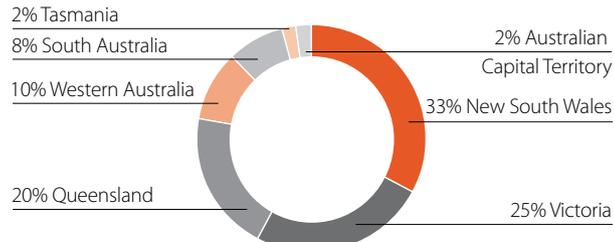
Hobart
Launceston

5 Company overview

Myer's store distribution across Australia



Australian population distribution



Note: Australian population sourced from the Australian Bureau of Statistics (ABS 3101.0, Australian Demographic Statistics, December 2008). The charts do not include the Northern Territory, which accounted for approximately 1% of the Australian population in December 2008 according to the cited Australian Bureau of Statistics survey.

Myer's stores are generally located in areas of high foot traffic, such as city CBDs, major metropolitan shopping centres and regional town centres where Myer is generally one of the most high profile retailers in the area. The stores vary in layout, from traditional centre-of-town stores with multiple floors, to newer out-of-town stores based on an open plan, two floor design. CBD stores are significantly larger, with selling space in excess of 20,000 square metres compared with metropolitan stores (generally 14,000 square metres) and regional stores (generally 9,000 square metres).

Myer's valuable store footprint includes prime tenancies in 25 of the top 30 largest shopping centres in Australia by turnover, including all of the top 10.

Australia's largest 30 shopping centres by turnover

1. Chadstone	16. Macquarie Centre
2. Bondi Junction	17. Garden City (Queensland)
3. Highpoint	18. Erina Fair
4. Chermside	19. Garden City Booragoon (Western Australia)
5. Southland	20. Penrith
6. Warringah Mall	21. Indooroopilly
7. Knox City	22. Macarthur Square
8. Marion	23. Eastland
9. Carindale	24. Carousel
10. Miranda	25. Chatswood
11. Fountain Gate	26. Eastgardens
12. Parramatta	27. Tea Tree Plaza
13. Castle Towers	28. Tuggerah
14. Pacific Fair	29. Hyperdome
15. Hornsby	30. Whitford City

Source: Pitney Bowes Business Insight Australia (2008).

Note: Grey shading denotes presence of a Myer store in that centre.

5 Company overview

Myer leases the vast majority of its stores with most landlords being large Australian real estate investment trusts and funds management companies including Westfield Group, CFS and AMP. Westfield Group is currently Myer's largest landlord and manages approximately 30% of Myer's leased stores. Myer stores are typically leased on a long term basis, with an average lease term of 23 years. Myer owns the freehold title for three of its stores, being Dubbo, Wagga Wagga and part of the Bendigo store, and intends to divest these as property demand recovers.

Myer's flagship Melbourne store is currently being rebuilt, and is scheduled for a phased re-opening during 2010. Post rebuild, Myer Melbourne will have 32,000 square metres of selling space with the option to lease a further 7,500 square metres of selling space. Rent for the flagship Melbourne store is linked to the consumer price index. There have been significant delays to the project related to the removal of hazardous materials and the obtaining of permits as well as issues relating to structural integrity and building access. Myer is working with the developer to rectify the issues giving rise to these delays, a number of which are now being effectively addressed. Myer believes that the handover dates planned through 2010 will be met. Please refer to Section 9.2.11 for a discussion of the risk to Myer of the handover dates not being met.

A new support office is also being constructed in Melbourne's Docklands to a five star green design rating, and Myer plans to relocate its support functions into these premises in early 2010.

To supplement Myer's existing footprint, the Company plans to open 15 new stores over the next five years. Conditional agreements for lease have been signed for 12 full-sized stores (selling space of approximately 10,000 square metres per store), which management targets to achieve returns equivalent to twice Myer's cost of capital by their second full year of operation. Leases for a further three new full-sized stores are currently under negotiation. Subject to identifying attractive sites and securing further leases, Myer's management believes that the business has longer term potential to expand beyond 100 stores.

Myer is targeting new stores in metropolitan 'infill', 'growth corridor' and regional city locations given their attractive growth and demographic profiles. Below is a summary of key metrics for Myer's planned new stores.

Average	Location type		
	Metropolitan infill	Growth corridor	Regional city
Number of stores	5	5	5
Population catchment ('000)	150–350	150–250	150–200
Expected population growth	Average	High	Average
Annual household income	c. \$65,000	c. \$60,500	c. \$55,500
Competing department store	Yes	Potentially	No
Cannibalisation	Yes	Potentially	No
SLA (m ²) ¹	c. 10,000	c. 10,000	c. 10,000
Trade area (% GLA) ¹	80%	80%	80%
Net capital expenditure ²	c. \$6m	c. \$6m	c. \$6m
Year 2 target sales ³	c. \$30m–\$40m	c. \$30m–\$35m	c. \$30m–\$35m

Notes:

1. SLA defined as selling leasable area and GLA defined as gross leasable area (includes all SLA, reserve space and back office space).
2. Net of landlord contribution. Net capital expenditure represents planning criteria rather than a forecast. The estimated capital expenditure required to construct a new store is assessed against these criteria. Capital expenditure estimates for new stores are built up using historical data as well as detailed cost estimates (including rates per square metre for floor coverings, fixture costs etc.).
3. Year 2 target sales represent planning criteria rather than forecasts. The potential sales for a given new store are assessed against these criteria. Sales estimates for new stores are built up using detailed demographic data, existing sales information and space allocation analysis.

5 Company overview

Below is a summary of the 12 new stores that Myer has signed conditional lease agreements.

Store	State	Anticipated year	GLA (sqm)	Landlord	Metro infill	Growth corridor	Regional city
Top Ryde ¹	NSW	FY2010	10,550	Beville	✓		
Robina ²	QLD	FY2011	12,000	QIC	✓		
Mackay	QLD	FY2011	10,000	Lend Lease			✓
Watergardens	VIC	FY2011	12,000	QIC		✓	
Townsville	QLD	FY2012	12,000	Stockland			✓
Shell Harbour	NSW	FY2012	12,000	Stockland			✓
Mt. Gravatt	QLD	FY2013	12,500	Westfield	✓		
Greenhills	NSW	FY2013	12,000	Stockland			✓
Plenty Valley	VIC	FY2013	12,000	Westfield		✓	
Coomera	QLD	FY2013	12,000	Westfield		✓	
Woden	ACT	FY2013	12,500	Westfield	✓		
Tuggerah	NSW	FY2013	12,000	Westfield			✓

Notes:

1. Planned to open July 2010.
2. Planned to open October 2010.

The agreements for lease require Myer to enter into an agreed form of lease if certain conditions are met. There may be a delay or inability to satisfy these conditions which may affect the planned opening date or ability of Myer to enter into the lease. Myer may review its property strategy and this table is subject to change.

5.3.2 Store operations

Store operations cover a range of functions including the following:

- **Product merchandising:** Merchandise is displayed in clearly marked sections and supported by photographic and point-of-sale displays. Products are generally grouped by brand to increase customer brand recognition and reflect how customers shop. For example, Myer has identified that childrenswear sales have a high association with toy sales, and intends to structure new stores such that the two departments are adjacent;
- **Store refurbishment:** Myer continues to rejuvenate its stores to enhance the shopping environment for customers. Myer has an ongoing refurbishment program, with six stores refurbished over the last three years including the completion of the Sydney flagship store. Myer also launched Project VM Revitalisation (internally referred to as Project Batman) in March 2009, with the aim of improving the visual appeal of its stores by focusing on store decor and lighting, product positioning and adjacency, brand emphasis and bringing excitement to its in-store layout and presentation. This is expected to be completed at all stores but one by Christmas 2009;
- **Space allocation:** Decisions on space allocation and the product range are increasingly being made on a store-by-store basis, as part of Myer's strategy to decentralise decision making and increase management accountability at the store level. Store managers are incentivised to generate strong performance at their stores and there is consultation between management and staff to continuously identify selling opportunities and efficiency improvements;
- **New store concepts:** Myer is expanding its in-store offering to provide new services to customers at selected stores, increasing foot traffic and maximising length-of-stay. These include health services such as WeightWatchers Clinics and Wellness Centres, Laubman & Pank optical stores and Breast Cancer Institute Sunflower Clinics as well as cafes, bars and restaurants;
- **Improved store management:** All store managers are measured against 10 defined store imperatives, and benchmarked against the performance of other stores. This promotes a consistent standard and financial performance across stores; and
- **Labour management:** Labour productivity has increased substantially since 2006. More flexible and targeted rostering has better aligned staff hours with customer shopping patterns to improve customer service and grow sales, with labour productivity improving over 50% on average for stores in which the rostering changes have been implemented. Approximately 750 roles have been reallocated from back-of-store to customer service positions as a result of efficiency improvements in the supply chain. Additional initiatives relating to buying, back office and supply chain are expected to drive further labour force efficiencies.

5 Company overview

In addition to in-store formats, Myer also operates an online sales channel. Myer is currently expanding its online store offering to drive increased sales. This online offering is being expanded to cover a broader range of gift-giving occasions, commencing with Myer's full range of gift hampers for Christmas 2009. Myer's online offering is expected to complement Myer's retail stores as an additional sales channel that is more convenient for the customer.

5.4 Supply chain and information technology

World class supply chain and enhanced IT systems drive productivity and speed to market improvements with capacity to support over 100 stores

Over the past three years, Myer has undergone a supply chain transformation and IT systems have been and continue to be enhanced. This process has involved the consolidation of distribution centres and warehouses, the establishment of an integrated procurement and distribution network, and the upgrade of IT systems covering merchandising, supply chain and support office functions. Myer's supply chain now has world class operating metrics and, combined with Myer's enhanced IT platform, is delivering a number of benefits across the business including improved safety and claims management, better customer service, lower product lead times, greater flexibility in stock allocation and substantially lower costs.

5.4.1 Supply chain

Myer's Australian supply chain is supported by four leased regional distribution centres located in Queensland, New South Wales, Victoria and Western Australia. The New South Wales facility is less than three years old, and the other three sites have been fully refitted since 2006. In aggregate, these facilities represent over 90,000 square metres of space with capacity for 33,250 stock pallets and are capable of supporting over 100 stores. The design, location and scalability of Myer's current Australian distribution centre network support ongoing sales growth and increased international sourcing of products.

At present, approximately 80% of all products entering the distribution centres are automatically sorted and delivered directly to individual stores, with the remaining 20% retained in the distribution centres to be delivered at a later date. 'Smart allocation' is currently being introduced, whereby more of a product is initially retained at the distribution centres and then allocated to stores once it is clear which

stores are exhibiting strong sales performance on specific items. This initiative is designed for high fashion/on-trend products and longer lead time items such as European footwear and exclusive brand products, and is expected to substantially reduce out-of-stocks, markdowns and store-to-store transfer costs.

Myer has greatly improved the efficiency of its international supply chain through the introduction of four international hubs – three in China (Shanghai, Shenzhen and Hong Kong) and one in Singapore. This has reduced Myer's average transit lead time from 43 days to 24 days since FY2007 and has seen a reduction of 12% in international transportation costs over the same period despite higher transportation volumes.

A number of other supply chain initiatives have improved efficiencies at the store level, including the introduction of roll cages, 'floor ready' merchandising, source tagging of products, flexibility in reverse logistics and greater e-commerce capability.

5.4.2 Information technology

Myer's business critical IT systems include its supply chain systems, merchandise system, PoS system and financial and payroll systems. Significant investment in IT across all Myer stores and throughout its supply chain over the last three years is now starting to deliver significant efficiencies across the business.

Supply chain IT systems have been upgraded and Myer's new merchandising system MyMerch is now in place. MyMerch replaced 44 legacy IT systems and now enables orders to be driven by daily rather than weekly stock on hand and sales data. MyMerch provides full visibility of stock through one system and has synchronised the functions of ordering, supply chain tracking, stock measurement and sales rate management with benefits for improved stock allocation to stores, greater forecast accuracy and reduced markdowns.

Myer's new PoS system is expected to be rolled out to all stores during 2010, and is expected to generate productivity improvements. The new PoS system permits real-time promotional price adjustments which are expected to allow for more dynamic promotional offers and lead to reduced markdowns by better timing sales periods. Pricing will be centralised under the new PoS system, increasing accuracy and removing the impact of store-specific delays. This system is expected to improve customer service and staff member satisfaction and productivity through faster transaction times, reducing peak trading queues and lost sales.

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Myer originally anticipated completing the deployment of the new PoS system to stores in August 2008. However, there have been difficulties associated with the software development to accomplish a number of objectives for Myer. These difficulties have resulted in a number of delays to testing phases, and subsequently the overall timing of the project. Myer is working with the software provider with a view to rectifying these issues.

Myer is implementing a new CCTV system, which is expected to assist in reducing loss through theft and increase staff and customer security. A new labour management system is also being introduced to improve staff productivity by better matching labour hours with peak customer traffic times. The implementation of both these systems has been delayed, but Myer believes both systems will be operational during 2010.

Myer's financial system, SAP R/3 Enterprise Financials, was the first IT system Myer transitioned after commencing its separation from the Coles Group, and is one of the leading financial systems in Australia. Myer has also consolidated its payroll technology from two legacy systems and now runs, with its payroll provider Talent2, a fully integrated human resources information system.

Myer relies predominantly on IBM for its information technology outsourcing requirements.

5.5 Buying

Transformed retail execution capability significantly enhances the customer experience

Myer sources its merchandise from over 800 suppliers globally to provide customers with one of the broadest brand offerings by a single retailer in Australia. Myer has greatly improved the efficiency and flexibility of its buying practices over the last three years in the following ways:

- **Improved supplier collaboration and partnering:** Myer has reduced its supplier base by 15% over the last two years and is focused on continually improving supplier collaboration and partnering to increase its supply chain efficiency, speed to market, sourcing flexibility and its responsiveness to changing customer wants and preferences;
- **Implementation of the MyMerch merchandising platform:** MyMerch has contributed to substantially improved forecasting accuracy, enabling buyers to better respond to changing customer preferences and trends. It has also resulted in improved inventory management, reduced markdowns, shorter lead times, better contract terms and a reduced level of out-of-stocks;

- **Tighter inventory management:** Inventory management has been substantially improved since 2006 as a result of increased supply chain flexibility, better buying practices and more sophisticated IT systems leading to a fall in inventory weeks and a reduction in Myer's aged stock; and
- **Development of valuable global sourcing channels:** Myer has successfully expanded its portfolio of exclusive brands through a range of direct sourcing channels. Asian buying is now primarily facilitated by Li & Fung, the world's largest soft goods trading house, and four overseas merchandising hubs located in China (three) and Singapore (one). Expanding Myer's exclusive brands will continue to be a key focus going forward, with emphasis placed on improving design systems and reducing time to market.

Myer's major trading partners include Estée Lauder and Pacific Brands. Other trading partners of significant volume include Country Road, Voyager, Cue, Apple, Chanel, Maxwell & Williams, Panasonic and Gazal Apparel.

5.6 Brand and product offering

Comprehensive offering at a wide range of price points underpins broad customer appeal and provides flexibility to be tailored to each store's demographic profile

Myer aims to provide customers with a broad range of product categories and a wide selection of domestic and international brands at multiple price points. Myer carries more than 600,000 product lines and approximately 2,400 brands across its 11 core product categories. Each store's product range and brand offering are tailored to suit the size of that store and to reflect local selling conditions including customer demographics, customer preferences and competition.

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5.6.1 Product categories

Myer believes its depth and breadth of product offering at a wide range of price points differentiate the Company from specialty retailers and other department stores, and its superior customer service and product knowledge are a key competitive advantage over discount department stores.

Product category	Description	Myer competitive position ¹	Key competitors
Beauty, fragrance and cosmetics	Cosmetic products, perfumes and other personal care items		Target, David Jones, Priceline and The Perfume Connection
Intimate apparel	Women's underwear, lingerie and sleepwear		Target, David Jones and Bras N Things
Womenswear	Women's apparel and footwear		David Jones, Portmans, Witchery, Wittner and Nine West
Fashion accessories	Women's and men's fashion accessories		David Jones, diva and Strandbags
Menswear	Men's apparel and footwear		Roger David, David Jones, Fletcher Jones, GAZ MAN and Target
Electrical goods	Electronic equipment and electrical appliances		Clive Peeters, Harvey Norman and JB Hi-Fi
Homewares	Manchester, tabletop, kitchenware and furniture		Freedom, IKEA and David Jones
Childrenswear	Children's apparel		Target, BIG W and Kmart
Youth fashion	Youth apparel and footwear		Just Jeans, SUPRÉ and Jay Jays
Toys	Children's toys		Toys'R'Us, Target, BIG W and Kmart
General merchandise	Stationery, decorations and miscellaneous items		BIG W, Kmart and Target

Note:

1. This column shows the Management Team's assessment of Myer's ability to compete in the respective product categories, having regard to Myer's range, price, promotion, layout and/or store service model in relation to that product category. The more red the circle, the more the Management Team believes it has a stronger competitive position in that product category.

Myer constantly monitors the profitability of each product category and adjusts the selling space allocated to each of these product categories on a store-by-store basis in order to maximise the profit potential of each store and to provide customers with more preferred product choices.

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5.6.2 Brand architecture

To ensure broad customer appeal, having regard to the demographic profile of each store, Myer has established a clear brand architecture covering an extensive range of brands from entry level to luxury price points, with a focus on modern and fashionable products.

Myer's five key brand categories are:

- **Designer brands:** Developed by external parties and supplied to Myer, generally on an exclusive basis, to position Myer as a fashion leader. These brands are managed by high profile design houses and targeted towards high income customers;
- **International/national brands:** Developed and designed by external parties, these brands allow Myer to satisfy the customer's appetite for choice and credible brands. These brands are generally supplied on a non-exclusive basis to Myer, and thus are often also available in many competitors' stores;
- **Designers @ Myer brands:** These are brands where a leading external designer, under exclusive contract, works with the Myer team to develop a range that is then manufactured and shipped through the Myer supply chain and is available exclusively through Myer stores. These brands allow Myer to provide a broader and more exclusive range of choices to customers at affordable prices and to extend its designer label offering to a wider range of stores;

- **Myer exclusive brands:** These brands are owned by Myer, developed and designed exclusively for sale in Myer stores by in-house teams. These brands are designed to fill gaps in Myer's offering. They are typically priced lower than comparable international/national brands. Myer also has a range of permanent value brands that provide lead-in price points, which help generate foot traffic into Myer stores. Myer exclusive brands generate significantly higher retail margins than the other brand categories and Myer has built a portfolio of 45 leading in-house brands across most merchandise categories, which now contributes around 15% of sales. Myer believes the growth of its exclusive brands will be a key component of its growth strategy; and
- **Youth brands:** These brands cater specifically to the youth customer in both men's and women's fashion. As part of its focus on youth, Myer has become one of the first Australian retailers to introduce plus-size fashion for the younger demographic.

Myer, via its extensive brand architecture, offers customers a range from permanent value to premium luxury choices. Permanent value offerings are a selection of brands which offer Myer customers a range of products at entry price points in selected stores, providing every day value. Premium luxury brands tend to appeal to higher income households with higher discretionary spend. Given Myer's extensive brand portfolio, the Company has the flexibility to tailor brands and price points to suit the demographic profile of individual stores and respond to changing economic conditions.

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Myer's brand hierarchy

	Permanent value	Attainable fashion	Inspired designs	Affordable luxury	Premium luxury
Designer brands			Politix Robert Robert Cue	Maticevski camilla & marc Yeojin Bae Arabella Ramsey Nicola Finetti Leona Edmiston Jayson Brunston Kate Sylvester Wayne Cooper	Hugo Boss Balmain Viktor & Rolf Cacharel Donna Karan Sonia by Sonia Rykiel Narciso Rodriguez Vivienne Westwood Red Label
International/ national brands		Jag Yarra Trail Stiches Jump Gordon Smith Sandler Diana Ferrari Cellini Esprit Levis Tony Bianco Siren	Cooper St Wish Seafolly Bardot Jigsaw Decjuba Pilgrim Feathers Rodd & Gunn Ben Sherman Country Road Tommy Sportscraft Resort Report Taking Shape	Dom Bagnato Polo Ralph Lauren Lacoste G Star Armani Jeans True Religion Bettino Liano Ed Hardy Jamie Oliver Missoni CK Jeans	
Designers @ Myer brands			Jane Lamerton Wayne by Wayne Cooper Cozi by Jennifer Hawkins Hi There from Karen Walker Wayne Junior NF by Nicola Finetti Maticevski Sweethearts Marie Claire	Wayne Cooper (men's)	
Myer exclusive brands	Finito KWD Always	Reserve Regatta Urbane Piper Soho Miss Pink Miss Shop Sprout Heritage Lost Highway	Blaq Maddox Basque Tokito Jack & Milly Collection Milkshake Vue (& Vue Boutique Collection) Licorice Chloe & Lola	Urban Soul	Innovare
Youth brands		Mossimo Freshjive Lipstick Kenji Bauhaus	Stussy Riders		

Concessions are operated by leading external branded parties within Myer stores. Myer is generally entitled to a fixed percentage of the revenue generated by sales of these brands in return for access to its retail space. Concession operators are generally responsible for their own staff allocation, inventory management and the fit-out of their allocated selling space. Concessions enable Myer to provide brands to which it would not otherwise have access and deliver a broader range of choices to its customers. In FY2009, concession sales accounted for around 13% of Myer's Total Sales Value. Some of Myer's main concession operators include Cue, Country Road, Sportscraft, Esprit, TS 14+, Polo Ralph Lauren, Politix and Virgin.

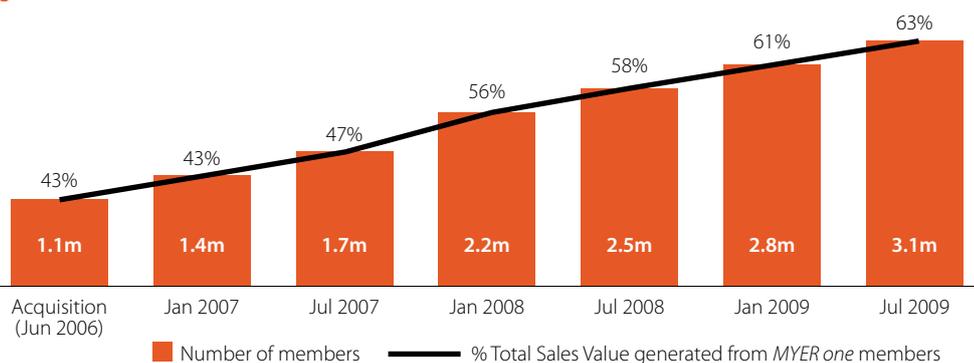
5 Company overview

5.7 MYER one loyalty program and Myer cards

Leading retail loyalty program provides valuable customer insights and serves as a powerful marketing tool to drive sales

MYER one is Australia's leading retail customer loyalty program with more than three million members contributing over 60% of Myer's sales and spending 15% more on average per year at Myer than non-MYER one members. MYER one provides valuable insights into customer needs and preferences and forms a cornerstone of Myer's marketing activity, providing a valuable platform from which to market directly to customers and target their specific needs. With free registration, MYER one has grown strongly since June 2006, with an approximate 180% increase in membership since that time.

MYER one membership growth



Source: Myer.

The MYER one loyalty program is primarily designed to encourage high value Myer customers to consolidate their department store spending with Myer and to attract new high value customers. MYER one rewards customers for shopping at Myer, with members accruing shopping credits in accordance with their spending levels within Myer stores. Members earn a minimum of a \$20 gift card for every \$1,000 spent (over a rolling 24 month period). During FY2009, Myer distributed over \$43 million of Myer gift cards with members spending on average 3.3 times the value of the card at the time of redemption. Membership is tiered by level of spend, as shown in the following table.

MYER one membership categories

Category	Membership	Annual spend
Gold	c. 21,500	> \$7,500 p.a.
Silver	c. 487,000	\$1,500–\$7,499 p.a.
Standard	c. 2,663,000	< \$1,500 p.a.
Total	c. 3,171,500	

Source: Myer internal data.

Note: Standard members include newly joined members.

MYER one average customer spend and new cardholders targets

Customer status	FY2009 average spend	FY2010 target new cardholders
Traditional customer	\$795 ¹	-
MYER one without email	\$822	150,000
MYER one with email	\$971	350,000 ²
Myer Visa Card	\$2,562	50,000
Total new cardholders		550,000

Notes:

1. Myer estimate.

2. Myer's target is to collect 350,000 email addresses from 550,000 new cardholders in FY2010.

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MYER one drives sales by drawing customers back to the stores through tangible member benefits including travel offers, a wine club, use of exclusive *MYER one* lounges at selected stores, VIP tickets to Myer events, gifts cards and vouchers and the quarterly *emporium* magazine. New *MYER one* rewards initiatives are continually developed including the Myer Affiliates program which is currently being trialled in four major shopping centres. Under the program, selected stores are invited to become Myer Affiliates, enabling them to offer *MYER one* credit points for purchases made in these stores.

The *MYER one* database is a comprehensive and valuable source of customer information and enables Myer to more effectively target its offering to changing customer needs and drive sales through enhanced marketing initiatives, business planning, brand strategy, store network planning, product merchandising, cross-selling and store layouts.

Other initiatives that build on the *MYER one* loyalty offerings include the Company's Myer Visa Card, launched in 2007, and Myer Card, launched in 2006. GE owns and manages the proprietary credit card portfolio and the credit risk. The Myer Visa Card is linked to the *MYER one* loyalty program enabling customers to earn *MYER one* shopping credits everywhere that Visa is accepted (27 million locations worldwide). The Myer Card is a store credit card that can only be used in Myer stores and is also linked to the *MYER one* program. There are currently 235,000 Myer Visa Card and Myer Card holders.

Other significant advertising and marketing initiatives undertaken by Myer include:

- **Jennifer Hawkins – the 'Face of Myer':** One of Myer's biggest ongoing brand initiatives is the marketing of Jennifer Hawkins as the Face of Myer. An Australian model crowned Miss Universe and Miss Australia in 2004, Jennifer features in Myer's fashion parades and is often the guest of honour at Myer functions and Myer sponsored events. Jennifer has recently signed a new contract to continue as the Face of Myer until November 2013;
- **Annual fashion events:** These are timed to coincide with the launches of the spring/summer season in August and the autumn/winter season in February;
- **Spring Racing Carnival:** Myer is a long term partner of the Victoria Racing Club through its sponsorship of the Melbourne Cup Carnival and Australia's largest and most prestigious outdoor fashion event, Myer Fashions on the Field. Myer also sponsors Sydney's Golden Slipper Festival as well as 23 regional and local racing carnivals;
- **emporium magazine:** Launched in May 2007, *emporium* is a widely circulated Australian fashion magazine with a quarterly print run of more than 250,000 copies. While the magazine is targeted toward *MYER one* members (free to *MYER one* members with any purchase), it is made available in-store to all customers and features a wide range of Myer's brand offerings across all product categories, providing an array of product choices and fashion tips and driving incremental sales from Myer customers;
- **Joint branding and marketing campaigns:** Myer conducts joint campaigns which are focused on driving sales and engaging customers. This strategy was successfully employed by Myer, supported by its suppliers and media partners, to drive sales during the anticipated soft trading period of February, March and April in 2009; and
- **In-store events and theatre:** Myer's in-store visual merchandising initiatives promote major events such as Christmas as well as selected seasonal events such as Mothers' Day and Fathers' Day and the Melbourne Spring Racing Carnival. Myer has also introduced a number of in-store theatre programs to excite and inspire customers outside of major events, such as the 'Three Weeks in New York' initiative where CBD stores applied a New York theme to marketing and visual merchandising.

5.8 Advertising and marketing

Myer is a leading advertiser in the Australian retail industry and invests heavily in advertising across most media channels including catalogues, for which it has been awarded 'Catalogue of the Year' by the Australian Catalogue Association for the last two years running. Since its change of ownership in 2006, Myer has transformed its marketing programs to increase their relevance to Myer's target customers. Myer has focused on events based marketing where it can create a strong customer association with specific occasions, such as Christmas, Mothers' Day and Fathers' Day. Local community marketing programs have also been emphasised to further reinforce Myer's strong connection with, and relevance to, the Australian community.

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5.9 Community initiatives

Sidney Myer, the founder of Myer, made community engagement part of the fabric of the organisation. This focus is an enduring aspect of Myer's corporate philosophy and helps to drive customer loyalty and reinforce the Myer brand.

Myer's strong connection with the community was illustrated through its rapid response to Victoria's tragic Black Saturday bushfires in February 2009. Customers, suppliers and team members rallied together with the management and Board to donate \$2.5 million to the Salvation Army's bushfire appeal. In addition, Myer's philanthropic program in FY2009 donated over \$400,000 to 62 store nominated charities, \$290,000 to the Olivia Newton John Wellness Centre, more than \$300,000 to the Salvation Army Spirit of Christmas CD and Christmas dinners, and also made donations to Canteen, the National Breast Cancer Foundation, Movember and Jeans for Genes.

Myer's Local Area Marketing Program has been redesigned to ensure a genuine connection with the community at a grassroots level, returning ownership of community related marketing activities directly to stores. Over \$1 million per annum is allocated to stores to support community events, local partnerships, community grants and in-store events. Myer also sponsors other important community events such as Vision Australia's Carols by Candlelight, Christmas Parades in Melbourne, Brisbane and Hobart and the annual Christmas windows in a number of Myer stores.

Myer's management has sought to inspire and re-energise the Company's approximate 14,000 team members and create a strong customer service culture. Myer has introduced a range of programs and benefits to help attract, retain and reward talent and ensure a continued commitment by all staff to improving the business and delivering superior customer service.

A number of initiatives are in place to enhance team development, customer service, selling skills, product knowledge and sales performance. For example, the Company's 'Awesome Service' training program has been completed by over 90% of Myer team members and a new 'Beyond Awesome Service' initiative has been introduced which focuses on refining selling skills.

A variety of incentive and bonus programs have been introduced to improve sales and productivity across all levels and areas of the business. A new program for store managers has been introduced which ranks the individual store's performance on 10 store imperatives on a monthly basis and results are aligned to bonus rewards. Over 1,500 members of management are incentivised annually against business and service metrics, with average annual bonuses of approximately \$20 million being paid to this group over the last three years. These incentive programs are driving a significant cultural change in the business as well as productivity improvements and sales growth. Almost 400 senior managers participate in equity incentive plans, directly aligning them with the success of the business through equity ownership.

Please refer to Section 6.5 for additional information regarding employees.

5.10 Employees and culture

Proven Management Team with over 300 years of combined experience is transforming Myer and positioning the business for growth

Myer's Management Team, led by CEO Bernie Brookes, has over 300 years of combined experience and has been responsible for Myer's transformation over the last three years. Myer has approximately 14,000 team members and is committed to being an employer of choice. The scale of Myer's business provides wide ranging career opportunities for team members and further supports the Company's ability to continue to attract and retain the best talent available.

5.11 Key growth strategies

Strong, identifiable growth strategy is expected to deliver attractive returns

Myer's growth strategy is built on four key pillars: growing comparable store sales, the planned roll-out of new stores (including the Myer Melbourne rebuild), gross margin improvement and reductions in cost of doing business margins. This strategy is expected to drive attractive returns for shareholders while at the same time increasing Myer's customer appeal.

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Myer's growth strategy



Myer believes it has scope to grow its margins to world's best practice levels. Many of Myer's growth initiatives have only recently been introduced and so while some of them will deliver some benefits during FY2010, the majority of benefits are expected to be realised beyond FY2010.

Continued development of the MYER one loyalty program

Myer intends to continue to develop the *MYER one* loyalty program to drive comparable store sales growth. *MYER one* offers have been found to be an effective way to draw customers into the stores and generate additional sales in quieter trading periods – for example, offering 'double points' can increase a day's sales by up to 20%. Further upside exists in marketing and promotion as the program expands in terms of membership and member offerings. These initiatives are expected to have a meaningful impact on earnings in FY2010, with significant benefits anticipated beyond FY2010.

Stronger in-store execution

Myer will continue to focus on improving its retail execution through initiatives to improve customers' shopping experience and driving repeat customers, sales growth and margin improvement. Ongoing enhancements to buying practices and the supply chain are expected to reduce transit lead times and restocking times, improving stores' in-stock positions and increasing customer satisfaction. Customer service and sales productivity is expected to continue to improve through an ongoing focus on team member training and product knowledge, and a greater alignment between staffing levels and customer foot traffic levels. These initiatives are expected to have a meaningful impact on earnings in FY2010, with more significant benefits anticipated beyond FY2010.

Introduction of new product categories, brands, concepts and concessions

Myer will continue to introduce new product categories, brands, concepts and concessions in order to attract customers, increase foot traffic through stores and drive sales. Myer regularly reviews and refreshes its product offering and store formats to provide an exciting shopping experience – for example, new concepts will continue to be rolled out in order to add excitement and attract customers into stores. Myer is also investing in high growth categories such as audio-visual by increasing the prominence of these categories within stores and employing specialist sales staff. Significant opportunities also exist to drive sales in categories such as menswear and furniture by similarly refining the brand architecture of these product categories. These initiatives are expected to have a meaningful impact on earnings in FY2010, with more significant benefits anticipated beyond FY2010.

Increase profile of highly profitable Myer exclusive brands

Where there is an opportunity to complement its overall offering for customers, Myer will take the opportunity to grow its sales of higher margin Myer exclusive brands. Specific ongoing exclusive brand sales initiatives include dedicated marketing budgets, in-store commission structures, increased visual merchandising and more prominent positioning, and buying and logistics initiatives to increase customer appeal and speed to market. These initiatives are expected to have a meaningful impact on earnings in FY2010, with more significant benefits anticipated beyond FY2010.

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Store refreshments and refurbishments

Myer will continue to enhance the presentation of its stores in order to attract more customers and drive sales growth. A positive sales impact is expected from the completion of the Project VM Revitalisation (internally referred to as Project Batman) refurbishments, which will have been applied to all but one of Myer's stores in time for Christmas 2009. These partial refurbishments focus on improving visual merchandising to create on average 2%–3% uplift in sales from these stores for an average investment of \$200,000, which is a fraction of the cost of a full refurbishment.

Other visual merchandising projects are also underway including a number of smaller 'quick win' projects with fast payback periods such as store department upgrades. The business will also benefit from the full year impact of completed major store refurbishments (including the new international class Sydney flagship store) as well as 10 further full refurbishments planned over the next two years, which are expected to generate significant sales uplift. More strategic and flexible allocation of retail floor space between departments, brands and product lines represents further opportunities to increase sales per square metre and respond to changing consumer trends. These initiatives are expected to have a meaningful impact on earnings in FY2010, with significant benefits anticipated beyond FY2010.

Rebuild of the flagship Myer Melbourne store

When completed, the rebuild of the flagship Myer Melbourne store, which currently accounts for around 7% of Total Sales Value, is expected to result in a significant sales uplift relative to current levels. The Myer Melbourne store rebuild is expected to be progressively opened during 2010, and has the potential to be seen as on par with international flagship department stores such as Selfridges (London), Galeries Lafayette (Paris) and Bloomingdales (New York). This initiative is expected to have a limited impact on earnings in FY2010, with meaningful benefits anticipated beyond FY2010.

Store roll-out program expected to add 15 new full-sized stores in attractive markets over the next five years

Myer plans to open 15 new stores in attractive markets over the next five years, supported by its transformed retail platform. Myer is targeting new stores in metropolitan 'infill', 'growth corridor' and regional city locations given their attractive growth and demographic profiles. Conditional agreements for lease have been signed for 12 new full-sized stores, with another three leases under negotiation to take the chain to 80 stores by July 2014. Myer undertakes rigorous analysis of local demographics, income levels, population catchment and growth, potential cannibalisation and the competitor offer prior to selecting new store locations. Myer's world class supply chain will enable these stores to have 80% trading space (compared with 69% in existing stores) by reducing loading dock and storage requirements. Myer has further scope to expand its store portfolio beyond the current target of 80 stores by leveraging its flexible brand architecture, which enables the Company to tailor its merchandise offering to the different demographic sub-profiles of individual stores thus making lower demographic locations an attractive proposition. Strong returns from new stores are expected to be a significant driver of earnings growth beyond FY2010. This initiative will have no impact on earnings in FY2010, but is expected to be a significant growth driver beyond FY2010.

Reduced losses from theft (shrinkage)

An extensive new CCTV system is due to be rolled out to all stores during 2010, covering all retail floor space as well as back-of-store operations such as loading docks. The system has generated positive trial results and, in conjunction with other related initiatives such as improved shrinkage administration, the introduction of fitting room attendants, additional electronic article surveillance gates and undercover security guards, is anticipated to reduce losses from theft. Shrinkage reduction is expected to have a significant impact on earnings in FY2010 and beyond.

5 Company overview

Introduction of new PoS system

Myer's new PoS system is expected to be implemented across all stores during 2010. This system is anticipated to generate productivity improvements and significantly improve customer service and staff satisfaction. The new PoS system permits real-time price adjustments which are expected to allow for more dynamic promotional offers as well as reduce markdowns by better timing sales periods. Pricing will be centralised, increasing accuracy and removing the impact of store-specific delays. This system will also substantially improve customer service through faster transaction times, reducing peak trading queues and lost sales. This initiative will have a limited impact on earnings in FY2010, but is anticipated to have a more significant influence beyond FY2010.

Improved markdown management

'Smart allocation', where products are allocated to stores in accordance with each store's rate of sales of that product, is only just beginning to be trialled and is expected to reduce markdowns (as well as store-to-store transfer costs). Improved buying and forecasting processes will further refine Myer's inventory management, reducing markdowns. Additionally, greater collaboration with suppliers allows for supplier-supported markdowns. This initiative will have a limited impact on earnings in FY2010, but is anticipated to have a more significant influence beyond FY2010.

Better sourcing practices

Myer's buying strategy has strengthened the focus on selecting products which maximise available gross margin. Myer exclusive brands offer higher margins than third party wholesale or concession sales, and Myer's sourcing strategy now reflects this. More direct sourcing is also taking place, focusing on Asia and other low cost manufacturing regions. The buying team is now supported by forecasting tools and more automated ordering processes. This is expected to help create a product offering more closely aligned with customer preferences and trends. This initiative will have a meaningful impact on earnings in FY2010, with a growing influence beyond FY2010.

Store support efficiencies

Substantial back-of-store efficiencies have been generated at the supply chain level by implementing initiatives that avoid the multiple handling of inventory at the store level. Roll cages have been implemented in over 70% of stores and supplier compliance with 'floor ready' standards has increased to 66% in FY2009; however, the annualised benefits of these actions are yet to be realised. Technology improvements in buying and the new PoS system are expected to result in lower administrative requirements, and centralisation of Myer's back-of-store administration processes, such as payroll and call centres, is expected to generate additional operating efficiencies. These initiatives will have a limited impact on earnings in FY2010, with a more meaningful influence beyond FY2010.

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6

Board, senior management,
employees and
corporate governance

6 Board, senior management, employees and corporate governance

6.1 Board of Directors

The Board of Directors brings relevant experience and skills including retailing, financial management and corporate governance. The Board comprises:

Name	Position
Howard McDonald	Chairman
Bernie Brookes	Managing Director (Executive Director)
Anne Brennan	Non-Executive Director
Tom Flood	Non-Executive Director
Rupert Myer	Non-Executive Director

Myer is intending to appoint at least one more independent Non-Executive Director to the Board in the short term to further enhance its experience and capabilities, having regard to the Board's role in an ASX-listed company.

The Board of Directors has resolved that it will invite NB Swanston to appoint a Director to the Board prior to Listing if its Shareholding exceeds 5% following completion of the Offer.



Howard McDonald

Chairman

Howard McDonald has been a Director of Myer since October 2006 and was appointed Non-Executive Chairman on 4 August 2009. Howard brings significant retail and fashion experience to the Myer business with 35 years of experience in consumer goods industries.

Howard was previously Managing Director of Just Group, from December 1997 to September 2006, during which time he repositioned and expanded the company. In 2001, he led the Just Jeans Group into Australia's first public-to-private management buyout and in May 2004 Just Group was re-listed on ASX. Just Group is the largest specialty apparel retailer in Australasia with over 800 stores. Its stable of brands includes Just Jeans, Jay Jays, Jacqui E, Portmans, Peter Alexander Sleepwear and Dotti.

Prior to this, Howard held a number of roles within the Pacific Dunlop Group across Footwear, Clothing and Textiles and Corporate. Some of Howard's achievements during this time include internationalising the Sheridan Bedlinen business into Asia, the United States and Europe; and heading up Corporate Affairs for Pacific Dunlop, where he sat on all of the management boards of this diversified conglomerate. Howard's time at Pacific Dunlop culminated in the role of Managing Director of Pacific Brands Clothing, where he focused on offshore manufacturing, international marketing and textile manufacturing, managing brands such as Bonds, Holeproof, Berlei, Jockey and others.

Howard holds a Bachelor of Economics degree from Monash University and is a member of the Australian Institute of Company Directors. Howard is involved with a number of charitable organisations.



Bernie Brookes

Chief Executive Officer and Managing Director

Bernie Brookes was appointed Chief Executive Officer of Myer in June 2006. In his role Bernie is responsible for the transition of Myer following the separation from the Coles Group and for rebuilding the Myer business under new ownership. Bernie has spent 34 years working within the retail industry in local and in international roles in India and China. Prior to joining Myer, Bernie was a Management Director of Woolworths and was a chief architect of Woolworths' Project Refresh, which reduced costs by more than \$5 billion over five years and reinvested these savings back into the business. His Woolworths experience also included a variety of General Management positions in three states across the Buying, IT, Marketing and Operations departments.

Bernie has also held a number of roles as President and executive of various industry organisations including the Retail Traders Association in Queensland and Victoria and President of the Queensland Grocery Association, and has assisted on a number of charitable and Government ventures and committees.

Bernie has received many awards, including Food Week Retail Executive of the Year, National Retail Association Food Industry Executive of the Year and Food Week Buyer of the Year for four years during the 1980s and 1990s.

Bernie is currently the patron of the Australian Joe Berry Memorial Award and the Australian representative judge of the World Retail Awards each year.

Bernie holds Bachelor of Arts and Diploma of Education degrees from Macquarie University.

Details of Bernie's terms of employment with Myer are described in Section 10.14.3.



Anne Brennan

Non-Executive Director

Anne Brennan was appointed as a Non-Executive Director in September 2009, bringing to the Myer business strong financial credentials and business experience. Anne has worked in a variety of senior management roles including financial planning and reporting, audit and risk management, treasury, tax and investor relations.

Anne is currently the Finance Director of the Coates Group, responsible for the strategic financial direction of the Group, however, Anne has recently resigned from this role effective 30 October 2009. Anne was appointed to this role shortly after the merger and privatisation of the Coates Group and National Hire's hire businesses in January 2008.

From 2006 to 2008, Anne was Chief Financial Officer for CSR and was a board member for a number of CSR's investment companies. In her role at CSR, Anne was responsible for providing strategic leadership, advice and broad commercial perspectives to the board, Chief Executive Officer and executive team.

Prior to that, Anne was a partner in three professional services firms; KPMG, Arthur Andersen and Ernst & Young, initially in the audit practice and, in the 10 years before joining CSR, as a partner in Corporate Finance and Transaction Services practices. During this time she worked with large public companies involved in initial public offerings, demergers, takeovers and undertaking major acquisitions or joint ventures. In addition, Anne was a member of the national executive team and a board member of Ernst & Young.

Anne holds a Bachelor of Commerce (Honours) degree from University College Galway. She is a Fellow of the Institute of Chartered Accountants in Australia and a member of the Australian Institute of Company Directors.



Tom Flood

Non-Executive Director

Tom Flood has been a Non-Executive Director since August 2007, bringing to the business 39 years of experience in the retail industry, with the majority of his career spent within the supermarket industry.

Tom began his retail career in Ireland with the Superquinn Supermarket Group before moving to London for a role with the United States-owned Safeway Supermarket Group.

Tom joined Woolworths upon arrival in Australia. During his time there, Tom assumed the position of General Manager, Supermarkets for Western Australia and subsequently for Victoria (Safeway). In these roles, Tom oversaw all areas of the business, including Buying, Marketing, Store Operations, Distribution, Finance, Security and Insurance. Tom was subsequently appointed Chief General Manager Operations for all Woolworths stores in Australia. Following that, Tom was appointed to the role of Director of Supermarkets with overall responsibility for Woolworths' core supermarkets business.



Rupert Myer AM

Non-Executive Director

Rupert Myer was appointed to the Myer Board in 2006. He is chairman of The Myer Family Company, an actively managed investment group holding Australian and international equity portfolios as well as private equity and property investments. He is a director of The Myer Family Office Limited and is also a director of the publicly listed investment companies AMCIL Limited and Diversified United Investment Limited. He was formerly a director of MCS Property Limited.

Rupert serves as chairman of the National Gallery of Australia and as a board member of the National Gallery of Australia Foundation. He also serves as chairman of Kaldor Public Art Projects, as a member of The Felton Bequests' Committee, as a board member of Indigenous Enterprise Partnerships and as a Member of the University of Melbourne Faculty of Economics and Commerce Advisory Board.

Rupert's previous community activities have been as chairman of the NGV Foundation, International Social Service and WorkPlacement and as a board member of The Museum of Contemporary Art and a trustee of The National Gallery of Victoria. He chaired the Federal Government's Inquiry into the Contemporary Visual Arts and Craft Sector which completed its report in 2002.

He holds a Bachelor of Commerce (Honours) degree from the University of Melbourne and a Master of Arts from the University of Cambridge and is a member of the Australian Institute of Company Directors. He became a Member of the Order of Australia in January 2005 for service to the arts, for support to museums and galleries, and to the community through a range of philanthropic and service organisations.

6 Board, senior management, employees and corporate governance

6.2 Senior management

Members of the Management Team have over 300 years of combined experience in core retail operations including fashion, buying, supply chain, store operations, store design, property development, project management, marketing and information technology and contribute relevant retail, financial and public company experience.

Over the past three years, the team has orchestrated the separation of Myer from the Coles Group, which required creating a property strategy, an information technology platform and an entirely new supply chain. Over the same period, the Management Team has driven the turnaround program, successfully implementing the 101 business improvements identified at acquisition, while managing to grow market share, margins and return on funds employed despite the economic downturn.

Profiles of the members of the Management Team are listed below (with the exception of Bernie Brookes, whose biography is provided in Section 6.1).

A general description of the terms of employment of key members of the Management Team is contained in Section 10.14.4.

Mark Ashby

Chief Financial Officer

Mark has 30 years of experience and was appointed CFO in January 2008. In his role, Mark manages the financial structure of Myer, including all the accounting aspects of the organisation as well as statutory reporting. In addition, Mark's responsibilities cover treasury management, compliance, internal audit and the Financial Services division of the business.

Mark has held CFO positions since 1990 for both local and international companies in retail, wholesale, technology and franchise industries. Prior to joining Myer, Mark spent four years as the CFO of Mitre 10 Australia, was the Finance Director of Motorola and worked as a Finance Director/CFO in fashion retail and technology organisations.

Mark is a member of the Australian Institute of Company Directors.

Greg Travers

Director of Strategic Planning and Human Resources

Greg has 29 years of industry experience and was appointed Director of Strategic Planning and Human Resources in June 2006. In his role, Greg oversees the human resource management of the Company including organisational development, recruitment and training, employee relations, risk and safety, the procurement function and the development of the Company's strategic planning framework.

Previously, Greg spent 11 years with WMC Resources, where he held the role of Executive General Manager, Group Services, responsible for human resources, risk and safety, procurement, IT, corporate affairs and business services. Prior to his time at WMC, Greg worked for seven years at the Pratt Group in operations and human resources and seven years at BHP in various human resources roles.

Greg was previously a director of the Australian Mines and Metals Association and a director of the Institute for Public Affairs.

Marion Rodwell

General Counsel and Company Secretary

Marion has 22 years of commercial experience and was appointed General Counsel and Company Secretary in 2008. As General Counsel, Marion manages the legal function of Myer, incorporating the provision of legal advice to the Company and the management of the legal group. In addition, Marion is Company Secretary of all companies in the Myer Group.

Marion has extensive corporate, commercial and governance experience, having held General Counsel and Company Secretary roles in the financial services, gaming and retail industries over many years. Previously, Marion held the role of General Counsel and Company Secretary of Tattersall's and, prior to that, she was General Counsel and Company Secretary of IOOF. Marion was heavily involved in the initial public offering of Tattersall's in 2005 and has negotiated numerous joint venture and supply arrangements within Australia and internationally.

Marion is a member of the Law Institute of Victoria and the Australian Corporate Lawyers Association.

Prakash Menon
Director of Logistics

Prakash has 25 years of retail experience and has been with Myer for over 14 years. In this time, Prakash has worked in management roles across a range of areas within the business, including stores, financial analysis, inventory, merchandise replenishment, merchandise planning and supply chain. In his role, Prakash is responsible for the delivery of the supply chain business strategy and the execution of the end-to-end process of supply chain and merchandise planning for both national and international merchandise. Prakash has successfully delivered a number of key projects including the transition of Myer's supply chain from the Coles Group environment, the delivery of four regional distribution centres to specification and the delivery of four international hubs in China/Singapore to improve speed to market. These initiatives have improved supply chain productivity significantly, lowered international transit lead times, reduced international and domestic freight costs and improved inventory management, including out-of-stocks and forecasting accuracy.

In June 2007, in his role as Director of Supply Chain, Prakash was presented with the special Myer Chairman's Award for the exceptional work done in the transition and transformation of Myer's supply chain.

Prior to joining Myer, Prakash was the Food and Beverage Manager for the Taj Group of Hotels in India and, on relocating to Australia, the director of his own food company.

Timothy Clark**Director of Information Technology and Project Management Office**

Tim has 27 years of retail experience and was appointed Director of Information Technology in June 2006. In this role, he oversees the development of Myer's IT strategic direction along with the management and delivery of all IT services and IT projects within the business. Tim first joined Myer in 1982 and spent 15 years with the business in various roles. After a number of years working for other companies, he returned to Myer in 2002. Since 2006, Tim has been involved in a number of major IT projects and initiatives, including Myer's complete IT separation from the Coles Group, the transitioning of all IT services to Myer's outsourcing partner IBM, the implementation of a new merchandise system, the change in payroll systems and the IT development for Myer's end-to-end supply chain capability. All in-house IT policies, procedures, contracts, architectural guidelines and resource capability have been established since June 2006. Tim is also the executive in charge of the strategic development and operational delivery of Myer's online capabilities and has recently added the new company wide Project Management Office function to his portfolio.

When Tim was away from Myer between 1997 and 2002, he held positions including the Executive General Manager of Marketing Operations at Crown Casino and the General Manager of GAZ MAN Menswear.

Tim is also a member of the Oracle CIO Global Advisory Board.

John Hawker**Director of Store Operations**

John has 29 years of retail industry experience, 19 of which have been at Myer. In his role, John is responsible for all aspects of Myer's store operations from conceptualisation to delivery of operational strategies. He oversees the operations of the Company's stores including store budgeting, scheduling, the 'Store of the Future' project, service models, asset protection, facilities management and the customer service centre. His previous roles at the Company include store management and regional management positions across the east coast of Australia.

John was previously Managing Director of LVMH Perfumes and Cosmetics for the Pacific Region and also held senior sales roles with the Estée Lauder companies and the L'Oréal Luxury Products division.

John is also the Chairman of the Myer Stores Community Fund and a director of the Cancer Patients Foundation of Australia.

Penny Winn**Director of Buying Operations**

Penny has 24 years of retail experience and was appointed Director of Buying Operations in March 2008. In her role, Penny is responsible for the delivery of sales, gross profit and stock targets through the management of buying, planning, supply chain, business administration and store support teams.

Prior to joining Myer, Penny held a number of positions in the retail and supermarket industries, including management roles with BIG W discount stores and Grace Bros department stores. Penny spent 19 years with Woolworths in a number of key roles, including General Manager of Project Mercury (responsible for the reorganisation of Woolworths' supply chain), General Manager of Retail Support and National Manager of Banking (establishing Woolworths Ezy Banking). In 2006, Penny was seconded to the role of Director of Strategy and Change at Asda Stores UK (a division of Walmart).

Penny was a finalist in the Telstra Business Woman of the Year 2005. She is currently a director of the Fragrance Foundation of Australia.

6 Board, senior management, employees and corporate governance

Paul Banks

Director of Property Development

Paul has 17 years of retail experience and joined Myer in January 2007. In his role, Paul is responsible for overseeing the management of Myer's existing property network as well as developing and realising the property strategy for Myer in Australia. As part of Paul's current role, he is actively involved in the redevelopment of current Myer stores, sourcing new locations that will allow Myer to meet its wider business objectives, and also leads projects for the development of new stores and the new National Support Office.

Prior to working at Myer, Paul worked at Woolworths for 14 years across various roles, most recently that of Senior Property Manager for Victoria and Tasmania, which involved managing around 400 sites as well as delivering new supermarkets, Dan Murphy's stores, BWS Liquor stores and petrol outlets.

Paul is also a member of the Property Council of Australia.

Nick Abboud

Director of Retail Stores

Nick has 21 years of retail experience and was appointed Director of Retail Stores in March 2008. In his role, Nick oversees the operation of the chain of 65 stores, focusing on areas such as store presentation, sales, customer service, profit, costs, compliance, shrinkage, safety and the people management of approximately 13,000 store team members. Nick joined Myer in 1993 as a department manager and over the past 16 years progressed through the business in various store management and regional management roles.

Nick was previously the National Operations Manager of the Megamart business.

In 2007, in his role as NSW Regional Manager for Myer, Nick was presented with the Myer Chairman's Award for the turnaround performance of Myer in NSW.

Judy Coomber

Director of Apparel

Judy has 30 years of retail experience. She was appointed Director of Apparel in 2006, initially responsible for childrenswear, intimate apparel, cosmetics and youth. In her current role, Judy is responsible for overseeing all areas of women's apparel, footwear, accessories, childrenswear and intimate apparel. Judy first joined Myer as a cadet in the late 1970s and has since held a number of roles within stores and in the buying office.

From 1987 to 2006, Judy held senior merchandising roles at Roger David, Hallensteins (where she was later promoted to Managing Director) and the Sportsgirl/Sportscraft Group. Judy has also founded her own homewares lifestyle business called Roost, which won an international IGDS award for best specialty retailer, and is a former non-executive director of Ezibuy, the largest mail order business in Australasia.

Megan Foster

Director of Store Concepts and Design

Megan has 21 years of retail experience. She joined Myer in June 2006 as a consultant and has worked across several areas including merchandise, supply chain, human resources, store development and marketing. In August 2007 Megan was appointed as Director of the Program Office before moving into her current role in April 2008. In her role, Megan oversees all design in-store development including refurbishments, new stores and in-store initiatives, as well as 'strategic space' and the redevelopment of the flagship Myer Melbourne store.

Prior to joining Myer, Megan held senior sales and marketing roles within fast-moving consumer goods (FMCG) companies, including 10 years spent at Unilever, before working for several years as a consultant to FMCG companies and Woolworths.

In 2007, in her role as Director of the Program Office, Megan was awarded the CEO's Award for Excellence for a project under her stewardship and in 2008 in her current role was awarded the Chairman's Award for Excellence. Megan is also a director of the Myer Stores Community Fund.

Adam Stapleton

General Manager of Marketing

Adam has 14 years of industry experience and was appointed General Manager of Marketing in December 2008. In his role, Adam manages Myer's advertising and direct marketing, the *MYER one* loyalty program, *emporium* magazine, *myer.com.au* creative, customer insights and research as well as the Company's brand strategy. Adam joined Myer in 2002, holding positions including Marketing Operations Manager and National Manager of Advertising and Loyalty before being appointed to his current role.

Prior to joining Myer, Adam worked for a number of organisations across a diverse range of industries; these businesses include Kodak, Accenture and ANZ Banking Group.

Mitch Catlin**General Manager of Communications**

Mitch has over 14 years of career experience, seven years in management roles and over four years in the direct retail industry. In his role, Mitch oversees all of the Company's 'below the line' marketing initiatives including sponsorships, community engagement, events and public relations, along with corporate affairs, internal communications and investor relations.

Prior to joining Myer, Mitch worked for Haystac Public Affairs where he held the position of Media Director, managing media issues for clients including Myer, ANZ Banking Group, Toyota, GSK, the City of Melbourne, Heinz, both federal and state government departments and agencies, the 2006 Commonwealth Games and the World Swimming Championships.

Prior to this, Mitch had an extensive career as a journalist working in such roles as a foreign correspondent, based in the United States, and in the Parliamentary Press Gallery in Canberra.

Wayne Latham**General Manager of Visual Brand**

Wayne has 20 years of retail experience and has been with Myer for six years. In his role, Wayne is responsible for Myer's visual merchandise creative, strategy and operations and the in-house design studio. The key objectives of this role include the improvement of the customer experience, including innovative season and brand launches, gift-giving events and lifestyle product merchandising solutions.

During his time at Myer, Wayne has led a number of improvements within the business, including the introduction of 'mytickets', a product ticketing system; Project VM Revitalisation, which is currently rolling out across all stores; and the creative direction of 'The Basement', a youth shopping, lifestyle and entertainment destination.

Prior to joining Myer, Wayne held visual merchandise roles with specialty retailers including Country Road and Jeanswest.

6.3 Remuneration and compensation for senior executives

Myer's senior executives are employed under individual contracts of employment. The contracts establish:

- The individual's total fixed compensation, which includes fixed cash remuneration and the Company's superannuation contribution;
- Eligibility to participate in Myer's short term incentive program (e.g. annual bonuses) and long term incentive program (e.g. the Myer Equity Incentive Plan);
- Notice and termination provisions; and
- Leave entitlements and other employment related matters.

Further details of the employment contracts are set out in Sections 10.14.3 and 10.14.4.

For senior executives other than the CEO, retention incentives have recently been incorporated into contracts, which include the payment of a cash incentive over a two year period from Listing, and/or a grant of equity incentives based on a three year period from Listing. The incentives are conditional on Listing, continued employment with the Myer Group for a specified period, and performance conditions.

Myer makes contributions with respect to the senior executives to complying superannuation funds, in accordance with relevant superannuation legislation. Myer contributes at a rate for senior executives with regard to its obligations under:

- Relevant superannuation legislation (i.e. at least 9% of ordinary time earnings);
- Individual contracts of employment for senior executives; and
- If a senior executive is a member of the Myer Superannuation Plan, a sub-plan of the Mercer Super Trust, the relevant category of membership under the trust deed for the Mercer Super Trust.

6 Board, senior management, employees and corporate governance

6.4 Special team member

Jennifer Hawkins

The 'Face of Myer'

Jennifer is an Australian model, television presenter, Miss Universe and Miss Australia for 2004 and the Face of Myer.

Jennifer has recently signed a new contract to continue as the Face of Myer until November 2013.

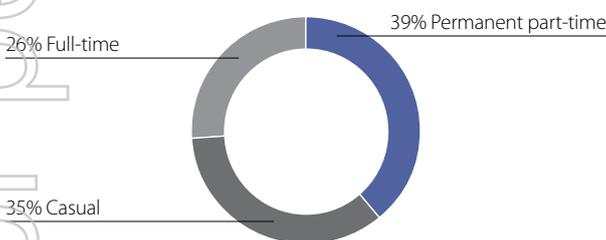
The key unions covering Myer team members are the Shop, Distributive and Allied Employees Association, the Australian Services Union and the National Union of Workers. Myer believes that it has a positive relationship with its team members and key unions. There has been minimal industrial action over the past three years.

Myer currently has a number of collective enterprise agreements with its team members. The key collective enterprise agreement (the Myer Stores Agreement 2007) covers retail team members and is due to expire in July 2010. Myer has not yet commenced negotiating with the Shop, Distributive and Allied Employees Association in relation to the renewal of this agreement.

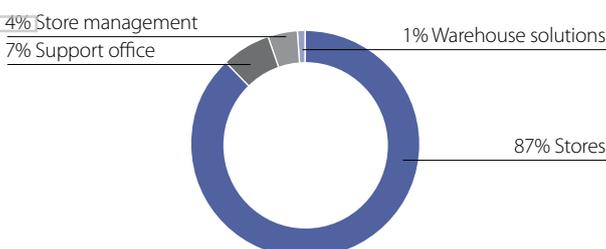
6.5 Employees

Myer employs approximately 14,000 team members. Over the past three years improved productivity through more aligned rostering to customer trading patterns, together with supply chain, store logistics and administration improvements has enabled some back-of-store team member roles to be reallocated to front-of-store sales roles, increasing customer service, or to be removed. In common with other retailers, Myer has a relatively high labour turnover, particularly of casual and temporary team members compared to permanent full-time and part-time team members. Turnover was 31% in 2009 versus 36% in 2008.

Team member distribution by employment type



Team member distribution by function



The Federal Government has recently implemented changes to industrial relations legislation which could affect Myer's operations. Some of these changes are already in force while others, including the introduction of modern awards, will take effect from 1 January 2010. The proposed General Retail Industry Award will apply from 1 January 2010. Any replacement agreement for the Myer Stores Agreement 2007 will be subject to a 'better off overall test' against the new Modern Award. At this time, the details of the General Retail Industry Award and the extent of any transitional arrangements are not yet fully clear and will need to be monitored and assessed to determine the exact impact on Myer. Please refer to Section 9.2.13 for details of risks to Myer associated with recent changes to industrial relations legislation.

Myer makes superannuation contributions in respect of employees in accordance with superannuation legislation. In addition, approximately 28 employees participate in a defined benefit superannuation scheme.

6.6 Corporate governance

6.6.1 The Board and corporate governance

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return and sustaining the growth and success of the Myer business and the Myer brand.

In conducting business with these objectives, the Board is concerned to ensure that Myer is properly managed to protect and enhance Shareholder interests, and that Myer, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has adopted corporate governance policies and practices designed to promote the responsible management and conduct of Myer.

Note: As at 31 August 2009. Distribution by function applies equal weighting to full-time, permanent part-time and casual team members. Percentages may not sum to 100% due to rounding.

The main policies and practices adopted by Myer are summarised below. In addition, many governance elements are contained in the Constitution of the Company.

The Myer code of conduct outlines how Myer expects Directors and employees to behave and conduct business in a range of circumstances. In particular, the code requires awareness of, and compliance with, laws and regulations relevant to Myer's operations, including occupational health and safety, fair trading and dealing, privacy and employment practices.

Details of Myer's key policies and practices and the charters for the Board and each of its committees will be made available at www.myer.com.au.

6.6.2 Board appointment and composition

It is the Board's policy that there should be a majority of independent Non-Executive Directors and that the office of Chairman be held by a Non-Executive Director.

The Board considers an independent Director to be a Non-Executive Director who is not a member of Myer's management and who is free of any business or other relationship that could materially interfere with the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted materiality guidelines to assist it in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board is currently made up of five Directors, four of whom are Non-Executive Directors.

Tom Flood was appointed a Director in August 2007 and provided consultancy services to Myer one day per week during the period from July 2007 to March 2008 as part of his specific Board function in overseeing the 'Store of the Future' project. Howard McDonald was appointed a Director in October 2006 and Chairman in August 2009 and supplied consultancy services to Myer from October 2006 to March 2009. Mr McDonald is also chairman of Rodd & Gunn (a Myer supplier) and a director of General Pants Co (a Myer competitor). Having regard to the nature and extent of the work performed, and in the case of Mr McDonald, the extent of the dealings between the other companies and Myer, the Board has determined that Mr Flood and Mr McDonald are independent Directors.

Rupert Myer is chairman of The Myer Family Company. Its subsidiary M F Custodians presently owns approximately 8.8% of the issued Shares in Myer. However, following Listing, M F Custodians will hold less than 5% of the issued Shares, and accordingly, Mr Myer will be considered to be an independent Director.

Anne Brennan has not been employed by Myer, and is not associated with any of Myer's substantial Shareholders. Accordingly, Ms Brennan is considered to be an independent Director.

6 Board, senior management, employees and corporate governance

6.6.3 Risk management

Myer is committed to the proper identification and management of risk. Myer has in place processes to identify and measure business risk, including regular review of results from its risk identification procedures. The Audit, Finance and Risk Committee is charged with oversight of this process (please refer to Section 6.6.4).

Myer regularly undertakes reviews of its risk management procedures which include implementation of a system of internal sign-offs to ensure not only that Myer complies with its legal obligations but that the Board, and ultimately Shareholders, can take comfort that an appropriate system of checks and balances is in place regarding those areas of the business which present financial or operating risks.

Myer has also adopted a code of conduct which sets out Myer's commitment to maintaining the highest level of integrity and ethical standards in all business practices. The code of conduct sets out for all Directors, management and employees the standards of behaviour expected of them, and the steps that should be taken in the event of uncertainty or a suspected breach by a colleague.

6.6.4 Board responsibilities

The Board has ultimate responsibility for setting policy regarding the business and affairs of Myer for the benefit of Shareholders and other stakeholders.

The Board delegates management of Myer's resources to senior management, under the leadership of the CEO, to deliver the strategic direction and goals determined by the Board.

In discharging their duties, Directors are provided direct access to and may rely upon senior management and outside advisers and auditors. Board committees and individual Directors may seek independent professional advice at Myer's expense for the purposes of the proper performance of their duties.

The Board discharges its duties in relation to certain specific functions through the following committees of the Board:

- Audit, Finance and Risk Committee; and
- Nomination and Remuneration Committee.

Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee monitors and reviews the effectiveness of Myer's controls in the areas of operational and balance sheet risk, legal and regulatory compliance and financial reporting.

The committee discharges these responsibilities by:

- Overseeing the adequacy of the controls established by senior management to identify and manage areas of potential risk and to safeguard the assets of Myer;
- Overseeing Myer's relationships with its external auditor and the external audit function generally; and
- Evaluating the processes in place to ensure that accounting records are properly maintained in accordance with statutory requirements and financial information provided to investors and the Board is accurate and reliable.

A copy of the committee's charter will be available on the Myer website at www.myer.com.au.

The committee consists of three Non-Executive Directors. The current members of the committee are:

- Anne Brennan (Chair);
- Tom Flood; and
- Rupert Myer.

The committee's charter provides that the committee will comprise all Non-Executive Directors, a majority of whom are independent.

Members of management and the external auditors attend meetings of the committee by invitation. The committee may also have access to financial and legal advisers, in accordance with the Board's general policy.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for matters relating to succession planning, recruitment and the appointment and remuneration of the Directors and the CEO, and overseeing succession planning, selection and appointment practices and remuneration packages for management and employees of the Myer Group.

The objectives of the committee include to:

- Review, assess and make recommendations to the Board on the desirable competencies of the Board;
- Assess the performance of the members of the Board;
- Oversee the selection and appointment practices for Non-Executive Directors and management of the Myer Group;
- Develop succession plans for the Board and oversee the development of succession planning in relation to management; and
- Assist the Board in determining appropriate remuneration policies (including short and long term incentive plans for the CEO).

In making recommendations to the Board regarding the appointment of Directors, the committee periodically assesses the appropriate mix of skills, experience and expertise required on the Board and assesses the extent to which the required skills and experience are represented on the Board.

The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate.

A copy of the committee's charter will be available on the Myer website at www.myer.com.au.

The committee consists of three Non-Executive Directors. The committee's charter provides that the majority of the committee members will be independent Directors. The current members of the committee are:

- Rupert Myer (Chair);
- Anne Brennan; and
- Howard McDonald.

6.6.5 Corporate governance policies

The Board has adopted the following corporate governance policies (which become effective upon commencement of trading on ASX):

Continuous disclosure policy

Myer places a high priority on communication with Shareholders and is aware of the obligations it will have, once listed, under the Corporations Act and the Listing Rules, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of Myer's securities.

Myer has adopted a policy which establishes procedures to ensure that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

Share trading guidelines

Myer has adopted guidelines for dealing in securities which are intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and establish a best practice procedure in relation to Directors', management's and employees' dealings in Myer's securities.

Subject to the overriding restriction that persons may not deal in Shares while they are in possession of material price-sensitive information, Directors and senior executives will only be permitted to deal in Shares during certain 'window periods', such as following release of Myer's full and half year financial results and the annual general meeting. Outside of these periods, Directors and senior executives must receive clearance for any proposed dealing in Shares.

6.6.6 Employee, senior executive and Director equity incentive plans

Myer has introduced a number of equity incentive plans pursuant to which employees, senior executives and Directors may acquire Shares or rights to Shares.

Details of the terms and conditions of the plans are set out in Section 10.7.

6.6.7 Deeds of access, indemnity and insurance

Myer has entered into deeds of access, indemnity and insurance with each Director which confirm the Director's right of access to Board papers and require Myer to indemnify the Director to the full extent permitted by law for liability incurred as a Director or officer of Myer or any of its related bodies corporate.

Please also refer to Section 10.6.16 for further details on the indemnities provided by Myer to its Directors and senior executives.

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7

Financial information

7 Financial information

7.1 Introduction

This Section contains a summary of the following historical and forecast financial information of Myer (together, Financial Information).

The Historical Financial Information comprises:

- The adjusted income statements of Myer for FY2007, FY2008 and FY2009, together with a reconciliation of the statutory consolidated income statement of Myer for FY2007, FY2008 and FY2009 (see Sections 7.3 and 7.11);
- The pro forma statement of financial position of Myer as at 25 July 2009, together with a reconciliation of the statutory statement of financial position of Myer as at 25 July 2009 (see Section 7.5); and
- The adjusted cash flows from operations after capital expenditure of Myer for FY2007, FY2008 and FY2009, together with a reconciliation of the statutory consolidated cash flows from operations of Myer for FY2007, FY2008 and FY2009 (see Sections 7.6 and 7.11).

The Forecast Financial Information comprises:

- The pro forma forecast income statement of Myer for FY2010, together with a reconciliation of the forecast statutory consolidated net profit after tax of Myer for FY2010 (see Sections 7.3 and 7.11.4); and
- The pro forma forecast cash flow statement of Myer for FY2010, together with a reconciliation of the forecast statutory consolidated cash flow statement of Myer for FY2010 (see Sections 7.6 and 7.11.8).

Also summarised in this Section are:

- The basis of preparation of the Financial Information (see Section 7.2);
- The Directors' best estimate assumptions underlying the Forecast Financial Information (see Section 7.9); and
- An analysis of the sensitivity of FY2010 pro forma EBIT to changes in key assumptions (see Section 7.10).

The Historical Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd, whose Investigating Accountant's Report is contained in Section 8. Investors should note the scope and limitations of the Investigating Accountant's Report. Investors should be aware that the Historical Financial Information has not been prepared in accordance with Regulation S-X of the United States Securities and Exchange Commission or generally accepted accounting principles in the United States. In addition, the rules and regulations related to the preparation of financial information in other jurisdictions may also vary significantly from the requirements applicable in Australia. The review of the Historical Financial Information by PricewaterhouseCoopers Securities Ltd has not been

carried out in accordance with generally accepted auditing standards or other standards and practices applicable in the United States to engagements of this type, standards of the Public Company Accounting Oversight Board (United States) or any auditing or other standards or practices of any other jurisdiction (other than the Australian Auditing Standards applicable to review engagements referred to above).

Accordingly, it should not be relied upon by US investors, or other investors outside of Australia and New Zealand, as if it had been carried out in accordance with those US standards or any other standards besides the Australian standards mentioned above.

The Forecast Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd, whose Investigating Accountant's Report is contained in Section 8. Investors should note the scope and limitations of the Investigating Accountant's Report. Investors should be aware that the Forecast Financial Information has not been prepared in accordance with Regulation S-X of the United States Securities and Exchange Commission or generally accepted accounting principles in the United States. In addition, the rules and regulations related to the preparation of financial information in other jurisdictions may also vary significantly from the requirements applicable in Australia. The review of the Forecast Financial Information by PricewaterhouseCoopers Securities Ltd has not been carried out in accordance with generally accepted auditing standards or other standards and practices applicable in the United States to engagements of this type, standards of the Public Company Accounting Oversight Board (United States) or any auditing or other standards or practices of any other jurisdiction (other than the Australian Auditing Standards applicable to review engagements referred to above). Accordingly, it should not be relied upon by US investors, or other investors outside of Australia and New Zealand, as if it had been carried out in accordance with those US standards or any other standards besides the Australian standards mentioned above.

The information in this Section should also be read in conjunction with the risk factors set out in Section 9 and other information contained in this Prospectus.

7.2 Basis of preparation and presentation of the Financial Information

The Financial Information included in this Section has been prepared and presented in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements in Australia, except where otherwise disclosed in this Section.

Significant accounting policies relevant to the Financial Information are disclosed in Note 1 to the financial statements in Myer's 25 July 2009 Annual Report which has been lodged with ASIC and is available from www.myer.com.au.

The Financial Information is presented in an abbreviated form and does not contain all of the disclosure provided in an annual report prepared in accordance with the Corporations Act.

Neither the adjusted historical nor pro forma financial information included in the Prospectus purports to be in compliance with Article 11 of Regulation S-X of the United States Securities and Exchange Commission because only pro forma adjustments directly attributable to the transaction are permitted under Regulation S-X.

Furthermore, investors should be aware that certain of the financial information included in the Prospectus may be considered 'non-GAAP financial measures' under Regulation G of the United States Securities and Exchange Commission. These measures include Total Sales Value, EBITDA and ROFE. EBITDA is a non-GAAP measure that means earnings before interest, income tax, depreciation and amortisation. The Company believes that adjusted EBITDA presented herein provides useful information regarding the Company, but it should not be considered an indication of, or alternative to, operating or net profit as an indicator of operating performance or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with Australian Accounting Standards. In addition, certain identified items in the remaining financial data have been adjusted and presented in a manner not consistent with Australian Accounting Standards. The Company believes that this presentation provides useful information as it permits investors to examine what it believes to be the underlying performance of the Company's business.

7.2.1 Preparation of Historical Financial Information

The FY2007, FY2008 and FY2009 statutory financial statements of Myer are available from www.myer.com.au and were audited by PricewaterhouseCoopers, which has issued unqualified opinions on these financial statements.

In preparing the adjusted and pro forma Historical Financial Information, certain adjustments were made to the audited results of Myer that the Company considered appropriate to exclude the impact of certain non-recurring items, details of which are set out in Section 7.11.

7.2.2 Preparation of Forecast Financial Information

The Forecast Financial Information has been based on the best estimate assumptions of the Directors. The Directors believe that they have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus.

The Forecast Financial Information has been prepared on the basis of numerous assumptions, including the best estimate assumptions set out in Section 7.9. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Myer's actual financial performance or financial position. Investors are advised to review the best estimate assumptions set out in Section 7.9, in conjunction with the sensitivity analysis set out in Section 7.10, the risk factors set out in Section 9 and other information set out in this Prospectus.

The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation for the Historical Financial Information.

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7 Financial information

7.3 Summary of adjusted historical and pro forma forecast income statements

Set out below is a summary of Myer's adjusted historical income statements for FY2007, FY2008 and FY2009 and the pro forma forecast income statement for FY2010. The historical income statements have been presented before interest and income tax due to the different capital and funding structure that will be in place after the Offer.

\$ millions	Adjusted historical			Pro forma forecast
	FY2007	FY2008	FY2009	FY2010
Weeks in year	52	52	52	52
Wholesale sales	3,002	2,940	2,843	2,937
Sales by concession operators	287	380	418	423
Total Sales Value¹	3,289	3,320	3,261	3,360
Gross profit²	1,283	1,312	1,278	1,331
Cost of doing business	(1,068)	(1,037)	(977)	(1,001)
EBITDA³	215	275	301	330
Depreciation and amortisation	(50)	(62)	(65)	(69)
EBIT	165	213	236	261
Net interest expense				(38)
Profit before tax				223
Income tax expense				(63)
Net profit after tax				160
Reconciliation to statutory income statement				
Adjusted historical/pro forma forecast EBIT	165	213	236	261
Net adjustments ⁴	15	236	0	(81)
Statutory historical/statutory forecast EBIT	180	449	236	180

Notes:

- Total Sales Value represents all sales (both by Myer and concession operators) generated in Myer stores and excludes costs associated with the customer loyalty program. Concession income (net) is shown in the statutory financial statements as other operating revenue. In the above presentation, concession sales (gross) have been shown in order to illustrate the level of sales value at Myer stores and provide a basis of comparison with similar department stores. Of the concession sales included in Total Sales Value, the net concession income derived by Myer was \$64 million in FY2007, \$87 million in FY2008 and \$95 million in FY2009 and is expected to be \$96 million in the FY2010 pro forma forecast.
- Gross profit is calculated as the net concession income derived by Myer plus wholesale sales less the cost of wholesale sales. Adjusted gross profit also includes other income, which represents additional income from operating activities.
- EBITDA is calculated as gross profit less the cost of doing business. The cost of doing business does not reflect any salary costs associated with concession sales, as these costs are generally borne by the concession operators.
- See Sections 7.11.1, 7.11.2, 7.11.3 and 7.11.4 for a detailed explanation of the historical and forecast adjustments.

7.4 Key operating metrics

Set out below is a summary of Myer's key operating historical metrics for FY2007, FY2008 and FY2009 and the key operating forecast metrics for the FY2010 pro forma forecast.

	Adjusted historical			Pro forma forecast
	FY2007	FY2008	FY2009	FY2010
Number of stores ¹	61	65	65	66
Total Sales Value growth		1.0%	(1.8)%	3.0%
Gross profit margin (% Total Sales Value)	39.0%	39.5%	39.2%	39.6%
Cost of doing business (% Total Sales Value)	32.5%	31.2%	29.9%	29.8%
EBITDA margin (% Total Sales Value)	6.5%	8.3%	9.2%	9.8%
EBITDA growth		27.9%	9.3%	9.6%
EBIT margin (% Total Sales Value)	5.0%	6.4%	7.2%	7.8%
EBIT growth		29.0%	10.6%	10.7%
Return on funds employed ^{2,3}		22.1%	22.4%	

Notes:

1. As at the end of each financial year. For the FY2010 pro forma forecast, one store is forecast to open in July 2010.
2. Calculated as EBIT divided by average funds employed. Funds employed are calculated as net assets plus net debt at the beginning and end of each year.
3. For the calculation of return on funds employed for FY2008, funds employed at the beginning of FY2008 have been adjusted to remove the Myer Melbourne properties in Lonsdale and Bourke Streets that were sold during August 2007. Refer to Section 7.11.2 for further details.

7.5 Pro forma statement of financial position

The pro forma statement of financial position shown below has been extracted from the audited financial statements for the year ended 25 July 2009 and adjusted to reflect the impact of the Offer and the proposed new funding structure (including Redemption of the Myer Notes) as if it was in place as at 25 July 2009. The adjustments also include assumptions relating to matters that are not known as at the Prospectus Date, for example, the Final Price, extent of sell-down by Selling Shareholders and the number of Shares to be issued. The pro forma statement of financial position is therefore provided for illustrative purposes only and is not represented as being indicative of Myer's view on its future financial position.

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7 Financial information

\$ millions			
As at 25 July 2009	Audited	Impact of the Offer and the New Bank Facilities	Pro forma
Current assets			
Cash and cash equivalents	185	(160)	25
Trade and other receivables	33		33
Inventories	355		355
Current tax assets	0	13	13
Non-current assets classified as held for sale	29		29
Total current assets	602	(147)	455
Non-current assets			
Other financial assets	8		8
Property, plant and equipment	371		371
Deferred tax assets	91	14	105
Intangible assets	909		909
Other	6		6
Total non-current assets	1,385	14	1,399
Total assets	1,987	(133)	1,854
Current liabilities			
Trade and other payables	469		469
Derivative financial instruments	10		10
Current tax liabilities	7	(7)	0
Provisions	106		106
Borrowings	0		0
Other	3		3
Total current liabilities	595	(7)	588
Non-current liabilities			
Borrowings	879	(462)	417
Derivative financial instruments	22	(22)	0
Provisions	69		69
Other	42		42
Total non-current liabilities	1,012	(484)	528
Total liabilities	1,607	(491)	1,116
Net assets	380	358	738
Equity			
Contributed equity	85	432	517
Reserves	(19)	20	1
Retained profits	314	(94)	220
Total equity	380	358	738

Pro forma adjustments

The impact of the Offer and the New Bank Facilities reflect the following transactions:

- Repayment of previous bank facilities (\$645 million), which also results in non-recurring expenses of \$31 million (after tax effects) relating to the write-off of previously capitalised borrowing costs (\$10 million) and settling interest rate swaps (\$21 million);
- Myer Notes (\$255 million) being either Exchanged as part of the Offer or Redeemed, which also results in non-recurring expenses of \$11 million (after tax effects) relating to the 2.5% Exchange discount and the 2.5% Redemption premium (\$6 million) and the write-off of previously capitalised borrowing costs (\$5 million);
- New Bank Facilities (\$425 million) offset by the capitalisation of new borrowing costs (\$8 million);
- Gross transaction costs of \$83 million (\$58 million after tax effects) allocated between a non-recurring expense of \$48 million (after tax effects) based on an assumed transfer of 90% of Existing Shares (excluding current management and certain key contractors) and \$10 million (after tax effects) being capitalised against contributed equity relating to New Shares being issued under this Offer; and
- The offer of \$432 million of Shares (based on the midpoint of the Indicative Price Range of \$3.90 to \$4.90), which includes \$191 million of Shares issued to satisfy the Myer Notes conversion, \$6 million of New Shares gifted to Eligible Employees (the latter resulting in a non-recurring expense of \$4 million after tax effects) and \$237 million of New Shares.

Adjustments to tax assets and liabilities reflect the tax effects of the above transactions.

Intangible assets

As at 25 July 2009, Myer's intangible assets consisted of:

- Goodwill, representing the excess of the cost of the acquisition of Myer over the fair value of the net identifiable assets; of the business at the date of acquisition (carrying amount in the pro forma statement of financial position: \$350 million);
- Brand names and trade marks, including the Myer brand name, which has an indefinite useful life, and other brands which have a finite useful life (carrying amount in the pro forma statement of financial position: \$391 million);
- Computer software, comprising the capitalised value of all costs directly incurred in the purchase or development of major computer software or subsequent upgrades and material enhancements, which can be reliably measured and are not integral to a related asset (carrying amount in the pro forma statement of financial position: \$128 million); and
- Lease rights, representing the amount paid up-front to take over store site leases from the existing lessee where such payments are in addition to the ongoing payment of normal market lease rentals (carrying amount in the pro forma statement of financial position: \$40 million).

7.6 Adjusted historical and pro forma forecast cash flow statements

Set out in the table below is a summary of Myer's adjusted historical cash flow statements for FY2007, FY2008 and FY2009 and the pro forma forecast cash flow statement for FY2010. The historical cash flow statements have been presented before investing and financing activities due to the different capital and funding structure that will be in place after the Offer.

\$ millions	Adjusted historical ¹			Pro forma forecast ²
	FY2007	FY2008	FY2009	FY2010
EBITDA	215	275	301	330
Change in working capital	11	7	19	41
Change in other assets, liabilities and provisions	18	(13)	(14)	(24)
Capital expenditure	(119)	(150)	(126)	(140)
Operating cash flow after capital expenditure	125	119	180	207
Net interest paid				(38)
Income tax paid				(29)
Cash flow before dividends and debt repayment				140
Dividends paid ³				(60)
Cash flow available for debt repayment				80

Notes:

1. A detailed explanation of adjustments made to the historical cash flow statements for FY2007, FY2008 and FY2009 is set out in Sections 7.11.5, 7.11.6 and 7.11.7.
2. A detailed explanation of the adjustments made to the pro forma forecast cash flow statement for FY2010 is set out in Section 7.11.8.
3. Based on an indicative assumption that 50% of the total FY2010 dividend is paid as the interim FY2010 dividend.

7 Financial information

7.7 Seasonality

There is a seasonal fluctuation in Myer's business. As a result, sales and EBIT are generally higher in the first half of the year as this half includes the Christmas trading period, which has a higher proportion of sales.

The table below demonstrates the impact of seasonality on the Total Sales Value and EBIT of Myer.

\$ millions	Adjusted historical						Pro forma forecast	
	1H as a % of FY2007	2H as a % of FY2007	1H as a % of FY2008	2H as a % of FY2008	1H as a % of FY2009	2H as a % of FY2009	1H as a % of FY2010	2H as a % of FY2010
Total Sales Value	54.8	45.2	55.1	44.9	54.0	46.0	54.6	45.4
EBIT	75.2	24.8	71.2	28.8	68.4	31.6	65.2	34.8

Note: Please refer to Section 7.11 for details of the adjustments made to Total Sales Value and EBIT.

7.8 Management discussion and analysis of historical results

7.8.1 General factors affecting the operating results of the Company

Below is a brief discussion of the main factors which affected the Company's operating and financial performance in FY2007, FY2008 and FY2009 and which the Company expects may continue to affect operating and financial performance in future periods.

The general factors described below are a summary only and do not represent everything that affected the Company's historical operating and financial performance, nor everything that is expected to affect operating and financial performance in future periods. The information in this Section should also be read in conjunction with the risk factors set out in Section 9 and other information contained in this Prospectus.

Turnaround program

Myer's turnaround program, initiated in June 2006 following Myer's separation from the Coles Group, has been a key driver of Myer's improved financial performance over the period covered by the Historical Financial Information.

Over \$400 million has been invested into the business since June 2006 to establish a new supply chain, enhance Myer's information technology platform, refurbish stores, improve buying practices and instil a performance based culture with a strong customer service focus. These initiatives have improved Myer's cost structure and operating performance.

While most of the capital investment has been made, a number of turnaround initiatives are yet to be completed, or have been completed during FY2009 and are yet to generate a full year of expected benefits.

New store roll-out and store refurbishments

New store openings and refurbishments of existing stores are anticipated to improve Myer's sales, and consequently, Myer's gross margin, EBIT and cash flow. The sales generated by Myer's new and refurbished stores have typically grown at a faster like-for-like rate after opening or completion of refurbishment than the sales generated by Myer's other stores.

In FY2007, FY2008 and FY2009, Myer opened seven new stores¹, closed two stores² and fully refurbished six stores. As part of its new store and refurbishment strategy, Myer seeks to obtain a return on investment equivalent to twice the cost of capital from all store openings and refurbishments.

	FY2007	FY2008	FY2009
Beginning number of stores	60	61	65
Store openings	3	4	0
Store closures	(2)	0	0
Ending number of stores	61	65	65

Myer has signed conditional agreements for lease for a further 12 new full-sized stores. Myer has 10 store refurbishments planned over the next two years, and is also planning to refresh the fit-out in all stores with the exception of one in time for Christmas 2009 under Project VM Revitalisation. Refurbishments and refreshments drive sales by improving the customer's in-store experience as well as converting 'back-of-store' space into selling space where appropriate.

1. Three of these stores were smaller sized stores.

2. These store closures were required as part of Myer's separation from the Coles Group.

Impact of macroeconomic conditions on the retail environment

Myer's financial performance since FY2008 has been negatively impacted by the global financial crisis and its effect on the retail environment. As a result of weak economic conditions, consumer sentiment has declined, negatively impacting Myer's sales and earnings performance. However, consumer sentiment has recently shown an increase, driven by the recovery in housing markets and stock markets, and the return to positive GDP growth. Myer expects that the strengthening economic environment will in part drive its future financial performance.

Seasonality

Myer's business is subject to seasonal variations, with sales and earnings typically higher during the first half of the financial year (as set out in Section 7.7). This seasonality is driven by the Christmas trading period (November to January), which is Myer's most important trading period in terms of sales, EBITDA and cash flow. Working capital typically peaks in October, just prior to the Christmas trading period. In addition to the Christmas period, sales also peak in June as a result of the stocktake sale, albeit to a lesser extent.

Foreign exchange rates

A proportion (approximately \$100 million) of Myer's inventory is supplied from overseas and paid for in foreign currency, primarily US dollars. Thus, movements in exchange rates have an impact on Myer's overall financial performance.

Myer limits its exposure to sudden increases and decreases in the cost of internationally sourced merchandise using exchange rate hedges. Please refer to Section 7.10 for an estimate of the impact of a 1.0% increase or decrease in the A\$/US\$ exchange rate on Myer's FY2010 pro forma EBIT.

The Company's foreign currency hedging policy involves hedging a certain percentage of forward purchases and is dependent on the length of time that the purchases are expected to be made from the date the hedge is taken out. For example, between 80% and 100% of purchases made within the next three months may be hedged. In order to efficiently manage the Company's foreign currency exposure, the proportion of future purchases that are hedged decreases as the amount of time in which the purchases will be made increases (and so a lower proportion of purchases will be hedged 12 months out relative to purchases occurring within the next three months).

Generally, the Company will not hedge transactions more than 12 months in advance but may elect to do so should it be in the best interests of the Company and requires approval from the Audit, Finance and Risk Committee.

Developments since 25 July 2009

The work done to date implementing the turnaround initiatives described above is beginning to deliver results, with Myer's trading performance improving significantly in the second half of FY2009. This trend has continued into FY2010. The improved sales performance is being driven by a number of company-specific factors including improved performance of refurbished stores, better store presentation including visual merchandising, enhanced price perception and better in-store execution, as well as the continued improvement in the macroeconomic environment, which is driving a strong recovery in consumer confidence.

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7 Financial information

7.8.2 Income statement: FY2008 compared to FY2007

\$ millions	Adjusted historical		
	FY2007	FY2008	Change
Weeks in year	52	52	
Number of stores ¹	61	65	+4
Wholesale sales	3,002	2,940	(2.1)%
Sales by concession operators	287	380	+32.6%
Total Sales Value²	3,289	3,320	+1.0%
Gross profit³	1,283	1,312	+2.2%
Cost of doing business	(1,068)	(1,037)	(3.0)%
EBITDA⁴	215	275	+27.9%
Depreciation and amortisation	(50)	(62)	+24.5%
EBIT	165	213	+29.0%
Key ratios			
Gross profit margin (% Total Sales Value)	39.0%	39.5%	+49bps
Cost of doing business (% Total Sales Value)	32.5%	31.2%	(126)bps
EBITDA margin (% Total Sales Value)	6.5%	8.3%	+175bps
EBIT margin (% Total Sales Value)	5.0%	6.4%	+140bps
Reconciliation to statutory income statement			
Adjusted EBIT	165	213	
Net adjustments ⁵	15	236	
Statutory EBIT	180	449	

Notes:

- As at the end of each financial year.
- Total Sales Value represents all sales (both by Myer and concession operators) generated in Myer stores and excludes costs associated with the customer loyalty program. Concession income (net) is shown in the statutory financial statements as other operating revenue. In the above presentation, concession sales (gross) have been shown in order to illustrate the level of sales value at Myer stores and provide a basis of comparison with similar department stores.
- Gross profit is calculated as the net concession income derived by Myer plus wholesale sales less the cost of wholesale sales. Adjusted gross profit also includes other income, which represents additional income from operating activities.
- EBITDA is calculated as gross profit less the cost of doing business. The cost of doing business does not reflect any salary costs associated with concession sales, as these costs are generally borne by the concession operators.
- See Sections 7.11.1 and 7.11.2 for a detailed explanation of the historical adjustments.

Adjusted Total Sales Value

Adjusted Total Sales Value increased by 1%, from \$3,289 million in FY2007 to \$3,320 million in FY2008, driven by the opening of four new stores during the year (albeit three towards year end). However, sales were adversely impacted by an increasingly challenging trading environment in FY2008. Consumer sentiment and retail market conditions deteriorated during the second half of the year, largely as a result of higher domestic interest rates, increased banking spreads on consumer mortgages and higher petrol prices.

The positive effects of the new store openings were also offset in part by a fire that burned down the Hobart store and refurbishment work at four stores, including the commencement of the redevelopment of both the Myer Melbourne flagship store and the Sydney CBD store, which are Myer's two largest stores.

Sales were driven by strong performances in womenswear, accessories, furniture and electrical. On a geographical basis, sales were significantly stronger in Western Australia and Queensland compared to New South Wales and Victoria, although sales slowed in all regions later in the year, due to deteriorating economic conditions.

Sales by concession operators grew by 32.6%, reflecting the full year sales impact of a number of brands that transferred from wholesale to concession during FY2007. The net concession income to the Company resulting from concession sales was \$87 million in FY2008, compared to \$64 million in FY2007.

Adjusted gross profit

Adjusted gross profit increased by 2.2% to \$1,312 million, with margins increasing 49bps compared to FY2007. The increase was attributable to a number of key factors, including the use of less broad and more targeted, regionally based clearances and promotions, which helped sell-through at improved margins, as well as the negotiation of improved supply trading terms for both national brands and Myer exclusive brands (particularly with overseas suppliers). The increase in adjusted gross profit was also attributable to rationalisation of the supply chain and the consolidation of warehousing sites, which led to reductions in warehousing and distribution costs. Myer's overseas transit lead time was reduced from an average of 43 days in FY2007 to an average of 24 days in FY2008, and the Company opened the final of its four distribution centres in FY2008 as part of the consolidation of its distribution centres.

Adjusted cost of doing business

The adjusted cost of doing business decreased by \$31 million (representing an improvement of 126bps) from FY2007 to FY2008. The reduction in costs driving this improvement was broad based and was the result of management continuing to drive a cost conscious culture through the business. More specifically, the cost of doing business margin was affected by the following factors:

- **Selling expenses:** Selling expenses comprise mostly store salaries and marketing expenses. Selling expenses decreased by 7.8% from FY2007 to FY2008. This decrease was attributable to an improvement in store salary costs resulting from internal initiatives to improve the store staffing structure;
- **Administrative expenses:** Administrative expenses comprise those costs required to operate Myer's support offices, such as head office salaries. Administrative expenses decreased by 0.7% from FY2007 to FY2008. This decrease was due primarily to the cessation of the Fly Buys rewards program and a reduction in employee expenses; and
- **Occupancy expenses:** Occupancy expenses include base and percentage rent, outgoings, rates, taxes and other occupancy costs, such as light and power. Total occupancy costs (including rent and outgoings) increased by 9.6% from FY2007 to FY2008 driven by three store openings during FY2008 and the full year impact of four store openings during FY2007.

Adjusted depreciation and amortisation

Adjusted depreciation and amortisation increased by 24.5% to \$62 million in FY2008.

Adjusted amortisation increased by \$9 million, \$6 million of which was the result of a full year's amortisation of MyMerch, which was implemented during FY2007. The remaining \$3 million increase is the result of the amortisation of lease rights which were acquired on four store sites at the end of FY2007.

The remaining increase in adjusted depreciation and amortisation was mainly attributable to an increase in asset write-offs, resulting from store refurbishments undertaken during FY2008 and the Hobart store fire.

Adjusted EBIT

Adjusted EBIT increased 29.0% to \$213 million, with margins increasing 140bps compared to FY2007. This movement is attributable to the reasons outlined above.

7.8.3 Income statement: FY2009 compared to FY2008

\$ millions	Adjusted historical		
	FY2008	FY2009	Change
Weeks in year	52	52	
Number of stores ¹	65	65	0
Wholesale sales	2,940	2,843	(3.3)%
Sales by concession operators	380	418	+10.0%
Total Sales Value²	3,320	3,261	(1.8)%
Gross profit³	1,312	1,278	(2.6)%
Cost of doing business	(1,037)	(977)	(5.8)%
EBITDA⁴	275	301	+9.3%
Depreciation and amortisation	(62)	(65)	+4.8%
EBIT	213	236	+10.6%
Key ratios			
Gross profit margin (% Total Sales Value)	39.5%	39.2%	(33)bps
Cost of doing business (% Total Sales Value)	31.2%	29.9%	(126)bps
EBITDA margin (% Total Sales Value)	8.3%	9.2%	+94bps
EBIT margin (% Total Sales Value)	6.4%	7.2%	+81bps
Reconciliation to statutory income statement			
Adjusted EBIT	213	236	
Net adjustments ⁵	236	0	
Statutory EBIT	449	236	

Notes:

1. As at the end of each financial year.
2. Total Sales Value represents all sales (both by Myer and concession operators) generated in Myer stores and excludes costs associated with the customer loyalty program. Concession income (net) is shown in the statutory financial statements as other operating revenue. In the above presentation, concession sales (gross) have been shown in order to illustrate the level of sales value at Myer stores and provide a basis of comparison with similar department stores.
3. Gross profit is calculated as the net concession income derived by Myer plus wholesale sales less the cost of wholesale sales. Adjusted gross profit also includes other income, which represents additional income from operating activities.
4. EBITDA is calculated as gross profit less the cost of doing business. The cost of doing business does not reflect any salary costs associated with concession sales, as these costs are generally borne by the concession operators.
5. See Sections 7.11.2 and 7.11.3 for a detailed explanation of the historical adjustments.

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Adjusted Total Sales Value

Adjusted Total Sales Value decreased by 1.8% from \$3,320 million in FY2008 to \$3,261 million in FY2009. The decrease was mainly due to weak economic conditions, a difficult retail market and general softness in discretionary retail spending conditions as a result of the impact of the global financial crisis on consumer sentiment. However, sales performance was better than expected due to a number of key factors including:

- Positive customer response to targeted promotional offers, particularly during the softer sales months of February, March and April;
- The benefits of improved store presentation, improved stock availability and local marketing;
- The effects of the Federal Government's stimulus package;
- The full year impact of the four stores opened in FY2008 and the completion of the refurbishment of four stores during the year, being Castle Hill, Doncaster, Geelong and the Sydney CBD store;
- Further leveraging of the growing *MYER one* customer base, which has enabled the Company to better target its product offering to evolving customer needs; and
- Improved visual presentation standards across 22 stores implemented in the second half of FY2009 as part of Project VM Revitalisation.

In addition, sales of Myer exclusive brands increased in the second half of FY2009, driven by improvements in range and fashionability as well as in-store presentation, visual merchandising, stock availability and the introduction of a number of new Myer exclusive brands.

In terms of product categories, sales were driven by strong performances in cosmetics, womenswear and accessories. Electronics also performed well in FY2009, driven by competitive pricing, the introduction of an improved merchandising format and improvements to staffing, including the introduction of more effective sales incentives. Sales in menswear and youth showed signs of improvement in the fourth quarter as a result of improvements in product range, as did sales of homewares and furniture.

On a geographical basis, sales were strongest in Western Australia and Queensland, but improved in Victoria, New South Wales and South Australia in the second half of the year.

Sales by concession operators grew by 10.0% from FY2008 to \$418 million, driven by the expansion of concession products into more stores and efforts made by concession operators to take advantage of store traffic, which remained relatively consistent from FY2008. The net concession income to the Company resulting from concession sales was \$95 million in FY2009 (compared to \$87 million in FY2008).

In delivering solid sales results during difficult trading conditions, the Company has focused on offering value at different price points and tailoring its offering to meet the needs of different customer demographics.

Adjusted gross profit

Adjusted gross profit declined by 2.6% to \$1,278 million, with margins declining 33bps compared to FY2008. The decline in adjusted gross profit was due in part to the shift in product mix between concession and wholesale sales and strong concession sales, as outlined above. Adjusted gross profit was also adversely impacted by an increase in markdowns in response to more aggressive competitor activity as the trading environment became more difficult. The impact of markdowns was partially offset by merchandise and supply chain efficiencies and rationalisations, which resulted in inventory optimisation. These efficiencies and rationalisations included a 45% growth in overseas direct sourcing through Myer's supply chain in the second half of FY2009 and the reduction of delivery time through close collaboration with local suppliers. In addition, adjusted gross profit was positively affected by improved negotiation of trading terms and an overall focus on driving higher margins.

Adjusted cost of doing business

The adjusted cost of doing business declined in FY2009 by 5.8% to \$977 million (an improvement of 126bps) relative to FY2008, driven by a number of key factors:

- **Selling expenses:** Selling expenses decreased by 13.4% from FY2008 to FY2009. This decrease was driven by improvement in store salary costs resulting from internal initiatives to better align staff rosters to customer trading patterns and a targeted reduction in marketing costs, which represented a shift away from positioning statements and an increased focus on tactical and promotional offers;
- **Administrative expenses:** Administrative expenses comprise those costs required to operate Myer's support offices, such as head office salaries. Administrative expenses increased by 4.9% from FY2008 to FY2009 due primarily to increases in both IT operating expenses and employment costs; and
- **Occupancy expenses:** Total occupancy costs (including rent and outgoings) increased by 5.1% from FY2008 to FY2009, largely driven by an increase in base rent from the full year impact of store opened in FY2008, and increases in rates and taxes, as well as some movement in other base rent.

The Company focused successfully on reducing its cost structure in response to the changing economic climate.

Adjusted depreciation and amortisation

Adjusted depreciation and amortisation increased by \$3 million or 4.8%, which was largely the result of capital expenditure made by the Company during FY2009 and the full year impact of capital expenditure made throughout FY2008, resulting in additional depreciation and amortisation of \$7 million. Offsetting this increase was a decline in asset write-offs. Asset write-offs were relatively higher in FY2008 than in FY2009 as a result of the refurbishment of the Sydney CBD and the Myer Melbourne flagship stores (which commenced in FY2008) and the Hobart store fire.

Adjusted EBIT

Adjusted EBIT increased 10.6% to \$236 million, with margins increasing 81bps compared to FY2008. This movement is attributable to the reasons outlined above.

7.8.4 Cash flow statements

\$ millions	Adjusted historical ¹		
	FY2007	FY2008	FY2009
EBITDA	215	275	301
Change in working capital	11	7	19
Change in other assets, liabilities and provisions	18	(13)	(14)
Capital expenditure ²	(119)	(150)	(126)
Operating cash flow after capital expenditure	125	119	180

Notes:

- See Section 7.11 for a detailed explanation of the historical adjustments.
- As outlined in Section 5.1, the Company has invested over \$400 million since separation from Coles Group in 2006. Total capital expenditure from FY2007 to FY2009 in the table above is \$395 million; the \$400 million also includes project costs, which have not been capitalised and are therefore not included in capital expenditure.

Adjusted change in working capital

FY2008 working capital benefited from an improvement in creditor days (from 42 days in FY2007 to 53 days in FY2008). This benefit was partially offset by the opening of three new full-sized stores towards the end of FY2008, as these new stores required stocking of all inventory lines.

FY2009 working capital improved as a result of a further improvement in creditor days (to 59 days in FY2009), coupled with an improvement in inventory turnover from 3.87 times in FY2008 to 3.94 times in FY2009.

Adjusted change in other assets, liabilities and provisions

The other assets, liabilities and provisions category comprises mostly provisions for employee benefits, unfavourable leases and fixed lease rental increases.

The favourable movement in other assets, liabilities and provisions in FY2007 of \$18 million was mostly due to an increase in employee benefit provisions of \$23 million, partly offset by the unwinding of the unfavourable lease and fixed lease rental provisions.

The decrease in other assets, liabilities and provisions of \$13 million in FY2008 and \$14 million in FY2009 was driven by further unwinding of the unfavourable lease and fixed lease rental provisions.

Adjusted capital expenditure

FY2007 adjusted capital expenditure of \$119 million (excluding contributions from suppliers and landlords) was primarily related to store refurbishments, information technology projects and supply chain investments.

FY2008 adjusted capital expenditure of \$150 million (excluding contributions from suppliers and landlords) funded construction and fit-out of new stores, refurbishment of existing stores, information technology projects, brand presentation and the construction of a new Support Office in Docklands, Melbourne.

FY2009 adjusted capital expenditure of \$126 million (excluding contributions from suppliers and landlords) was primarily related to information technology projects, store refurbishments, construction of the new Support Office in Docklands, Melbourne, the Myer Melbourne rebuild and construction and fit-out of new stores.

Adjusted operating cash flow after capital expenditure

Adjusted operating cash flow after capital expenditure declined by \$6 million from FY2007 to FY2008, with the increase in capital expenditure largely offsetting the rise in EBITDA. Adjusted operating cash flow substantially increased in FY2009 to \$180 million, primarily driven by EBITDA growth, a falling working capital balance and a reduction in capital expenditure relative to FY2008.

7.8.5 Liquidity and capital resources

Over the period relating to the Historical Financial Information, Myer has funded its capital requirements out of surplus operating cash flow, supplemented by its Existing Senior Finance Facility. Myer anticipates that its future capital requirements (primarily relating to capital expenditure) will continue to be funded out of surplus operating cash flow, supplemented by the New Bank Facilities. Details of Myer's capitalisation and indebtedness after giving effect to the impact of the Offer and description of the New Bank Facilities are outlined further in Sections 7.14 and 10.8.2.

7.9 Best estimate assumptions underlying the Directors' forecasts

The Forecast Financial Information is based on various best estimate assumptions, including those set out below, which should be read in conjunction with the Investigating Accountant's Report in Section 8 and the risk factors set out in Section 9.

7.9.1 Specific assumptions

Set out below are specific best estimate assumptions that have been adopted in preparing the Forecast Financial Information.

Total Sales Value

The forecast has been prepared based on a store portfolio of 66 stores, including the opening of Top Ryde (New South Wales), planned for July 2010. Although no sales have been factored into the forecast for this, store pre-opening costs of \$1.3 million have been included in the FY2010 pro forma forecast.

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Total Sales Value is expected to increase by 3.0% over the forecast period to \$3,360 million. This growth is driven by a number of initiatives including a comprehensive store refurbishment program, including both full and partial store refurbishments as well as the strengthening economic environment.

The refurbishment program in the forecast period is part of a long term program across the entire store portfolio. The program in FY2010 includes the completion of Project VM Revitalisation (under which all but one of the remaining stores will undergo a part-refurbishment by Christmas 2009 with the aim of improving their visual appearance), and the full refurbishment of four stores, being Blacktown, Northland, Garden City and Canberra. FY2010 will also see a full year impact of the Castle Hill expansion and the Sydney City, Doncaster and Geelong refurbishments, which were completed in FY2009.

Comparative year-on-year Total Sales Value per store is expected to increase in the FY2010 pro forma forecast, driven by:

- Further leveraging of the *MYER one* customer base;
- Improvements in customer service and improved targeted rostering;
- Further refinements to the product mix to appeal to every customer (including Myer exclusive brands), tailored according to store demographics;
- Depth of overall product range and store specific ranging capability;
- Effective and targeted marketing; and
- Improving retail space allocation.

Net concession income to the Company is forecast to be \$96 million in the FY2010 pro forma forecast (\$95 million in FY2009).

Gross profit

Gross profit is forecast to increase by 4.2% to \$1,331 million, with margins increasing 42bps from 39.2% in FY2009 to 39.6% in the FY2010 pro forma forecast. The increase in forecast gross profit arises from a number of factors including:

- increasing penetration of higher margin Myer exclusive brands;
- Focusing on higher margin national branded products;
- Through direct sourcing, focusing on Asia and other low cost manufacturing regions;
- Reducing markdowns using greater forecasting accuracy, tight management of inventory, increased 'smart allocation' and central stocks at the distribution centres, and lower levels of clearance stocks; and
- Reducing losses through theft with improved service levels and the roll-out of CCTV.

As outlined in Section 7.8.1, movements in exchange rates have an impact on Myer's overall financial performance. For the forecast period, an average exchange rate of A\$1 = US\$0.745 has been used, which is based on hedging the first half FY2010 purchases at a rate of A\$1 = US\$0.727 and the second half FY2010 purchases at a rate of A\$1 = US\$0.788.

Cost of doing business

The cost of doing business is forecast to increase by 2.5% to \$1,001 million, but decrease as a percentage of sales from 29.9% in FY2009 to 29.8% in the FY2010 pro forma forecast. The increase in cost of doing business arises from a number of factors including:

- **Selling expenses:** Selling expenses are forecast to decrease by 1.4% in the FY2010 pro forma forecast. Store salaries are forecast to increase by 1.4%, including a salary increase in line with the increase stipulated by the relevant collective enterprise agreement. For marketing expenses, some efficiencies have been factored into the FY2010 pro forma forecast as further benefits from a more targeted marketing strategy, and increased focus on direct marketing targeting *MYER one* members, local community marketing and event marketing are expected to be realised. Other selling expenses are forecast to remain relatively constant as a percentage of sales in the FY2010 pro forma forecast.
- **Administrative expenses:** Administrative expenses are forecast to increase by 10.9% in the FY2010 pro forma forecast.

New Support Office rent is included in the FY2010 pro forma forecast from February to July 2010 and equates to approximately \$6 million. Additional administrative expenses associated with the running of the Company as a publicly listed company are forecast to be approximately \$4 million on an annualised basis.

- **Occupancy expenses:** Total occupancy costs (including rent and outgoings) are forecast to increase by 4.2%, which is largely being driven by an increase in base rental costs due to standard rent reviews and existing lease contracts due for renewal.

Base and percentage rental costs have been forecast using a store-by-store methodology based upon the store lease agreements currently in place, and take into account any rental renewals expected to occur during the forecast period.

EBITDA

EBITDA is expected to grow by 9.6% in the FY2010 pro forma forecast, with margins increasing 59bps from 9.2% in FY2009 to 9.8%. Growth in EBITDA is expected to be through sales and gross profit improvements.

Depreciation and amortisation

The FY2010 pro forma forecast depreciation expense is assumed to increase based on existing rates of depreciation, adjusted for planned capital expenditures and disposals.

Depreciation rates are based on an estimation of useful lives, which are not expected to change in the forecast period. For a description of the Company's accounting policies relating to useful lives for property, plant and equipment, please refer to significant accounting policies disclosed in Note 1 to the financial statements in Myer's 25 July 2009 Annual Report which has been lodged with ASIC and is available from www.myer.com.au.

Net interest expense

Pro forma net interest expense for FY2010 is forecast to be \$38 million based on a pro forma net debt of \$392 million (including \$8 million of capitalised borrowing costs) and an average draw of the working capital facility of \$50 million. This has been calculated in accordance with the terms of the New Bank Facilities as described in Section 7.14.

Taxation

The Australian corporate tax rate is 30%. However, the Company's effective tax rate forecast for FY2010 is expected to be approximately 28%, mainly due to the impact of the Federal Government's investment allowance rebate.

Cash tax payments for the forecast year are based on expected tax instalments in FY2010 based on a percent to revenue ratio advised by the Australian Taxation Office, including the final reconciliation on the FY2009 tax payable versus the instalments made in FY2009.

Capital expenditure

Capital expenditure is forecast to be \$140 million for FY2010 as allocated in the table below.

FY2010 capital expenditure	
The Myer Melbourne rebuild	\$43m
Investment in PoS	\$21m
Fit-out of the new Support Office	\$21m
Total non-recurring capital expenditure	\$85m
Other IT projects	\$18m
Refurbishment of existing stores	\$9m
Project VM Revitalisation	\$7m
Construction and fit-out of new stores	\$6m
Other	\$14m
Total	\$140m

In FY2011, budgeted capital expenditure is expected to be approximately \$90 million.

Change in working capital

The movement in working capital included as part of the FY2010 pro forma forecast cash flow is based on expectations around the continued improvement in creditors days and inventory days as the benefits of measures already implemented in previous periods continue to be realised.

Change in other assets, liabilities and provisions

The movement in other assets and liabilities included as part of the FY2010 pro forma forecast cash flow is based on the assumed reduction in provisions over the period, largely in relation to unwinding of provisions for unfavourable leases and fixed lease rental provisions.

7.9.2 General assumptions

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- No material change in the competitive operating environment;
- No significant deviation from current market expectations of global or Australian economic conditions relevant to the retail industry in Australia for the period;
- No material business acquisitions or disposals;
- No material industrial strikes or other disturbances, environmental costs or legal claims;
- Retention of key personnel;
- No significant change in the legislative regimes (including tax) and regulatory environments in the jurisdictions in which Myer or its key customers or suppliers operate;
- No changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act which would have a material effect on Myer's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosure; and
- No change in Myer's capital structure other than as set out in, or contemplated by, this Prospectus.

7.10 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Myer and the Directors and management, and upon assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the FY2010 pro forma forecast EBIT to changes in a number of key variables. The changes in the key variables are set out in the sensitivity analysis and are not intended to be indicative of the complete range of variations that may be experienced. For purposes of the analysis below, the effect of the changes in key assumptions on the FY2010 pro forma forecast EBIT of \$261 million is presented.

Assumptions	Increase/(decrease)	FY2010 pro forma EBIT impact
Change in Total Sales Value ¹	1.0%/(1.0)%	\$8.5 million/\$ (8.5) million
Change in gross profit percentage ²	10bps/(10)bps	\$2.9 million/\$ (2.9) million
Change in store occupancy expenses ³	1.0%/(1.0)%	\$(2.2) million/\$2.2 million
Change in salaries and wages expense	1.0%/(1.0)%	\$(4.8) million/\$4.8 million
Change in A\$/US\$ exchange rate ⁴	1.0%/(1.0)%	\$1.4 million/\$ (1.4) million

Notes:

1. The EBIT impact of a 1.0% change in Total Sales Value has been calculated based on the gross profit impact which equates to approximately \$13 million, less an offsetting 1.0% change that would be made in variable operating costs including store salaries, store operating costs and advertising, totalling approximately \$5 million.
2. The EBIT impact has been calculated on a 10bps change in gross profit percentage based on wholesale sales.
3. The EBIT impact has been calculated on total store occupancy expenses (including rent and outgoing) notwithstanding that base rental expense is largely predetermined via lease agreements. If the sensitivity was calculated with reference to variable components of store occupancy expenses, the impact on the FY2010 pro forma forecast EBIT of a 1.0%/(1.0%) change in store occupancy expenses is estimated at \$(0.7) million/\$0.7 million.
4. The EBIT impact has been calculated on all forecast purchases, notwithstanding that a portion of these purchases has been hedged. If the sensitivity was calculated with reference to only non-hedged transactions, the impact on the FY2010 pro forma forecast EBIT of a 1.0%/(1.0%) change in the A\$/US\$ exchange rate is estimated at \$0.3 million/\$ (0.3) million.

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Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables to illustrate the likely impact on the FY2010 pro forma EBIT (except for Note 1 above). In practice, changes in variables may offset each other or be additive, and it is likely that Myer management would take further measures in response to any other adverse change in one variable to minimise the net effect on Myer's EBIT.

While impacting cash flow and profit before tax rather than EBIT, Myer's sensitivity to interest rate movements is also an important consideration. As set out in Section 7.5, Myer's proposed net debt included in the pro forma statement of financial position is \$392 million, comprising \$425 million of floating rate term debt, less \$8 million of capitalised borrowing costs and \$25 million of cash. In addition, the working capital facility is a floating rate facility. Assuming that \$392 million of net debt is outstanding for the whole of the FY2010 pro forma forecast, and that on average the working capital facility is drawn down \$50 million, if interest rates increase/(decrease) by 100bps per annum, the pro forma net interest expense will increase/(decrease) by approximately \$5 million.

7.11 Adjusted and pro forma reconciliation to statutory income statements

7.11.1 FY2007 adjusted income statement

In presenting the FY2007 adjusted income statement included in Section 7.3, certain adjustments to the FY2007 statutory consolidated income statement have been made to exclude the impact of certain non-recurring items. These adjustments are summarised below.

\$ millions	Statutory	Adjustments	Adjusted
Weeks in year	52		52
Wholesale sales	3,002		3,002
Sales by concession operators	0	287	287
Total Sales Value¹	3,002	287	3,289
Gross profit²	1,281	2	1,283
Cost of doing business	(1,088)	20	(1,068)
Other income	44	(44)	0
EBITDA³	237	(22)	215
Depreciation and amortisation	(57)	7	(50)
EBIT	180	(15)	165

Notes:

1. Total Sales Value represents all sales (both by Myer and concession operators) generated in Myer stores and excludes the costs associated with the customer loyalty program. Concession income (net) is shown in the statutory financial statements as other operating revenue. In the above presentation, concession sales (gross) have been shown in order to illustrate the level of sales value at Myer stores and provide a basis of comparison with similar department stores.
2. Gross profit is calculated as the net concession income derived by Myer plus wholesale sales less the cost of wholesale sales. Adjusted gross profit also includes other income, which represents additional income from operating activities.
3. EBITDA is calculated as gross profit less the cost of doing business. The cost of doing business does not reflect any salary costs associated with concession sales, as these costs are generally borne by the concession operators.

Sales by concession operators

To provide a more appropriate reference when assessing profitability measures relative to sales, an adjustment has been made to include gross concession sales of \$287 million in the Total Sales Value. For statutory purposes, concession income (net) is recorded as other operating revenue. For FY2007, net concession income was \$64 million.

Gross profit

During FY2007, Myer was requested by the landlord of the Burwood store to prematurely end its lease, for which Myer received \$23 million in compensation. This non-recurring income has been removed from adjusted gross profit.

An accounting standard change was implemented in FY2009, which required the Company to record costs associated with customer loyalty reward points in gross profit (as an offset to wholesale sales). Previously, these were included in the cost of doing business. An adjustment of \$19 million has been made to the FY2007 statutory gross profit to reclassify costs associated with customer loyalty reward points to reflect this accounting standard change as if it applied in FY2007.

Gross profit has also been adjusted to include other income of \$44 million, which represents additional income from operating activities.

Cost of doing business

As a consequence of the sale and leaseback of the Myer Melbourne properties (please refer to Section 7.11.2), Myer commenced paying rent on the Myer Melbourne properties from 10 August 2007. A \$17 million adjustment has been made to cost of doing business in order to reflect a full year of Myer Melbourne rental expense in FY2007 to ensure consistency of reporting across the historical and forecast periods shown.

Following the divestment of Myer from the Coles Group, Myer incurred approximately \$18 million in additional operating expenses relating to the transition of its IT systems from the Coles Group and to setting up MyMerch and the SAP general ledger system. This adjustment removes the non-recurring additional operating expenses incurred during FY2007 from cost of doing business.

As a result of the accounting standard change for customer loyalty reward points as outlined above, an adjustment has been made to reclassify \$19 million of loyalty program costs from the cost of doing business to gross profit.

Depreciation and amortisation

Asset write downs of \$3 million incurred by Myer on exit of the Burwood store lease have been removed from depreciation and amortisation.

As a consequence of the sale and leaseback of the Myer Melbourne properties (please refer to Section 7.11.2), Myer commenced paying rent on the Myer Melbourne properties from 10 August 2007. A \$4 million adjustment has been made to depreciation in order to reverse out the actual depreciation expense that was incurred during FY2007 when Myer owned the properties to ensure consistency of reporting across the historical and forecast periods.

7.11.2 FY2008 adjusted income statement

In presenting the FY2008 adjusted income statement included in Section 7.3, certain adjustments to the FY2008 statutory consolidated income statement have been made to exclude the impact of certain non-recurring items. These adjustments are summarised below.

\$ millions	Statutory	Adjustments	Adjusted
Weeks in year	52		52
Wholesale sales	2,940		2,940
Sales by concession operators	0	380	380
Total Sales Value¹	2,940	380	3,320
Gross profit²	1,278	34	1,312
Cost of doing business	(1,058)	21	(1,037)
Other income	55	(55)	0
Profit on sale of property	236	(236)	0
EBITDA³	511	(236)	275
Depreciation and amortisation	(62)		(62)
EBIT	449	(236)	213

Notes:

1. Total Sales Value represents all sales (both by Myer and concession operators) generated in Myer stores and excludes costs associated with the customer loyalty program. Concession income (net) is shown in the statutory financial statements as other operating revenue. In the above presentation, concession sales (gross) have been shown in order to illustrate the level of sales value at Myer stores and provide a basis of comparison with similar department stores.
2. Gross profit is calculated as the net concession income derived by Myer plus wholesale sales less the cost of wholesale sales. Adjusted gross profit also includes other income, which represents additional income from operating activities.
3. EBITDA is calculated as gross profit less the cost of doing business. The cost of doing business does not reflect any salary costs associated with concession sales, as these costs are generally borne by the concession operators.

Sales by concession operators

To provide a more appropriate reference when assessing profitability measures relative to sales, an adjustment has been made to include gross concession sales of \$380 million in the Total Sales Value. For statutory purposes, concession income (net) is recorded as other operating revenue. For FY2008, net concession income was \$87 million.

Gross profit

An accounting standard change was implemented in FY2009, which required the Company to record costs associated with customer loyalty reward points in gross profit (as an offset to wholesale sales). Previously, these were included in the cost of doing business. An adjustment of \$21 million has been made to the FY2008 statutory gross profit to reclassify costs associated with customer loyalty reward points to reflect this accounting standard change as if it applied in FY2008.

Gross profit has also been adjusted to include other income of \$55 million, which represents additional income from operating activities.

Cost of doing business

As a result of the accounting standard change for customer loyalty reward points as outlined above, an adjustment has been made to reclassify \$21 million of loyalty program costs from the cost of doing business to gross profit.

Profit on sale of property

On 10 August 2007, Myer completed a sale and leaseback transaction over the Myer Melbourne properties in Lonsdale and Bourke streets with a consortium of investors. The non-recurring profit on sale recognised in the income statement on completion of the transaction of \$236 million has been removed.

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7.11.3 FY2009 adjusted income statement

In presenting the FY2009 adjusted income statement included in Section 7.3, certain adjustments to the FY2009 statutory consolidated income statement have been made to exclude the impact of certain non-recurring items. These adjustments are summarised below.

\$ millions	Statutory	Adjustments	Adjusted
Weeks in year	52		52
Wholesale sales	2,843		2,843
Sales revenue deferred under customer loyalty program	(44)	44	0
Sales by concession operators	0	418	418
Total Sales Value¹	2,799	462	3,261
Gross profit²	1,225	53	1,278
Cost of doing business	(977)		(977)
Other income	53	(53)	0
EBITDA³	301		301
Depreciation and amortisation	(65)		(65)
EBIT	236		236

Notes:

- Total Sales Value represents all sales (both by Myer and concession operators) generated in Myer stores and excludes costs associated with the customer loyalty program. Concession income (net) is shown in the statutory financial statements as other operating revenue. In the above presentation, concession sales (gross) have been shown in order to illustrate the level of sales value at Myer stores and provide a basis of comparison with similar department stores.
- Gross profit is calculated as the net concession income derived by Myer plus wholesale sales less the cost of wholesale sales. Adjusted gross profit also includes other income, which represents additional income from operating activities.
- EBITDA is calculated as gross profit less the cost of doing business. The cost of doing business does not reflect any salary costs associated with concession sales, as these costs are generally borne by the concession operators.

Sales revenue deferred under customer loyalty program

An accounting standard change was implemented in FY2009, which required the Company to record costs associated with customer loyalty reward points as an offset to wholesale sales. In the adjusted income statement, these are excluded from Total Sales Value.

Sales by concession operators

To provide a more appropriate reference when assessing profitability measures relative to sales, an adjustment has been made to include gross concession sales of \$418 million in the Total Sales Value. For statutory purposes, concession income (net) is recorded as other operating revenue. For FY2009, net concession income was \$95 million.

Gross profit

Gross profit has been adjusted to include other income of \$53 million, which represents additional income from operating activities.

7.11.4 FY2010 pro forma income statement

In presenting the FY2010 pro forma income statement in Section 7.3, certain adjustments to the FY2010 statutory consolidated income statement have been made to exclude the impact of certain non-recurring items. These adjustments are summarised below.

\$ millions	Statutory	Adjustments	Pro forma
Weeks in year	53	(1)	52
Wholesale sales	2,972	(35)	2,937
Sales revenue deferred under customer loyalty program	(48)	48	0
Sales by concession operators	0	423	423
Total Sales Value¹	2,924	436	3,360
Gross profit²	1,306	25	1,331
Cost of doing business	(1,098)	97	(1,001)
Other income	42	(42)	0
EBITDA³	250	80	330
Depreciation and amortisation	(70)	1	(69)
EBIT	180	81	261
Net interest expense	(106)	68	(38)
Profit before tax	74	149	223
Income tax expense	(20)	(43)	(63)
Net profit after tax	54	106	160

Notes:

1. Total Sales Value represents all sales (both by Myer and concession operators) generated in Myer stores and excludes costs associated with the customer loyalty program. Concession income (net) is shown in the statutory financial statements as other operating revenue. In the above presentation, concession sales (gross) have been shown in order to illustrate the level of sales value at Myer stores and provide a basis of comparison with similar department stores.
2. Gross profit is calculated as the net concession income derived by Myer plus wholesale sales less the cost of wholesale sales. Adjusted gross profit also includes other income, which represents additional income from operating activities.
3. EBITDA is calculated as gross profit less the cost of doing business. The cost of doing business does not reflect any salary costs associated with concession sales, as these costs are generally borne by the concession operators.

Wholesale sales

FY2010 will be a 53 week year for statutory reporting purposes, compared to FY2007, FY2008 and FY2009, which were all 52 week years. In order to present the pro forma forecast on a comparable basis, \$35 million of wholesale sales relating to the 53rd week have been removed from the statutory forecast.

Sales revenue deferred under customer loyalty program

An accounting standard change was implemented in FY2009, which required the Company to record costs associated with customer loyalty reward points as an offset to wholesale sales. In the adjusted income statement, these are excluded from Total Sales Value.

Sales by concession operators

To provide a more appropriate reference when assessing profitability measures relative to sales, an adjustment has been made to include gross concession sales of \$430 million in the Total Sales Value. For statutory purposes, concession income (net) is recorded as other operating revenue and is forecast to be \$98 million in FY2010 (on a 53 week basis).

FY2010 will be a 53 week year for statutory reporting purposes, compared to FY2007, FY2008 and FY2009, which were all 52 week years. In order to present the pro forma forecast on a comparable basis, \$7 million of concession sales relating to the 53rd week have been removed. Of this \$7 million, the net concession income to Myer is forecast to be approximately \$2 million.

Gross profit

The gross profit earned on the sales relating to the 53rd week of FY2010 totalling \$17 million has been removed in the pro forma forecast in order to present the forecast on a comparable basis to FY2007, FY2008 and FY2009 (52 week years). Gross profit has been adjusted to include other income of \$42 million, which represents additional income from operating activities.

Cost of doing business

The cost of doing business incurred in generating the sales relating to the 53rd week of FY2010 has been removed in the pro forma forecast in order to present the forecast on a comparable basis to FY2007, FY2008 and FY2009 (52 week years).

In addition, cost of doing business has been adjusted for the following items:

- Transaction costs relating to the Listing process have been allocated between non-recurring expenses that impact the income statement and those to be capitalised against contributed equity. This allocation has been made based on the distinction between costs relating to transferred Existing Shares which are a non-recurring expense, and costs relating to the issue of New Shares which are capitalised. In allocating costs between the income statement and contributed equity, a 90% sell-down of Existing Shares held by the Selling Shareholders (excluding current management and key contractors) has been assumed. Cost of doing business has been adjusted to remove the non-recurring expense portion of \$69 million;

7 Financial information

- Retention payments of \$6 million. To ensure stability of senior management over a two year period post Listing, certain senior management will be paid retention payments to encourage their continued tenure. These payments are expected to be incurred in FY2010, FY2011 and FY2012. The impact on FY2010 has been removed on the basis that these payments are not an ongoing cost to the business; and

Employee Gift Offer costs of \$6 million. Eligible Employees will be gifted an allocation of Shares. For accounting purposes, this will result in an expense of \$6 million being recognised to the extent of the gifting. This adjustment removes this non-recurring expense.

Depreciation and amortisation

FY2010 will be a 53 week year for statutory reporting purposes, compared to FY2007, FY2008 and FY2009, which were all 52 week years. In order to present the pro forma forecast on a comparable basis, \$1 million of depreciation and amortisation relating to the 53rd week has been removed in the pro forma forecast.

Net interest expense

In the pro forma FY2010 income statement, net interest expense reflects the annualised effect of the proposed debt structure post Listing. As the Listing of the Company is not expected to occur until part way through FY2010, an adjustment has been made to reflect the incremental interest expense of \$11 million to be incurred under the existing facilities in the period prior to Listing.

As a result of the refinancing of existing financing facilities, currently capitalised borrowing costs of \$21 million will be written off. This adjustment removes this non-recurring expense.

As a result of the refinancing of existing financing facilities, existing interest rate swaps will be settled. This adjustment removes the effect of the \$29 million non-recurring expense that will be incurred when this occurs. This adjustment reflects what this amount would have been if these interest rate swaps were settled at 25 July 2009; the actual expense to be incurred upon Settlement would reflect market conditions at that time.

Net interest expense has also been adjusted to remove the \$6 million non-recurring expense that will arise relating to the Exchange discount and Redemption premium on the Myer Notes.

Income tax expense

The tax adjustment reflects the income tax effect of the adjustments discussed above.

7.11.5 FY2007 adjusted cash flow statement

In presenting the FY2007 adjusted cash flow statement included in Section 7.6, certain adjustments to the FY2007 statutory consolidated cash flow statement have been made to exclude the impact of certain non-recurring items. These adjustments are summarised below.

\$ millions	Statutory	Adjustments	Adjusted
EBITDA	237	(22)	215
Change in working capital ¹	11	0	11
Change in other assets, liabilities and provisions	18	0	18
Capital expenditure ²	(119)	0	(119)
Operating cash flow after capital expenditure³	147	(22)	125

Notes:

1. Change in working capital represents changes in trade and other receivables, inventories and trade and other payables.
2. Capital expenditure represents payments for property, plant and equipment and intangible assets less lease incentives.
3. Operating cash flow after capital expenditure represents statutory cash flow from operating activities after adding back interest and tax paid and deducting capital expenditure.

EBITDA

Please refer to the discussion of adjustments to EBITDA in Section 7.11.1.

7.11.6 FY2008 adjusted cash flow statement

In presenting the FY2008 adjusted cash flow statement included in Section 7.6, certain adjustments to the FY2008 statutory consolidated cash flow statement have been made. These adjustments are summarised below.

\$ millions	Statutory	Adjustments	Adjusted
EBITDA	511	(236)	275
Change in working capital ¹	7	0	7
Change in other assets, liabilities and provisions	(13)	0	(13)
Profit on sale of property	(236)	236	0
Capital expenditure ²	(150)	0	(150)
Operating cash flow after capital expenditure³	119	0	119

Notes:

1. Change in working capital represents changes in trade and other receivables, inventories and trade and other payables.
2. Capital expenditure represents payments for property, plant and equipment and intangible assets less lease incentives.
3. Operating cash flow after capital expenditure represents statutory cash flow from operating activities after adding back interest and tax paid and deducting capital expenditure.

EBITDA

Please refer to the discussion of adjustments to EBITDA in Section 7.11.2.

Profit on sale of property

Please refer to the discussion of adjustments for the profit on sale of property in Section 7.11.2.

7.11.7 FY2009 adjusted cash flow statement

In presenting the FY2009 adjusted cash flow statement included in Section 7.6, certain adjustments to the FY2009 statutory consolidated cash flow statement have been made. These adjustments are summarised below.

\$ millions	Statutory	Adjustments	Adjusted
EBITDA	301	0	301
Change in working capital ¹	19	0	19
Change in other assets, liabilities and provisions	(14)	0	(14)
Capital expenditure ²	(126)	0	(126)
Operating cash flow after capital expenditure³	180	0	180

Notes:

1. Change in working capital represents changes in trade and other receivables, inventories and trade and other payables.
2. Capital expenditure represents payments for property, plant and equipment and intangible assets less lease incentives.
3. Operating cash flow after capital expenditure represents statutory cash flow from operating activities after adding back interest and tax paid and deducting capital expenditure.

7.11.8 FY2010 pro forma cash flow statement

In presenting the FY2010 pro forma cash flow statement included in Section 7.6, certain adjustments to the FY2010 statutory consolidated cash flow statement have been made to exclude the impact of certain non-recurring items and to reflect the full year impact of the Offer. These adjustments are summarised below.

\$ millions	Statutory	Adjustments	Pro forma
EBITDA ¹	250	80	330
Change in working capital ²	24	17	41
Change in other assets, liabilities and provisions	(24)	0	(24)
Capital expenditure ³	(140)	0	(140)
Transaction costs funded via Share Offer ⁴	81	(81)	0
Operating cash flow after capital expenditure⁵	191	16	207
Net interest paid ⁶	(49)	11	(38)
Income tax paid	(29)	0	(29)
Cash flow before dividends and debt repayment	113	27	140
Dividends paid	(60)	0	(60)
Cash flow available for debt repayment	53	27	80

Notes:

1. EBITDA adjustments represent costs associated with investing and financing activities, such as incurrence of transaction costs (\$69 million), Employee Gift Offer costs (\$6 million) and retention payments (\$6 million) less an adjustment of \$1 million for the 53rd week. These adjustments are discussed in Section 7.11.4 in further detail.
2. Change in working capital represents changes in trade and other receivables, inventories and trade and other payables.
3. Capital expenditure represents payments for property, plant and equipment and intangible assets less lease incentives.
4. Transaction costs associated with the Offer have been adjusted on the basis that they will be classified as part of financing activities in the statutory cash flow statement.
5. Operating cash flow after capital expenditure represents statutory cash flow from operating activities after adding back interest and tax paid and deducting capital expenditure.
6. The net interest paid adjustment in the table above is \$11 million compared to the net interest expense adjustment in Section 7.11.4 of \$68 million. The variance represents non-cash interest adjustments including the settlement of existing interest rate swaps and the write-off of borrowing costs. Please refer to Section 7.5 for further detail on these adjustments.

EBITDA

Please refer to the discussion of adjustments to EBITDA in Section 7.11.4.

Change in working capital

Adjustment to working capital represents impact of removing the movement in working capital for the 53rd week of the period to arrive at a cash flow based on a 52 week period.

Net interest paid

Please refer to the discussion of adjustments to net interest expense in Section 7.11.4.

7 Financial information

7.12 Dividend policy

Subject to the Directors' forecasts being achieved and other relevant factors, the Board intends to declare a FY2010 dividend per Share of 20.5–21.2 cents. It is expected that this dividend will be fully franked in Australia.

The forecast dividend for FY2010 corresponds to an annualised forecast yield of 4.3%–5.3% based on the Indicative Price Range of \$3.90–\$4.90.

Beyond the forecast period, the Directors' dividend policy is to distribute 70%–80% of net profit after tax and to frank and impute dividends to the greatest extent possible.

In respect of future years, subject to available profits and the financial position of the Company, an interim dividend is expected to be payable annually in May, with a final dividend payable annually in November. No guarantee can be given about future dividends, or the level of franking or imputation of such dividends, as these matters will depend upon the future profits of the Company and its financial and taxation position at the time.

As at the Prospectus Date, the Company has a consolidated franking account balance of \$67 million.

7.13 Capitalisation and indebtedness

The below table sets out:

- Consolidated cash, short term debt, long term debt and total capitalisation of Myer as at 25 July 2009; and
- Consolidated cash, short term debt, long term debt and total capitalisation of Myer as adjusted after giving effect to the impact of the Offer and the New Bank Facilities as if the transactions had occurred on 25 July 2009.

\$ millions		
As at 25 July 2009	Actual	Pro forma
Cash	185	25
Current debt	0	0
Non-current unsecured debt	879	417
– Term facility ¹	631	417
– Myer Notes ¹	248	0
Total indebtedness	879	417
Contributed equity	85	517
Reserves	(19)	1
Retained profits	314	220
Total equity	380	738
Total capitalisation and indebtedness	1,259	1,155

Note:

1. The term facility and Myer Notes amounts shown in the table above are net of capitalised borrowing costs.

7.14 Description of the New Bank Facilities

On the date of issue and transfer of Shares under the Offer, Myer intends to repay its Existing Senior Finance Facility. Twenty eight days after the date of issue and transfer of Shares under the Offer, Myer intends to Redeem any remaining Myer Notes. This will be funded through New Bank Facilities and certain proceeds from sale of New Shares under the Offer.

The New Bank Facilities will comprise:

- A syndicated facility providing Myer with a \$425 million three year term debt facility, together with a \$200 million three year working capital facility; and
- A bilateral facility incorporating a three year \$50 million bank guarantee facility and a 60 day \$25 million cash advance facility.

\$ millions	Commitment	Pro forma amount drawn as at 25 July 2009
Term debt facility	425	425
Working capital facility	200	–
Bank guarantee and letter of credit facility	50	39
Cash advance facility	25	–

Myer's working capital requirements are greatest in October as the Company builds up its stock position ahead of its peak sales period over Christmas, and so Myer's working capital facility tends to be heavily drawn in October and the beginning of the Christmas trading period (November to January). The increase in inventory unwinds over the Christmas trading period.

The New Bank Facilities contain certain representations, undertakings, events of default and review events which are usual for facilities of this nature. Any breach of the representations or undertakings, or the occurrence of an event of default or a review event, may lead to the funds borrowed becoming due and the facilities being cancelled. Myer expects to remain in compliance with the terms and conditions of the New Bank Facilities.

The New Bank Facilities will contain financial undertakings usual for facilities of this nature, including ensuring that:

- The ratio of the Myer Group's net debt to EBITDA is not greater than 2.5 times;
- The ratio of the Myer Group's EBITDA plus rental expense to net interest expense (paid or payable or received or receivable in cash) plus rental expense is equal to or not less than 1.65 times; and
- The Shareholders' equity of the Myer Group is not less than \$500 million.

The base interest rate charged on the New Bank Facilities is a function of the prevailing market rate.

Adjustments usual for a facility of this nature will be made to EBITDA for the purposes of determining compliance with the financial undertakings.

Further details of the New Bank Facilities are provided in Section 10.8.2.

7.15 Contractual obligations

Myer's long term contractual obligations are presented in the table below.

\$ millions	Pro forma	Payments due by period		
		< 1 year	1 – 5 year(s)	> 5 years
As at 25 July 2009	Total			
Operating lease commitments ¹	2,247	179	665	1,403
Debt obligations²				
Term debt facility	425	0	425	0
Other liabilities				
Employee benefits	87	82	5	0
Total	2,759	261	1,095	1,403

Notes:

1. Myer does not have any finance leases. The majority of Myer's lease commitments relate to operating commitments for its department stores.
2. Debt obligations have been disclosed in the table above on a pro forma basis and are based on the proposed debt structure post Listing (please refer to Section 7.14).

7.16 Off-balance sheet arrangements

Historically, Myer has not used special purpose vehicles or similar financing arrangements. Myer does not have any off-balance sheet financing arrangements with any of its affiliates or with any unconsolidated entities.

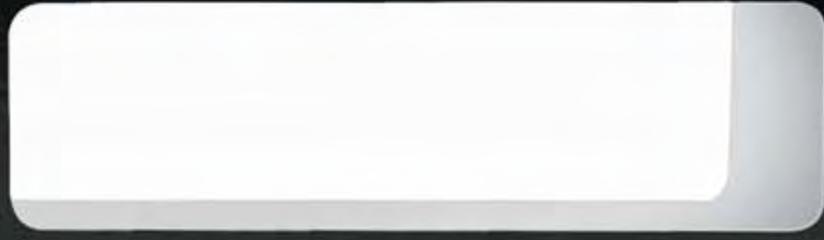
7.17 Market risk disclosures

Significant market risks relevant to the Financial Information are disclosed in Note 2 to the financial statements in Myer's 25 July 2009 Annual Report which has been lodged with ASIC and is available from www.myer.com.au.

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Investigating Accountant's Reports

8 Investigating Accountant's Reports



The Directors
Myer Holdings Limited
Myer SPV Limited
295 Lonsdale Street
Melbourne, VIC, 3000

28 September 2009

**PricewaterhouseCoopers
Securities Ltd
ACN 003 311 617
ABN 54 003 311 617
Holder of Australian Financial
Services Licence No 244572**

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
Direct Phone : 61 3 8603 6040
Direct Fax : 61 3 8613 2137

Dear Directors

Subject: Investigating Accountant's Report on Forecast Financial Information and Financial Services Guide

We have prepared this report on certain forecast financial information of Myer Holdings Limited and its controlled entities (the "Company") for inclusion in a prospectus dated on or about 28 September 2009 (the "Prospectus") relating to an offer of New Shares in the Company and the sale of Existing Shares in the Company by Myer SPV Limited (together, the "Offer").

Expressions defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide which is attached as an Appendix.

Background

The purpose of the Offer is to achieve the listing of the Company on the ASX and to provide existing shareholders an opportunity to sell down their current shareholdings.

The Offer comprises the offer of New Shares by the Company and the sale of Existing Shares by Myer SPV Limited. Proceeds received by the Company from the Offer of New Shares will be used to pay the costs of the Offer and to repay debt. Proceeds received by Myer SPV Limited will be remitted to those Selling Shareholders who sell Existing Shares to Myer SPV Limited.

Scope

The Company and Myer SPV Limited have requested PricewaterhouseCoopers Securities Ltd to prepare this investigating accountant's report (the "Report") covering the following information:



- (a) the pro forma forecast income statement and footnotes thereto in Section 7.3 of the Company for the year ending 31 July 2010; and
 - (b) the pro forma forecast cash flow statement and footnotes thereto in Section 7.6 of the Company for the year ending 31 July 2010,
- (collectively, the "Forecasts").

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Forecasts to which this Report relates for any purposes other than the purpose for which it was prepared.

Scope of review of Forecasts

The Forecasts are set out in Sections 7.3 and 7.6 of the Prospectus. The Directors are responsible for the preparation and presentation of the Forecasts, including the best estimate assumptions set out in Section 7.9 of the Prospectus on which they are based and adjustments (as set out in Sections 7.11.4 and 7.11.8; the "Forecast Adjustments"), including the recognition of gross concession sales which is a departure from Australian Accounting Standards.

Our review of the best estimate assumptions and Forecast Adjustments underlying the Forecasts was conducted in accordance with Australian Auditing Standards applicable to review engagements. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures as we considered necessary to form an opinion as to whether anything has come to our attention which causes us to believe that:

- (a) the best estimate assumptions do not provide a reasonable basis for the Forecasts;
- (b) in all material respects, the Forecasts are not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (with the exception of the recognition of gross concession sales as set out in Section 7.3), and other mandatory professional reporting requirements in Australia, and the accounting policies of the Company referred to in Section 7.2 of the Prospectus; or
- (c) the Forecasts are unreasonable.

The Forecasts have been prepared by the Directors to provide investors with a guide to the Company's potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of Forecasts. Actual results may vary materially from the Forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the description of investment risks set out in Section 9 of the Prospectus.

Our review of the Forecasts and the best estimate assumptions and Forecast Adjustments upon which the Forecasts are based is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit.

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We have not performed an audit and we do not express an audit opinion on the Forecasts included in the Prospectus.

Review statement on the Forecasts

Based on our review of the Forecasts, which is not an audit, and the reasonableness of the best estimate assumptions giving rise to the Forecasts, nothing has come to our attention which causes us to believe that:

- (a) the best estimate assumptions set out in Section 7.9 of the Prospectus do not provide a reasonable basis for the preparation of the Forecasts;
- (b) the Forecasts are not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (with the exception of the recognition of gross concession sales as set out in Section 7.3), and other mandatory professional reporting requirements in Australia, and the accounting policies of the Company referred to in Section 7.2 of the Prospectus; or
- (c) the Forecasts are unreasonable.

The best estimate assumptions set out in Section 7.9 of the Prospectus are subject to significant uncertainties and contingencies often outside the control of the Company. If events do not occur as assumed, actual results achieved by the Company may vary significantly from the Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary course of business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.



Relevant auditing or other standards

Our review of the Forecasts has not been carried out in accordance with generally accepted auditing standards or other standards and practices applicable in the United States of America to engagements of this type, standards of the Public Company Accounting Oversight Board (United States) or any auditing or other standards or practices of any other jurisdiction (other than the Australian Auditing Standards applicable to review engagements referred to above).

Independence or disclosure of interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Offer other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Liability

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. The liability of PricewaterhouseCoopers Securities Ltd to investors is limited to the inclusion of this Report in the Prospectus (and any references in the Prospectus to the Report). PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Prospectus.

Financial Services Guide

We have included our Financial Services Guide as an Appendix to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

Andrew Hanson
 Authorised Representative
 PricewaterhouseCoopers Securities Ltd

Charles Humphrey
 Authorised Representative
 PricewaterhouseCoopers Securities Ltd

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Appendix - Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 28 September 2009

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Myer Holdings Limited (the "Company") and Myer SPV Limited to provide a report in the form of an Investigating Accountant's Report in relation to certain forecast financial information of the Company (the "Report") for inclusion in a Prospectus dated on or around 28 September 2009.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees have been charged on an hourly rate basis and have been disclosed in Section 10.14.5 of the Prospectus.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers provides ongoing audit and taxation services to the Company.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Andrew Hanson
PricewaterhouseCoopers Securities Ltd
GPO Box 1331
Melbourne, VIC, 3001

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The Directors
 Myer Holdings Limited
 Myer SPV Limited
 295 Lonsdale Street
 Melbourne, VIC, 3000

28 September 2009

**PricewaterhouseCoopers
 Securities Ltd**
ACN 003 311 617
ABN 54 003 311 617
**Holder of Australian Financial
 Services Licence No 244572**

Freshwater Place
 2 Southbank Boulevard
 SOUTHBANK VIC 3006
 GPO Box 1331
 MELBOURNE VIC 3001
 DX 77
 Telephone 61 3 8603 1000
 Facsimile 61 3 8603 1999
 Direct Phone : 61 3 8603 6040
 Direct Fax : 61 3 8613 2137

Dear Directors

Subject: Investigating Accountant's Report on Historical Financial Information and Financial Services Guide

We have prepared this report on certain historical financial information of Myer Holdings Limited and its controlled entities (the "Company") for inclusion in a prospectus dated on or about 28 September 2009 (the "Prospectus") relating to an offer of New Shares in the Company and the sale of Existing Shares in the Company by Myer SPV Limited (together, the "Offer").

Expressions defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide which is attached as an Appendix.

Background

The purpose of the Offer is to achieve the listing of the Company on the ASX and to provide existing shareholders an opportunity to sell down their current shareholdings.

The Offer comprises the offer of New Shares by the Company and the sale of Existing Shares by Myer SPV Limited. Proceeds received by the Company from the Offer of New Shares will be used to pay the costs of the Offer and to repay debt. Proceeds received by Myer SPV Limited will be remitted to those Selling Shareholders who sell Existing Shares to Myer SPV Limited.

Scope

The Company and Myer SPV Limited have requested PricewaterhouseCoopers Securities Ltd to prepare this investigating accountant's report (the "Report") covering the following information:

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- (a) the adjusted historical income statements and footnotes thereto in Section 7.3 of the Company for the years ended 28 July 2007, 26 July 2008 and 25 July 2009, which includes the adjustments disclosed in Sections 7.11.1, 7.11.2 and 7.11.3;
 - (b) the adjusted historical cash flow statements and footnotes thereto in Section 7.6 of the Company for the years ended 28 July 2007, 26 July 2008 and 25 July 2009, which includes the adjustments disclosed in Sections 7.11.5, 7.11.6 and 7.11.7; and
 - (c) the historical statement of financial position as at 25 July 2009, and the pro forma statement of financial position as at 25 July 2009 (the "Pro Forma Balance Sheet") which assumes completion of the proposed transactions disclosed in Section 7.5 of the Prospectus (the "Pro Forma Transactions"),
- (collectively, the "Historical Financial Information").

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared.

Scope of review of Historical Financial Information

The Historical Financial Information set out in Sections 7.3, 7.5 and 7.6 of the Prospectus has been derived from the audited financial statements of the Company. The financial statements were audited by PricewaterhouseCoopers who issued unqualified audit opinions on them. The Historical Financial Information incorporates such Pro Forma Transactions and adjustments (as set out in Sections 7.11.1, 7.11.2, 7.11.3, 7.11.5, 7.11.6 and 7.11.7; the "Historical Adjustments") as the Directors considered necessary to present the Historical Financial Information on an appropriate basis, including the recognition of gross concession sales which is a departure from Australian Accounting Standards. The Directors are responsible for the preparation of the Historical Financial Information, including the determination of the Pro Forma Transactions and Historical Adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standards applicable to review engagements. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the audited financial performance of the Company for the relevant historical period
- a review of work papers, accounting records and other documents
- a review of the Historical Adjustments made to the Historical Financial Information
- a review of the Pro Forma Transactions used to compile the Pro Forma Balance Sheet
- a comparison of consistency in application of the recognition and measurement principles under Australian Accounting Standards and other mandatory professional reporting



requirements in Australia, and the accounting policies adopted by the Company referred to in Section 7.2 of the Prospectus, and

- enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.

Review statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the Pro Forma Balance Sheet has not been properly prepared on the basis of the Pro Forma Transactions
- the Pro Forma Transactions do not form a reasonable basis for the Pro Forma Balance Sheet
- the Historical Financial Information, as set out in Sections 7.3, 7.5 and 7.6 of the Prospectus, does not present fairly:
 - (a) the adjusted historical income statements of the Company for the years ended 28 July 2007, 26 July 2008 and 25 July 2009;
 - (b) the adjusted historical cash flow statements of the Company for the years ended 28 July 2007, 26 July 2008 and 25 July 2009; and
 - (c) the historical statement of financial position as at 25 July 2009, and the pro forma statement of financial position of the Company as at 25 July 2009 assuming completion of the Pro Forma Transactions

in accordance with the recognition and measurement principles prescribed under Australian Accounting Standards (with the exception of the recognition of gross concession sales as set out in Section 7.3), and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company referred to in Section 7.2 of the Prospectus.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary course of business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

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Relevant auditing or other standards

Our review of the Historical Financial Information has not been carried out in accordance with generally accepted auditing standards or other standards and practices applicable in the United States of America to engagements of this type, standards of the Public Company Accounting Oversight Board (United States) or any auditing or other standards or practices of any other jurisdiction (other than the Australian Auditing Standards applicable to review engagements referred to above).

Independence or disclosure of interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Offer other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Liability

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. The liability of PricewaterhouseCoopers Securities Ltd to investors is limited to the inclusion of this Report in the Prospectus (and any references in the Prospectus to the Report). PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Prospectus.

Financial Services Guide

We have included our Financial Services Guide as an Appendix to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

Andrew Hanson
 Authorised Representative
 PricewaterhouseCoopers Securities Ltd

Charles Humphrey
 Authorised Representative
 PricewaterhouseCoopers Securities Ltd

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Appendix - Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 28 September 2009

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Myer Holdings Limited (the "Company") and Myer SPV Limited to provide a report in the form of an Investigating Accountant's Report in relation to certain historical financial information of the Company (the "Report") for inclusion in a Prospectus dated on or around 28 September 2009.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees have been charged on an hourly rate basis and have been disclosed in Section 10.14.5 of the Prospectus.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers provides ongoing audit and taxation services to the Company.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

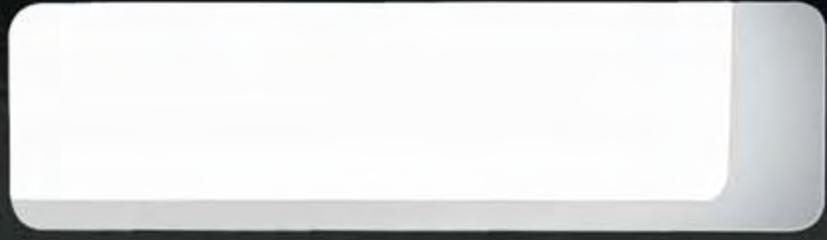
PwC Securities can be contacted by sending a letter to the following address:

Andrew Hanson
PricewaterhouseCoopers Securities Ltd
GPO Box 1331
Melbourne, VIC, 3001

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9

Risk factors

9 Risk factors

9.1 Introduction

There are a number of risks, both specific to Myer and of a general nature, which may either individually or in combination materially and adversely affect the future operating and financial performance of Myer, its investment returns and the value of the Shares. Many of these risks are outside the control of Myer and its Directors and management. There can be no guarantee that Myer will achieve its stated objectives or that any forward looking statements or forecasts will eventuate.

This Section describes the areas that are believed to be the major risks associated with an investment in the Shares. These risks have been separated into business risk factors (described in Section 9.2) and investment risk factors (described in Section 9.3). Prospective investors should note that this is not an exhaustive list of the risks associated with an investment in Myer and should be considered in conjunction with other information disclosed in this Prospectus. Investors should have regard to their own investment objectives and financial circumstances, and should consider seeking professional guidance from their stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest.

9.2 Business risk factors

9.2.1 Retail environment and general economic conditions may deteriorate

The Australian retail environment in which Myer operates is currently experiencing challenging conditions due to volatility in consumer sentiment and retail demand. This has arisen as a result of general uncertainty about future Australian and international economic conditions, which has been precipitated by factors including the global financial crisis. To date, the adverse impact on the Australian economy has been relatively constrained and, in particular, the increase in the unemployment rate has been less than what consumers may have anticipated. In part, this may be due to a number of measures which have been implemented at a macroeconomic level to stimulate economic activity in Australia. These measures include the Federal Government's financial stimulus package and the relaxation of monetary policy by the Reserve Bank of Australia resulting in a relatively benign interest rate environment. There is a risk that Australian economic

conditions will worsen, as the effects of these measures dissipate and the full impact of the global financial crisis and resulting disruptions to the Australian and international economies flows through to lagging indicators such as unemployment rates. There is a risk that Australian interest rates may increase leading to a reduction in discretionary household expenditure.

If Australian economic conditions worsen, there is a risk that the retail environment will deteriorate as consumers reduce their level of consumption or redirect their spending to cheaper products or discount stores. A reduction in consumer spending or a change in spending patterns is likely to result in a reduction in Myer's revenue and may have a material adverse effect on Myer's future financial performance and financial position.

9.2.2 Myer's turnaround initiatives and growth strategies may not achieve their objectives

Since 2006, Myer has implemented a number of turnaround initiatives in which Myer has invested over \$400 million. Some of Myer's turnaround initiatives are continuing to be implemented. Examples include the partial refurbishment of existing stores, more strategic allocation of retail floor space, the continued roll-out of store-within-store concepts and the implementation of the PoS and CCTV projects. Myer has also identified a number of growth strategies to continue to drive margin improvements and sales growth.

The implementation of these initiatives has already experienced delays. There is a risk that the implementation of Myer's turnaround initiatives and growth strategies will be subject to further delays or cost overruns and there is no guarantee that these initiatives and strategies will generate the full benefits anticipated or result in sales growth. Further, the implementation of Myer's turnaround initiatives and growth strategies will result in changes to Myer's product mix and the consumer shopping experience, which may result in unintended consequences if such changes do not match customer preferences. Any delay in implementation, failure to successfully implement, or unintended consequences of implementing any or all of Myer's turnaround initiatives and growth strategies may have an adverse effect on Myer's future financial performance.

9.2.3 Information technology failures may occur and information technology projects may not be successfully implemented

Myer is heavily reliant on the capability and reliability of its information technology systems, and those of its external service providers such as communication carriers, to process transactions, manage inventory, report financial results and manage its business. Key systems on which Myer relies include the merchandising system, MyMerch, and, it is expected from 2010, the new PoS and CCTV systems.

Myer relies predominantly on IBM for its information technology outsourcing requirements. IBM provides a range of information technology services, including help-desk, desk-top support, data hosting and provisioning and network support, under a contract that expires in 2011. Significant or sustained failure of the information technology systems of Myer and its external service providers or a disruption in the relationship between Myer and its key information technology provider would have a material adverse effect on Myer's future financial performance.

Myer plans to implement its new PoS and CCTV systems in all stores during 2010. The implementation of the new PoS system is expected to result in faster processing times for customer transactions and will support the roll-out of new stores. The implementation of the new CCTV system is expected to result in a reduction in losses due to theft. There may be further delays in the implementation of these systems (which, in the case of PoS, could affect the roll-out of new stores) or unanticipated increases in costs to Myer arising from the implementation process. It is also possible that the technology associated with these systems may not function as intended, may not be compatible with Myer's requirements or may not be capable of being deployed in Myer's operating environment. This could result in a project not proceeding, continuing reliance on existing systems (which may be outdated) or some of the expected benefits not being obtained. These consequences could have an adverse effect on Myer's future financial performance.

9.2.4 Myer's competitive position may deteriorate

The Australian retail industry in which Myer operates is competitive, has low barriers to entry and is subject to changing customer preferences. Myer's competitors include traditional department stores, discount department stores, specialty retailers, supermarkets, discount stores, independent local operators, mail order catalogues and online retailers. Competition is based on factors including merchandise selection, price, advertising, store location, store appearance, product presentation and customer service. Further, Myer anticipates that a challenging retail environment may lead to an increased focus on price based competition by some of Myer's competitors.

Myer's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors or a failure by Myer to continue to position itself successfully as the retail environment changes. Any deterioration in Myer's competitive position may result in a decline in revenue and margins and a loss of market share which may have an adverse effect on Myer's future financial performance.

9.2.5 Customer preferences may change

A significant proportion of Myer's revenues are generated from fashion related products, which are subject to rapid and occasionally unpredictable changes in customer preferences. A large number of products sold in Myer stores are manufactured internationally which means there can be a significant delay between ordering and delivery. This delay further exposes Myer to the risk that customer preferences may change between the time products are ordered and the time they are available for purchase. If Myer misjudges customer preferences or fails to convert market trends into appealing product offerings on a timely basis, this may result in lower revenue and margins and could adversely impact Myer's future financial performance.

9.2.6 Myer brand name may diminish in reputation and value

The Myer brand name is a key asset of the business. The reputation and value associated with the Myer brand name could be adversely impacted by a number of factors including failure to provide customers with the quality of product and service standards they expect, disputes or litigation with third parties such as employees, suppliers and customers, or adverse media coverage. Significant erosion in the reputation of, or value associated with, the Myer brand name could have an adverse effect on Myer's future financial performance and financial position, particularly arising from any impairment in the value of the Myer brand name.

9.2.7 Myer's relationships with key brand owners, designers or concession operators may deteriorate

Myer's ability to offer a wide variety of brands in its stores is a key contributor to the appeal of its product offering to customers. External brand owners operating concessions (i.e. store-within-store) in Myer stores allow Myer to further expand its product offering and provide a key source of Myer's revenue. The loss or impairment of Myer's relationships with key brand owners, designers or concession operators, or an inability to renew existing contractual arrangements with such parties or negotiate agreement with new parties on terms which are no less favourable to Myer, is likely to result in a reduction in revenue and could have an adverse effect on Myer's future financial performance.

9.2.8 Myer's relationships with landlords may deteriorate

Myer has 65 stores and four regional distribution centres. Myer leases its stores from over 12 landlords, of whom the most significant owns/controls 20 stores. Myer has signed conditional agreements for lease on a further 12 new stores. The leases typically contain a range of restrictions on Myer's activities at the relevant premises (such as restrictions on effecting structural changes or sub-leasing or licensing more than a limited amount of space to concession operators without landlord consent), which may restrict Myer's operating flexibility.

The leases have a range of terms and option periods, although they are generally long term leases which Myer cannot readily terminate.

Any default under a lease by Myer (which, under a number of leases, would be triggered if Myer does not satisfy its obligations under the relevant change of control provisions), or failure to renew existing leases on acceptable terms or an inability to negotiate alternative arrangements could materially adversely affect Myer's ability to operate stores in preferred locations, which may result in a reduction in revenue and have an adverse effect on Myer's future financial performance. In addition, there is a risk that Myer may become subject to lease terms which are relatively unfavourable due to unanticipated changes in the property market or if one or more stores do not achieve the financial performance anticipated at the time of entering into the relevant leases. In relation to the conditional agreements for lease, there may be a delay or inability to satisfy those conditions which may affect the planned opening date or ability for Myer to enter into the lease.

9 Risk factors

9.2.9 Relationships with suppliers may deteriorate, production costs may increase and Myer may be adversely impacted by conditions affecting foreign suppliers

Myer's relationships with suppliers are often governed by individual purchase orders or invoices subject to standard purchase terms and conditions and therefore can be altered by suppliers without the supplier incurring significant penalties. Myer's suppliers may cease providing merchandise, change pricing levels, experience operational or transportation difficulties (resulting in a failure or delay in supplying products) or incur increased production or transportation costs which they seek to pass on to Myer. If this occurs in relation to one or more major suppliers and Myer is unable to make acceptable alternative arrangements, Myer may suffer inventory shortages, a reduction in revenue and a loss of market share which may materially adversely affect its future financial performance.

Myer sources a significant proportion of its products from foreign suppliers. As a result, in addition to the risks referred to above, Myer is also exposed to risks including political instability, increased security requirements for foreign goods, costs and delays in international shipping arrangements, imposition of taxes and other charges as well as restrictions on imports, currency and exchange rate risks. Myer is also exposed to risks related to labour practices, environmental matters and other issues in the foreign jurisdictions where suppliers operate. Any of these risks, in isolation or in combination, could materially adversely affect Myer's future financial performance.

9.2.10 New store roll-out program may not meet its objectives

Myer's growth strategy includes the planned roll-out of 15 additional stores over the next five years. Myer's ability to successfully open new stores on schedule may be affected by factors including project delays, cost overruns and disputes with developers. Myer's ability to open new stores also depends on the successful implementation of its new PoS system (described in Section 5.4.2). Any significant delay in the successful implementation of the new PoS system may delay Myer's opening of new stores, which could have an adverse effect on Myer's future financial performance.

9.2.11 Myer Melbourne rebuild may be delayed further

The rebuild of Myer's Bourke Street store in Melbourne is currently underway, and Myer expects that the redevelopment will be completed on a staged basis during 2010.

The rebuild of the Bourke Street store has already been subject to significant delays related to the removal of hazardous materials and the obtaining of permits, as well as issues of structural integrity and building access. There is a risk of further delays, which may impact on the level of trading revenue generated from Myer Melbourne.

In addition, Myer is responsible for certain aspects of the rebuild, including the fit-out of the Bourke Street store. There is a risk that the costs associated with the rebuild that are Myer's responsibility may exceed the levels anticipated.

9.2.12 Loss of key personnel may occur

Myer's success depends to a significant extent on its key personnel, in particular the Management Team discussed in Section 6. These individuals have extensive experience in, and knowledge of, the Australian retail industry and Myer's business. The loss of key personnel and an inability to recruit or retain suitable replacement or additional personnel may adversely affect Myer's future financial performance.

9.2.13 Myer's employment costs may increase

Myer currently has a number of collective enterprise agreements with its employees. The key collective enterprise agreement (the Myer Stores Agreement 2007) covers retail staff and is due to expire in July 2010. Myer has not yet commenced negotiating with the Shop, Distributive and Allied Employees Association in relation to the renewal of this agreement. Any failure to reach agreement on a new collective enterprise agreement for the Myer stores on acceptable terms could materially adversely affect Myer's future financial performance.

The Federal Government has recently implemented changes to industrial relations legislation which could affect Myer's operations. Some of these changes are already in force while others, including the introduction of modern awards, will take effect from 1 January 2010. The proposed General Retail Industry Award will apply from 1 January 2010. Any replacement agreement for the Myer Stores Agreement 2007 will be subject to a 'better off overall test' against the new Modern Award. This may impose additional employment related costs on Myer, for example, as a result of increases to penalty and casual loading rates. At this time, the details of the General Retail Industry Award and the extent of any transitional arrangements are not yet clear and will need to be monitored and assessed to determine the exact impact on Myer. Any material increase in employment related costs resulting from the introduction of the General Retail Industry Award or other changes to industrial relations could have a material adverse effect on Myer's future financial performance.

9.2.14 Myer may be unable to attract and retain staff

Myer's business is also dependent on attracting and retaining a large number of quality employees. Many of these employees are in entry level positions with historically high rates of turnover common to the retail industry. Myer's ability to meet its labour needs while controlling costs associated with hiring and training new employees is subject to external factors such as unemployment rates, prevailing wage legislation and changing demographics. Changes that adversely impact Myer's ability to attract and retain quality employees could adversely affect Myer's future financial performance.

9.2.15 Myer's advertising and marketing campaigns may be unsuccessful

Myer's business depends on high customer traffic in its stores and effective marketing. Myer has a number of marketing initiatives underway, including campaigns involving high profile celebrities and events. There is a risk that Myer's advertising and marketing programs ultimately turn out to be unsuccessful or that investments in advertising and marketing campaigns centred around high profile celebrities and events are negatively impacted by incidents or developments relating to those celebrities and events.

9.2.16 Seasonal trading patterns may change

Myer's revenue has historically been subject to seasonal patterns. Historically, a disproportionate amount of annual revenue has been generated over the Christmas trading period and higher than average monthly revenue has been recorded in the month of June as a result of seasonal sales. Myer's working capital and inventory planning strategies reflect these seasonal patterns.

Any significant decrease in customer demand during peak seasons, particularly during the Christmas period, could result in Myer being left with a substantial amount of unsold inventory, which can only be sold at significant markdowns. This would have an adverse effect on Myer's financial performance.

Myer's operations may also be affected by prolonged periods of abnormal, severe or unseasonal weather conditions which could result in Myer's product range being unattractive to customers and adverse changes in customer traffic expectations. This would result in reduced revenue which could have a material adverse effect on Myer's future financial performance.

9.2.17 Adverse movements in exchange rates may occur

Myer sources a significant proportion of its products internationally, predominantly in US dollars. While Myer engages in foreign currency hedging which limits its exposure, adverse movements in exchange rates may have a material adverse effect on Myer's future financial performance.

9.2.18 Interest rates may increase

As a borrower of money, Myer is exposed to increases in interest rates. While this risk may be partially reduced by interest rate hedging, interest rate swaps or other mechanisms, residual exposure may remain. Increases in interest rates may also affect consumer sentiment and the level of customer demand, potentially leading to a decrease in consumer spending. Accordingly, an increase in interest rates may have a material adverse impact on Myer's future financial performance.

9.2.19 Myer may be subject to litigation

Myer may from time to time be the subject of complaints, litigation, inquiries or audits initiated by customers, employees, suppliers, landlords, government agencies, regulators or other third parties alleging matters such as incorrect product descriptions, injury, health, environmental, safety or operational concerns, nuisance, negligence, failure to comply with applicable laws and regulations or failure to comply with contractual obligations. Such matters, even if successfully disposed of without direct adverse financial effect, could have an adverse effect on Myer's reputation and divert its financial and management resources from more beneficial uses. If Myer were found to be liable under any such claims, this could have a material adverse effect on Myer's future financial performance.

9.2.20 Regulatory matters may negatively affect Myer

Myer is required to comply with a range of laws and regulations. Regulatory areas which are of particular significance to Myer include fair trading and consumer protection, employment, property and environment, customs and tariffs and taxation.

In 2007, following an investigation by the ACCC into the labelling of certain sunglasses being sold in Myer stores, Myer entered into a three year undertaking, which requires Myer to comply with certain safety and information standards, and to implement a trade practices compliance program.

During FY2009, Myer was advised by the Australian Taxation Office that it was undertaking an audit of the Myer Group's income tax affairs in relation to the 2006 and 2007 income years. This audit is currently still in progress; however, Myer does not believe that a material exposure exists and therefore no allowance has been made for any potential exposure in the financial statements.

In addition, future changes to laws and regulations or accounting standards which apply to Myer from time to time could materially adversely affect Myer's future financial performance and position.

9.2.21 Myer may experience interruptions to operations

Myer is exposed to short, medium or long term interruptions to its operations arising from events including industrial disputes, electricity interruptions, work stoppages, acts of terrorism, fires, floods, earthquakes, and other natural disasters, any of which may result in losses which may adversely affect Myer's future financial performance.

9.2.22 Privacy breaches may negatively affect Myer

The protection of customer, employee and company data is critical to Myer. Myer has access to a significant amount of customer information, including through its database of over three million *MYER one* members. The legal and regulatory environment surrounding information security and privacy is increasingly complex and demanding. Customers also have high expectations that Myer will adequately protect their personal information. A significant breach of customer, employee or company data could attract significant media attention, damage Myer's customer relationships and reputation and ultimately result in lost sales, fines or litigation, which could have a material adverse effect on Myer's future financial performance and financial position.

9.2.23 Counterparties may not meet their obligations

Third parties, such as suppliers, landlords and other counterparties, may not be willing or able to perform their obligations to Myer. The current difficult economic environment increases the risk of defaults by counterparties. If one or more key suppliers, landlords or other counterparties default on their obligations to Myer or encounter financial difficulties, this would have an adverse impact on Myer's future financial performance.

9 Risk factors

9.3 Investment risk factors

9.3.1 Price of Shares may fluctuate

The price of the Shares on ASX may rise or fall due to numerous factors including:

- General economic conditions including inflation rates and interest rates;
- Variations in the local and global market for listed stocks, in general, or for retail, industrial, textile or clothing stocks, in particular;
- Changes to government policy, legislation or regulation;
- Inclusion or removal from major market indices;
- The nature of competition in the markets in which Myer operates; and
- General operational and business risks.

In particular, the share prices for many companies have in recent times been subject to wide fluctuations, which in many cases may reflect a diverse range of non-company-specific influences such as global hostilities and tensions, acts of terrorism and the general state of the economy. Such market fluctuations may materially adversely affect the market price of the Shares.

In the future, the sale of large parcels of Shares (whether held by Existing Shareholders or acquired by any party under or following the Offer) may cause a decline in the price at which the Shares trade on ASX.

No assurances can be made that the performance of the Shares will not be adversely affected by any such market fluctuations or factors. None of Myer, its Directors or any other person guarantees the performance of the Shares.

9.3.2 Trading in Shares may not be liquid

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

9.3.3 Certain Existing Shareholders may retain a significant Shareholding

Following completion of the Offer, NB Swanston (the entity through which TPG and Blum Strategic Capital hold their Shares) will hold between 0.0%–13.5% of issued capital and M F Custodians (a subsidiary of The Myer Family Company) will hold between 0.0–1.5% of issued capital. This will make them two of the largest Shareholders. Consequently, NB Swanston and M F Custodians will have the ability to influence the election of the Directors, the appointment of new management and the potential outcome of all matters submitted to a vote of the Shareholders. The interests of NB Swanston, M F Custodians and their related parties may differ from the interests of the Company and the other Shareholders.

The sale of Shares in the future by NB Swanston or M F Custodians could adversely affect the market price of the Shares.

9.3.4 Taxation changes may occur

Any change to the current rate of company income tax in jurisdictions where Myer operates will impact on Shareholder returns. Any changes to the current rates of income tax applying to individuals and trusts will similarly impact on Shareholder returns. In addition, any change in tax arrangements between Australia and other jurisdictions could have an adverse impact on the level of dividend franking.

9.3.5 Force majeure events may occur

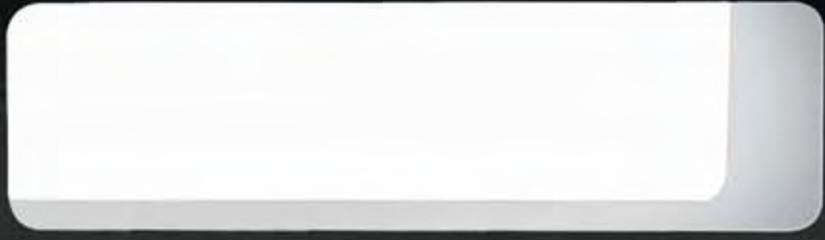
Acts of terrorism, an outbreak of international hostilities or fires, floods, earthquakes, labour strikes, civil wars and other natural disasters may cause an adverse change in investor sentiment with respect to Myer specifically or the stock market more generally, which could have a negative impact on the value of an investment in the Shares.

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Additional information

10 Additional information

10.1 Incorporation

Myer was incorporated in Victoria on 3 April 2006 as NB Flinders Pty Ltd and changed its name to Myer Holdings Limited and its status from a proprietary company to a public company on 26 September 2009.

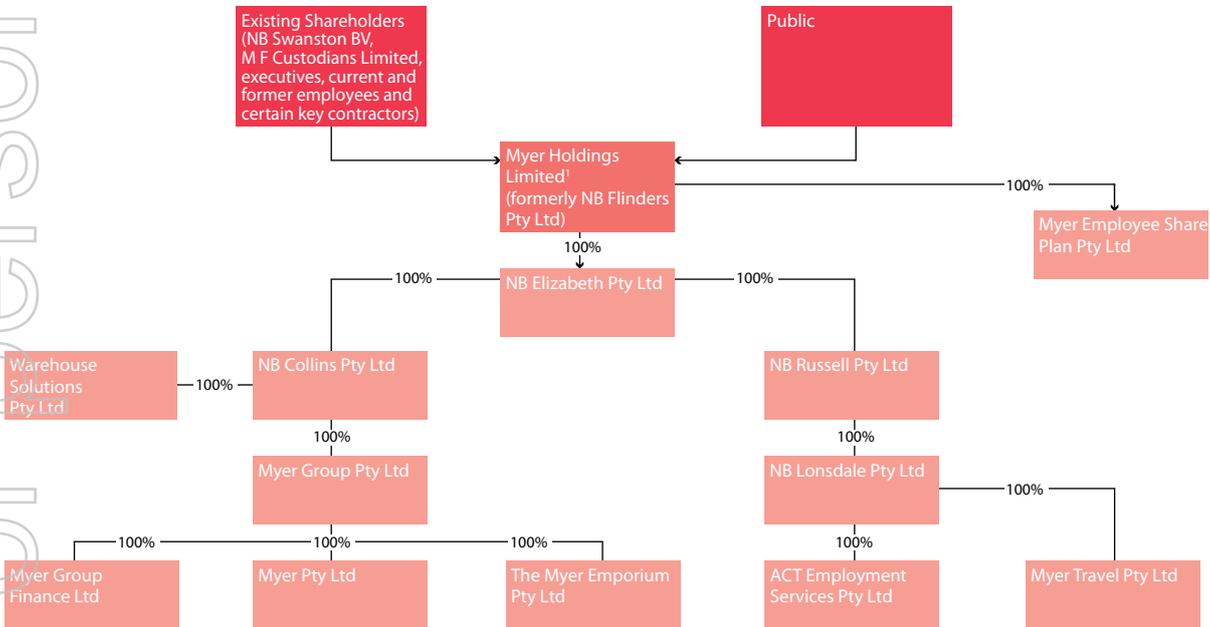
10.2 Company tax status

Myer will be treated as a public company for Australian tax purposes.

10.3 Corporate structure

Myer's post-Offer corporate structure is shown in the below diagram. The main operating business of Myer sits under Myer Pty Limited.

Post-Offer corporate structure



Notes:

1. Entity to be listed on ASX.

10.4 Sale of Shares by Selling Shareholders

SaleCo, a special purpose vehicle, has been established to enable Selling Shareholders to realise all or a portion of their investment in Myer. Selling Shareholders have executed deed polls in favour of, and for the benefit of, SaleCo under which they irrevocably offer to sell Existing Shares to SaleCo free from encumbrances and third party rights and conditional on Listing. As at the Prospectus Date, Selling Shareholders have irrevocably offered to sell between 345.6 million–431.0 million Existing Shares to SaleCo. NB Swanston and M F Custodians have irrevocably offered to sell a minimum of 341.9 million Existing Shares and may elect to offer an additional 85.5 million Existing Shares under the Offer.

The final number of Existing Shares to be sold by SaleCo will depend on the final level of sell-down by NB Swanston and M F Custodians, which will depend on the outcome of the bookbuild under the Institutional Offer and other factors, and the final level of sell-down by Myer employees other than the members of the Management Team.

The Existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants under the Offer. The price payable by SaleCo for these Existing Shares is the Final Price. Myer will also issue New Shares to Successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interest in the deed polls described above. The Directors and Shareholders of SaleCo are Howard McDonald, Bernie Brookes and Tom Flood. Myer has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and will indemnify SaleCo in respect of costs of the Offer. Myer has indemnified SaleCo and the Directors of SaleCo for any loss which SaleCo or the Directors of SaleCo may incur as a consequence of the Offer.

10.5 Noteholder Exchange Offer

10.5.1 Exchange

The Noteholder Exchange Offer is only open to Eligible Myer Noteholders. Eligible Myer Noteholders are those holders of Myer Notes at the Noteholder Exchange Closing Date who continue to hold Myer Notes on the date they are Exchanged and who are residents of Australia or New Zealand, or are Institutional Investors in Hong Kong, Singapore, United Kingdom, China, France, Dubai, Germany, Ireland, Japan, Netherlands, Norway, Switzerland or the United Arab Emirates and who are not US Persons or persons who hold Myer Notes for the account or benefit of, US Persons. Due to legal reasons, Myer Noteholders who are US Persons or who hold the Myer Notes for, or who act for the account or benefit of, US Persons are not entitled to participate in the Noteholder Exchange Offer.

The last day on which an investor could buy the Myer Notes in the normal course of trading on ASX and settlement on CHES in order to appear on the Myer Notes Register on the Noteholder Exchange Closing Date is 13 October 2009.

Eligible Myer Noteholders on the Myer Notes Register on 28 September 2009 will be sent a letter from the Myer Notes Issuer enclosing an Exchange Notice. A copy of the Exchange Application Form is enclosed with this Prospectus.

Myer Noteholders who wish to Exchange their Myer Notes for Shares must lodge the Exchange Notice and the Exchange Application Form, in accordance with the instructions provided, by the Noteholder Exchange Closing Date. If an Eligible Myer Noteholder validly completes and lodges the Exchange Application Form by the Noteholder Exchange Closing Date, that Eligible Myer Noteholder will receive a guaranteed allocation of Shares under the Offer equal to the value of the principal amount of each Myer Note which they elect to Exchange (\$100), at 97.5% of the Final Price. Interest that has accrued on Myer Notes up to the date on which Shares are issued as a result of Exchange will be paid to Exchanging Myer Noteholders on or about the date Exchange occurs (currently expected to be 6 November 2009).

Eligible Myer Noteholders who do not complete and lodge their personalised Exchange Application Form will not be entitled to receive a guaranteed allocation of Shares under the Offer and will continue to hold their Myer Notes which may be Redeemed – see Section 10.5.2.

The Myer Notes are currently proposed to be suspended from trading on ASX on 13 October 2009, being the date that is five business days before the Noteholder Exchange Closing Date. This is to enable all Eligible Myer Noteholders to have a fair and reasonable opportunity to accept the Noteholder Exchange Offer before the Noteholder Exchange Closing Date. The Myer Notes Issuer currently intends to close the Myer Notes Register at 5.00pm on the Noteholder Exchange Closing Date. No transfers or dealings in Myer Notes will be recorded in the Myer Notes Register after that time.

10.5.2 Redemption

After the Shares are transferred or issued to Successful Applicants pursuant to the Offer, the Myer Notes Issuer intends to Redeem all of the Myer Notes which have not been Exchanged in accordance with the terms of the Myer Notes Trust Deed and any Redemption Notice provided to remaining Myer Noteholders after the Shares are transferred or issued to Successful Applicants pursuant to the Offer. The Myer Notes that are not Exchanged will remain outstanding for a period of approximately 28 days after completion of the Offer, and in accordance with the terms of issue of the Myer Notes, will be secured against certain assets of the Myer Group until such Redemption.

The Redemption Amount is 102.5% of the principal amount of the Myer Notes being Redeemed (i.e. \$102.50 per Note). Any accrued interest must also be paid at the time of Redemption, which is currently anticipated to be on or around 4 December 2009.

If the Offer does not proceed, then all of the Myer Notes (including those in respect of which an Exchange Notice and Exchange Application Form are received) will remain on issue on their current terms.

10 Additional information

10.6 Constitution and rights attaching to Myer shares

10.6.1 Rights attaching to shares

The rights attaching to shares are:

- Set out in the Constitution; and
- In certain circumstances, regulated by the Corporations Act, Listing Rules, ASTC Settlement Rules and the general law.

The principal rights, liabilities and obligations attaching to the shares are summarised below. This summary is not intended to be exclusive.

10.6.2 Voting

At a general meeting, every member present in person or by proxy, attorney or representative has one vote on a show of hands and one vote on a poll for each fully paid share held (with adjusted voting rights for partly paid shares). Where there are two or more joint holders of a share and more than one joint holder tenders a vote, the vote of the holder named first in the register who tenders the vote will be accepted to the exclusion of the votes of the other joint holders. Voting at any meeting of shareholders is by a show of hands unless a poll is demanded. A poll may be demanded by at least five shareholders entitled to vote on the resolution, shareholders with at least 5% of the votes that may be cast on the resolution on the poll, or the chairman. If votes are equal on a proposed resolution, the chairman has a casting vote on a show of hands or on a poll.

10.6.3 Dividends

The Directors may from time to time pay dividends to shareholders out of the profits of Myer. The Directors may pay any interim and final dividends as, in their judgement, the financial position of Myer justifies. The Directors may fix the amount and the method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights attaching to shares with special dividend rights, of which none are currently on issue, all dividends must be paid equally on all shares and in proportion to the number of, and the amounts paid on, the shares held.

10.6.4 Issue of shares

The Directors may (subject to the restrictions on the issue of shares imposed by the Constitution, the Listing Rules and the Corporations Act) issue, grant options in respect of, or otherwise dispose of further shares on terms and conditions (including preferential, deferred or special rights, privileges or conditions, or restrictions) as they see fit.

10.6.5 Variation of class rights

The rights attached to a class of shares may be varied with:

- The consent in writing of the holders of at least three quarters of the issued shares in the particular class; or
- The sanction of a special resolution passed at a separate meeting of the holders of shares in that class.

In either case, the holders of not less than 10% of the votes in the class of shares whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

10.6.6 Transfer of shares

Shareholders may transfer shares by a written transfer instrument in the usual form or by a proper transfer effected in accordance with the ASTC Settlement Rules and ASX requirements. All transfers must comply with the Constitution, the Listing Rules, the ASTC Settlement Rules and the Corporations Act. The Directors may refuse to register a transfer of shares in circumstances permitted by the Listing Rules or the Corporations Act. The Directors must refuse to register a transfer of shares where required to do so by the Listing Rules. The Directors may suspend the registration of a transfer at any time, and for any period, as permitted by the ASTC Settlement Rules.

10.6.7 Sale of non-marketable parcels

The Directors may cause Myer to sell a shareholder's shares if that shareholder holds less than a marketable parcel of shares, provided that the procedures set out in the Constitution are followed. A non-marketable parcel of shares is defined in the Listing Rules and is, generally, a holding of shares with a market value of less than \$500.

10.6.8 General meetings and notices

Each shareholder is entitled to receive notice of, attend and vote at general meetings of Myer and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution or the Corporations Act. At least 28 days notice of a meeting must be given to shareholders.

10.6.9 Winding up

Subject to the Constitution and any special resolution or preferential rights attaching to any class or classes of shares, members will be entitled on a winding up to a share in any surplus assets of Myer in proportion to the shares held by them.

10.6.10 Proportional takeover provisions

The Constitution contains provisions for shareholder approval in relation to any proportional takeover scheme. The provision will lapse three years from the date of the adoption of the Constitution unless renewed by a special resolution of shareholders in a general meeting.

10.6.11 Directors – appointment and removal

The minimum number of Directors is four and the maximum is fixed by the Directors but may not be more than 12 unless the shareholders pass a resolution varying that number. Directors are elected at annual general meetings of Myer.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of Myer.

Retirement will occur on a rotational basis so that one third of the Directors (where the number of Directors is greater than five, excluding the CEO and any casual Directors) plus any Director who has held office for three or more years or three or more annual general meetings (excluding the CEO) retire at each annual general meeting of Myer.

Where the number of Directors is five or less (excluding the CEO and any casual Directors), then two of the remaining Directors must retire from office at each annual general meeting of Myer.

10.6.12 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the Chairman has a second or casting vote, unless there are only two Directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.

10.6.13 Directors – remuneration

The Directors, other than the CEO or any other executive Director, shall be paid by way of fees for services, the maximum aggregate sum as may be approved from time to time by Myer in general meeting. Any change to that aggregate sum needs to be approved by shareholders. The maximum aggregate sum excludes special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board. The Constitution also makes provision for Myer to pay all expenses of Directors in attending meetings and carrying out their duties. Remuneration of the CEO or any other executive Director shall be the amount that the Directors decide.

10.6.14 Alteration of share capital

Subject to the Corporations Act, the Listing Rules and the Constitution, Myer may alter its share capital.

10.6.15 Preference shares

Myer may issue preference shares including preference shares which are liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of Myer.

10.6.16 Directors' and officers' indemnity

Myer, on a full indemnity basis and to the full extent permitted by law, indemnifies each person who is or has been an executive officer of Myer or a Director, and such other officers or former officers of Myer or its related bodies corporate as the Directors in each case determine (each an Officer), against any liability (including costs and expenses) incurred by that person as an Officer or a related body corporate of Myer to the extent permitted by law.

Myer, to the extent permitted by law, may insure an Officer against a liability incurred by the Officer as an officer of Myer or of a related body corporate including, but not limited to, a liability for negligence or for reasonable costs or expenses incurred in defending proceedings whether civil or criminal and whatever the outcome.

Myer has entered into deeds of access, indemnity and insurance with each Director which confirm the Director's right of access to Board papers and require Myer to indemnify the Director for a liability incurred as an officer of Myer or any of its related bodies corporate, subject to the restrictions imposed by the Corporations Act and the Constitution.

10.6.17 Variation of the Constitution

The Constitution may be amended only by a special resolution passed by at least three quarters of the votes cast by shareholders present and entitled to vote on the resolution. At least 28 days written notice specifying the intention to propose the resolution must be given.

10.7 Employee, senior executive and Director equity incentive plans

Myer has established plans to assist in the attraction, retention and motivation of employees and senior executives of the Myer Group.

These plans are:

- The Myer Equity Incentive Plan (which is open to selected senior executives);
- The Myer Equity Plan Trust Deed and Share Plan (which provides for grants of Shares, options or rights to Eligible Employees);
- The Employee Share Acquisition Plan (under which an initial offer of up to \$725 worth of Shares to Eligible Employees will be made – the Employee Gift Offer); and
- The Employee Salary Sacrifice Plan (under which Eligible Employees may elect to sacrifice an amount of salary and in consideration Shares will be allocated to them).

The plans contain customary and usual terms for dealing with the administration of the plans, variation of the plans and termination and suspension of the plans. A summary of the key terms of each plan is set out below.

10.7.1 Myer Equity Incentive Plan

General

The Myer Equity Incentive Plan (MEIP) is Myer's long term incentive scheme for selected senior executives. Under the MEIP, eligible senior executives are granted options (each being an entitlement to a Share, subject to the satisfaction of vesting conditions) on terms and conditions determined by the Board. If the vesting conditions are satisfied, the options vest and Shares will be delivered to the senior executive upon exercise of any vested options. Five tranches of options have been granted under the MEIP. Details of outstanding grants of options under the MEIP are set out below.

Further grants of options will be provided to selected senior executives. Details of such grants are set out in Sections 10.7.2 and 10.7.3.

Tranches 1 and 2 – grants to senior executives

In late 2006 and mid 2007, Myer granted options to a number of Myer's senior executives (including the CEO) under the terms of the MEIP. The options were subject to vesting conditions and, prior to the Offer, a number of these options have vested as a result of the relevant vesting conditions being met. Of the remaining unvested options, 80% will vest and become available for exercise on completion of Listing.

The balance of the unvested options will remain unvested subsequent to Listing. These unvested options will be subject to a time based service condition and will vest if the relevant senior executives remain employed by the Myer Group at 31 July 2011. In the case of the CEO, the remaining options will vest on the date of the first anniversary of Listing if he remains employed by Myer. All Tranche 1 and 2 options have an expiry date of 15 October 2011.

The Tranche 1 options have an exercise price of 1 cent and the Tranche 2 options have an exercise price of \$1.27.

10 Additional information

Tranches 3, 4 and 5

In January 2008, December 2008 and June 2009, Myer granted further options to a number of its senior executives under the terms of the MEIP. The options were subject to a service condition which has not yet been satisfied (and therefore, none of the options have vested to date). There is no accelerated vesting of these options on the occurrence of the Listing, and all unvested options will continue to vest in accordance with their terms.

Tranche	Number of unvested options	Exercise price	Vesting date (if option holder remains employed by a Myer Group company)	Expiry date
Tranche 3	3,284,404	\$3.00	31 July 2010	21 December 2012
Tranche 3	3,284,404	\$3.00	31 July 2011	21 December 2012
Tranche 3	3,284,405	\$3.00	31 July 2012	21 December 2012
Tranche 4	703,600	\$2.14	31 July 2011	24 October 2013
Tranche 4	703,600	\$2.14	31 July 2012	24 October 2013
Tranche 4	3,349,663	\$2.14	31 July 2013	24 October 2013
Tranche 5	350,800	\$2.34	31 July 2012	24 October 2014
Tranche 5	350,800	\$2.34	31 July 2013	24 October 2014
Tranche 5	4,239,300	\$2.34	31 July 2014	24 October 2014

10.7.2 Grant to Mr Brookes prior to completion of the Offer

The Board has approved an additional grant of options under the MEIP to Mr Brookes to the value of \$9,000,000. It is proposed to make this grant of options under the MEIP to Mr Brookes at or around completion of the Offer. The options will be granted in four tranches, at no cost to Mr Brookes, and form the long term incentive portion of Mr Brookes' remuneration. There is no current intention to issue Mr Brookes with further options during the course of his contract, which expires 21 August 2012.

Grant of options, summary of performance conditions and exercise price

In summary, three quarters of the options will be subject to a performance hurdle based on Myer's fully diluted earnings per Share (EPS) (EPS Options) and one quarter of the options will be subject to a performance hurdle based on Myer's share price (Share Price Options). Vesting of options is also subject to a service condition – vesting will be subject to Mr Brookes remaining employed by the Myer Group until the end of the relevant performance period.

Each option is an entitlement to one Share, subject to the satisfaction of the relevant performance conditions, continuous employment until the end of the relevant performance period and the payment of the exercise price. For the EPS Options, the exercise price will be the Final Price and for the Share Price Options, the exercise price will be 140% of the Final Price. Options which do not satisfy the vesting conditions at the end of the Second Performance Period will lapse.

Performance hurdles and performance periods applicable to each tranche of options

Tranche	Value of options	Applicable hurdles	Potential time of vesting
Tranche A	\$5,400,000	EPS Hurdle ¹	End of First Performance Period Re-testing at end of Second Performance Period
Tranche B	\$1,350,000	EPS Hurdle ¹ and extended 12 month service condition	End of the Second Performance Period
Tranche C	\$1,800,000	Share Price Hurdle ²	End of First Performance Period Re-testing at end of Second Performance Period
Tranche D	\$450,000	Share Price Hurdle ³ and extended 12 month service condition	End of the Second Performance Period

Notes:

- For both Tranche A and B options, performance against the EPS Hurdle will be measured at the end of the First Performance Period. If the EPS Hurdle is not met at the end of the First Performance Period, the Tranche A and B unvested options will be retested at the end of the Second Performance Period, measuring the Company's annual compound growth in EPS over the Second Performance Period and applying the vesting schedule outlined below.
- For Tranche C options, performance against the Share Price Hurdle will be measured at the end of the First Performance Period. If the Share Price Hurdle is not met at the end of the First Performance Period, the Tranche C options will be retested at the end of the Second Performance Period.
- For Tranche D options, performance against the Share Price Hurdle will be measured at the end of the Second Performance Period.

Performance periods

The applicable performance periods are as follows:

- The First Performance Period is the three financial years ending in July 2012; and
- The Second Performance Period is the four financial years ending in July 2013.

Performance hurdles – EPS Hurdle

The vesting schedule for the EPS Options is as follows:

Compound annual growth rate in EPS over the performance period ¹	% of EPS Options that will vest
At 10%	33.33%
Between 10% and 12.5%	Pro rata vesting between 33.33% and 66.66%
At 12.5%	66.66%
Between 12.5% and 15%	Pro rata vesting between 66.66% and 100%
At or above 15%	100%

Note:

- 1 For the purpose of calculating EPS for the relevant period, the reference EPS will be the Company's fully diluted EPS for the 2009 financial year (should the Offer complete in the 2009 calendar year), with pro forma adjustments to reflect the impact of the Offer to ensure a consistent basis with the forecast.

Performance hurdles – Share Price Hurdle

The Share Price Hurdle will be satisfied if the Market Price of Shares exceeds the Final Price by 40% at the end of the relevant performance period. The Market Price of the Shares will be the volume weighted average price of the Shares quoted on ASX over one calendar month prior to the expiry of the relevant performance period.

Details of options granted and Shares allocated to Mr Brookes will be published in Myer's annual reports for subsequent financial years.

10.7.3 Grant to senior executives (other than the CEO) prior to completion of the Offer

Immediately prior to completion of the Offer, the Reporting Managers will hold (in aggregate):

- 10,592,334 Shares¹; and
- 3,719,666 unvested options.

The Board has approved an additional grant of options to a value of \$4,100,000 under the MEIP to participating senior executives. The number of options to be granted to participating senior executives will be determined by an independent valuer calculating the value of one option at the date of grant and dividing \$4,100,000 by that number. It is proposed to make this grant of options prior to completion of the Listing. The options will be subject to satisfaction of an EPS performance hurdle based on a compound annual growth rate in EPS of 10% over the Performance Period ending in July 2012. Unvested options which fail to satisfy the EPS performance hurdle will lapse.

10.7.4 Myer Equity Plan Trust Deed and Share Plan

The Myer Equity Plan Trust Deed and Share Plan (Trust Deed Plan) is a Myer employee equity incentive scheme. Under the Trust Deed Plan, employees may be granted various forms of equity incentives, including performance rights or incentive options (each being an entitlement to one Share, subject to the satisfaction of vesting conditions) or incentive shares on terms and conditions determined by the Board.

1. This includes Shares that may be acquired on the exercise of options that vest on or before Listing.

The Board has broad discretion in relation to grants made under the Trust Deed Plan, including discretion in relation to eligibility of employee participation, type and quantum of equity incentives granted, vesting conditions imposed (including conditions based on performance and/or continued employment), disposal restrictions and forfeiture conditions.

10.7.5 Employee Share Acquisition Plan – Employee Gift Offer

The Employee Share Acquisition Plan (ESAP) is designed as a broadly based plan to permit employees of the Myer Group to participate, at the invitation of the Board, in the acquisition of Shares on terms and conditions determined by the Board. The initial offer under the ESAP, being the Employee Gift Offer, will involve Eligible Employees in Australia being offered the opportunity to acquire, at no cost, the nearest number of whole Shares (rounded down) up to the value of \$725, free of income tax in accordance with current Australian tax legislation if their adjusted taxable income does not exceed \$180,000 per annum.

Eligible Employees

In general, permanent full-time and permanent part-time employees of the Myer Group who do not already participate in the MEIP (or who are not eligible to participate in the MEIP) and are employed at 5.00pm Melbourne Time on 2 October 2009 will be eligible to acquire Shares under the ESAP on the terms and conditions determined by the Board (provided that they remain so employed at 5 November 2009).

Restrictions on Shares

In accordance with current Australian tax legislation, Shares acquired under the ESAP are subject to a disposal restriction such that the participant cannot deal in (i.e. sell or transfer) the Shares for a minimum period of three years (or earlier if their employment ceases). Myer will implement such arrangements (including a holding lock) as it determines are necessary to enforce this restriction.

10.7.6 Employee Salary Sacrifice Plan

The Employee Salary Sacrifice Plan (ESSP) is a share purchase scheme whereby eligible employees of the Myer Group may elect to sacrifice part of their pre-tax salary and/or bonus to acquire Shares in accordance with the ESSP rules. The ESSP is designed to provide tax benefits to participants to the extent permitted under Australian tax legislation.

Under the ESSP, the Board has broad discretion in relation to eligibility of participation, quantum of allocation, Share acquisition price, allocation of Shares via the on-market purchase of Shares or issue of new Shares, disposal restrictions, and other terms and conditions.

No performance conditions will be imposed in respect of the Shares allocated under the ESSP.

It is intended that employees will not be invited to participate in the ESSP prior to 31 July 2010.

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10 Additional information

10.8 Material contracts

The Directors consider that there are a number of contracts which are significant or material to Myer or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. The main provisions of these contracts are summarised below. These summaries do not purport to be complete and are qualified by the text of the contracts themselves.

10.8.1 Offer Management Agreement

The Offer is managed by the Joint Lead Managers pursuant to an offer management agreement dated the Prospectus Date between NB Swanston, the Offerors and the Joint Lead Managers (Offer Management Agreement). Under the Offer Management Agreement, the Joint Lead Managers agreed to manage the Offer, including the bookbuild and allocation processes for the Offer, and provide settlement support for the Institutional Offer.

Commission, fees and expenses

Myer must pay the Joint Lead Managers:

- a base fee equal to 2.00% of the total Offer proceeds (less the proceeds received in connection with the Noteholder Exchange Offer, the Employee Priority Offer and the Employee Gift Offer); and
- a fee equal to 1.00% of the proceeds of the Noteholder Exchange Offer.

The above fees will become payable by Myer on Settlement. Fees will be divided between the Joint Lead Managers according to the terms of the Offer Management Agreement.

Myer may also elect, at its absolute discretion, to pay the Joint Lead Managers an incentive fee of up to 1.00% of the total Offer proceeds less the proceeds of the Noteholder Exchange Offer, the Employee Priority Offer and the Employee Gift Offer.

Myer has also agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer. The Joint Lead Managers are responsible for all fees and commissions payable to the Co-Lead Managers (other than Commonwealth Securities), Co-Managers and Brokers. The Joint Lead Managers must pay to Commonwealth Securities 2.44% of the base fee less the amounts payable by the Joint Lead Managers in relation to the Broker Firm Offer and stamping fees, which amount will be funded by an additional payment from Myer.

Warranties

The Offer Management Agreement contains certain standard representations, warranties and undertakings provided by the Offerors to the Joint Lead Managers. The warranties relate to matters such as the conduct of the parties and information provided by the parties in relation to the Prospectus and the Offer. Myer's undertakings include that it will not, during the period following the date of the Offer Management Agreement until 180 days after the issue and transfer of Shares under the Offer, issue or agree to issue any Shares or securities without the consent of the Joint Lead Managers, subject to certain exceptions such as the Employee Share Acquisition Plan and issues described in this Prospectus.

Indemnity

Subject to certain exclusions relating to, among other things fraud, wilful misconduct or negligence by an indemnified party, the Offerors agree to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

Termination events

If any of the following events occur at any time before Settlement or such other time as specified below then a Joint Lead Manager may at any time by notice to the Company, Saleco and the other Joint Lead Managers, immediately without any cost or liability to the Joint Lead Manager, terminate the Offer Management Agreement:

- **(disclosures in the Institutional Offering Memorandum)** in the Joint Lead Manager's reasonable opinion the Institutional Offering Memorandum includes:
 - an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; or
 - any forecast, expression of opinion, intention or expectation expressed in the Institutional Offering Memorandum which is not, in all material respects, made after due and careful consideration in good faith and based on reasonable assumptions, when taken as a whole;
- **(supplementary prospectus)** the Company or Saleco issues, or in the reasonable opinion of the Joint Lead Managers becomes required to:
 - issue a supplementary prospectus issued under section 719(1) of the Corporations Act, unless the only substantive changes made to the Prospectus in such supplementary prospectus are in relation to the number of Shares offered under the Offer; or
 - amend or supplement the Institutional Offering Memorandum in a material respect;
- **(Listing approval)** unconditional approval (or conditional approval subject only to customary conditions) is refused or not granted by ASX to:
 - the Company's admission to the official list of ASX; or
 - the official quotation of all of the Shares offered under the Offer on ASX,

on or before the scheduled commencement of conditional and deferred trading on ASX, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld or the ASX indicates to the Company that approval is likely to be withdrawn, qualified (other than by customary conditions) or withheld;
- **(events)** any of the following events occur:
 - ASIC holding a hearing under section 739(2) of the Corporations Act except where such hearing does not become publicly known and is withdrawn within 3 business days of commencing (or if it is held within 3 business days prior to the scheduled date for Settlement, it has been withdrawn prior to the scheduled date for Settlement);
 - ASIC issuing an order (including an interim order) under section 739 of the Corporations Act, in relation to the Offer or the Prospectus or ASIC prosecuting or commencing proceedings in relation to the Offer or the Prospectus;

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- an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or the Prospectus, except where such application does not become publicly known and is withdrawn within 3 business days of being made (or if it is made within 3 business days prior to the scheduled date for Settlement, it has been withdrawn prior to the scheduled date for Settlement);
 - ASIC commences any Inquiry or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Offer or the Prospectus except where such inquiry or hearing does not become publicly known and is withdrawn within 3 business days of being commenced (or if it is made within 3 business days prior to the scheduled date for Settlement it has been withdrawn prior to the scheduled date for Settlement);
 - any person (other than a Joint Lead Manager) gives a notice under section 733(3) of the Corporations Act or any person (other than a Joint Lead Manager) who has previously consented to the inclusion of their name or any statement in the Prospectus withdraws that consent;
 - any person (other than a Joint Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
 - **(withdrawal)** the Company or Saleco withdraws the Prospectus, the Institutional Offering Memorandum, any invitations to apply for Shares or any part of the Offer;
 - **(consent)** any person whose consent to the issue of the Prospectus is required by section 720 of the Corporations Act (other than a Joint Lead Manager) who has previously consented to the issue of the Prospectus withdraws such consent or any person otherwise named in the Prospectus with their consent (other than a Joint Lead Manager) withdraws such consent;
 - **(insolvency)** the Company, certain entities in the Myer Group or Saleco is insolvent, or there is an act or omission made which is likely to result in the Company, certain entities in the Myer Group or Saleco becoming insolvent;
 - **(certificate not given)** the Company and Saleco fail to provide the Joint Lead Managers with certificates certifying that certain things have occurred at various stages during the Offer;
 - **(documents)** the New Bank Facilities, certain escrow arrangements or the contractual arrangements between NB Swanston, M F Custodians and Saleco are terminated, withdrawn or rescinded; or varied, altered or amended or are breached or failed to be complied with by the Company or Saleco in a material respect or are breached by any counterparty in a manner which is materially adverse to the success of the Offer or to the rights of the Company or Saleco under the documents concerned; and
 - **(unable to issue and transfer Shares)** the Company is prevented from issuing, or Saleco is prevented from selling and transferring, Shares within the time required by the Listing Rules, ASX, ASIC, applicable laws, an order of a court of competent jurisdiction or a governmental agency.

Termination events subject to materiality

If any of the following events occur at any time before Settlement or such other time as specified below, and such event is, in the judgment of the relevant Joint Lead Manager, material and adverse and makes it impracticable or inadvisable to proceed with the Offer as set out in this Prospectus, then a Joint Lead Manager may at any time, by notice to the Company, Saleco and to the other Joint Lead Managers, immediately without any cost or liability to the Joint Lead Manager Terminate:

- **(disclosures in Prospectus)** in the Joint Lead Manager's reasonable opinion a statement contained in the Prospectus is misleading or deceptive or likely to mislead or deceive, or a matter is omitted from the Prospectus (having regard to the provisions of sections 710, 711 and 716 of the Corporations Act), or the Prospectus otherwise fails to comply with the Corporations Act, the Listing Rules or other applicable laws;
- **(disclosures in due diligence report)** the due diligence report prepared in relation to the Offer, or any other information supplied by or on behalf of the Myer Group, Saleco or NB Swanston to the Joint Lead Managers in relation to the Myer Group or the Offer is or is found to be misleading or deceptive or likely to mislead or deceive;
- **(information supplied)** any information supplied by or on behalf of the Myer Group, Saleco or NB Swanston to a Joint Lead Manager in respect of the Offer, the Myer Group, Saleco or NB Swanston is or is found to be false or misleading or deceptive or likely to mislead or deceive;
- **(legal proceedings)** any of the following occurs:
 - the commencement of legal proceedings against the Company or certain entities in the Myer Group or against any director of the Company, Saleco or certain entities in the Myer Group in that capacity; or
 - any regulatory body commences any inquiry or public action against the Company, Saleco or certain entities in the Myer Group other than in relation to any audit described in Section 9.2.20;
- **(breach)** the Company and Saleco fails to perform or observe any of their obligations under the Offer Management Agreement;
- **(certificate)** any certificate given under the Offer Management Agreement by the Company or Saleco is false, misleading or inaccurate;
- **(representations and warranties)** a representation or warranty contained in the Offer Management Agreement on the part of the Company or Saleco is not true or correct;
- **(adverse change to the Myer Group)** an event occurs which is or is likely to give rise to:
 - an adverse change in the assets, liabilities, financial position or performance or forecasts of the Myer Group from those disclosed in the Prospectus; or
 - an adverse change in the nature of the business conducted by the Myer Group as disclosed in the Prospectus;

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- **(trading, banking moratorium or hostilities)** any of the following occurs: (i) trading generally shall have been suspended or materially limited on ASX or on the New York Stock Exchange; (ii) trading of any securities issued or guaranteed by the Company shall have been suspended on any exchange or in any over-the-counter market; (iii) a general moratorium on commercial banking activities shall have been declared by United States federal or New York State authorities or the Reserve Bank of Australia; or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis, either within or outside the United States. This event may not be relied upon by a Joint Lead Manager to terminate the Offer Management Agreement after the determination of the Final Price, except in relation to an event which occurs after the determination of the Final Price;
- **(fraudulent and other conduct)** the Company or any of its directors or officers (as that term is defined in the Corporations Act), engage in any fraudulent conduct or activity whether or not in connection with the Offer or any of the following occurs:
 - a director of the Company or Saleco or the CEO or the CFO of the Myer Group is charged with an indictable offence;
 - any director of the Company or Saleco is disqualified from managing a corporation under the Corporations Act; or
 - a change in the Chairman of the Company or CEO or CFO of the Myer Group occurs or any one of those persons dies or becomes permanently incapacitated; or
- **(Offer timetable)** an event specified in the Offer timetable up to and including the Retail Offer Closing Date is delayed for more than two business days or an event specified in the Offer timetable from, but excluding, the Retail Offer Closing Date is delayed for more than one business day.

10.8.2 New Bank Facilities

Myer will enter into a syndicated facility agreement with a syndicate of lenders (Syndicated Facility Agreement) pursuant to which the syndicate will make available \$625 million of facilities in two tranches comprising:

- A \$425 million term debt facility; and
- A \$200 million working capital facility.

The facilities provided under the Syndicated Facility Agreement will expire three years after the date of the Syndicated Facility Agreement.

Myer will also enter into a bilateral facility agreement with National Australia Bank Limited (Bilateral Facility Agreement) pursuant to which National Australia Bank Limited will make available \$75 million of facilities in two tranches comprising:

- A \$50 million bank guarantee facility; and
- A \$25 million short term cash advance facility.

The cash advance facility provided under the Bilateral Facility Agreement will expire 60 days after the date of issue and transfer of Shares under the Offer and the bank guarantee facility will expire three years after the date of the Bilateral Facility Agreement.

Documentation

Each of the lenders in the syndicate has executed a commitment letter in relation to the Syndicated Facility Agreement agreeing to provide the \$625 million of facilities on the terms set out in the term sheet attached to that commitment letter. National Australia Bank Limited has executed a commitment letter in relation to the Bilateral Facility Agreement, agreeing to provide the \$75 million of facilities on the terms set out in the term sheet attached to that commitment letter.

Formal documentation for the Syndicated Facility Agreement and the Bilateral Facility Agreement has not yet been executed. Before Myer can make any draw-downs under the New Bank Facilities, there are a series of conditions that must be met which are usual for facilities of this nature. These include the successful completion of the Offer, the execution of the facility documentation, the accuracy of certain representations and warranties and the provision of specified certificates, opinions and other information.

Use of proceeds

Amounts drawn under the Syndicated Facility Agreement will be used for the following purposes:

- To refinance the existing borrowings of the Myer Group;
- Payment of costs associated with the Offer, and the establishment of facilities provided under the Syndicated Facility Agreement; and
- General corporate purposes (including capital expenditure) of the Myer Group.

Amounts drawn under the Bilateral Facility Agreement will be used for general corporate purposes (including capital expenditure) of the Myer Group.

Representations and warranties

The New Bank Facilities will contain representations and warranties usual for facilities of this nature.

Undertakings

The New Bank Facilities will contain undertakings usual for facilities of this nature including undertakings to provide information (including quarterly financial reports, based on Myer's current reporting calendar), a negative pledge (incorporating customary carve outs) and restrictions as to disposals of any assets and the provision of financial accommodation (which, in each case, will be subject to exceptions usual for facilities of this nature).

Myer's obligations under the New Bank Facilities will be guaranteed by Myer and such of its subsidiaries that encompass at least 90% of the consolidated total assets of the Myer Group and 90% of the consolidated EBITDA of the Myer Group, including each subsidiary of Myer whose assets encompass 5% or more of total assets of the Myer Group or who contributes 5% or more of consolidated EBITDA of the Myer Group.

The New Bank Facilities will contain financial undertakings, as summarised in Section 7.14.

Events of default

The New Bank Facilities will contain events of default which are usual for facilities of this nature, including failure to pay, breach of financial undertaking, breach of general undertaking, misrepresentation, cross-default, insolvency and related events, unenforceability, de-listing or suspension in trading and material adverse effect.

The events of default will be subject to materiality thresholds and grace periods where appropriate.

Review event

The New Bank Facilities will contain a review event upon a change of control of Myer.

10.9 Ownership restrictions

The sale and purchase of Shares in Australia is regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

Foreign Acquisitions and Takeovers Act 1975 (Cth)

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Federal Government's Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in Myer.

10.10 New Zealand mutual recognition

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

Payments that are not in New Zealand dollars

The offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

Securities that are able to be traded on a financial market

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

10.11 United States selling restrictions

The Existing Shares and the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold in the United States or to, or for the account or benefit of US Persons, except to QIBs in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and any other applicable securities laws.

This Prospectus may not be distributed in the United States or to, or for the account or benefit of, US Persons, or elsewhere outside Australia or New Zealand unless it is attached to, or constitutes part of, the Institutional Offering Memorandum, and may only be distributed to persons to whom the Offer may be lawfully made in accordance with the laws of any applicable jurisdiction. The Offer is not an offer or invitation in any jurisdictions where, or to any person to whom, such an offer or invitation would be unlawful.

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10 Additional information

Each Applicant in the Retail Offer, each Exchanging Noteholder and each person in Australia and New Zealand to whom the Institutional Offer is made under this Prospectus will be taken to have represented, warranted and agreed as follows:

- It understands that the Existing Shares and the New Shares have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in the United States, or to or for the account or benefit of US Persons, except in transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- It is not in the United States or a US Person, and is not acting for the account or benefit of a US Person;
- It has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States or to any person that is, or is acting for the account or benefit of, a US Person; and
- It will not offer or sell the Existing Shares or the New Shares in the United States or to, or for the account or benefit of, any US Person or in any other jurisdiction outside Australia and New Zealand except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Existing Shares or New Shares are offered and sold.

10.12 Escrow arrangements

10.12.1 Escrow arrangements for Myer Chairman and management

Each of the Chairman, the CEO and certain specified executives who report directly to the CEO (Reporting Managers) have agreed to a voluntary escrow arrangement with Myer under which they will be restricted from dealing in a specified number of Shares held by them, as follows.

The CEO and the Reporting Managers have irrevocably agreed to offer to sell in aggregate approximately 16.6% of their Shareholding into SaleCo (this includes Shares that may be acquired on the exercise of options that vest on or before Listing).

Reporting Managers will be restricted from dealing in their remaining Shares from the date of Listing until the commencement of the first Board approved trading window following the release to ASX of the Company's audited results for the financial year ending 31 July 2010.

The CEO has the same arrangement as the Reporting Managers, save that he has agreed to an extended escrow period of 18 months from Listing. During the period starting from the date of the first Board approved trading window following release to ASX of the Company's audited results for the financial year ending 31 July 2010 until the date that is 18 months from Listing, the CEO may sell up to 25% of his Shares, less any Shares sold as part of the Offer.

Shares held by the Chairman are subject to an escrow period ending 18 months from Listing.

The restrictions will cease to apply in the event that:

- A takeover bid is made for all Shares; or
- A scheme of arrangement relating to the Shares becomes effective.

With prior consent from the Board, the escrowed Shares may be pledged for money borrowed by the Shareholder.

At the Prospectus Date, there have been no requests made for, and the Board has not provided consent to, the pledging of any escrowed Shares (referred to above) for money borrowed by Shareholders.

10.12.2 Escrow arrangements for NB Swanston and M F Custodians

NB Swanston (an entity owned by entities associated with TPG and Blum Strategic Capital) has agreed to enter into an escrow agreement in respect of its Shareholding retained following the Offer, which will apply until after the release of the preliminary final results for FY2010. This is subject to an exception that allows NB Swanston to transfer the Shares to TPG and Blum Strategic Capital, so they hold their pro rata proportion of NB Swanston's Shareholding separately (subject to TPG or Blum Strategic Capital agreeing to escrow those Shares for the remainder of the escrow period).

M F Custodians (a subsidiary of The Myer Family Company) has agreed to enter into an escrow agreement in respect of its Shareholding retained following the Offer, which will apply until after the release of the preliminary final results for FY2010.

The restrictions will cease to apply in the event that:

- A takeover bid is made for all Shares; or
- A scheme of arrangement relating to the Shares becomes effective.

The restrictions do not prevent NB Swanston or M F Custodians from giving security over their respective Shareholdings.

10.13 Taxation considerations

The comments below provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus and hold their Shares on capital account.

They do not apply to non-Australian tax resident Shareholders and those that do not hold their Shares on capital account, including banks, insurance companies or taxpayers that carry on a business of trading in shares.

This summary is based on the law in Australia in force at the time of issue of this Prospectus. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. During the ownership of the Shares by Shareholders, the taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal will depend upon each Shareholder's specific circumstances. Shareholders should seek professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

10.13.1 Dividends on a Share

Dividends distributed by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include in their assessable income the dividend actually received, together with any franking credit attached to that dividend. Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

For corporate Shareholders, excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership as the case may be.

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person' in which case the Shareholders will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule and, if necessary, the related payment rule. The holding period rule requires a Shareholder to hold the Shares at risk for a continuous period commencing the day after the Shareholder acquires the Shares and ends 45 days after the Shares become ex-dividend.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. The related payment rule requires the Shareholder to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

For Institutional Investors, the benchmark portfolio method may be available as a concession to reduce the compliance burden associated with the holding period rule.

Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

10.13.2 Disposal of Shares

The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

The CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

10.13.3 Tax file numbers

A Shareholder is not required to quote their tax file number (TFN) to the Company. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by the Company from distributions and/or dividends at the maximum marginal tax rate plus the Medicare levy.

A Shareholder that holds Shares as part of an enterprise may quote their Australian Business Number instead of their TFN. Non-residents are exempt from this requirement.

10.13.4 Goods and Services Tax

Investors should not be liable for GST in respect of their investment in Shares.

The investors may not be entitled to claim full input tax credits in respect of the GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought in this respect.

10.13.5 Employee Share Acquisition Plan and Employee Gift Offer

The following taxation summary addresses the general tax implications to employees of the Myer Group who are residents of Australia for Australian tax purposes and who hold Shares acquired through the ESAP and/or the Employee Gift Offer.

This taxation summary is not intended to be an authoritative or complete statement of the applicable law. As the precise tax consequences of participation in the offers will be affected by a participant's personal circumstances and the precise terms of the taxation law at the time, it is recommended that participants obtain independent professional advice.

The summary is based upon the current tax law as proposed to be amended by the terms of the Tax Laws Amendment (2009 Budget Measures No. 2) Bill 2009 which at the Prospectus Date has yet to be enacted as law. If that Bill is not passed or is passed with amendments, then different tax consequences may apply.

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Employee Share Acquisition Plan

Acquisition of Shares

For CGT purposes, Shares are acquired on the date the Shares are purchased by the employee. A CGT event will occur on disposal of the Shares. The cost base of a Share acquired under the ESAP is the market value at the time the employee acquired it (plus any incidental costs associated with acquiring, owning or disposing of that Share, such as Brokerage costs). The Company will advise employees of the market value for these purposes.

Disposal of Shares

A capital gain is derived on the disposal of Shares where the capital proceeds received on disposal exceed the CGT cost base of those Shares.

A capital loss is incurred on the disposal of Shares where the capital proceeds received on disposal is less than the reduced CGT cost base of the Shares.

All capital gains and losses for the income year are added together to produce a net capital gain or loss position for that income year. A net capital gain for an income year is included as assessable income and is subject to taxation in Australia. A net capital loss is effectively quarantined and may generally be carried forward to be deducted against future capital gains.

An employee may be entitled to a concession on the amount of capital gains assessed. The concession is available to individuals who hold their Shares for more than 12 months from the date of acquisition. The concession results in only one half of any capital gain being assessable. Capital losses must be applied first to reduce capital gains before applying the discount capital gains tax provisions.

Employee Gift Offer

Discount at grant

An employee participating in the Employee Gift Offer may be eligible for concessional tax treatment.

It is anticipated that employees will be exempt from income tax on the value of the Shares granted under the Employee Gift Offer of up to \$725 provided the employee's adjusted taxable income (ATI) is no more than \$180,000 for the year ended 30 June 2010. It is the employee's responsibility to ensure that their ATI is no more than \$180,000. ATI is calculated as the sum of the employee's taxable income treating the amount of up to \$725 as assessable to tax, reportable fringe benefits and superannuation contributions, and their total net investment loss.

If an employee's ATI exceeds \$180,000 then the amount will need to be included in assessable income in the year ended 30 June 2010.

In the event that the Tax Laws Amendment (2009 Budget Measures No. 2) Bill 2009 is not passed and the current law applies, each employee will need to make an election to avail themselves of the exemption from tax. In addition the exemption would be available to all employees rather than those with an ATI of no more than \$180,000.

CGT may be payable on a disposal of Shares – refer below.

Acquisition of Shares and CGT cost base

For CGT purposes, Shares acquired under the Employee Gift Offer are acquired on the date the Shares are granted to the employee. The cost base of any Share is the market value of the Share when the employee was granted the Shares, whether or not the amount of \$725 was subject to tax in the employee's hands. For an employee receiving \$725 worth of Shares, the cost base will be \$725.

Disposal of Shares

A CGT liability arises on the disposal of Shares where the capital proceeds received on disposal exceed the CGT cost base of those Shares.

A capital loss is incurred on the disposal of Shares where the capital proceeds received on disposal is less than the reduced CGT cost base of the Shares.

All capital gains and losses for the income year are added together to produce a net capital gain or loss position for that income year. A net capital gain for an income year is included as assessable income and is subject to taxation in Australia. A net capital loss is effectively quarantined and may generally be carried forward to be deducted against future capital gains.

An employee may be entitled to a concession on the amount of capital gains assessed. The concession is available to individuals who hold their Shares for more than 12 months from the date of acquisition. The concession results in only half of any capital gain being assessable. Capital losses must be applied first to reduce capital gains before applying the CGT discount provisions.

Reporting and tax withholding

The Company is not obliged to withhold any taxes under the Employee Gift Offer provided the employee has notified the Company of his or her TFN.

Where an employee has not given his or her TFN to the Company, withholding of tax may be required.

The Company will be required to provide the Australian Taxation Office with a statement containing details of the Shares that you have acquired.

Taxation of dividends

Dividends are paid from the accounting profits of the Company. An employee will receive credits for any Australian corporate tax that has been paid on these profits. These credits are known as franking credits and they represent the extent to which a dividend is franked. It is possible for a dividend to be fully franked or partly franked, or unfranked. Where a dividend is partly franked, the franked portion is treated as fully franked and the remainder as being unfranked.

Dividends will need to be included as assessable income in the income year in which the dividends are paid. In addition, to the extent that the dividends are franked, the franking credits attaching to the franked dividends must also be included as assessable income (i.e. the dividend is grossed up). An employee will be taxed at his or her prevailing marginal rate on the dividend and franking credits received.

An employee will be entitled to a tax offset equal to the amount of franking credits received. An employee will receive a tax benefit if the franking credits attached to the dividend exceed the tax payable on the receipt of the dividend. The employee will need to pay additional tax if the tax payable as a result of receiving the dividend exceeds the franking credits attached to the dividend. Individual Shareholders are entitled to claim a refund for any excess franking credits.

To the extent that the dividend is unfranked, there is no gross up and the employee will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

In order to be entitled to claim the tax offset in relation to the franked dividend amount, an employee, as the recipient of the dividend, must be a Qualified Person. Broadly, to be a Qualified Person, two tests must be satisfied, namely the holding period rule and the related payment rule.

In broad terms, if the employee has held the Shares at risk for at least 45 days (excluding the dates of acquisition and disposal), the employee is able to claim a tax offset for the amount of any franking credits attaching to the dividend.

Stamp duty

No stamp duty will be payable by employees on the issue or transfer of Shares pursuant to the ESAP or the Employee Gift Offer.

10.13.6 Redemption or Exchange of Myer Notes

The following summary is only relevant to Australian tax resident Noteholders who hold their Myer Notes on capital account.

This summary addresses the consequences arising on Redemption or Exchange of the Myer Notes.

It is prepared on the assumption that the Myer Notes are 'traditional securities' as defined by section 26BB of the Income Tax Assessment Act 1936 (Cth).

Redemption for cash

Under the traditional security provisions, any gain on Redemption of a Myer Note should be recognised as assessable income in the income year in which the Redemption takes place.

Any loss on the Redemption of a Myer Note should be deductible in the income year in which the Redemption takes place. The gain or loss should be calculated by reference to the Redemption proceeds less the consideration paid to acquire the Myer Notes (and any relevant costs associated with the acquisition or Redemption).

The Redemption of the Myer Notes should also give rise to a CGT event. However, anti-overlap rules exist to prevent any gain or loss from being subject to both the traditional security provisions and CGT provisions. Accordingly, the amount of any capital gain realised by the Myer Noteholder on Redemption will be reduced by any amount included in the Myer Noteholder's assessable income under the traditional security provisions.

Exchange for Shares

The following comments are only relevant for Australian tax resident Myer Noteholders who acquire Shares under this Prospectus and hold their Shares on capital account.

Myer Noteholders have a non-scalable priority right to Exchange their Myer Notes for Shares at 97.5% of the Final Price.

There should be no assessable gain or loss on Exchange of the Myer Notes for Shares.

The Myer Noteholders will be taken to have acquired the Shares at the date of the Exchange.

The cost base of Shares received on Exchange should be equal to the cost base of the Myer Notes plus any other non-deductible expenses incurred by the Myer Noteholder in respect of the Exchange.

Myer Noteholders who acquire Shares on capital account are subject to the taxation treatment described in Sections 10.13.1, 10.13.2 and 10.13.3.

Goods and Services Tax

The Redemption and Exchange of Myer Notes are financial supplies and, consequently, no GST will be payable on these events.

The investors may not be entitled to claim full input tax credits in respect of the GST paid on costs incurred in connection with their acquisition or disposal of the Myer Notes/Shares. Separate GST advice should be sought in this respect.

10.14 Interests of Directors, advisers and promoters

Other than as stated in this Prospectus:

- No amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director or proposed Director to induce them to become, or qualify as, a Director;
 - None of the following persons:
 - A Director or proposed Director;
 - Each person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
 - A promoter of Myer; or
 - A stockbroker to the issue and transfer of the Shares, holds or has held at any time in the two years before Prospectus Lodgement, an interest in:
 - The formation or promotion of Myer;
 - The offer of the Shares; or
 - Property acquired or proposed to be acquired by Myer in connection with its formation or promotion of the Offer,
- or was paid or given, or agreed to be paid or given, any amount or benefit for services provided by such persons in connection with the formation or promotion of Myer.

1. This includes Shares that may be acquired on the exercise of options that vest on or before Listing.

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10.14.1 Interests of Directors

The Directors are not required to hold any Shares under the provisions of the Constitution.

The Directors will hold the following Shares and options in Myer immediately prior to completion of the Offer. Interests include those held directly or otherwise.

Director	Shares ¹	Options
Howard McDonald	2,023,333	26,667
Bernie Brookes	11,770,000	480,000
Rupert Myer ²	0	0
Tom Flood	390,000	10,000
Anne Brennan	0	0

Notes:

1. This includes Shares that may be acquired on the exercise of options that vest on or before Listing.
2. Rupert Myer is Chairman of The Myer Family Company, which has an interest (through M F Custodians) in the Shareholding as set out in Section 3.4.

The Directors are entitled to apply for Shares under the Offer.

In addition, William Wavish, the former executive Chairman of the Company (and currently a consultant of the Company) holds:

- 11,770,000 Shares¹; and
- 480,000 unvested options.

10.14.2 Remuneration of Non-Executive Directors

The Constitution provides that the Non-Executive Directors are entitled to such remuneration as determined by the Directors, which must not exceed in aggregate the maximum annual amount determined by Myer in general meeting.

Currently it has been determined that such remuneration will not exceed \$2.150 million per annum, to be apportioned among the Non-Executive Directors as they determine in their absolute discretion. The Directors acknowledge that as Myer grows, the demands on the Directors will increase and the Non-Executive Directors' fees will be increased commensurate with their responsibilities and workload, as determined by the Board and approved by the members.

Non-Executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Non-Executive Director performs extra services or makes special exertions for the benefit of Myer.

Subject to Listing, the Chairman will receive a payment of \$1.5 million. As part of this arrangement, the Chairman has agreed to purchase \$100,000 worth of Shares in the Company through the Offer, and will have the entirety of his Shareholding subject to escrow (as described in Section 10.10.1).

The Chairman will also receive a special exertion fee of \$400,000 in recognition of his additional work during the Offer process. These arrangements are subject to Listing and do not form part of the Non-Executive Directors' fee cap (described above).

10.14.3 CEO employment contract

The total fixed remuneration (base salary, vehicle and superannuation) received by the CEO in FY2009 was approximately \$1,450,000. In addition, a bonus of approximately \$700,000 and rental assistance of approximately \$87,000 were paid.

Mr Brookes is employed pursuant to an employment contract for a fixed term ending on 21 August 2012. Upon a successful initial public offering, Mr Brookes' fixed annual remuneration (including base salary, vehicle and superannuation) will increase to \$1,650,000. Mr Brookes is also eligible to participate in the Myer short term and long term incentive schemes.

Pursuant to the CEO's employment contract:

- Mr Brookes may terminate his employment by giving three months' notice; and
- The Company may terminate Mr Brookes' employment by giving five weeks' notice.

If the Company terminates Mr Brookes' employment (other than for cause), Mr Brookes will be entitled to payment for his notice, and for so long as Mr Brookes is not engaged or employed by any other business or entity, Mr Brookes will be entitled to monthly payments equivalent to his base salary for a period of up to 18 months as well as any short term incentive on a pro rated basis which has been earned but not yet paid.

Mr Brookes has entered into a separate restraint deed. Under the restraint deed, for each month of the restraint the Company must pay Mr Brookes a monthly payment equal to Mr Brookes' average monthly base salary (calculated over the 12 month period prior to termination of his employment).

Details of Mr Brookes' escrow arrangements are set out in Section 10.12.1.

Details of Mr Brookes' initial long term incentive grant of options are set out in Section 10.7.2.

10.14.4 Reporting Managers' employment contracts

Remuneration (base salary, vehicle and superannuation) received by the Reporting Managers in FY2009 was approximately \$4.513 million.

The Company has entered into rolling contracts with its Reporting Managers. Pursuant to these contracts, the total aggregate fixed annual remuneration (base salary, vehicle and superannuation) which may be received by the Reporting Managers in FY2010 is approximately \$5.345 million. Reporting Managers are also eligible to participate in the Myer short term and long term incentive schemes.

Standard terms of the Reporting Managers' employment contracts include:

- The Reporting Manager may terminate their employment by giving three months' notice to Myer; and
- Myer may terminate the Reporting Manager's employment by giving six months' notice to the Reporting Manager.

Each Reporting Manager has also entered into separate restraint deeds. Under the restraint deeds, the Board or the CEO has the discretion to determine the payment for the restraint.

Details of the escrow arrangements which apply to the Reporting Managers are set out in Section 10.12.

10.14.5 Interests of advisers and promoters

Myer has engaged the following professional advisers:

- Credit Suisse, Goldman Sachs JBWere and Macquarie Capital Advisers have acted as Joint Lead Managers to the Offer. Myer has paid, or agreed to pay, to each of them the fees described in Section 10.8.1 for these services. In addition, Credit Suisse and Goldman Sachs JBWere and/or one or more of their affiliates participated in the Existing Senior Finance Facility that will be paid down with the proceeds of the Offer;
- Each of Citi, Commonwealth Securities, Deutsche Bank, J.P. Morgan, Merrill Lynch and RBS has agreed to act as a Co-Lead Manager of the Offer. They (other than Commonwealth Securities, in respect of which the fees are set out in section 10.8.1) will share in fees of up to 0.45% in respect of the total Offer proceeds (less the proceeds received in connection with the Noteholder Exchange Offer, the Employee Priority Offer and the Employee Gift Offer), less their pro rata share of the aggregate value of fees payable under the Broker Firm Offer and stamping fees. In addition, they will each be paid a 1.35% commission (inclusive of GST) on all Applications submitted by them in the Broker Firm Offer and stamping fees (as set out in section 3.12). All of the amounts payable to the Co-Lead Managers are payable by the Joint Lead Managers out of the fees payable to them by Myer;
- Each of E.L. & C. Baillieu Stockbroking, Macquarie Private Wealth, Morgan Stanley Smith Barney, Ord Minnett, RBS Morgans and Wilson HTM has agreed to act as Co-Manager of the Offer. They will each be paid at 1.35% commission (inclusive of GST) on all Applications submitted by them in the Broker Firm Offer and stamping fees (as set out in section 3.12). All of the amounts payable to the Co-Managers are payable by the Joint Lead Managers out of the fees payable to them by Myer;
- Freehills has acted as Australian legal adviser to Myer in relation to the Offer, has advised Myer generally in relation to its admission to the official list of ASX and has also performed work in relation to due diligence enquiries. Myer has paid, or agreed to pay, approximately \$775,000 (plus GST) for these services to the Prospectus Date. Further amounts may be paid to Freehills in accordance with its normal time based charge-out rates;
- Sullivan & Cromwell has acted as United States legal adviser to Myer in relation to the Offer, has advised Myer generally in relation to the conduct of the Institutional Offer in the United States and has also performed work in relation to due diligence enquiries. Myer has paid, or agreed to pay, approximately US\$275,000 for these services to the Prospectus Date. Further amounts may be paid to Sullivan & Cromwell in accordance with its normal time based charge-out rates;
- PricewaterhouseCoopers Securities Ltd has prepared the Investigating Accountant's Reports on historical and forecast financial information included in this Prospectus. PricewaterhouseCoopers Securities Ltd has also performed due diligence enquiries in relation to the historical and forecast financial information associated with the Offer. Myer has paid, or agreed to pay, approximately \$950,000 for these services to the Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd in accordance with its normal time based charge-out rates; and
- PricewaterhouseCoopers has acted as taxation adviser to Myer in relation to taxation matters associated

with the Offer and has also provided other services in relation to the Offer. Myer has paid, or agreed to pay, approximately \$700,000 (plus GST) for these services to the Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers in accordance with its normal time based charge-out rates.

10.15 Costs of the Offer

If the Offer proceeds, the total estimated costs in connection with the Offer, including advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses are currently estimated to be approximately \$21 million, plus fees payable to the Joint Lead Managers as referred to in Section 10.8.1. At the midpoint of the Indicative Price Range, the total estimated costs in connection with the Offer would be approximately \$83 million.

10.16 Consents

Written consents to the issue of this Prospectus have been given and, at the time of Prospectus Lodgement, had not been withdrawn by the following parties:

- Each of Credit Suisse, Goldman Sachs JBWere and Macquarie Capital Advisers has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Joint Lead Manager to the Offer in the form and context in which it is named;
- Each of Citi, Commonwealth Securities, Deutsche Bank, J.P. Morgan, Merrill Lynch and RBS has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Co-Lead Managers to the Offer in the form and context in which it is named;
- Each of E.L. & C. Baillieu Stockbroking, Macquarie Private Wealth, Morgan Stanley Smith Barney, Ord Minnett, RBS Morgans and Wilson HTM has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as a Co-Manager to the Offer in the form and context in which it is named;
- Freehills has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Australian legal adviser to Myer in relation to the Offer in the form and context in which it is named;
- Sullivan & Cromwell has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as United States legal adviser to Myer in relation to the Offer in the form and context in which it is named;
- PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Investigating Accountant to Myer in relation to the Historical and Forecast Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Reports in the form and context in which it is included;

10 Additional information

- PricewaterhouseCoopers has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Myer's auditor and taxation adviser in the form and context in which it is named;
- Computershare Investor Services Pty Limited has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as the Share Registry;
- Each of the Myer personnel to whom a statement is attributed in this Prospectus has given, and has not withdrawn prior to Prospectus Lodgement, his or her written consent to the inclusion in this Prospectus of the statement attributed to him or her in the form and context in which it is included;
- Each of NB Swanston, TPG, Blum Strategic Capital and M F Custodians has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus in the form and context in which it is named;
- AMR Interactive and Reputation Institute has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to the inclusion of the statements in Section 1.2.1, Section 5.1 and Section 10.16 which is based on statements made by it, in the form and context in which the statement is included; and
- Pitney Bowes Business Insight Australia has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to the inclusion of the statement in Section 5.3.1, which is based on statements made by it, in the form and context in which the statement is included.

No entity or person referred to above (other than a Director of Myer or SaleCo) has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above (other than a Director of Myer or SaleCo) has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements or omissions in the Prospectus except as stated above.

10.17 Litigation and claims

So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which Myer is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Myer.

10.18 ASIC relief and ASX waivers

ASIC has granted the following exemptions from, and modifications to, the Corporations Act:

- Relief from the pre-prospectus advertising and publicity rules in section 734(2) of the Corporations Act to permit Myer to provide employees of the Myer Group with certain information relating to the Offer; and
- Relief from the pre-prospectus advertising and publicity rules in section 734(2) of the Corporations Act to allow advertisements and publications explaining how to pre-register an interest in receiving a Prospectus.

10.19 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the law applicable in Victoria and each Applicant submits to the exclusive jurisdiction of the courts of Victoria.

10.20 Expiry Date

No Shares will be offered on the basis of this Prospectus after the Expiry Date.

10.21 Statement of Directors

The Directors report that after due enquiries by them, in their opinion since the date of the audited financial statements in Section 7, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of Myer, other than as disclosed in this Prospectus.

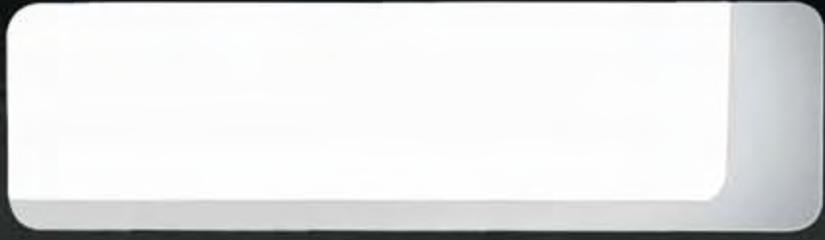
The issue of this Prospectus has been authorised by each of the Directors of the Company and each Director of SaleCo. Each Director of the Company and Director of SaleCo has consented to Prospectus Lodgement and issue of the Prospectus, and has not withdrawn that consent.

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Glossary

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\$ or A\$	Australian dollars
1H	First half
2H	Second half
ACCC	Australian Competition and Consumer Commission
Applicant	A person who submits an Application
Application	An application made to subscribe for Shares offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies or Application Amount	The amount accompanying an Application Form submitted by an investor
ASIC	Australian Securities and Investments Commission
ASTC Settlement Rules	The rules of ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532)
ASX	ASX Limited (ABN 98 008 624 691) or Australian Securities Exchange, as the context requires
ATI	Adjusted taxable income
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations
Bilateral Facility Agreement	As described in Section 10.8.2
Blum Strategic Capital	Blum Strategic Capital III, LP and affiliates
Board or Board of Directors	The Board of Directors of Myer
bps	Basis points, each basis point being one hundredth of one per cent
Broker	Any ASX participating organisation or NZX Firm
Broker Firm Offer	The invitation under this Prospectus to Australian and New Zealand resident Retail Investors who have received a firm allocation from their Broker to acquire Shares
CAGR	Compound annual growth rate
CBD	Central business district
CCTV	Closed-circuit television
Cents	Australian cents
CEO	Chief Executive Officer of the Myer Group
CFO	Chief Financial Officer
CGT	Capital gains tax
Chairman	Chairman of the Board of Directors
CHESS	Clearing House Electronic Subregister System, operated in accordance with the Corporations Act
Citi	Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832)
CODB	Cost of doing business
Co-Lead Managers	Citi, Commonwealth Securities, Deutsche Bank, J.P. Morgan, Merrill Lynch and RBS
Co-Managers	E.L. & C. Baillieu Stockbroking, Macquarie Private Wealth, Morgan Stanley Smith Barney, Ord Minnett, RBS Morgans and Wilson HTM

Commonwealth Securities	Commonwealth Securities Limited (ABN 60 067 254 399)
Company or Myer	Myer Holdings Limited (ABN 14 119 085 602)
Constitution	The constitution of Myer
Corporations Act	Corporations Act 2001 (Cth)
Credit Suisse	Credit Suisse (Australia) Limited (ABN 94 007 016 300)
Deutsche Bank	Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162)
Director(s)	A member of the Board, either individually or combined, as the context requires
DPS	Dividends per Share
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EL&C Baillieu Stockbroking	E.L. & C. Baillieu Stockbroking Limited (ABN 74 006 519 393)
Eligible Employees	(1) In relation to the Employee Priority Offer, this means employees of the Myer Group at 5.00pm Melbourne Time on 2 October 2009; and (2) In relation to the Employee Gift Offer, this means permanent full-time and permanent part-time employees of the Myer Group who do not participate in the MEIP (or who are not eligible to participate in the MEIP) and are employed at 5.00pm Melbourne Time on 2 October 2009 (provided that they remain so employed at 5 November 2009).
Eligible Myer Noteholders	Eligible Myer Noteholders are those holders of Myer Notes at the Noteholder Exchange Closing Date who continue to hold Myer Notes on the date they are Exchanged and who are residents of Australia or New Zealand, or are Institutional Investors in Hong Kong, Singapore, United Kingdom, China, France, Dubai, Germany, Ireland, Japan, Netherlands, Norway, Switzerland or the United Arab Emirates and who are not US Persons or persons who hold Myer Notes for the account or benefit of US Persons
Eligible MYER one Members	All MYER one members with a valid MYER one membership number as at the MYER one Record Date, who are resident in Australia or New Zealand
Employee Gift Offer	The invitation under this Prospectus to Eligible Employees to acquire, at no cost, the nearest number of whole Shares (rounded down) up to the value of \$725
Employee Priority Offer	As described in Section 3.5.1
EPS	Earnings per Share
EPS Hurdle	The EPS performance condition based on the Company's compound annual growth rate in EPS over a specified period, which must be satisfied before the EPS Options can become exercisable (as described in Section 10.7.2)
EPS Option	An option granted under the MEIP, subject to an EPS Hurdle
ESAP or Employee Share Acquisition Plan	As described in Section 10.7.5
ESSP or Employee Salary Sacrifice Plan	As described in Section 10.7.6
Exchange or Exchanged or Exchanging	The redemption of Myer Notes and application of the redemption amount to the purchase of Shares at 97.5% of the Final Price, pursuant to the Myer Notes Trust Deed
Exchange Application Form	The Application Form accompanying this Prospectus sent to Eligible Myer Noteholders
Exchange Notice	The notice dated 28 September 2009 sent to Eligible Myer Noteholders advising them of their right to Exchange their Myer Notes
Existing Senior Finance Facility	The senior debt agreement and the working capital agreement between Myer and its current banking syndicate
Existing Shareholders	The Shareholders of the Company as at the Prospectus Date
Existing Shares	The Shares held by the Existing Shareholders as at the Prospectus Date
Expiry Date	The date 13 months after the Prospectus Date

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Exposure Period	The waiting period specified in section 727(3) of the Corporations Act, being a minimum period of seven days after Prospectus Lodgement, during which an Application must not be accepted. ASIC may extend this period to no more than 14 days after the date of Prospectus Lodgement
Federal Government	Federal Government of Australia
Final Price	The price which Successful Applicants will pay for Shares in the Offer (except Shares received for Myer Notes Exchanged), being the price determined by the Existing Shareholders, the Company and the Joint Lead Managers in accordance with Section 3.7.3. The Final Price may be above the upper limit, or below the lower limit, of the Indicative Price Range
Financial Information	The Historical Financial Information and the Forecast Financial Information
First Performance Period	From the date of Listing until the end of the third full financial year following Listing
Forecast Financial information	As described in Section 7.1
FY or financial year	52 week period ending on the last Saturday of July in 2007, 2008 or 2009, or 53 week period ending on the last Saturday of July in 2010
GDP	Gross domestic product
GLA	Gross leasable area
Goldman Sachs JBWere	Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897)
Goods and Services Tax or GST	Goods and services or similar tax imposed in Australia
Historical Financial Information	As described in Section 7.1
Indicative Price Range	The Indicative Price Range for the Offer as set out in Section 3.1, being \$3.90 – \$4.90 per Share. The Indicative Price Range is an indicative range in which the Final Price may fall. However, the Final Price will be determined by the Existing Shareholders, the Company and the Joint Lead Managers and may be within the Indicative Price Range or above the upper limit, or below the lower limit, of the Indicative Price Range
Institutional Investor	An investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Company is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (disregarding section 708AA), provided that such a person is not located in the United States and is not a US Person or acting for the account or benefit of a US Person unless it and any such underlying investor for whose account or benefit it is acting is a QIB or it is a dealer or professional fiduciary organised, incorporated or (if an individual) resident in the United States acting for an account (other than an estate or trust) held for the benefit or account of a non-US Person for which it has and is exercising investment discretion
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 3.7
Institutional Offering Memorandum	International offering memorandum under which the Institutional Offer will be made in certain overseas jurisdictions, which consists of this Prospectus and a prospectus wrap
Inventory turns	Cost of goods sold divided by average inventory
Investigating Accountant	PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617)
Investigating Accountant's Reports	The report in respect of the Historical Financial Information and the report in respect of the Forecast Financial Information prepared by the Investigating Accountant, copies of which are included in Section 8
IT	Information technology
Joint Lead Managers	Credit Suisse, Goldman Sachs JBWere and Macquarie Capital Advisers
J.P. Morgan	J.P. Morgan Australia Limited (ABN 52 002 888 011)
Listing	Official quotation of Shares on ASX
Listing Rules	Listing rules of ASX
Macquarie Capital Advisers	Macquarie Capital Advisers Limited (ABN 79 123 199 548)

Macquarie Private Wealth	Macquarie Equities Limited (ABN 41 002 574 923)
Management Team	The 15 most senior members of Myer's management, being Bernie Brookes, Mark Ashby, Greg Travers, Marion Rodwell, Prakash Menon, Timothy Clark, John Hawker, Penny Winn, Paul Banks, Nick Abboud, Judy Coomber, Megan Foster, Adam Stapleton, Mitch Catlin and Wayne Latham
MEIP or Myer Equity Incentive Plan	As described in Section 10.7.1
Melbourne Time	Australian Eastern Standard Time. Note that Australian Eastern Daylight Saving Time applies from 4 October 2009
Merrill Lynch	Merrill Lynch International (Australia) Limited (ABN 31 002 892 846)
M F Custodians	M F Custodians Ltd (ABN 67 051 644 467), a subsidiary of The Myer Family Company Pty Ltd
Morgan Stanley Smith Barney	Morgan Stanley Smith Barney Australia Pty Ltd (ABN 19 009 145 555)
Myer or Company	Myer Holdings Limited (ABN 14 119 085 602) (formerly NB Flinders Pty Ltd)
Myer Group or Group	Myer and its subsidiaries and controlled entities
Myer Noteholders	A holder of Myer Notes
Myer Notes	The redeemable, exchangeable, secured but subordinated notes issued by the Myer Notes Issuer, which are as listed on the official list of ASX and trade under the code MYFG (ticker: MYFG)
Myer Notes Issuer	Myer Group Finance Limited (ABN 21 120 234 111)
Myer Notes Register	The register for Myer Notes
Myer Notes Trust Deed	The trust deed dated on or about 28 July 2006 between the Myer Notes Issuer and the trustee of the Myer Notes
MYER one	Myer's customer loyalty program with over 3.1 million members
MYER one Priority Offer	The invitation under this Prospectus to Eligible <i>MYER one</i> Members to acquire Shares
MYER one Record Date	The date by which a prospective applicant must have a valid <i>MYER one</i> membership number in order to be eligible to participate in the <i>MYER one</i> Priority Offer, being 23 October 2009
NB Swanston	NB Swanston BV, the entity through which TPG and Blum Strategic Capital hold their shares
New Bank Facilities	As described in Section 7.14
New Shares	Shares issued by Myer to Successful Applicants
Non-Executive Director	A member of the Board of Directors who does not form part of Myer's management
Noteholder Exchange Closing Date	The date on which the Noteholder Exchange Offer closes, being 20 October 2009
Noteholder Exchange Offer	Under the Noteholder Exchange Offer, each Myer Noteholder electing to Exchange will be issued or transferred a number of Shares equal to the principal outstanding on the Exchanged Myer Notes divided by 97.5% of the Final Price and an Exchanging Myer Noteholder that Exchanges all Myer Notes held by that Myer Noteholder may apply for additional Shares at the Final Price
NZX	New Zealand Exchange Limited
NZX Firm	Any entity designated as such by NZX under its business rules
Offer	The offer under this Prospectus of 98.6 million – 101.3 million New Shares ¹ for issue by the Company and the transfer of 345.6 million – 431.0 million Existing Shares by SaleCo
Offer Management Agreement	As described in section 10.8.1
Offerors	Myer and SaleCo
Officer	As described in Section 10.6.16
Ord Minnett	Ord Minnett Limited (ABN 86 002 733 048)
PF	Pro forma
PoS	Point-of-sale
PricewaterhouseCoopers	PricewaterhouseCoopers (ABN 52 780 433 757)

1. Based on the midpoint of the Indicative Price Range (\$4.40). Assumes 75% of Myer Notes are Exchanged. The actual number of Shares and percentage ownership of each of these parties may be below, within or above the range shown depending on the sell-down levels by the Selling Shareholders, Myer Notes Exchange take-up and the Final Price.

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PricewaterhouseCoopers Securities Ltd	PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617)
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement Prospectus in relation to this document
Prospectus Date	The date on which a copy of the Prospectus is lodged with ASIC, being 28 September 2009
Prospectus Lodgement	Lodgement of this Prospectus with ASIC
QIB	Qualified institutional buyer, as such term is defined in Rule 144A under the US Securities Act
quarter on quarter	Three months of a given year compared to the same three months of the previous year
RBS	RBS Equity Capital Markets (Australia) Limited (ABN 17 000 757 111)
RBS Morgans	RBS Morgans Limited (ABN 49 010 669 726)
Redeem or Redemption	The redemption of Myer Notes for the Redemption Amount pursuant to the Myer Notes Trust Deed
Redemption Amount	102.5% of the principal amount of the Myer Notes being Redeemed
Redemption Notice	A notice of Redemption issued by the Myer Notes Issuer pursuant to the Myer Notes Trust Deed
Reporting Managers	The Management Team excluding the CEO
Retail Investor	An investor who is not an Institutional Investor
Retail Offer	The invitation to Retail Investors under this Prospectus to acquire Shares, as described in Section 3.5, comprising the <i>MYER one</i> Priority Offer, the Employee Priority Offer, the Employee Gift Offer and the Broker Firm Offer
ROFE or return on funds employed	Calculated as EBIT divided by average funds employed. Funds employed are calculated as net assets plus net debt at the beginning and end of each year
SaleCo	Myer SPV Limited (ACN 139 649 746)
Second Performance Period	From the date of Listing until the end of the fourth full financial year following Listing
Selling Shareholder	Shareholders in Myer who have executed deed polls in favour, and for the benefit, of SaleCo under which they irrevocably offer to sell Existing Shares to SaleCo free from encumbrances and third party rights and conditional on Listing
Settlement	Has the meaning given in Section 3.10
Share	A fully paid ordinary share in the capital of Myer
Share Price Hurdle	As described in Section 10.7.2
Share Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Shareholder	A holder of Shares
Shareholding	The Shares held by a Shareholder
SLA	Selling leasable area
Successful Applicant	An Applicant or Institutional Investor who is issued or transferred Shares under the Offer
Syndicated Facility Agreement	As described in Section 10.8.2
TFN	Tax file number
The Myer Family Company	The Myer Family Company Pty Ltd (ABN 32 004 116 296)
Total Sales Value	The total sales occurring in Myer stores, including sales generated by concession operators
TPG	TPG Partners IV, LP, Newbridge Asia IV, LP and their parallel investment entities
US or United States	The United States of America, its territories and provinces, any state of the United States of America and the District of Columbia
US\$ or US dollars	United States dollars
US Person	Has the meaning given to it in Rule 902(k) under Regulation S of the US Securities Act
US Securities Act	United States Securities Act of 1933
Wilson HTM	Wilson HTM Limited (ACN 010 529 665)

Corporate directory

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Myer's registered and head office

Myer Holdings Limited

Level 7
275–295 Lonsdale Street
Melbourne VIC 3000

Joint Lead Managers

Credit Suisse

Level 31
Gateway
1 Macquarie Place
Sydney NSW 2000

Goldman Sachs JBWere

Level 42
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Macquarie Capital Advisers

Level 23
101 Collins Street
Melbourne VIC 3000

Co-Lead Managers

Citi
Commonwealth Securities
Deutsche Bank
J.P. Morgan
Merrill Lynch
RBS

Co-Managers

E.L. & C. Baillieu Stockbroking
Macquarie Private Wealth
Morgan Stanley Smith Barney
Ord Minnett
RBS Morgans
Wilson HTM

Australian legal adviser

Freehills

Level 42
101 Collins Street
Melbourne VIC 3000

US legal adviser

Sullivan & Cromwell

Level 32
101 Collins Street
Melbourne VIC 3000

Investigating Accountant

PricewaterhouseCoopers Securities Ltd

Level 19
Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

Auditor

PricewaterhouseCoopers

Level 19
Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Myer Share Offer Hotline

Within Australia: 1300 820 260
Outside Australia: +61 3 9415 4332

Open 9.00am until 5.00pm Melbourne Time
Monday to Friday

Corporate websites

Offer website

www.mypieceofmyer.com.au

Myer website

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