

31 July 2008

Dear Just Group Shareholder

## **REJECT PREMIER'S OFFER**

You should have recently received a Supplementary Bidder's Statement from Premier Investments Limited ("Premier") regarding its offer to acquire your Just Group Limited ("Just Group") shares.

After careful consideration of Premier's Supplementary Bidder's Statement and having regard to both short term conditions and the long term value of Just Group, the Special Board Committee has concluded that the proposed modest conditional improvement to Premier's offer is highly uncertain and inadequate. Your Special Board Committee unanimously recommends that you continue to **REJECT** Premier's offer.

Your Special Board Committee believes there are a number of key reasons why you should continue to **REJECT** Premier's offer:

1. There is no improvement to Premier's core offer
2. Premier's conditional increase of 15 cents per Just Group share is uncertain and inadequate
3. If paid, the 15 cents conditional increase to the headline offer has an effective value of less than 11 cents per Just Group share
4. Premier has overstated its offer value and has sent a clarifying letter to Just Group shareholders to avoid the need for the Takeovers Panel to consider making a restraining order
5. Concerns remain around Premier scrip
6. Accepting shareholders will be subject to an uncertain capital gains tax outcome
7. The offer does not appropriately recognise the underlying strength and value of Just Group

Shareholders should continue to be wary of Premier's claims regarding the value of its offer. To avoid the need for the Takeovers Panel to consider a formal restraining order, Premier has sent a letter to Just Group shareholders clarifying a number of comments and calculations Premier made in its Supplementary Bidder's Statement.

Just Group is Australia's leading fast fashion retailer with a diversified portfolio of strong brands. Our highly capable "fast fashion retail machine" is well placed to adapt to softer or improved market conditions due to the speed and responsiveness of our supply chain, the effectiveness of our inventory management and the scale and diversity of our portfolio.

Just Group recently reported unaudited pro-forma<sup>1</sup> sales of approximately \$812 million for the twelve months ended 26 July 2008, up 7.0% on FY2007 and at the mid-to-upper end of our guidance range. This result was pleasing given recent market conditions. Further, Just Group's pro-forma earnings per share for the full FY2008 year is expected to be at the mid-to-upper end of our pro-forma guidance range of 29.2 to 30.6 cents.

The Special Board Committee has resolved to recommend to the full Board that Just Group pays shareholders a final dividend of 9 cents per share, fully franked, which would bring the total fully franked dividend for FY2008 to 19.5 cents per share, equal to the total dividend paid in FY2007.

Detailed reasons for reaching our conclusion that shareholders **REJECT** Premier's offer, along with an update on Just Group's FY2008 sales, are enclosed with this letter.

Each member of Just Group's Special Board Committee who holds Just Group shares intends to **REJECT** Premier's offer and recommends Just Group shareholders do the same.

To **REJECT** Premier's offer, **DO NOTHING**, and **IGNORE** all documents sent to you by Premier.

The offer is due to close at 7.00pm on 15 August 2008 and your Special Board Committee will continue to keep you updated on relevant developments in good time or as they occur. For further details, please do not hesitate to call the shareholder information line on 1300 780 445.

All company announcements are available on our website [www.justgroup.com.au](http://www.justgroup.com.au).

Yours sincerely



Ian Pollard  
Chairman

Enc: ASX Announcement, "Just Group Releases Sales Update"  
ASX Announcement, "Just Group Rejects Premier's Unattractive and Uncertain Offer"

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<sup>1</sup> The Directors' pro-forma forecast differs to the expected reported results of Just Group in financial year 2008 as the Directors' pro-forma forecast has been adjusted for non-recurring items and certain timing differences in order to present the underlying performance of Just Group on a consistent basis. Refer to Just Group's Target's Statement for further details.

# THE JUST GROUP

## Just Group Releases Sales Update

ASX Release  
31 July 2008

- **JUST GROUP DELIVERS SOLID FULL YEAR RETAIL SALES RESULT AFTER PLEASING JULY TRADING**
- **RESULT AT MID-TO-UPPER END OF GUIDANCE RANGE**

Just Group Limited ("Just Group") today announced it expects unaudited pro-forma<sup>1</sup> sales revenue to increase to approximately \$387.5 million for the 26 weeks ending 26 July 2008. This is a solid result that brings unaudited pro-forma full year FY2008 sales to approximately \$812.2 million, which is above the mid-point of Just Group's pro-forma sales guidance of \$808 million to \$814 million. July sales have been pleasing with favourable trading momentum going into the new financial year.

### KEY HIGHLIGHTS

- **Unaudited pro-forma sales revenue up 3.5% for 2<sup>nd</sup> half and 7.0% for the year**
- **July trading pleasing with sales and gross margins ahead of mid-point guidance. Australian same-store-sales growth of +2.7% for the last 4 weeks of the year**
- **Trading remains strong in Dotti and Jacqui E**
- **Portmans turnaround ahead of schedule**
- **Sales have recovered well in Just Jeans**
- **Jay Jays sales pleasing after a very strong comparable FY2007**
- **Pro-forma EPS for the full FY2008 year is expected to be at the mid-to-upper end of guidance range of 29.2 to 30.6 cents per share, broadly in line with FY2007<sup>2</sup>**
- **Special Board Committee to recommend final, fully franked dividend of 9.0 cents per share to the Just Group Board. This would bring total fully franked dividend for FY2008 to 19.5 cents, equal to the total FY2007 dividend**

### Commentary

Just Group's Managing Director, Jason Murray, said that he was reasonably pleased with the final sales result for the year to 26 July 2008, particularly in light of the challenging retail environment in the second half of the year. "The sales result has been achieved against a backdrop of softer market conditions, slower recent trading, industry wide uncertainty and significant discounting undertaken by a number of retailers, particularly late in the second half. The strength of the July results on a like-for-like ("LFL") basis is notable given the strong trading experienced in July 2007. In addition, the correlation between increased sales and the introduction of new season ranges is encouraging. These factors give weight to our belief that the

<sup>1</sup> The Directors' pro-forma forecast differs to the expected reported results of Just Group in financial year 2008 as the Directors' pro-forma forecast has been adjusted for non-recurring items and certain timing differences in order to present the underlying performance of Just Group on a consistent basis. Refer to Just Group's Target's Statement for further details.

<sup>2</sup> FY2007 Adjusted EPS and FY2007 Reported EPS as set out in Just Group's Target's Statement were 29.2 cents and 29.8 cents respectively. FY2007 Adjusted results, as set out in Just Group's Target's Statement, enable Just Group shareholders to compare the adjusted historical results of Just Group to the pro-forma forecast financial information.



disappointing June results, which led to our revised forecasts and that appear to have impacted a number of other retailers, were unforeseeable and abnormal, even in a soft consumer environment.”

“I believe we have delivered a satisfactory result given the prevailing economic conditions. We are pleased with the ongoing improvement of our womenswear brands. Dotti has had a tremendous year, Jacqui E continues to trade very well and the turnaround in Portmans is ahead of schedule. Furthermore, our casualwear brands have finished the year well. Just Jeans achieved a solid result for July, whilst Jay Jays’ sales result was pleasing given LFL sales growth in July 2007 of more than 20% in Australia. Peter Alexander continues to generate strong returns, although going into sale in July impacted its last 4 weeks LFL growth. The acquisition and subsequent roll-out of Smiggle has been very well managed and is delivering excellent results.”

“Economic conditions in New Zealand have been extremely difficult. Our sales result in New Zealand reflects this situation and is amplified by the translation effect of a weaker New Zealand dollar. However, this market remains highly profitable for Just Group and investment will be tightly controlled until market conditions improve.”

“Inventory is continuing to be managed tightly with limited ‘Sale’ stock still on hand and gross margins in July at the upper end of expectations. The emphasis continues to be on cost control, operating efficiencies and maintaining market share.”

“Whilst earnings figures are yet to be finalised it is expected that pro-forma earnings before interest, tax and amortisation (“EBITA”) and earnings per share (“EPS”) will be at the mid-to-upper end of the guidance range of \$95.0m to \$99.0m and 29.2 cents to 30.6 cents respectively. This compares to Adjusted FY2007 EBITA and EPS of \$96.5m and 29.2 cents respectively.”

### Pro-forma Sales Update by Brand

The table below summarises Just Group’s unaudited pro-forma sales by brand.

	FY08 Unaudited Pro-forma <sup>1</sup> Sales			2H08 Unaudited Pro-forma <sup>1</sup> Sales			Last 4 weeks
	A\$m	Growth <sup>4</sup>	LFL Growth <sup>4</sup>	A\$m	Growth <sup>4</sup>	LFL Growth <sup>4</sup>	LFL Growth <sup>4</sup>
Just Jeans	186.1	-0.5%	+1.4%	87.9	-4.7%	-3.0%	+3.9%
Jay Jays	199.0	+4.8%	+0.4%	92.1	-0.9%	-4.6%	-4.1%
Dotti	55.0	+36.3%	+17.7%	30.1	+39.5%	+26.4%	+23.2%
Portmans	125.5	+1.7%	-2.5%	60.9	+1.6%	-2.7%	+7.5%
Jacqui E	76.7	+3.3%	+0.6%	35.7	+6.1%	+4.3%	+7.1%
Peter Alexander	45.3	+26.7%	+2.3%	22.3	+18.0%	+1.1%	-9.5%
Smiggle	18.7	n/a	+11.0%	8.3	n/a	+4.6%	+3.7%
<b>Total Australia</b>	<b>706.3</b>	<b>+8.5%</b>	<b>+1.2%</b>	<b>337.3</b>	<b>+5.7%</b>	<b>-0.6%</b>	<b>+2.7%</b>
Total New Zealand <sup>2</sup>	105.9	-2.6%	n/c	50.2	-8.8%	n/c	n/c
<b>Total Pro-forma Sales<sup>3</sup></b>	<b>812.2</b>	<b>+7.0%</b>	<b>+0.2%</b>	<b>387.5</b>	<b>+3.5%</b>	<b>-1.9%</b>	<b>+1.4%</b>
Total New Zealand (NZ\$) <sup>2</sup>	125.0	+1.0%	-5.7%	60.3	-2.4%	-8.8%	-6.3%

1. Pro-forma sales do not include sales by Peter Alexander USA or sales to Jay Jays South Africa
  2. New Zealand dollar sales revenue translated to Australian Dollars at the following average AU\$:NZ\$ exchange rates  

FY2008	1.18	2H08	1.20
FY2007	1.14	2H07	1.12
  3. Pro-forma LFL sales growth is based on New Zealand LFL sales growth calculated using a constant AU\$:NZ\$ exchange rate
  4. Compared to Adjusted FY2007 sales figures as set out in Just Group’s Target’s Statement
- n/c not comparable due to translation effect



## Dividends

Given Just Group's robust earnings, balance sheet and cashflows, the Special Board Committee has resolved to recommend to the full Board that the total dividend for FY2008 be maintained at the same level as FY2007, implying a final fully franked dividend of 9.0 cents per share.

If adopted, the final full dividend for FY2008 of 19.5 cents, fully franked, would represent a payout ratio of between:

- 68% and 71% based on the reported EPS guidance range (before provision for takeover defence costs) of 27.3 to 28.7 cents per share; and
- 64% and 67% based on the pro-forma EPS guidance range of 29.2 to 30.6 cents per share.

## Outlook

Mr Murray said "Just Group is well placed to adapt to changing market conditions due to the speed and responsiveness of our supply chain, the effectiveness of our inventory management and the scale and diversity of our portfolio. Just Group is also well placed to capture opportunities from challenges that other retailers may face – including the potential to achieve market share gains, access new retail sites or undertake complementary and value creating acquisitions."

Just Group's strategic goal of achieving EPS of at least 40 cents by 2010 is supported by four fundamental elements:

- Continued growth in Australasia;
- International expansion;
- Continued investment into Just Group's fast fashion retail machine; and
- Scope for selected acquisitions.

Just Group is positioned to perform well in the new financial year. Notwithstanding expectations of market conditions remaining soft (especially in New Zealand), ongoing investment in growth (including international and the retail machine), anticipated cost inflation and a weaker New Zealand dollar, there are a number of specific factors that are expected to lead to an increase in group profits in FY2009, including:

- Continued rollout of new stores;
- Benefits to all brands, particularly the casualwear brands, of the stronger Australian dollar (underpinned by a hedge book that delivers an increase in the achieved AU\$:US\$ exchange rate from 0.837 to 0.896, assuming a 0.900 spot rate);
- Benefits to the womenswear brands through improved trading and the consequential impact on gross margin and EBITA margin:
  - A full financial year's benefit of the strong trading in Dotti and Jacqui E
  - Portmans rebounding off a relatively weak FY2008
- Smiggle contributing for a full year as well as continued store roll out;
- The impact of lower taxes, moderating oil prices and lower New Zealand interest rates; and
- Continued emphasis on tight inventory and cost management with a particular focus on labour productivity and supplier costs.

Just Group Chairman, Dr Ian Pollard, said: "This result has been achieved against the backdrop of lower consumer sentiment, economic uncertainty and a declining New Zealand dollar, particularly in the second half of the year. Just Group has excellent growth options and an outstanding management team. Our strategic goal will focus the board and senior management team on delivering growth and continuing to maximise shareholder value."

## Full Year Results

All figures included in this release are unaudited and consequently immaterial differences between the figures presented in this release and the final figures presented in Just Group's full year results may occur. Just Group will report its results for the year ending 26 July 2008 on 10 September 2008.



\* \* \*

Just Group is Australia's leading fast fashion retailer operating nearly 900 stores in Australia and New Zealand, 2 stores in North America and 23 stores in South Africa via a joint venture. Founded in 1970, the Company operates leading fashion brands Just Jeans, Jay Jays, Dotti, Portmans, Jacqui E, Peter Alexander and Smiggle. Just Group was listed on the ASX (JST) on 7 May 2004.

Further information about the Group is at [www.justgroup.com.au](http://www.justgroup.com.au)

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*Some of the statements appearing in this announcement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Just Group operates as well as general economic conditions, prevailing exchange rates and interests rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Just Group or Just Group's officers makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this announcement reflect views held only as at its date.*

dotti

peteralexander

JACQUIE

Just  
Jeans

JayJays

portmans

smiggle

28 July 2008

## **JUST GROUP REJECTS PREMIER'S UNATTRACTIVE AND UNCERTAIN OFFER**

- **There is no improvement to Premier's core offer**
- **Premier's conditional increase of 15 cents per Just Group share is uncertain and inadequate**
- **If paid, the 15 cents conditional increase to the headline offer has an effective value of less than 11 cents per Just Group share**
- **Premier has overstated its offer value and has agreed to send a clarifying letter to Just Group shareholders to avoid the need for the Takeovers Panel to consider making a restraining order**
- **Concerns remain around Premier scrip**
- **Accepting shareholders will be subject to an uncertain capital gains tax outcome**
- **The offer does not appropriately recognise the underlying strength and value of Just Group**
- **The Special Board Committee recommends that shareholders REJECT Premier's offer**

Just Group Limited's ("Just Group") Special Board Committee today recommended that Just Group shareholders continue to **REJECT** Premier Investments Limited's ("Premier") offer.

Dr Ian Pollard, Just Group Chairman, said: "The Special Board Committee has given careful consideration to Premier's Supplementary Bidder's Statement, having regard to both short term conditions and the long term value of Just Group. It has concluded that the proposed modest conditional improvement to Premier's Offer is highly uncertain and inadequate. Just Group has a strong business model and, despite the current softness and volatility in retail conditions, is well positioned for growth. We cannot recommend shareholders accept Premier's offer at what appears to be a low point in the retail cycle."

### **1. There is no improvement to Premier's core offer**

Premier's core offer of \$2.095 cash and 0.25 Premier shares per Just Group share has not changed. It remains materially inadequate and structurally unattractive.

### **2. Premier's conditional increase of 15 cents<sup>1</sup> per Just Group share is uncertain and inadequate**

Premier will increase the cash component of its offer by 15 cents<sup>1</sup> per Just Group share only if it achieves a relevant interest of at least 90% during the offer period. It is uncertain if this 90% condition will be satisfied, especially given the low level of acceptances so far<sup>2</sup>.

If Premier gains an interest of 50% by 6 August 2008, Premier's offer will become unconditional and Just Group shareholders who have accepted the offer will have ceded their shares to Premier and face two potential outcomes:

- If Premier's 90% condition is not satisfied by the close of the offer, accepting shareholders will only receive the core offer consideration, which has previously been rejected by Just Group's Special Board Committee; or

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<sup>1</sup> If paid, the 15 cents conditional increase to the headline offer has an effective value of less than 11 cents per Just Group share. Refer Section 3.

<sup>2</sup> Premier has announced acceptances for 1.1% of Just Group shares as at 25 July 2008.

- If Premier's 90% condition is satisfied, accepting shareholders will receive the additional 15 cents per share cash<sup>1</sup>. Even in this event, the value of the offer consideration is still below the Independent Expert's assessed control valuation range for Just Group, even under some of its most conservative scenarios.

### **3. If paid, the 15 cents conditional increase to the headline offer has an effective value of less than 11 cents per Just Group share**

Any additional cash consideration paid by Premier will be partially offset by a consequential reduction in the value of the scrip component of Premier's offer (recognising it will reduce Premier's cash balance). Applying the Independent Expert's methodology, an additional 15 cents per share cash component would result in a net offer consideration increase of less than 11 cents per share.<sup>3</sup>

### **4. Premier has overstated its offer value and has agreed to send a clarifying letter to Just Group shareholders to avoid the need for the Takeovers Panel to consider making a restraining order**

Shareholders should continue to be wary of Premier's claims regarding the value of its offer. To avoid the need for the Takeovers Panel to consider a formal restraining order, Premier has agreed to send a letter to Just Group shareholders clarifying a number of comments and calculations Premier made in its Supplementary Bidder's Statement.

Just Group believes Premier materially overstated its claimed offer value in its Supplementary Bidder's Statement by:

- Effectively "double counting" the impact of the conditional additional cash payment. Premier failed to adjust the value it attributes to the Premier scrip component downwards to reflect the fact that its cash holding would reduce as a result of potentially increasing its offer. This would be expected to result in a comparatively lower equity value, for example as illustrated in Section 3 above; and
- Inflating its claimed offer value by presenting the Premier dividend as additional consideration, and in certain instances effectively "double counting" the dividend. The 4.5 cents dividend per Just Group share is not an improvement to the offer, rather Premier has merely announced the amount of its final FY2008 dividend. Just Group also notes that if shareholders accept Premier's offer, they will forgo the opportunity to receive Just Group's final dividend for FY2008 which is payable in November 2008.

Further, Just Group continues to believe that Premier's net tangible asset value is not an appropriate benchmark to value Premier's scrip consideration. Premier's shares trade at a significant discount to net tangible assets.

### **5. Concerns remain around Premier scrip**

The Special Board Committee continues to have a number of significant concerns regarding Just Group shareholders exchanging their current shareholding in part for Premier scrip. Premier has not addressed these concerns, which include the following:

- *Premier's strategy appears to lack focus and detail.* As an example, the CEO appointment promised by Premier has not occurred, nor is it clear why Premier increased its exposure to Housewares International, a wholesale domestic appliance business, or what the implications of this are;
- *Premier's limited free float and illiquidity are likely to be ongoing issues.* This may impact shareholders' ability to sell Premier shares at a given point in time at the prevailing market price.

<sup>3</sup> An additional 15 cents per Just Group share cash component would result in a reduction in Premier's cash holding by approximately \$30m. Given the Independent Expert has applied a mid-point discount of 12.5% on Premier's other net tangible assets to assess the likely market price of Premier shares if the offer is successful, the cash reduction would result in Premier's total portfolio value reducing by approximately \$26m. Assuming that Premier has 140m shares on issue (ie assuming 100% acceptance by Just Group shareholders), this would reduce Premier's implied equity value by approximately 19 cents per Premier share, in turn lowering the scrip component of the Premier offer by approximately 5 cents per Just Group share (ie 0.25 multiplied by approximately 19 cents). As such, the net increase to the offer consideration would be less than 11 cents per Just Group share (ie 15 cents cash increase less approximately 5 cents decrease in scrip component).

There is also a risk that current Just Group shareholders may be unable to, or not want to, hold Premier shares. This may create a significant “overhang” in Premier’s stock which may negatively impact the realisable market price of Premier’s shares; and

- *Premier’s corporate governance framework is inconsistent with ASX best practice.* The recent WHK Horwath 2008 Corporate Governance Report ranked Premier as 247th out of 250 listed companies in Australia in terms of corporate governance practices.

Further, there is no certainty that Premier will reach the 90% acceptance threshold required to compulsorily acquire any outstanding shares in Just Group and gain full ownership. This could result in accepting Just Group shareholders becoming minority shareholders in Premier, an investment company which would then have only partial control of its major operating asset. If Premier does not gain full ownership of Just Group, Premier will be unable to fully access Just Group’s cashflows.

## **6. Accepting shareholders will be subject to an uncertain capital gains tax outcome**

There is a risk that Just Group shareholders will not be eligible to claim scrip-for-scrip rollover tax relief if Premier does not achieve a shareholding of at least 80% of Just Group during the bid. This would mean accepting shareholders will be subject to capital gains tax in respect of all the consideration they receive, including any Premier shares they are issued.

## **7. The offer does not appropriately recognise the underlying strength and value of Just Group**

Just Group is Australia’s leading fast fashion retailer with a diversified portfolio of strong brands. Just Group’s highly capable “fast fashion retail machine” is well placed to adapt to softer or improved market conditions due to the speed and responsiveness of its supply chain, the effectiveness of its inventory management and the scale and diversity of its portfolio. In this context, July trading has been pleasing. Just Group’s year end closed on Saturday 26 July 2008 and an unaudited sales update will be provided as soon as possible this week.

Just Group has a highly capable management team and Board, including two nominees of Metrepark Pty Ltd (“Metrepark”)<sup>4</sup>, all strongly focussed on maximising the value of the company.

In announcing a potential conditional increase to its offer, Premier clearly believes that Just Group’s medium and long term prospects are strong.

## **8. The Special Board Committee recommends that shareholders REJECT Premier’s offer**

Dr Pollard said: “The Special Board Committee remains confident in the underlying strength of Just Group’s business model and remains committed to the strategic plan that is designed to generate long-term sustainable growth.”

Premier’s offer will fail unless Premier has a relevant interest in 50% or more of Just Group’s shares by 6 August 2008 or during the last week of its offer period. If the offer fails, Premier will be a 0.9% shareholder, Metrepark will hold 22.8% and Just Group will be an independent company with attractive future prospects, as highlighted by the current consensus average broker target price of \$3.98 per Just Group share.<sup>5</sup>

Having regard to both short term considerations and long term value, each member of Just Group’s Special Board Committee who holds Just Group shares intends to **REJECT** Premier’s offer and recommends Just Group shareholders do the same. To **REJECT** Premier’s offer, **DO NOTHING**, and **IGNORE** all documents sent to you by Premier.

<sup>4</sup> Terrence McCartney and Michael McLeod were both nominated for appointment to the Just Group Board by Metrepark, which may be considered an associate of Premier. Mr McLeod is also a director of Premier.

<sup>5</sup> Reuters consensus target price for Just Group as at 25 July 2008, excluding Foresight Securities which has not provided a target price since 6 March 2008.

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JACQUIE



portmans::

smiggle