

CHAIRMAN'S ADDRESS

PREMIUM DELIVERS OBJECTIVE IN DIFFICULT MARKET

Premium Investors Limited will pay a 4 cent final dividend for the year ended 30 June 2008, taking the total dividend for 2007/8 to 8 cents per share. This represents a 6.7% yield on the average NTA for the 07/08 financial year, and 7.7% on the Company's NTA at 30 June 2008. The Directors of Premium are pleased to maintain a competitive dividend in this challenging investment environment.

Premium is reporting a net loss after tax for 2007/08 of \$29.2m. However the reported loss includes \$73.1m in unrealised losses on the Company's share portfolio and in so doing masks a number of positives in the Company's results.

Revenue from dividend and interest income continues to be strong, growing by 8.6% during 2007/08 to \$11.5m. Administration and portfolio management expenses were also materially lower this year, falling 48% to \$3.6m.

SUMMARY FINANCIAL RESULTS FOR THE PERIOD ENDED 30 JUNE 2008:

★ Revenue from continuing operations including dividend & interest income \$11.5m (2007: \$10.6m)
★ Realised gains from investment activities \$21.5m (2007: \$37.2m)
★ Unrealised losses from investment activities \$73.1m (2007: gain \$22.6m)
★ Operating expenses including administration and portfolio management \$3.6m (2007: \$7.0m)
★ Net Loss after tax \$29.2m (2007: gain \$46.0m)

After paying the final dividend for 2007/8 Premium will have delivered shareholders total dividends of 31.5 cents per share since listing in November 2003. While the Company is focused on continuing to deliver a competitive tax effective income, the Directors acknowledge that extreme market volatility and economic uncertainty have guaranteed a challenging 2008/09 financial year.

There are many factors affecting global share prices at present, the most prominent being the sub prime crisis and oil prices. Accordingly, Premium's Australian and overseas portfolio managers remain cautious in their assessment of corporate profitability and continue to search for companies that are, in their view, in a relatively solid financial position, with reasonable earnings prospects. Premium's managers will continue to take advantage of the opportunities presented by volatile markets.

