

# THE JUST GROUP

## JUST GROUP ANNUAL GENERAL MEETING 2007 THURSDAY 22 NOVEMBER 2007

### IAN POLLARD, CHAIRMAN – ADDRESS TO SHAREHOLDERS

Good afternoon Ladies and Gentlemen,

Welcome to The Just Group's Annual General Meeting for 2007. I'm Ian Pollard, and this is my first AGM as Chairman of your company.

Let me introduce your directors and company secretary. There have been some changes since we last met and we have two new faces.

The directors are:

- Laura Anderson
- Ian Dahl – one of our new 'faces'
- Susan Oliver – the other new 'face'
- Alison Watkins
- Jason Murray, Managing Director
- Janice Payne, Company Secretary

In July of this year, our former Chairman, Jonathan Pinshaw, resigned and, at that time, we appointed two new Non-Executive Directors, Ian Dahl and Susan Oliver.

Jonathan was our Chairman when Just was floated in 2004 and he oversaw the continued growth of this successful and vibrant company. On behalf of your Board and all shareholders I thank Jonathan for his leadership and commitment to the long-term future of the Just Group. I also welcome Ian and Susan to their first Just AGM.

I will start with some housekeeping matters. When presenting yourselves this afternoon, you were handed a set of voting papers. These are of a particular colour depending upon whether or not you are a shareholder entitled to vote. If you have a yellow or blue paper, you can speak today. Only those people with yellow forms can vote as those people with blue forms have already voted via proxy.

If any shareholder wishes to speak during the Meeting would you please stand and we will have a microphone brought to you. I ask that you clearly state your name when your turn comes and I will limit each person to two questions at a time.

At all times, I ask that everyone have their mobile phones turned off.

If there is a poll on any of the resolutions to be put to the Meeting, I will call on Mr Stephen Buckley of Link Market Services to conduct the poll at the end of the meeting.

The Notice of Meeting has been circulated to all members and with your agreement, I propose to take it as read.

The last meeting of shareholders of Just Group Limited was a general meeting held on 22 November 2006. The minutes of this meeting have been signed as a correct record and the Secretary will make them available to any shareholder who wishes to inspect them.

Before moving to formal business, I will provide a brief overview of the 2006/07 year.

### **Overview of 2006/07**

I am delighted to be able to report an excellent result for 2006/07. Seen in the context of a record result for 2005/06, the year in review was indeed a good one.

In brief, the highlights of our results were:

- Sales increased by 9.2% to \$762.4 million
- Earnings before interest, tax and amortisation was \$97.4 million, up 10.4%
- Net profit after tax was \$63.9 million, up 11.7%
- Earnings per share was 29.85 cents, an increase of 13.7%
- Stock turns were 5.1 times compared with 4.7 times for the previous year

The annual dividend was a healthy 19.5 cents per share, fully franked, up from 17.0 cents per share for 2005/06.

There were a number of other highlights during what was a busy year.

Our record of generating strong cash flows continued with cash flow from operations increasing by 10.6% to \$89.8 million. This allowed your company to complete a very successful share buy-back in March of this year with 16.7 million shares, or 7.65% of issued shares, being bought back at \$3.90 per share. This also funded an increase in capital expenditure to \$27 million for the expansion and upgrading of our store network, supply chain and technology. We made other significant investments into growth via the joint venture with Pepkor Retail Group to roll-out the Jay Jays brand in South Africa and, after year end, the acquisition of Smiggle.

### **Four-year strategy**

Our strong results, the share buy-back, the disciplined extension into other markets and the acquisition of Smiggle were all delivered against a backdrop of a new, four-year strategic plan. Your Board and management have developed this plan in concert to drive Just Group forward for many years to come. 2006/07 was both the seventh consecutive year of sales and earnings growth for your company and the first year of what we see as the next phase of growth.

You will receive a detailed report on the company's operations and more on our four-year strategy shortly from Jason Murray, our Managing Director.

### **Non-Executive Director Update**

As previously advised we have invited Metrepark which holds 21.31% of the company's capital to nominate two new directors. It is anticipated that two Metrepark nominees with relevant experience will be appointed to the Board early calendar 2008.

### **People**

Your Board is very aware of the vital role people play in the success of The Just Group. Therefore, on behalf of all shareholders, I would like to acknowledge the achievement of our strong Executive team and the entire group of nearly 6,000 wonderful people who have again made an outstanding contribution.

I'll now ask Jason to address you and will then deal with the formal business of the day.

**JUST GROUP ANNUAL GENERAL MEETING 2007**  
**JASON MURRAY, MD – ADDRESS TO SHAREHOLDERS**

Good afternoon ladies and gentlemen.

At our results announcement in September, I outlined our four-year strategic plan that commenced in 2006/2007. As the Chairman has said, this plan was developed to be the roadmap for our continued growth and prosperity. We believe that if economic conditions remain similar to those prevailing today, then our strategy will deliver annual earnings per share growth of 10% or better over the life of our plan.

Our strategy has three essential elements:

1. The best portfolio of clearly segmented and continuously refreshed retail fashion brands
2. The market's most diverse and capable fast fashion retail machine
3. A commitment to delivering exceptional returns and sustainable earnings growth

Let's look at how we performed against these three elements in 2006/07 and through the early part of the current year.

## **1. BEST PORTFOLIO OF BRANDS**

Turning first to the performance of our outstanding portfolio of brands, I can report that we are in good shape.

### **Just Jeans**

Just Jeans, which we successfully repositioned in 2006, had a strong year with total sales, margins and profit contribution all ahead of the previous year even though there were ten fewer stores.

Just Jeans has opened well this year with healthy same store sales and earnings growth.

### **Jay Jays**

Young people in Australia, New Zealand, and increasingly in South Africa, know and love the Jay Jays brand. It is now our biggest brand and it continues to drive both top and bottom line growth.

The momentum continues and Jay Jays has done well in the first quarter.

### **Portmans**

A disappointing first half for Portmans was followed by a solid second half in which this brand grew its market share in a relatively weak womenswear market.

Trading for Portmans in the first quarter has been a little subdued in line with the continuing market trend in Womenswear

**Jacqui E**

After a tough start to the 06/07 year, Jacqui E came home positively in the last quarter.

Sales for the first quarter are slightly down on the prior year due to the aggressive clearance activity in that period and the current soft womenswear market. Margins have however improved significantly and we are confident that we are well positioned for the remainder of 2008 and beyond.

**Dotti**

An aggressive repositioning and renewal program for Dotti yielded good outcomes in the fourth quarter with the brand delivering same store sales growth of 7.7% in that quarter.

Dotti's performance has continued to improve through the first quarter of this year.

**Peter Alexander**

The Peter Alexander business celebrated its 20<sup>th</sup> anniversary in 2006/07 with another outstanding result. 9 stores were opened during the year and we now have 20 stores open.

The strong growth of this iconic brand has continued in the first quarter of this year and we are excited about our plans for international expansion of this business, which I will discuss shortly.

**Smiggle**

The Smiggle business is being integrated into the Just Group and it continues to trade successfully. Smiggle had 20 stores when we acquired it at the end of August and today there are 23. We expect to have 29 by Christmas.

We have said that Smiggle will add at least one cent to earnings per share in 2007/08 and an additional 1 cent per share in 2008/2009 and we continue to hold that view.

We will continue to drive these brands with enthusiasm, creativity and hard-edged commercial savvy. I would expect that over the life of the plan we will not only grow our existing brands but will add new ones to our portfolio.

## **2. THE MOST DIVERSE AND CAPABLE FAST FASHION RETAIL MACHINE**

Our fast fashion retail machine comprises both our geographic and channel diversity and our underlying infrastructure and systems. The machine allows us to maximise the value of our portfolio of brands by taking those brands to as many consumers as possible, in a fast and efficient manner.

**Store network**

In 2006/07 we increased the number of stores in Australia and New Zealand from 775 to 810 and, as at last week including the 20 acquired Smiggle stores, there were 847 stores. We are in the midst of our largest store opening and refurbishment program ever and expect to have 873 stores open by Christmas.

### **New Zealand**

Economic conditions were quite tough in New Zealand during 2006/07 and this affected our results there. The market has continued to tighten. Total sales for the group for the first quarter of this year are slightly ahead of last year and profit is ahead of last year.

### **South Africa**

Our South African joint venture operated 14 Jay Jays stores at year end and that number will grow to 20 by Christmas. The few stores that are more than a year old are delivering strong same-store sales growth and we are pleased with the progress that has been made in respect of the underlying team and infrastructure. We remain focused on getting the platform for growth right and expect a small loss will be made in that business in the current year.

### **USA**

We announced in September that we will trial the Peter Alexander brand in California in calendar 2008 by opening up to 4 stores. I am pleased to confirm today that 3 stores have been agreed which we expect to open between April and July next year. They are in Americana at Brand in LA, Robertson Boulevard also in LA and Valley Fair Westfield in San Jose. We have also recruited a highly credentialed Vice-President Retail to lead the operations there. The United States is a fiercely competitive market and we will continue to move forward purposefully yet cautiously.

### **People, supply chain and systems**

During the year we continued to invest heavily in our people, infrastructure and systems. There were new induction and other training programs for our people, major enhancements to our IT systems and upgrades to our warehouses and supply chain.

Our fast fashion supply chain is a very important factor in our success and I am proud that we were able to increase stock turns during the year from the already excellent 4.7 times to 5.1 times.

Above all things, however, our 6,000 people are the most critical part of our business and we strive to attract and retain the best talent in the industry. As the company grows and is successful in all of our markets, we are continuing to deliver on this goal.

Through the life of our strategic plan we will continue to expand and upgrade our fast fashion retail machine. In the current year this will include continued expansion of our store network, growth in South Africa, entry into the USA, the construction of a new distribution centre in Auckland, the sourcing of new factories to help alleviate continuing cost pressure from China, continued enhancements to our IT systems and ongoing investment in the training and development of our people

## **3. A COMMITMENT TO DELIVERING EXCEPTIONAL RETURNS AND SUSTAINABLE EARNINGS GROWTH**

Our Chairman has covered the financial aspects of our results and the detail is in the Annual Report. Let me simply reiterate that the key metrics that drive our business are:

- Same store sales growth
- Retail space expansion

- Profit After Tax
- Earnings per share
- Stock turns
- Return on Capital Employed, and
- Operating cashflow

We are pleased with what was achieved in 2006/07, a year in which we improved for each of these measures. While we will provide a full progress report against each measure at our half year results in March, I would like to say that we are tracking reasonably well after the first 16 weeks of this financial year with, including the results from Smiggle since acquisition, total sales up 8.8%, and same store sales growth of 2.2%. EBITA excluding Smiggle is up soundly and Smiggle itself is delivering as expected.

### **Business Environment & Outlook**

The business environment leading up to the all-important Christmas and summer trading period has been overshadowed by the Australian Federal Election, interest rate rises in Australia and New Zealand, the drought and high petrol prices. While employment is still strong and consumer confidence has remained buoyant, we are cautious in our appraisal of the retail market for the rest of the year.

The Christmas quarter delivers almost two thirds of our first half profit so it is difficult to offer a definitive opinion on how we will perform for the first half of 2007/08. That said, we expect first half results to be consistent with our stated strategic goal of earnings per share growth of at least 10 percent.

I will now hand back to the Chairman for the formal business for today.

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