

Myer Holdings Limited ABN 14 119 085 602

800 Collins Street Docklands VIC 3008 Australia

9 May 2013

Dear Shareholder,

I would like to take this opportunity to provide an update on the business and the outlook for the second half of the 2013 financial year.

As I outlined at the Annual General Meeting last December, I was delighted to be given the opportunity to join Myer, a company with a leading market position, fine leadership and a strong and diverse Board. Myer's heritage and its place in the Australian community, together with its future focus were also key motives for me to join the Board.

Since my appointment I have had the opportunity to visit stores, meet many of the Myer team and gain an increased appreciation for this iconic business. I continue to believe that Myer has a good strategy, being well implemented and that is relevant today, providing a pathway for the business to achieve its potential. All decisions are influenced by the strategic framework developed by Bernie and his team and importantly the strategy is also well understood across the whole business.

During the first half of the financial year, Myer's management team has continued to successfully execute the strategic plan notwithstanding the ongoing challenging retail environment. Consumer confidence continues to be influenced by a myriad of external factors including cost of living pressures, as well as domestic and global political and economic uncertainty.

Sales in the first half (to 26 January 2013) were \$1,732.5 million, up 1.7 percent compared to the first half last year. Pleasingly the second quarter represented our third consecutive quarter of positive comparative store sales growth.

The highlight of the result was a 2.3 percent increase in operating gross profit to \$714.0 million, which reflects the success of long standing strategic initiatives including growth in Myer Exclusive Brands, improved sourcing, reduced markdowns and shrinkage, as well as the contribution of sass & bide.

During the half, we also faced a number of increased operational costs associated with labour and occupancy (utilities, rates and taxes). We have also continued our investment in growth initiatives including our Myer Exclusive Brands and our omni-channel offer.

Net profit after tax (NPAT) for the period was \$87.9 million, up 0.7 percent compared to first half 2012.

Recognising Myer's continued strong cash flow and stable balance sheet, the Board agreed to pay an interim dividend of 10 cents per share, fully franked.

During the half, we continued to invest in improving the customer experience with additional service and efficiency initiatives. Myer was proud to be named the Department Store of the Year in the Roy Morgan Customer Satisfaction Awards 2012. The result of the poll of over 50,000 customers is an endorsement of our improving performance in relation to customer service and a great reflection on the quality of all our team members' efforts.

During the period we further strengthened our merchandise offer, with the introduction of new brands and the expansion of a number of established brands into new categories. Sales in Myer Exclusive Brands grew by 10.0 percent to \$343 million and now represent almost 20 percent of sales, driven by strong customer support.

Our ownership in the sass & bide business again proved beneficial with another very strong half with double digit sales and profit growth as customers continue to embrace this exciting Australian designer offer.

The buying teams have continued their focus on price harmonisation in order to offer our customers lower prices and ensure Myer is more competitive in a global marketplace. Suppliers have been supportive of these efforts and customers have responded favourably.

We continue to optimise our store network, successfully opening two new stores at Fountain Gate (Victoria) and Townsville (Queensland), both of which have been very well received by their communities. This week we open a new store at Shell Harbour (NSW).

Implementation of our omni-channel strategy continues to be a priority. We have already demonstrated good progress on a range of initiatives and we have a strong pipeline of further improvements underway. A significant opportunity exists for us to build on Myer's strong brand, depth of range and extensive store network to deliver a seamless retail experience however and whenever our customers choose to shop with us.

With over 5 million members, our MYER one loyalty program represents a significant competitive advantage. During the half we introduced new initiatives such as the MYER one smart phone app and the MYER one Wine Club.

In the second half of 2013, we remain cautious about the trading environment but committed to pursuing opportunities to improve the business. Retail market conditions continue to be impacted by uncertainty relating to the federal election, as well as global economic concerns. The result is expected to be impacted by the refurbishment of three of our top 20 stores as well as continued cost headwinds particularly in relation to labour and occupancy.

Our executive management team showcases the depth of talent and diversity of skills and experience we have at Myer. I commend the team for their continuing successful execution of the five-point strategic plan.

As a company, we continue to be frustrated by the duty and GST loophole that provides overseas online retailers with an advantage over local retailers. The internet has changed traditional retail and it is critical that reforms keep pace to ensure Australian businesses remain competitive. We appreciate the interest of State governments as they seek to claim the GST revenue being lost to them as a result of online sales to overseas retailers and look for a solution to be expedited ahead of the Federal election.

Given the opportunities and the challenges facing our business, it is important that the structure and capabilities of the Board support the achievement of our strategic objectives. During the half lan Morrice resigned as a non-executive director and we thank him for his contribution. We are well progressed in the search for an additional Board member with significant retail experience.

I look forward to providing you with a further update on our Company's performance in the 2013 Annual Report, which will be available in October and at our Annual General Meeting in November. I encourage you in the interim to visit the investor section of our website, www.myer.com.au/investor, for the latest updates on our Company's activities and performance.

Thank you, as shareholders and customers, for your ongoing support of our iconic business.

Yours sincerely,

Paul M. Clint

Paul McClintock Chairman