

Just Group Limited

ACN 096 911 410

Supplementary Target's Statement

This document is a supplementary target's statement issued by Just Group in relation to the off-market takeover bid for the ordinary shares in Just Group by Premier Investments Limited.

This statement supplements, and should be read together with, Just Group's target's statement dated 2 June 2008. Terms defined in the target's statement have the same meaning in this statement.

1 ASX announcement

Just Group has today made an announcement to ASX. A copy is attached to, and forms part of, this statement.

2 Authorisation

Signed for and on behalf of Just Group:



Ian Pollard

Chairman

2 July 2008

2 July 2008

JUST GROUP UPDATES EARNINGS AND RECONFIRMS REJECTION OF PREMIER'S OFFER

- Trading performance and FY2008 forecast update
- Just Group continues to be well positioned for growth
- Independent Expert reconfirms that Premier's offer is neither fair nor reasonable
- Premier's offer remains highly opportunistic, structurally unattractive and continues to materially undervalue Just Group

Just Group Limited ("Just Group") today provided an update on its trading performance and its response to the unsolicited takeover offer from Premier Investments Limited ("Premier").

In light of softer market conditions, slower recent trading and industry-wide uncertainty, Just Group has revised its FY2008 directors' forecast. Pro-forma earnings per share for FY2008 is now expected to be between 29.2 and 30.6 cents per share, compared to 33.4 cents as included in the Target's Statement.

Dr Ian Pollard, Just Group's Chairman, said: "Consumer spending has been weaker than was anticipated at the time of the Target's Statement. However, despite this and the effect on earnings, Just Group 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.

"Just Group is also well placed to capture opportunities from challenges other retailers may face - including the potential to achieve market share gains, access new sites or undertake attractive complementary acquisitions.

"After reviewing the revised directors' forecast, the Independent Expert has reconfirmed its original conclusion that Premier's offer is **neither fair nor reasonable**. Premier's offer remains unattractive and continues to **materially undervalue the Company and its long term potential**."

TRADING PERFORMANCE AND FY2008 FORECAST UPDATE

As part of its Target's Statement, Just Group released a directors' forecast for FY2008. Since the release of this forecast, there has been a further weakening in consumer sentiment in Australia¹, with the increases in fuel and food costs affecting consumer spending and impacting a broad range of retailers.

As a result, Just Group has experienced a weaker than expected end-of-season sales period in Australia and further pressure on sales in New Zealand. Sales and gross margin performance have been affected, most notably for Just Jeans and Jay Jays. Trading however remained positive for Dotti, Smiggle and Jacqui E throughout this period in Australia. All brands except Peter Alexander have now introduced new season product and windows and the initial response from consumers has been encouraging. Stock levels remain well controlled and in line with expectations.

Just Group will continue to take steps to mitigate the impact of the soft trading conditions, placing particular emphasis on cost control, inventory management, operating efficiencies and maintaining market share. The tax cuts that take effect in Australia from July 2008 will also provide some relief for consumers from the rising cost of living and may have a positive impact on sales. New Zealand tax cuts take effect in October 2008 and may provide further support for sales in that country.

¹ The Westpac-Melbourne Institute Consumer Sentiment Index (seasonally adjusted) fell by 5.6 per cent in June to 84.7 from 89.8 in May. The index is 30.3 per cent below its level a year ago.

Given slower recent trading and industry-wide uncertainty, Just Group has revised its FY2008 directors' forecast, as set out below:

Year ending 26 July 2008	Revenue (\$m)	EBITA (\$m)	EPS (cents)
Target's Statement²			
Directors' pro-forma forecast FY2008	824.0	107.1	33.4
Expected reported results ³ (before provision for takeover defence costs)	na	103.9	32.2
Updated Forecast²			
Directors' pro-forma forecast FY2008	808.0 to 814.0	95.0 to 99.0	29.2 to 30.6
Expected reported results ³ (before provision for takeover defence costs)	na	89.6 to 93.8	27.3 to 28.7

In addition to the points discussed above, the expected reported results have been impacted by higher currency option revaluation costs and the impact of a weaker South African Rand on the translation of Just Group's investment in its joint venture in South Africa.

Despite the adjustment to full year expected earnings, the resulting pro-forma EBITA and EPS forecasts are broadly in line with last year's record earnings, a solid performance in light of current market conditions.

JUST GROUP CONTINUES TO BE WELL POSITIONED FOR GROWTH

Just Group is Australia's leading fast fashion retailer and its diversified portfolio of brands will continue to provide a level of resilience to shifts in the economy and consumer sentiment. The Special Board Committee is 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.

Future growth in Australasia is anticipated to be supported by a number of factors, including:

- continued investment into Just Group's fast fashion retail machine;
- the ongoing improvement in the trading of Dotti and Jacqui-E;
- further improvements above that already being achieved in Portmans;
- continuing growth in Smiggle, which recently opened its first store in Western Australia;
- the rollout of new stores;
- capturing the benefits of the recent appreciation of the Australian dollar;
- the reduction in import tariffs in New Zealand;
- the reduction in import duties in Australia; and
- the benefits of tax changes on consumers which take effect in July 2008 in Australia and in October 2008 in New Zealand.

² 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. EBITA is stated on a consistent basis to Just Group's reporting standards and includes interest income of \$1.1 million. The Directors' pro-forma forecast should be read subject to the same assumptions, risks and qualifications as set out in the Target's Statement (including the general disclaimer for forward looking statements) but assuming no significant change in the economic conditions or consumer sentiment in Australia or New Zealand which prevail at the date of this statement, instead of at the date of the Target's Statement.

³ Using a 26 July 2008 spot AUD/USD exchange rate of 0.96 versus 0.93 as per the Target's Statement. Excludes provision for takeover defence costs which the Directors estimate to be between \$7.5 million and \$9.0 million.

In addition, Just Group will continue to assess all opportunities for growth, including acquisitions, as they arise. These opportunities may become increasingly attractive and prospective having regard to current market conditions. Another key element of the strategic plan, as outlined in the Target's Statement is international expansion.

All of the factors outlined above are expected to support Just Group's strategic goal of achieving EPS of at least 40 cents by FY2010⁴.

INDEPENDENT EXPERT RECONFIRMS THAT THE OFFER IS NEITHER FAIR NOR REASONABLE

To ensure that Just Group shareholders remain fully informed, Just Group requested that the Independent Expert, Lonergan Edwards, consider its valuation of Just Group shares and Premier's implied offer consideration in light of current trading conditions and Just Group's trading performance since the release of the Target's Statement.

Lonergan Edwards today released an updated Independent Expert's report which reconfirms its original opinion that Premier's offer is **neither fair nor reasonable**.

In its report (which is attached), the Independent Expert states:

- "Due to the difficult market conditions it is likely that further short-term aberrations in profitability will be experienced. However, the value of Just Group shares reflects the long-term earnings and cash flow generating ability of the company and is not materially impacted by short-term events."
- "Given the under-performance in FY2008 and FY2009 (after tax) is likely to be relatively immaterial compared to the enterprise value of Just Group, in our opinion, the impact of the lower trading figures and more difficult retail trading outlook on the long-term value of Just Group shares is less than 5%."

The Independent Expert has also undertaken sensitivity analysis that demonstrates that Premier's offer would still be neither fair nor reasonable under a range of scenarios:

- "However, even if one was to take a very pessimistic view and assume that the value of Just Group shares had fallen by 15% (consistent with the reduction in the S&P/ASX 300 Retailing Index between 14 May 2008 and 27 June 2008), in our opinion, [Premier's] offer for Just Group would still be neither fair nor reasonable." (*footnotes omitted*)

SPECIAL BOARD COMMITTEE RECONFIRMS ITS RECOMMENDATION THAT SHAREHOLDERS REJECT PREMIER'S OFFER

The Special Board Committee reaffirmed the key reasons why shareholders should **REJECT** Premier's unsolicited offer:

1. Just Group is a unique Australian retail company;
2. Premier's offer is materially inadequate and undervalues your shareholding;
3. Premier's offer is highly opportunistic and your outcome is uncertain if you accept the Offer;
4. Premier appears to need Just Group (but Just Group doesn't need Premier);
5. An investment in Premier represents a fundamental change in your investment profile; and
6. Premier's corporate governance framework is inconsistent with ASX best practice guidelines. Indeed, 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. The Report gave Premier a one star rating, which indicated that "Overall there was an absolute scarcity of corporate governance structures".

⁴ This is derived having regard to the factors underlying the revised forecasts and Just Group's expectations beyond FY2008 which are discussed further on pages 10 through to 12 of the Target's Statement. It should be read subject to the same cautionary statement applicable to that discussion (including the general disclaimer for forward looking statements in the Target's Statement).

Dr Pollard said: "Just Group is worth significantly more than what Premier is offering for Just Group shares. Retailing is, by nature, a cyclical business, whether it is the season, the fashion or the market. As such, it is important to take a "through-the-cycle" view. The recent softening in the retail market, which is being felt by most market participants, does not detract in any material respects from the underlying value of the business (as supported by the Independent Expert's view) and our excellent growth prospects. Premier's offer is quite clearly opportunistic.

"Premier has so far found no real support from Just Group shareholders for its offer with only 0.05% acceptances being announced since its offer opened over 6 weeks ago. This would appear to be a reflection of the concerns Just Group shareholders have in relation to Premier's offer."

Each member of Just Group's Special Board Committee who holds Just Group shares intends to REJECT Premier's materially inadequate offer and continues to recommend all Just Group shareholders do the same.

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2 July 2008

Subject: Premier Offer for Just Group Limited

Dear Sirs

Recent trading performance

- 1 We note that Just Group Limited (Just Group) has lowered its FY2008 Directors' forecast due to a weaker than expected end-of-season sales period (which is being felt by most market participants¹) and a further softening in retail conditions in New Zealand during June 2008. The lower trading performance has been most notable for the Just Jeans and Jay Jays brands.
- 2 The revised Directors' pro-forma forecast range for FY2008² compared with that set out in the Target's Statement³ is shown below:

Directors' pro-forma profit forecast for FY2008 ^{(1), (2)}	Per Target's Statement	Updated forecast
Revenue (A\$m)	824.0	808 - 814
EBITA (A\$m)	107.1	95 - 99
EPS (cents)	33.4	29.2 - 30.6

Note:

- 1 The Directors' pro-forma forecast differs to the expected reported results of Just Group in FY2008 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. EBITA is stated on a consistent basis to Just Group's reporting bases and includes interest income of A\$1.1 million.
- 2 Excludes provision for takeover defence costs which the Directors estimate to be between \$7.5 million and \$9.0 million.

¹ In June 2008 a number of retailers including Noni B, Clive Peeters and The Warehouse Group (in New Zealand) materially downgraded profit expectations for their 2008 financial years.

² Being the year ending 26 July 2008.

³ Dated 2 June 2008.

- 3 Despite positive same store sales growth in the month of June 2008 by Dotti, Smiggle and Jacqui E⁴, overall same store sales for Just Group's Australian and New Zealand stores declined. Overall gross margins also fell in June 2008 due to the increased level of industry-wide discounting.
- 4 The revised Directors' pro-forma forecast for FY2008 assumes that lower sales, gross margins and profit will also be achieved in July 2008 compared to that anticipated at the date of Just Group's Target's Statement.
- 5 Just Group's management believe that the trading conditions are likely to remain difficult for at least six months, at levels lower than those previously anticipated. As a result the EBITA projection for FY2009 we adopted in our Independent Expert's Report (IER) dated 30 May 2008 may no longer be achievable.
- 6 Management's latest projections assume that growth in EBITA will be achieved in future years (despite the difficult retail industry environment), largely due to:
 - (a) the planned rollout of new Peter Alexander, Smiggle and Dotti stores
 - (b) improvements in the profitability of the Portmans and Jacqui E brands from the low levels achieved in FY2008
 - (c) lower cost of goods sold (particularly in the Just Jeans and Jay Jays brands) as a result of the higher Australian dollar (noting that the average AUD:USD exchange rate for Just Group in FY2008 is expected to be approximately A\$0.84 : US\$1.00).

Impact on value of Just Group

- 7 Due to the difficult market conditions it is likely that further short-term aberrations in profitability will be experienced. However, the value of Just Group shares reflects the long-term earnings and cash flow generating ability of the company and is not materially impacted by short-term events. In this regard we note that the Special Board Committee has reiterated that it is confident in the underlying strength of Just Group's business model and remains committed to the strategic plan that is expected to generate long-term sustainable growth.
- 8 In our opinion, the lower FY2008 profit forecast and difficult retail trading outlook does not materially impact on the long-term earnings and cash flow potential of the business.
- 9 However, in light of the lower than expected trading results and more difficult retail trading outlook it is appropriate to reduce the value of Just Group shares by the extent to which the FY2008 results are expected to be less than those previously forecast (on an after tax basis), plus some reasonable extrapolation of this under-performance into FY2009.

⁴ Australia only.

- 10 Given that the under-performance in FY2008 and FY2009 (after tax) is likely to be relatively immaterial compared to the enterprise value of Just Group, in our opinion, the impact of the lower trading figures and more difficult retail trading outlook on the long-term value of Just Group shares is less than 5%.

Opinion on the Offer

- 11 However, even if one was to take a very pessimistic view and assume that the value of Just Group shares had fallen by 15% (consistent with the reduction in the S&P/ASX 300 Retailing Index⁵ between 14 May 2008⁶ and 27 June 2008), in our opinion, Premier Investments Limited's (Premier) offer for Just Group (the Offer) would still be neither fair nor reasonable.
- 12 In part, this is because as Just Group will become Premier's major asset⁷ if the Offer is successful, it follows that a lower value for Just Group will also lower the value of Premier shares, and thus lower the value of the consideration under the Offer.
- 13 In order to test the sensitivity of our conclusions as to the merits of the Offer, for demonstration purposes we have applied a 5%, 10% and 15% reduction to our previous value of Just Group shares. This results in the following revised values:

Controlling interest value of Just Group (per share)	Low	High	Mid-point
	\$	\$	\$
Original controlling interest value	4.78	5.28	5.03
Revised controlling interest value assuming:			
5% reduction ⁽¹⁾	4.54	5.02	4.78
10% reduction	4.30	4.75	4.53
15% reduction	4.06	4.49	4.28

Note:

- 1 As stated above, in our opinion, the lower trading results and difficult retail trading outlook have an impact on the controlling interest value of Just Group shares of less than 5%.

⁵ This index reflects the movement in portfolio values rather than controlling interests (which we would expect to be less volatile).

⁶ Being the date at which we analysed the listed company multiples in our IER.

⁷ Other than cash.

- 14 Given the above we set out below the value of the Offer consideration based on controlling interest values for Just Group of between \$4.00 and \$5.00 per share:

	\$	\$	\$	\$	\$
Controlling interest value of Just Group ⁽¹⁾	4.00	4.25	4.50	4.75	5.00
Value of consideration offered ⁽²⁾	3.81	3.88	3.95	4.02	4.08
Extent to which value of Just Group exceeds Offer consideration	0.19	0.37	0.55	0.73	0.92
<i>Extent to which value of Just Group exceeds Offer consideration</i>	5.0%	9.5%	13.9%	18.2%	22.5%

Note:

- 1 On a 100% controlling interest basis.
2 Assuming 100% of Just Group is acquired under the Offer.

- 15 The value of the consideration offered under each of the above scenarios is shown below. Consistent with the approach adopted in our IER the value of Premier shares (if the Offer is successful) reflects the portfolio value of Premier's investment in Just Group as investors in Premier will have an indirect minority interest in Just Group:

	\$4.00	\$4.25	\$4.50	\$4.75	\$5.00
Controlling interest value of Just Group (per share)	\$4.00	\$4.25	\$4.50	\$4.75	\$5.00
Less portfolio interest discount (22.5%) ⁽¹⁾	(0.90)	(0.96)	(1.01)	(1.07)	(1.13)
Portfolio value of Just Group (per share)	\$3.10	\$3.29	\$3.49	\$3.68	\$3.87
Shares on issue in Just Group (m)	201.3	201.3	201.3	201.3	201.3
Portfolio value of Premier holding in Just Group (A\$m) ⁽²⁾	624.0	662.3	702.5	740.8	779.0
Portfolio value of other net assets (A\$m) ⁽³⁾	334.9	334.9	334.9	334.9	334.9
Portfolio value of Premier (A\$m)	958.9	997.2	1,037.4	1,075.7	1,113.9
Premier shares on issue (m) ⁽⁴⁾	140.1	140.1	140.1	140.1	140.1

Estimated listed market price of Premier shares ⁽⁴⁾	\$6.84	\$7.12	\$7.40	\$7.68	\$7.95
Number of Premier shares for each Just Group share	0.25	0.25	0.25	0.25	0.25
Value of share consideration (per share)	\$1.710	\$1.780	\$1.850	\$1.920	\$1.988
Cash consideration (per share)	\$2.095	\$2.095	\$2.095	\$2.095	\$2.095
Value of Offer consideration (per share)	\$3.81	\$3.88	\$3.95	\$4.02	\$4.08

Note:

- 1 Being the mid-point of our assessed range, consistent with empirical evidence on minority interest discounts.
- 2 Assuming 100% of Just Group is acquired.
- 3 Being \$382.7 million (refer paragraph 202 of our IER assuming 100% of Just Group is acquired) less a 12.5% discount to reflect their portfolio value (being the mid-point of the range adopted in our IER). It should be noted that the value of Premier's other net assets is based on disclosures by Premier as at 28 March 2008 and therefore does not reflect movements in cash balances due to interest or the subsequent fall in the listed market value of Premier's investment in Housewares International Limited.
- 4 Assuming Premier acquires 100% of Just Group.

Conclusion

- 16 Based on the above, in our opinion, the Offer would still be neither fair nor reasonable. This is because:
- (a) the value of the Offer consideration would remain significantly below the value of 100% of the shares in Just Group
 - (b) a large component of the Offer consideration effectively comprises (on a look through basis) shares in Just Group. Existing Just Group shareholders are therefore effectively being offered (in respect of around half the Offer consideration) what they already own, but under the Offer their ongoing interest in Just Group will be held indirectly (through Premier).

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (LEA) (ABN53 095 445 560) is a specialist valuation firm which provides valuation advice, valuation reports and Independent Expert's Reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No 246532.

Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with this letter.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in this letter. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 This letter contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the letter's conclusions 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.

Appendix A

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this letter. These fees are negotiated and agreed with the entity who engages LEA 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.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.
- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 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.
- 13 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 Industry Complaints Services (FICS), an external complaints resolution service. You will not be charged for using the FICS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications and declarations

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 Independent Expert's Reports.
- 2 This letter was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 15 years and 20 years experience respectively in the provision of valuation advice.

Declarations

- 3 This report has been prepared at the request of the Just Group Special Board Committee to accompany an ASX announcement to be sent to Just Group shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Offer is fair and reasonable to the shareholders of Just Group.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Offer. LEA is entitled to receive a fee for the preparation of this report. With the exception of the above fee, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

Indemnification

- 5 As a condition of LEA's agreement to prepare this report, Just Group agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Just Group which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 6 LEA consents to the inclusion of this letter and extracts of this letter in the form and context in which they appear in the Supplementary Target's Statement dated 2 July 2008.