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## **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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