

# THE JUST GROUP

## JUST GROUP ANNUAL GENERAL MEETING 2006 WEDNESDAY 22 NOVEMBER, 2006

### JONATHAN PINSHAW, CHAIRMAN – ADDRESS TO SHAREHOLDERS

Good afternoon Ladies and Gentlemen,

Welcome to the Just Group's Annual General Meeting for 2006.

Firstly, let me introduce your directors and company secretary:

- Laura Anderson
- Ian Pollard
- Alison Watkins
- Janice Payne, Company Secretary
- Jason Murray, Managing Director
- I'm Jonathan Pinshaw, your Chairman,

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 23<sup>rd</sup> November 2005. 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 2005/06 year.

#### **Operational Results**

It is always a pleasant task for a Chairman to be able to stand up in front of shareholders to report a record result and 2005/06 was most certainly a record.

In summary, our results for the year were:

- Net profit after tax of \$57.2 million, up 24.6%
- Earnings before interest, tax and amortisation of \$88.3 million, an increase of 21.2% over last year
- Sales of \$698 million, compared with \$632.8 million, a 10.3% increase
- Stock turns of 4.7 times compared with 4.5 times for 2005/06

The annual dividend was 17.0 cents per share, fully franked, compared with 13.5 cents per share for 2004/05. Your directors were very pleased to announce the increased dividends this year and we hope you were pleased to receive them.

The most satisfying aspect of this year's result was its consistency. We had two good halves, all brands contributed well and we performed strongly on a geographic basis with both our Australian and New Zealand businesses making excellent contributions.

I will shortly ask Jason Murray, our new Managing Director, to give you a more detailed report on operations.

### **People**

As you will be aware, Howard McDonald announced his desire to step aside from the Managing Director's position in June so that he could pursue a career as a Non-Executive Director. We were profoundly sorry to lose him but understand his reasons and wish him all the very best for the future.

It is perhaps a testimony to his outstanding management skills that we found the very best candidate for the role within the company. As most of you know, our new Managing Director Jason Murray was previously the group's Chief Financial Officer and an Executive Director. Every period of this nature is somewhat disruptive to a company so I am pleased to report that since his appointment in September, Jason has overseen a seamless transition.

We now have more than 5,000 employees and they make a wonderful contribution to this company. Our ability to attract and retain high quality people from the retail sector and other sectors has never been better. There is an old maxim; 'nothing succeeds like success' and our people have been very successful this year. On behalf of the board and shareholders, I thank them all.

### **Business Environment**

The business environment leading up to Christmas and summer is a tough one with the recent interest rate increase having a noticeable effect upon our business. Most economic surveys are now indicating a slowing of economic growth in Australia and especially New Zealand and flat retail sales in the short term. However, we believe your company has the brands, people, retail machine and overall strategy to continue its superior financial performance over the medium and longer term.

I'll now hand over to Jason and, after his address, will deal with the formal business of the day.

## JUST GROUP ANNUAL GENERAL MEETING 2006

### JASON MURRAY, MANAGING DIRECTOR – ADDRESS TO SHAREHOLDERS

Good afternoon ladies and gentlemen.

I am delighted to be addressing you as your Managing Director for the very first time. Just Group is a great retailer achieving record results and I welcome the challenge of developing and delivering the next phase of profitable growth.

As the Chairman has said, the consistency of the group's performance during 2005/06 is what pleases us most and positions each of our brands for further growth.

There is no secret to how we achieved our results in 2005/06. It was simply by focusing on our core demographics, understanding their needs and ensuring that we offered them the latest fashions at outstanding value. All this was supported by ongoing improvement to our infrastructure – what we like to call our 'retail machine' – which ensures that we can anticipate and respond to an ever changing retail environment quickly and decisively.

The six individual brands all made their contribution. Here is how they performed during the financial year and since July.

#### **Just Jeans**

In early 2005 we did extensive research on the Just Jeans brand and, as a result we refined the product offer, our marketing strategy and the store format. Our rollout of new concept stores gathered pace during FY06 and by the end of July there were ten of these trading successfully around Australia. The largest and arguably the best is at Castle Hill in Sydney's northwest growth corridor.

Denim is an important category for Just Jeans and sales increased during the year after we reviewed the ranges and developed an offer that represents the best destination for denim between \$50 and \$150 in Australia and New Zealand.

Another highlight of the year was the launch of Just Shop, a targeted customer engagement program. Now nine months old, the program has 270,000 members, a very pleasing outcome.

Since July, sales have continued to grow with an encouraging trend emerging in the form of increased Levi's sales, and we are well positioned for the critical Christmas trading period.

#### **Jay Jays**

Jay Jays continues to offer a unique and compelling range of tops and bottoms at attractive prices to consumers aged 16 to 18. A total review of the Jay Jays brand was undertaken at the beginning of the financial year and it resulted in strong growth in sales and earnings. The review covered product ranges, pricing, marketing and overall positioning. The revitalisation included opening 14 new stores and closing four.

An additional 11 Jay Jays stores are expected to be open before Christmas while same store sales growth has remained robust through the first quarter of FY07.

### **Portmans**

The Portmans brand continues to reinforce its position as the major destination for women aged 20 to 26 who shop for casualwear and careerwear. The brand produced another record result in FY06 and has justified the investment we have made in it since its acquisition in 2002.

Portmans continues to enhance its high fashion image and introduced a range designed by Kit Willow last month, a collaborative first in this market. Sales from this range have helped compensate for the substantial reversal in the overall accessories market, a large and highly profitable category for Portmans, and an increasingly tough womenswear environment.

### **Jacqui E**

The Jacqui E brand appeals to women aged 30 to 35 and it again produced a very good result with sales growth of 8.8%, despite a tougher Winter. The new store concept has been well received and the brand has now been augmented by the launch of a higher end collection that has been developed for the top stores.

Sales for the period since July are ahead of last year although the brand faces many of the same issues as Portmans and final clearance of winter stock has affected gross margin.

### **Dotti**

Since we acquired Dotti in late 2004 we have opened an average of two stores a month and are continuing to reach new markets of fashion conscious teenagers. Dotti made a good contribution to our earnings growth in 2005/06 and is now gaining significant traction in the market.

We expect to open another 10 stores before Christmas which will take the total to 58.

### **Peter Alexander**

Peter Alexander, Australia's premier brand in sleepwear, had another outstanding year. The brand offers catalogue, internet, wholesale and retail store sales and all channels performed well.

After trialling concept stores in 2004/05, we rolled out four new stores in the last financial year and another 7 stores will be open before Christmas. The business continues to trade well and we remain on track to have 25 to 30 stores in total in the next few years.

## **South Africa**

The entry into the South African market has been encouraging. We took the Jay Jays concept to that country in March 2006 through a one-year licence agreement with Pepkor Retail, a leading local retailer. Between March and July we opened five stores and we have been pleased with their progress. A sixth store recently opened in Stellenbosch and it is trading well. We believe there is the potential to enter into a viable joint venture with Pepkor, with the aim of introducing one or more of our brands to South Africa, and continue discussions along these lines. There will be 10 stores open by Christmas and I hope to be in a position to announce more specific developments in South Africa in the near future.

## **Store Portfolio**

Our strategy is to continually review all aspects of our store portfolio – location, format, size and, of course, performance – to ensure that we maximise the opportunities to reach our target demographics. Where population shifts or other factors require that we close a store in favour of other locations, we do so. In total, 16 stores were closed in the 2006 financial year while 64 were opened, 5 expanded and 23 relocated. This activity has continued apace since July with another 8 closures and 45 new spaces opened before Christmas. We believe that this is the most activity by a specialty retailer in our market.

## **Retail Machine**

The Just retail machine provides the group with a very important competitive advantage. It gives us unparalleled capacity to anticipate and identify trends and to respond to consumer demand as it changes.

Many people believe that our retail machine is simply about systems or logistics. It is actually an integrated set of shared functions that support each of our brands and any new brands we acquire or develop. As a key asset of our business, we are continuously investing in the machine to ensure that we streamline, improve and protect our key business processes. In the coming year this will see us upgrade our eCommerce platform, diversify our sourcing base and begin work on a new distribution centre in Auckland.

## **People**

I have been fortunate to inherit a strong management team and more than 5,000 outstanding people. We recently announced the appointment of Ashley Gardner as the new Chief Financial Officer to replace myself. Ashley comes with impeccable finance, retail and fashion credentials having most recently been CFO and an Executive Director at Country Road.

We continue to seek out and to develop those talented leaders, be they in a store, a state or head office, who will help your company to continue to succeed. I am particularly pleased that we have been able to service our growth by both promoting internally and attracting key individuals from the retail and other industries.

### **Strategic Investment in Colorado Shares**

Before turning to our outlook, I would like to confirm that Just Group disposed of its 4.9% holding in Colorado Group Ltd by accepting into the offer for those shares from ARH Investments. As a result, and including the special dividend paid by Colorado in October, \$22.0 million of cash has been received and your company has made a profit before tax of \$2.3m, net of advisor fees incurred as part of the transaction. As noted during our results presentation of September 13, this profit should offset the expected negative impact on our reported profits for FY 2007 of AIFRS and New Zealand dollar translation.

We remain interested in acquiring retail brands that are consistent with our portfolio and fits our transaction criteria and will also look to maintain a gearing ratio that reflects the strong cash generation of our business.

### **Outlook**

Same store sales growth for the Group was 4.1% in 1Q07 with some margin pressure, especially in the womenswear brands. In November, however, sales and margin have been negatively impacted by the recent interest rate rise and unseasonably cold weather.

The upcoming Christmas and trans-seasonal period remains the key determinate of our half year result, and we are well positioned for this period. Inventory is well controlled for all our brands and we have continued to invest into each brand, into store roll-out and into our retail machine.

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Just Group is a leading speciality 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.

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

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