

13 September 2006

**MEDIA RELEASE**

**RECORD NET PROFIT UP 24.6% TO \$57.2 MILLION FOR JUST GROUP**

Just Group today announced a record net profit of \$57.2 million for the year ending 29 July 2006. This was an increase of 24.6% over the previous year. Earnings Before Interest Tax and Amortisation (EBITA) was \$88.3 million, an increase of 21.2% over the previous year.

**HIGHLIGHTS**

- Sales of \$698 million – up 10.3% over the previous year
- EBITA of \$88.3 million - up 21.2%
- Net Profit After Tax of \$57.2 million – up 24.6%
- A fully franked final dividend of 8.5 cents per share bringing full year dividend to 17.0 cents per share – up 25.9%
- Both Casualwear and Womenswear performed well – Casualwear EBITA up 15.9% and Womenswear EBITA up 30.8%
- Much improved Winter season with Group sales up 14.1% and EBITA up 21.5%
- Strong result in New Zealand and successful pilot of Jay Jays format in South Africa
- Store numbers increased by net 47 – total of 775 at year's end

**Dividend**

The Directors declared a final dividend of 8.5 cents per share, fully franked, to be paid on 15 November 2006 to shareholders on the register as at 25 October 2006. This compares with a final dividend of 6.0 cents per share for the corresponding half of last year and takes the full year dividend for FY2006 to 17.0 cents, an increase of 25.9% over FY2005.

## Commentary

Just Group's Managing Director, Mr Howard McDonald, said he was delighted to announce a record result in his final year with the Company.

"This result has been achieved against a backdrop of lower consumer sentiment, economic uncertainty and a declining New Zealand dollar, particularly in the second half.

"This is a very balanced result – we have performed well against all our key measures.

- Our six brands have all contributed well;
- Both the Australian and New Zealand businesses have performed well and the South African pilot is meeting expectations;
- Margins, operating cashflow and stockturns have also been excellent.

"This was a quality result with the entire business performing very well. Casualwear and Womenswear sales were both up and total sales were \$698 million, an increase of 10.3% over the previous year," said Mr McDonald.

"Despite the lower consumer sentiment, women in our major demographic – 15 to 35 year-olds – continued to purchase good value fashion. The Company benefited from the resources boom with all brands in Western Australia and Queensland performing well.

"Another pleasing feature of the result was the performance of our 123 store New Zealand operation. Despite the difficult economic conditions and a declining currency, we achieved a significant profit increase over the previous year," he said.

"Our Winter (February – July) sales across Australia and New Zealand were up 14.1% and EBITA was up 21.5% over the corresponding period. This gave us a very consistent result across the two halves," said Mr McDonald.

"Same store sales growth for the Winter season was 6.5%, the strongest it has been for many years. During the year we opened 64 new stores and closed 17, bringing the total to 775. We continued to balance our store portfolio to optimise the performance of each brand.

### Just Jeans

"The Just Jeans performance was satisfactory following our review of the brand and its offering. We rolled out a new store concept with ten of these completed by the year's end. The best example of this format is at Castle Hill in Sydney's northwest.

"New advertising and marketing gave the brand strong support while the new Just Shop loyalty program attracted over 200,000 members in its first 6 months, a very pleasing outcome," said Mr McDonald. "Denim had a very strong season and it represents 34% of the Just Jeans business. Our denim offer includes the Just, Blend, Lee Rider, Levi, Seven7 and Lucky brands.

During the year we opened four new stores and closed six to bring the total number to 282.

## Jay Jays

“Jay Jays, our youth brand, had a wonderful year following a challenging FY2005 and first quarter FY2006. We reviewed the brand early in the financial year and it produced a strong performance for Spring and Christmas, which carried through into Winter.

“Based on the strong momentum of Jay Jays in Australia and New Zealand, we trialled the brand in the South African market with encouraging results. Between March and July five stores were opened in that country with strong sales and very positive customer feedback. By staying in the same hemisphere and using our existing supply chain, we have leveraged the formula that has worked so well in Australia and New Zealand,” said Mr McDonald.

During the year, 14 new stores (excluding South Africa) were opened and four closed, bringing the total number to 222.

## Dotti

“Dotti, the youth fashion brand, finished the year to expectation. Its offer has been further refined with the major appeal being to girls aged 16 to 18.

“New store openings are running ahead of schedule. When acquired in 2004, the business had ten stores and it now has 48 stores of which 23 were opened during the past year. The short-term target is 60 which will give us the economies of scale we are seeking,” said Mr McDonald.

“We are excited about the potential of this brand and performance-to-date has justified our optimism”.

## Portmans

“Portmans achieved another record result on top of its record in the previous year. The brand offers office wear and casual wear to fashion conscious women aged 20 to 26.

“We have delivered on everything that was expected when we first acquired the brand in 2002 and we believe that Portmans can now move to a new level with even greater fashionability while retaining an emphasis on suiting coordinates,” said Mr McDonald.

“An exclusive range of Kit Willow designs has been developed for Portmans and will be delivered into store this month. We believe this is the first time in Australia that an elite designer has linked with a large fashion chain like Portmans. This apparel has been timed to coincide with the 2006 Spring Racing Carnival”.

12 new Portmans stores were opened during the year and three closed bringing the total number to 116.

## Jacqui E

“Jacqui E had a pleasing result with strong sales in career wear and the skirt category. This brand has strong empathy with women aged 30 to 35” said Mr McDonald. “Many of our customers are balancing careers with family life and the Jacqui E brand offers excellent value for money.

“A new store format with a boutique feel is being developed and we see opportunities for further organic growth. A rebalanced product offering which includes a premium range is also being introduced to widen the appeal”.

Seven new stores were opened in the year and three closed, bringing the total to 98.

## Peter Alexander

“Peter Alexander, the premier sleepwear brand, had another outstanding year. All sales channels – catalogue, internet, wholesale and retail stores – were very strong and contributed to the overall increase in sales and earnings. Peter Alexander is a unique brand and product offering and its growth has been a highlight for the Group.

“We had a strong store opening program during the year which was highly successful. The stores are designed to promote the concept of sleepwear being a lifestyle choice,” said Mr McDonald. “There is the potential for 25 to 30 stores with an improved presence in department stores”.

There were four new stores opened during the year bringing the total to nine.

## **Cashflow**

Full year cashflow from operations grew from \$65.8 million to \$81.1 million, an increase of 23.3%. Capital expenditure for the year was \$25.4 million with more than 70% being directed towards organic growth initiatives. Capital expenditure in FY2007 is expected to continue at a similar pace, and around \$7 million will be invested over the next two years to accelerate the South African business.

Trading terms with our suppliers have been revamped during the last six months, increasing cashflow from operations as a one-off effect, while enhancing our already strong sourcing model.

## **Strategic Investment in Colorado Shares**

Just Group acquired 4.9% of the listed specialty apparel and footwear retailer Colorado Group Ltd for a consideration of \$18.8 million in the months prior to the takeover offer for that Company made by ARH Investments on 18 July 2006. The investment has been made as a self-funding exercise intended to facilitate the acquisition of one or more strategically aligned apparel brands, if that can be achieved on a financially sound basis. This approach is consistent with the Group's strategy of acquiring relatively immature or unfulfilled retail assets that can be bolted onto our existing infrastructure, optimised and then rolled out.

This investment, which has been classified as a non-current asset in the accounts, has had the effect of increasing reported net-debt and decreasing reported return on capital employed.

## **Impact of Adopting Equivalents to International Reporting Standards**

This reporting period is the first full year using the Australian equivalent to International Reporting Standards and consequently the prior year accounts have been restated to allow comparability.

As outlined in note 16 of our Company's accounts, the major changes have arisen due to the recognition of share based payments as an expense, the change in recognition of derivative contracts (being foreign exchange hedging and interest rate swaps), the recognition of fixed rate escalation clauses in leases and the requirement that goodwill no longer be amortised annually.

At an aggregate level, these changes have increased the reported growth in EBITA by 1.1% from FY2005 to FY2006. This benefit will reverse somewhat in FY2007.

## **Management Changes**

In late June, Howard McDonald announced his intention to step aside as Just Group's Managing Director in order to pursue a career as a non-executive director. At the end of July, after a targeted internal and external search, the Company appointed Jason Murray, Just's Chief Financial Officer and Executive Director, as Managing Director. Mr Murray's appointment is effective from 18 September 2006 after Mr McDonald steps aside.

Just Group Chairman, Mr Jonathan Pinshaw, praised Mr McDonald for his exceptional contribution and his inspirational leadership over the past nine years. "The Group has become one of Australasia's most outstanding retailers and while the Board is deeply disappointed to lose Howard, it is fitting that he is leaving at a time when the Group is in excellent shape".

## **Outlook**

Just Group is cautiously optimistic about the year ahead.

Managing Director Designate, Mr Jason Murray, said that sales for the first six weeks of the new financial year are ahead of the corresponding period for the previous year.

Mr Murray said his plans for the Group are centred on maintaining the momentum of previous years. “There will be no significant change of direction in the foreseeable future. Just’s success is based on a well-tried and proven formula.

We have a strong management team, over 5,000 dedicated people and the best portfolio of brands in the apparel market”.

“We are continuing to invest in all brands and the retail machine that supports them. Current projections are that we will have around 800 stores by Christmas. Despite the volatile retail environment, we believe that a good offering with clear targeting to the appropriate demographics will still win a growing share of consumer spending,” said Mr Murray.

“The successful South African pilot with Jay Jays also gives us confidence to seriously consider a long-term future in that country.”

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Just Group is a leading specialty apparel retailer operating more than 775 stores in Australia and New Zealand. Founded in 1970, the Company operates leading apparel brands Just Jeans, Jay Jays, Dotti, Portmans, Jacqui E and Peter Alexander. Just Group was listed on the ASX (JST) on 7 May 2004.

	FY 2005	FY 2006	Change
No. Weeks	52	52	-
Sales (\$m)	632.8	698.0	+10.3%
Gross Profit (\$m)	363.0	402.2	+10.8%
EBITDA (\$m)	88.6	105.4	+19.0%
EBITA (\$m)	72.9	88.3	+21.2%
EBIT (\$m)	72.6	88.0	+21.2%
NPAT (\$m)	45.9	57.2	+24.6%
GP (%) *	57.4%	57.6%	+25bp
EBITA Margin (%)	11.51%	12.65%	+113bp
StockTurns (x) *	4.53x	4.73x	+0.20x
Net Debt (\$m)	65.0	59.6	-\$5.4m
Interest Cover (x)	10.3x	14.4x	+4.1x

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

For further information:  
 Jason Murray  
 Managing Director Designate  
 Tel: +61 3 9420 0223

Media release distributed by:  
 Porter Novelli Melbourne  
 Tom Valenta  
 Tel: +61 3 9289 9555 or 0412 373 951