PREMIER INVESTMENTS LIMITED

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2 August 2010

Premier Investments
Trading update

Premier Investments Limited ("Premier") today provided an update on its trading performance for the full year ended 31 July 2010. Preliminary final audited results[1] will be provided on 21 September 2010.

Premier estimates that the sales of its 100% owned subsidiary, Just Group Limited ("Just Group") will be approximately $870 million. This represents an increase of approximately 3% over the previous year.

Premier estimates Just Group's FY2010 EBITA[2,3] will be in the range of $82 million to $86 million, and that Premier's FY2010 NPAT[2,4] will be in the range of $78 million to $81 million.[5]

Just Group trading performance has been significantly impacted by two major factors:
- Challenging retail environment; and
- Portmans.

Challenging retail environment

The retail environment, particularly in the second half of FY2010, has been extremely challenging. Retail trading has been abnormally volatile and despite some positive signs at points in the fourth quarter, these did not

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[1] Financial results for the year ended 31 July 2010 as set out in this trading update are yet to be finalised by the company and are unaudited
[2] These estimates take into account an approximate $6 million decrease in the depreciation charge following a detailed review to more accurately align the depreciation with the estimated useful lives of the fixed assets (in line with AASB 116)
[3] Just Group EBITA represents Just Group's contribution to Premier's EBITA. For example, it does not take into account dividends from Premier's investment in Breville and operating expenses of Premier
[4] These estimates include a $17 million one-off tax benefit connected with the acquisition of Just Group
[5] As highlighted in previous releases, last year Premier moved its year end to 25 July 2009, in line with Just Group's year end, in part to allow for a more meaningful analysis of Just Group's underlying operating result. This is one reason why a direct comparison of FY2010 to FY2009 at the Premier level is challenging. Overall, in making comparisons, one should be mindful that: Premier's FY2010 comprised 53 weeks, with FY2009 being 55 weeks and 5 days and Just Group's FY2010 comprised 53 weeks, with FY2009 being 52 weeks. Premier earned substantial interest in FY2009 on cash reserves which were ultimately used during FY2009 for the Just Group acquisition (despite Just Group being consolidated from the start of FY2009)

translate into a sustained improvement throughout the quarter as occurred in Q4 FY2009.

Successive interest rate rises have had a clear adverse impact on consumer confidence and discretionary spending. In combination with the macro-economic challenges, the second half has been impacted by the cycling of the Australian Government economic stimulus and sustained abnormal weather conditions in each of Just Group's major markets. These factors have resulted in intensive industry-wide discounting.

Given the environment, Just Group management continued to focus on achieving sustainable cost savings. However, these measures have not been sufficient to offset the lower sales and gross margins across some brands in this financial year.

It should be noted that if the Portmans result was excluded from Just Group's FY2010 and FY2009 EBITAs, the estimated final result would be broadly in line with the FY2009 EBITA. This represents a credible result for the other group brands in a challenging retail environment.

Portmans

Portmans again experienced difficult trading in the second half which resulted in Portmans delivering a total loss for FY2010 of approximately $18.5 million.

Last November, Premier flagged that the transformation of Portmans would take some time with 1H FY2010 likely to be the brand's worst result and with most changes not being apparent in store until July 2010. While this has turned out to be the case, the summer result was particularly disappointing and the challenging retail environment has meant that the FY2010 winter half, which followed a negative winter half in FY2009, rebounded less than hoped for.

Despite this, significant progress has been made to ensure the success of the turnaround. Those changes that were, in retrospect, too extreme for our customer base have been reversed and improved. Detailed research has been undertaken to clarify and refine the Portmans brand position, product offer and store design. The team has been further enhanced and now has the experience, skills and resource to fully deliver the transformation. A decision has been made to exit 15-20 marginal stores that are due for renewal and the remaining stores will continue to benefit from improved ranges, improved visual merchandising, a better in-store experience and, over time, increased customer communication.

Given this progress, Premier is confident that management now has a clear understanding of what needs to be done. The attached presentation gives a further insight into management's Portmans strategy.

Outlook

Premier believes that Just Group is well positioned for significantly improved performance in FY2011. The Directors anticipate a challenging Q1, with continuing improvement in Q2 and significant improvement in the second half as the business cycles the abnormal retail environment of 2H FY2010.

Premier believes that this improved performance will be driven by a number of factors, including:

- an improved retail environment
- the significant operating leverage in the Just Group business
- a more supportive gross margin environment
- continued cost management
- commencing the FY2011 financial year with a clean inventory position
- progress in the turnaround of Portmans

In addition, Premier Investments continues to explore value enhancing opportunities which may offer additional upside to Premier shareholders. Premier has strong cash reserves to enable it to capitalise on opportunities as they arise.

Based on an improved retail environment and the business factors listed above, Premier expects Just Group FY2011 EBITA to be in the range of $100 million to $110 million.

Dividends

Reflecting its confidence that Just Group will deliver significantly improved earnings performance in FY2011, the Premier Board intend to declare a fully franked final dividend for FY2010 of 18 cents per share in line with the final ordinary dividend of FY2009.

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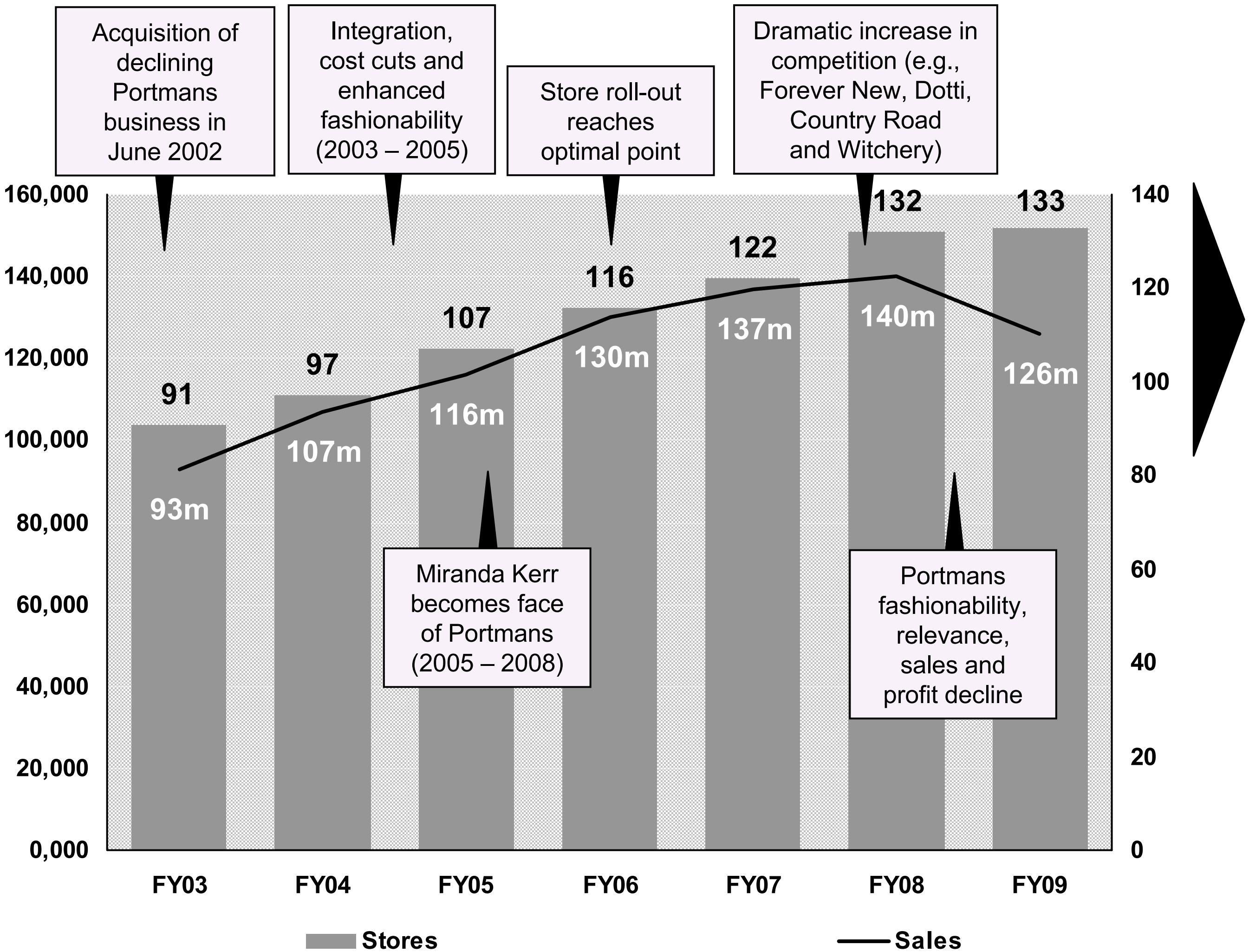
portmans

August 2010

Background

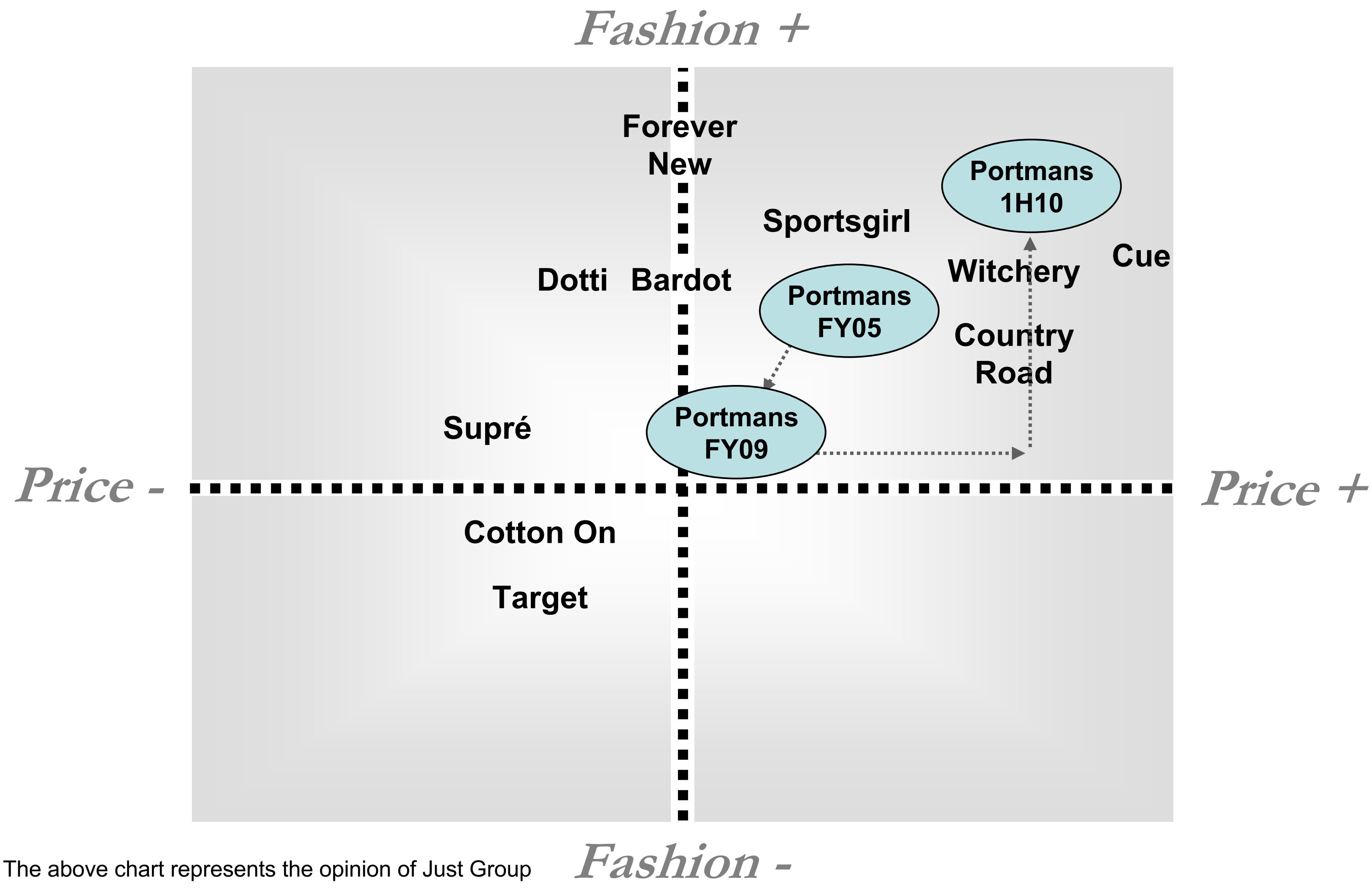
In light of deteriorating performance, Just Group pursued a transformation of the Portmans business in 2009 – 2010



- Decision made to dramatically reposition the Portmans brand (Mar '09)
- New product and creative team appointed (Mar '09 – Oct '09)
- New leadership appointed and more focused brand structure introduced (Sep '09)
- Market informed that Portmans would under-perform, especially in Summer, with most changes in store by Jul 2010 (Nov '09)

Implications of 2009 – 2010 transformation

In hindsight, the transformation took Portmans too far to re-capture its primary customer or to attract new, relevant customers



Note: The above chart represents the opinion of Just Group

Implications of 2009 – 2010 transformation

This had a severe and negative impact upon sales and profitability, while delivering some key lessons learned

- Portmans' contribution to Just Group EBIT expected to be a loss of c.$18.5m, well below expectations and significantly down on FY09
  - Reflects sales of c.$109m (down 13.5%)
  - Reflects LFL sales down c.14.2%

Key lessons learnt

- Too much change at one time (logo, store design, product styling, prices etc) confused the staff and the customers
- Product styling became overly directional and sophisticated
- Price increases reduced the accessibility of the brand
- Fashion essentials were not ranged in sufficient volume
- In-store theatre was dialled back too far
- Substantial reduction in digital and mass communication caused many changes to go unnoticed

Clear drivers to return to profitability

Management and the Board now have a very clear understanding of what needs to be done to return Portmans to profitability and drive future performance

There are
five
key drivers to achieving a return to profitability

1. Understanding the customer and brand proposition
2. Having the right team in place
3. Improving the product offer
4. Having the right locations and store design
5. Enhancing the brand experience

1 Understanding the customer and brand proposition

The transformation process has given management a clear understanding of the Portmans customer …

Key Activities

Customer research

Conducted focus groups, in-wardrobe sessions and online surveys to gain insights into the Portmans consumer

Product Quality research

Conducted customer focus groups, technical quality assessment and competitor benchmarking to understand Portmans' position versus the customer expectations of quality

International study trip

Investigated international fashion retailers to develop greater clarity on areas of potential differentiation and opportunity for the Portmans brand within the Australian market

Brand definition

Engaged an external agency to co-develop a clear and compelling Portmans brand position

Key Insights

- Core Portmans customer is dramatically more informed about global fashion trends and can access them almost immediately – fashion relevance and pace of response becoming even more critical
- Workwear is important, but is no longer led by the corporate suit and is not important enough to build a brand solely around
- Modern women relish the period when they start to succeed and get ahead, but are not yet overly tied down. Few fashion brands currently focus on this opportunity
- A feminine, playful and polished Portmans offer, communicated in a modern manner, would be an attractive proposition for this space
- The store environment has a large impact on her perceptions of the brand

1 Understanding the customer and brand proposition

…and Portmans has the opportunity to be an attractive and competitive brand proposition

The Portmans Gap

YOUTH (14–21 years)	YOUNG ADULT (22–27 years)	ADULT (28+ years)
• Girly • Unsophisticated • Party	At the beginning of her exciting adult journey • Polished • Exciting • Relevant • Entertaining	• Mature • Established • Conservative
– **Dotti** – **Supré** – **Sportsgirl** – **Forever New** – **Bardot**	portmans	– **CUE** – **Witchery** – **Country Road**

Note: The above table represents the opinion of Just Group

2 Having the right team in place

The right team is now in place to deliver the turnaround of Portmans

	August 2009	February 2010	August 2010
Brand Leadership	• David Bull appointed	• David Bull 6 months in	• Rachel Kelly added
Merchandising	• Last buyer in place	• Buyers 6 months in	• Merchandise manager appointed
Retail	• New structure in place	• Resources enhanced	• Retail GM appointed
Planning	• New team 3 months in	• Team 9 months in	• Strong team
VM & Marketing	• New team appointed	• New team 4 months in	• Strong team & new agency

3 Improving the product offer

Fundamentally, Portmans needs the right product in stores

Achieving success with more feminine, polished and **on trend fashion** in new, more youthful, colour palette

Workwear styling has been updated, with more feminine details and fabrications, which has been well received

Quality **fashion essentials** are increasingly being ranged in volume across all stores at key price points

Accessories complete the Portmans look and deliver additional sales. Offer updated and volumes now being increased

4 Having the right locations and store design

Portmans' profitability can be significantly enhanced by exiting a number of unprofitable stores which are located in the wrong catchment areas

Planned Portmans Store closures

	FY10 RENT % SALES	ANNUALISED SALES
Premium	> 50	c.$5,000,000
Other stores	> 20	c.$9,000,000

- New Zealand portfolio review conducted during winter 2009. FY10 results in New Zealand significantly ahead of Australia
- Australian portfolio review announced at FY09 results and revised in light of FY10 trading
- 15 – 20 stores to be closed during FY11
  - Immediate positive impact upon EBITA as these stores lose money on average
  - No exit costs are anticipated as the timing of store closures will align with lease expiry or leases will be assigned
- FY11 Closures a mixture of
  - Premium – operating costs prohibitive
  - Other – C and D stores where brand fit is questioned and profitability is low

4 Having the right locations and store design

A new store design has been developed to suit all types of Portmans stores from Flagship to sub-regional catchments

- **Mid-August opening of new flagship in Pitt St. Sydney**
  - Visually powerful
  - Strong brand statement
  - High stock holding
- **Subsequent investment into rest of portfolio**
  - Pitt St. design developed with full chain in mind
  - Retrofit should be possible for $50,000 to $120,000 per store
  - Likely to impact up to 50% of remaining stores over next three years
  - No activity before CY2011

5 Enhancing the brand experience

We will continue to increase our investment in the total in-store experience and marketing as the product offer improves

now

- More frequent window changes
- Limited mass customer communication
- Localised marketing activity in flagship stores

later

- Digital strategy – connecting with the customer on many different levels
- Powerful windows that showcase the brand's fashion credentials
- Mass marketing – brand awareness through surprising and relevant communication
- In-store experience – engaging customers with more youthful and playful in-store theatre and events
- Responsive and engaging customer relationship program

Outlook

Building the foundations for a turnaround has begun. While some recovery is expected in FY11, a return to profitability will take some time

- **The last 6 months has been characterised by:**
  - Completion of brand positioning work
  - Further strengthening of Portmans' leadership and team
  - Significant improvement, by season-end, of the product offer
  - Tight control over inventory and costs

- **As a result of these actions there are already some early signs of improvement:**
  - Positive same-store sales growth in July
  - Inventory holding at end of July 10% less than last year
  - Good sell-throughs in many products, e.g., lace and stripes

- **Further, the 2011 financial year will deliver:**
  - Continued improvement in the product offer
  - A more focused, appealing and profitable store portfolio
  - Positive same-store sales growth
  - Increased gross profit %, and
  - A smaller EBITA loss

Important notice

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