SPECIALTYFASHION | GROUP

ASX announcement/Media release

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Specialty Fashion Group Announces FY2011 Full Year Results

Specialty Fashion Group Limited (ASX: SFH), confirmed today revenue for the year ended 30 June 2011 of \$574.2 million and EBITDA of \$40.6 million, in line with profit guidance announced on 15th July 2011. Trading for the year included the results of the Queenspark brand, until it was sold in October 2010, and the revenue and EBITDA of the ongoing group was \$570.3 million and \$41.1 million respectively. Net profit for the year was \$14.2 million.

The Group invested heavily in its capital expenditure programme to \$34.2 million, being \$11.9 million higher than in the prior year, reflecting the investments made in the store portfolio and IT systems to support the Group's growth strategy.

Commenting on the results, Gary Perlstein, Chief Executive Officer said "Specialty's FY11 results reflect very tough trading conditions throughout the year. Our overall sales performance from continuing operations was an improvement on prior year with 2.4% growth driven from our investment in new stores and a better trend in comparable sales growth in the second half to finish the year at negative 0.9%. Our focus on disciplined promotional activity, and a more favourable exchange rate offset the negative impact of higher manufacturing costs of product. Consequently our gross margin was 57.6%, 50 basis points higher than prior year. However, we incurred higher rental and wages from a larger store base, inflation, and investments in people which we have made to support our growth strategies. The consequence of this was a decrease in our profitability for the year. We finished the year with a very healthy stock position achieving inventory turns of 5.3."

On the outlook for the retail sector, Mr Perlstein further stated that:

"Retail is cyclical and eventually consumer confidence will return. However, there are permanent structural shifts that are occurring in retail which will force changes in the competitive landscape and in retailers' business models. We are very cognisant of these shifts, being brought about by the advent of global and online retailing, China's economic development and Australia's high cost labour structure. We are committed to the strategies that we believe will enable us to take advantage of the opportunities that are being presented as well as minimise the impact of threats. Our key areas of focus remain growth through global brands, ongoing transformation of our product mix and direct sourcing, and leveraging our market leading customer community relationship management capabilities as a multi-channel retailer. With our unique asset of 6 million customer members we are extremely well positioned to compete effectively online and in-store. It is the envy of online only retailers looking to grow their customers."

Chairman Geoff Levy said “Whilst the Company’s balance sheet remains strong, given the difficult trading conditions and no indication of improvement in consumer sentiment at the present time, the Board considers it prudent not to declare a final dividend. A fully franked dividend of 4 cents per share was paid in March 2011.”

Outlook

The Group’s trading continues to be impacted by macroeconomic uncertainties, most recently by the worsening international debt situation. Mr Perlstein said, “We expect the continuation of tough trading through the first half. The inflationary impact of higher cotton prices has eased somewhat, which may have a positive impact on product manufacturing costs in the second half of the year. We will manage closely our operating costs, whilst continuing to expand La Senza and our multi-channel offering.”

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