14 October 2014

Manager Company Announcements
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

Market Information Services
New Zealand Exchange Limited
Level 2, NZX Centre
11 Cable Street
Wellington
New Zealand

Dear Sir/Madam

AGM PRESENTATIONS

Please find attached copies of the addresses to be given by:

- the Chairman; and
- the Chief Executive Officer;

and related presentation slides to be presented at Pacific Brands Annual General Meeting which commences at 10.00 am today.

Yours faithfully
Pacific Brands Limited

John Grover
Company Secretary

Chairman's Address

to the

2014 Annual General Meeting

of

Pacific Brands Limited

Tuesday 14 October 2014

Melbourne

Good morning ladies and gentlemen.

Introduction

I'm Peter Bush, Chairman of your Company.

Welcome to the 2014 Annual General Meeting.

I have confirmed with the Company Secretary that we have a quorum present and I declare this Annual General Meeting open.

Joining me on the stage are:

- David Bortolussi, our Chief Executive Officer
- David Muscat, our Acting Chief Financial Officer
- John Grover, our General Counsel and Company Secretary;

And my fellow non-executive directors:

- Stephen Goddard, Chair of our Audit, Business Risk and Compliance Committee
- Kiera Grant
- James King
- Helen Nash; and
- Linda Nicholls AO, Chair of our Remuneration Committee

I would also like to welcome representatives of our auditor, KPMG.

After my Chairman’s address, you will hear from David Bortolussi, our newly appointed CEO. We are very pleased David has agreed to step up to the leadership role, and I will talk more to David’s appointment shortly. David will provide some comments on F14 results, update you on our strategic priorities and he’ll conclude with some comments on the outlook for the current financial year.

Agenda

Let me take you through the order of business today. There are three items of business on today’s agenda:

1. The Financial Report
2. The election and re-election of Directors; and lastly
3. The Remuneration Report

This year in our Annual Report and notice of meeting, we once again invited all shareholders to send us questions that you would like us to address at this meeting. I will endeavour to answer these questions and cover the key matters here in my Chairman’s address.

You will also have the chance to make comment or raise questions as we move through the various resolutions.

At the conclusion of the meeting, please join us for some light refreshments in the adjoining area.

I will now move on to my report…

Key points

Ladies and Gentlemen,

I wish I were standing here saying that there had been a miraculous bounce back in consumer confidence and that retail was roaring again. It simply isn't. And while we have been taking all practical steps to engineer better performance from your business, we still have some way to go.

At our full year results in August we reported mixed results.

There were some bright spots – and some areas flagged for serious improvement.

We achieved strong growth in Bonds and Sheridan, underpinned by increased direct-to-consumer sales. Those results were pleasing and are a credit to our teams leading these parts of our business.

Our earnings were impacted by wholesale gross margin performance, investment in capability and significant items.

Reduced earnings, higher working capital and capital expenditure, acquisitions and additional restructuring costs led to an increase in net debt at 30 June 2014.

As you would expect the board believed it was prudent that no final dividend be declared to assist with funding restructuring costs and restoring balance sheet strength.

Working capital management, cash conversion and net debt reduction are a key focus for us in the year ahead.

The year ahead – strategic priorities

I mentioned a few moments ago that we were taking all practical steps to drive better company performance.

As shareholders – many of you long standing – you will know that a great deal has been achieved in the last few years in terms of restructuring and repositioning our businesses, taking costs out and getting the right people into the right places.

We are now focused on adopting a more balanced growth and disciplined cost agenda. We will continue to invest in key brands and drive cost reduction initiatives to mitigate earnings pressure. We are moving to a more decentralised organisation model which provides business units with more end-to-end accountability for performance and helping restore balance sheet strength.

In June this year we announced a strategic review across the business. One early result of this review was the decision and now agreement to divest the Workwear business to Wesfarmers. There will be more outcomes from the review and we will keep you informed. Suffice to say for now – we will continue to review portfolio rationalisation options as appropriate to further simplify the business and maximise shareholder value.

CEO appointment

I would now like to comment on the change in Chief Executive Officer with John Pollaers having stepped down from the role on 7 July.

We have thanked John for his passion and energy and contribution to the company and have wished him every future success.

John led a revitalisation of the company’s culture and brought a real focus on investing in growth strategies for each business, against which substantial strategic progress has been made in an increasingly challenged environment.

As we informed the market at the time, John’s departure was driven by divergence between his views and those of the Board regarding the best path forward for the Company and its businesses.

Our different views about the future for the Company became clearer as the Company's strategic review progressed.

You will note that the termination payment of one years fixed annual remuneration ($1.4 million) paid to John on the cessation of his employment was in accordance with his employment contract, as previously approved by shareholders.

With John's decision to leave, and following a rigorous process, the Board appointed David Bortolussi. David has been with the business for over 5 years, and has a deep understanding of the company, its financial complexity and the challenges and opportunities we face. David is well placed to lead the organisation.

Remuneration

I'd also like to briefly touch on remuneration as we have had a couple of questions from shareholders on that topic. In relation to F14, none of our senior executives received any payments under either the short term or long term incentive plans. For F15, we have decided to continue the freeze on non-executive director fees and senior executive salaries. These decisions reflect the ongoing difficult market conditions and our desire to link rem with performance. When the market improves and our company's performance improves we will revisit these decisions.

Some shareholders have asked about the re-testing provision in the long term incentive program or LTI. Grants are tested after three years, but should the test not be met, a grant is tested again one year later – in effect for a four year period. This is important as it takes into account the potential for short term impacts of currency, sourcing costs and other variables.

Another question we received was about the TSR and EPS targets for the LTI. The policy allows for part of the TSR component to be paid upon achieving median TSR growth, and for part of the EPS component to be paid upon achieving an average 5% growth in EPS. The TSR and EPS performance of the company have been below average, so achieving these levels of performance, particularly in the current trading and currency environment, would represent a significant improvement. I believe they are appropriate stretch targets for our senior executives.

F15 outlook

Looking ahead, F15 will remain challenging, with variable market conditions likely to be unchanged. We will continue to work to reduce costs and improve performance, and David will provide more details on our 1H15 trading outlook, which remains in line with our August guidance.

I would now like to invite David to take you through the F14 results in more detail, provide an update on the strategic review, and provide some additional comments on the outlook for F15. Thanks David.

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Chief Executive Officer's Presentation

to the

2014 Annual General Meeting

of

Pacific Brands Limited

Tuesday 14 October 2014

Melbourne

Introduction

Thanks Peter.

Good morning everyone and thank you for attending our AGM.

My presentation today will cover the following:

- Firstly, a summary of our results for the year
- Secondly, I'll cover the operational performance of our four business units – being the Underwear Group, Sheridan Tontine, Workwear and Brand Collective
- Thirdly, I'll take you through the Group's financial results including a review of the income statement and balance sheet
- And lastly, I'll give you an update on our strategic review, Workwear divestment and first quarter trading and outlook for the current financial year

Hopefully this will give you a better understanding of our results for last year and plans for the year ahead.

It will take about 15 to 20 minutes and I'll then hand back to Peter who will chair the formal part of the AGM agenda

Results summary and key messages

- So firstly, moving to the results summary…
- As the Chairman mentioned, we reported a substantial loss in F14 due to significant non-recurring items, most notably the non-cash impairment of the Workwear business recognised at the half
- Reported sales were up 3.8%. This was due to growth in our Underwear and Sheridan Tontine businesses – with Bonds up 20% and the Sheridan brand up 16% which were both highlights for the year
- Consistent with our strategy, we made meaningful progress in shifting the shape of our business, with retail increasing from 14% to 19% of sales, and online growing rapidly from 2% to now 4% of group sales and a much higher proportion of sales for some of our key brands
- Growth in retail and online more than offset lower wholesale sales which were down due to a significant decline in the industrial market, reduced distribution and sales of portfolio brands, and key account underperformance in the discount department store and department store channels

- However, Earnings Before Interest and Tax and Net Profit After Tax before significant items declined, with Underwear and Sheridan Tontine down materially, and Workwear continuing to be impacted by reduced demand from the manufacturing, construction and resource sectors. Brand Collective was up in the second half due to the benefits of their restructuring program, to end the year flat overall but still at near breakeven levels
- As a result, we have accelerated and expanded performance improvement and cost reduction initiatives across the Group
- Working capital levels increased materially driven by wholesale sales underperformance versus plan, investment and growth initiatives, and the inflationary impact of a lower Australian dollar. This along with restructuring costs and lower earnings led to an increase in net debt to $249 million
- Reducing net debt is one of our key priorities for F15. To that end, and as the Chairman mentioned earlier, we have therefore taken the difficult but appropriate decision not to pay a final dividend this year

Operational Performance

I'll now take you through the operational performance of each of the business units starting with Underwear.

Underwear

- Underwear's sales were up 8% with continued strong performance of Bonds which is our biggest brand, up 20% and now accounting for nearly a quarter of Pacific Brands group sales
- Bonds benefitted from range expansion as we continue to innovate and grow, particularly in underwear where you probably saw the Collectibles, Lacies and BOOBS campaigns during the year, but also increasingly in outerwear and activewear particularly in retail
- Retail sales grew significantly, both online which is now 8% of Bonds sales, and in store with 23 additional Bonds stores opened during the year. We also successfully rebranded the Underwear outlet network to 'Bonds Outlet' which improved the performance of those stores
- Bonds wholesale sales were up 4% despite challenges in the Discount Department Store channel
- Berlei sales were also up, but all other brands were flat to down due to key account underperformance and private label penetration, along with the fall in consumer sentiment and generally tough trading conditions
- EBIT before significant items was down 19% due to lower wholesale gross margins driven by promotional and clearance activity, product mix and currency depreciation, and the impact of declines in hosiery and portfolio brands. This was partially offset by price increases and benefits of a shift in mix towards retail and online

Sheridan Tontine

- For Sheridan Tontine, total sales were up 12%. Sheridan is our second largest brand behind Bonds, with significant potential to extend its position as a luxury brand both here and overseas
- Sales were up in retail, online and wholesale. The total number of stores increased by 17 during the year, over half of which were in the UK, largely new outlet concessions in that market. Online was up significantly in branded and outlet sites. The second half also saw the move into broader lifestyle categories including the launch of Sheridan baby and loungewear which you have hopefully seen in store
- Tontine's sales were up overall, particularly in the second half, despite losing Kmart distribution earlier in the year as Kmart continued with its private label strategy
- EBIT before significant items was down 22%, impacted by increased investment in brands, new categories and capability, along with some margin pressure from promotional activity

Workwear

- Turning now to Workwear and noting that we have entered in to a conditional agreement to sell this business to Wesfarmers which I will come back to later
- While international sales were up, this was largely due to the acquisition of IncorporateWear in the UK
- Domestically, sales were heavily impacted by double digit declines in revenue from the Industrial sector, which represented 45% of sales. Imagewear was also down in the second half due to lower indent volumes
- Overall sales were up marginally
- At the same time, we have seen growth in vertical resellers and value players competing heavily on price in the industrial market. These increases in competitive activity have resulted in a change in the shape of the business which has adversely impacted earnings
- During the year we implemented an extensive cost reduction and profit improvement program. The cost savings underpinned earnings during the year, particularly in the second half, and also supported the sale of the business to Wesfarmers
- Notwithstanding, EBIT before significant items was down 41%
- The reported earnings result was a significant loss due to the impairment charge taken in the first half and costs associated with the restructuring program

Brand Collective

- Moving to Brand Collective, sales were down 8% with the vast majority of the decline caused by brands which we exited or discontinued. The Stussy and Naturalizer licences were not renewed, and the business decided to exit the unprofitable Diesel licence
- Sales from key brands were up 9%, particularly Hush Puppies which grew both wholesale and retail sales
- Over the past year we have restructured the cost base of this business unit, and continue to exit underperforming assets and retail stores to mitigate the impact on profitability
- Earnings for Brand Collective have been under pressure in the last few years with a decline in revenue and margins caused by a combination of challenging trading conditions, increasing private label penetration and the loss of key licences. The near breakeven performance of the business led to an impairment of some of its assets, which impacted reported earnings in the period, mainly in the first half
- EBIT before significant items was broadly flat, supported by the significant restructuring program and lower depreciation
- However, earnings and returns from invested capital are still far below required levels and much work is required

Group Financial Results

So that covers the operating performance of our four business units – I'll now take you through the Group Financial Results

Income Statement

- Turning to our summary Income Statement, on the left hand side are the reported results and on the right hand side are the results before significant items
- The key movements that I would like to highlight for you are:
  - Reported sales up 3.8%
  - Gross margins before significant items down 2.1 percentage points to 47%
  - CODB up 5.4% to $531 million
  - And other expenses classified as significant items amounted to $312 million which were largely non-cash

As a result:

- EBIT before significant items decreased by 25% to $91 million
- At the bottom line, net profit after tax was down 28% to $53 million before significant items, with a reported loss of $224.5 million after significant items
- And dividends per share reduced from 5 to 2 cps in the absence of a final dividend

Group Sales

As you can see from the sales bridge which highlights the key changes year on year by channel, the increase in group sales was driven by direct-to-consumer or retail and online growth, primarily in Bonds and Sheridan

- This was partially offset by a decline in wholesale, mainly in independent accounts driven by industrial Workwear and portfolio brands, and key account underperformance in the discount department store and department store channels
- Reported sales growth was also supported by acquisitions, partially offset by divestments and lost licences. Excluding the impact of these factors underlying sales or organic growth was a lesser 1.9%

Gross Margin

- Turning now to Gross Margin
- As previously mentioned, gross margin declined by 2.1 percentage points to 47% as a result of increased promotional and clearance activity, a shift in Workwear sales towards lower margin channels and the unfavourable impact of the depreciating Australian dollar which particularly impacted the fourth quarter
- These factors were partially mitigated by the positive channel mix effect of growth in higher margin retail and online, as well as increased relative growth in the higher margin businesses of Underwear and Sheridan

Cost of doing Business

- Moving to cost of doing business…
- Total CODB increased by 5.4% to $531 million primarily due to investment in retail with a net increase of 34 stores during the year, mainly in Bonds and Sheridan
- Excluding the impact of retail store expansion, total costs decreased due to restructuring initiatives
- Freight and distribution expenses were up, largely volume driven, and advertising increased incrementally as a result of investment in key brands and online
- This was offset by a reduction in administrative expenses which were down due to the various restructuring and cost control initiatives across the group

So in summary – essentially the higher cost but profitable growth in the retail part of our business, was not sufficient to offset a decline in the sales and margins in the traditional wholesale part of our business which is what we need to balance going forward. We need a sustainable wholesale business supplemented by growth in adjacent categories, retail and international

Significant Items

- Lastly in relation to the income statement, significant items had a material impact on the reported result for the period and consisted of three components:
  - Firstly, impairment charges mainly related to the impairment of goodwill and brand names in Workwear, and other asset write offs in Brand Collective
  - Secondly, costs incurred in restructuring Workwear, Brand Collective and shared corporate functions. Such costs included redundancies, site closures and onerous leases, and will assist with mitigating earnings pressure; and
  - Thirdly, going the other way, the non-recurring profit on sale of the Bonds' Wentworthville site in Sydney as well as a tax settlement refund from the ATO

Balance Sheet

- I'll now highlight some of the key movements in the Balance Sheet at 30 June compared to last year
- Working capital increased by 18% to $309 million due to the significant increase in inventory as noted earlier
- Intangible assets declined by 40% to $350 million due to the impact of the impairment charges relating to Workwear
- On the funding side, net debt increased to $249 million which I will cover in the next slide, and as a result of this and lower earnings our credit metrics were not as strong as they were a year ago

Net debt

- As illustrated in the bridge, net debt increased by $90 million compared to last year due to:
  - Lower operating cash flow
  - An increase in capital expenditure as a result of retail store roll outs and office relocations and consolidations
  - Significant restructuring payments across the group
  - Acquisitions mainly of IncorporateWear, the UK-based corporate imagewear business, and a 50% equity interest in a JV with Iconix; and
  - Dividends paid during the year being the final dividend from last year and the interim dividend from this year
  - This was offset partly by property divestments, mainly the Wentworthville sale
  - Our syndicated debt and securitisation facilities were refinanced and extended during the year to provide appropriate levels of funding with a staggered maturity profile

Strategic Review and Outlook

- I'll now cover the strategic review that the Chairman discussed earlier

Update on Strategic Review

- The review is now well progressed and our corporate priorities for this year are very clear:
  - First and foremost to restore balance sheet strength, primarily through achieving higher operating cash flow
  - Second, to adopt a more balanced growth and disciplined cost agenda while continuing to invest in our brands, particularly Bonds and Sheridan which have the most potential in terms of category growth, retail expansion and international markets
  - Thirdly, continue to move to a more decentralised organisation model to provide greater end-to-end accountability to operational management
  - And finally, to review and implement portfolio rationalisation options. The Workwear divestment is a key element of this strategy, and we will continue to review other options with a view to simplifying the business and maximising shareholder value
- Individual business unit strategies as previously communicated to the market are largely unchanged at this stage subject to having a more balanced growth and cost agenda in the future

- Moving now to the Workwear divestment…

Divestment of Workwear

- We announced in August that the Company had entered into an agreement to sell the Workwear business to Wesfarmers Industrial and Safety (WIS) for gross proceeds of $180 million
- The ACCC is currently making market enquiries with a public invitation to make submissions on the acquisition. The closing date for these submissions is this Thursday with the provisional date for announcement of the ACCC's findings of Thursday 13th of November. If this timetable is met along with certain other consents and approvals, we expect to complete the transaction before the end of the first half
- Subject to timing, costs of disposal and completion adjustments, the Company expects to recognise a profit on sale of approximately $35 million in F15 – with no tax effect
- An element of corporate and shared services costs related to Workwear will remain following full transition of the business, estimated to be $3-4 million per annum net of savings from other restructuring initiatives which are currently work in progress with a view to minimising this
- Net proceeds are expected to be approximately $175 million after transaction costs and will be applied to reduce net debt to a proforma level of $75 million before restructuring costs
- This divestment will reduce exposure to the challenging industrial market, simplify the business and restore balance sheet strength to the Company

F15 trading update and outlook

Turning now to the F15 trading update and outlook.

- The Company expects a continuation of challenging and variable market conditions
- In F15, sales for the first quarter are up versus PCP
- In relation to 1H15 compared to 1H14 (before significant items and Workwear divestment):
  - Sales are expected to be up due mainly to growth in retail and online
  - Gross margins are expected to be down due mainly to competitive and FX pressures net of price increases and channel mix benefits
  - CODB is expected to be up due to increased investment in retail net of restructuring initiatives
  - EBIT is expected to be down materially (but up on 2H14 which was $36 million)
- Operating cash conversion and net debt reduction will be a key focus, notwithstanding the lagged impact of committed inbound stock flows, first half weighted retail store capital expenditure and the payment of F14 restructuring provisions
- Further cash restructuring costs are expected in 1H15 related to the Workwear divestment and as the Company continues to take action to reduce costs and improve performance

- The timing of the outcomes of the strategic review could potentially have a material impact on the above outlook statement

In conclusion:

- While your management team worked hard during the year and there were highlights, our results overall were far from acceptable and much work is required to improve performance
- Looking ahead – consumer, trade and currency market conditions continue to be difficult, but our strategic and financial priorities for this year are very clear and will help us to take on these challenges
- My key priorities over the next couple of years are to reshape the business and to stabilise performance while laying down the foundations for more sustainable growth in the future
- We will focus investment on our key brands and channels and adopt a more balanced growth and disciplined cost agenda
- I personally feel ready for the challenge and I'm confident that the changes we need to make will make a difference going forward

Thank you again for joining us today and I look forward to meeting you after the formal part of the agenda. I'll now hand back to Peter

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being
PACIFIC BRANDS
2014 Annual General Meeting
14 October 2014

Agenda

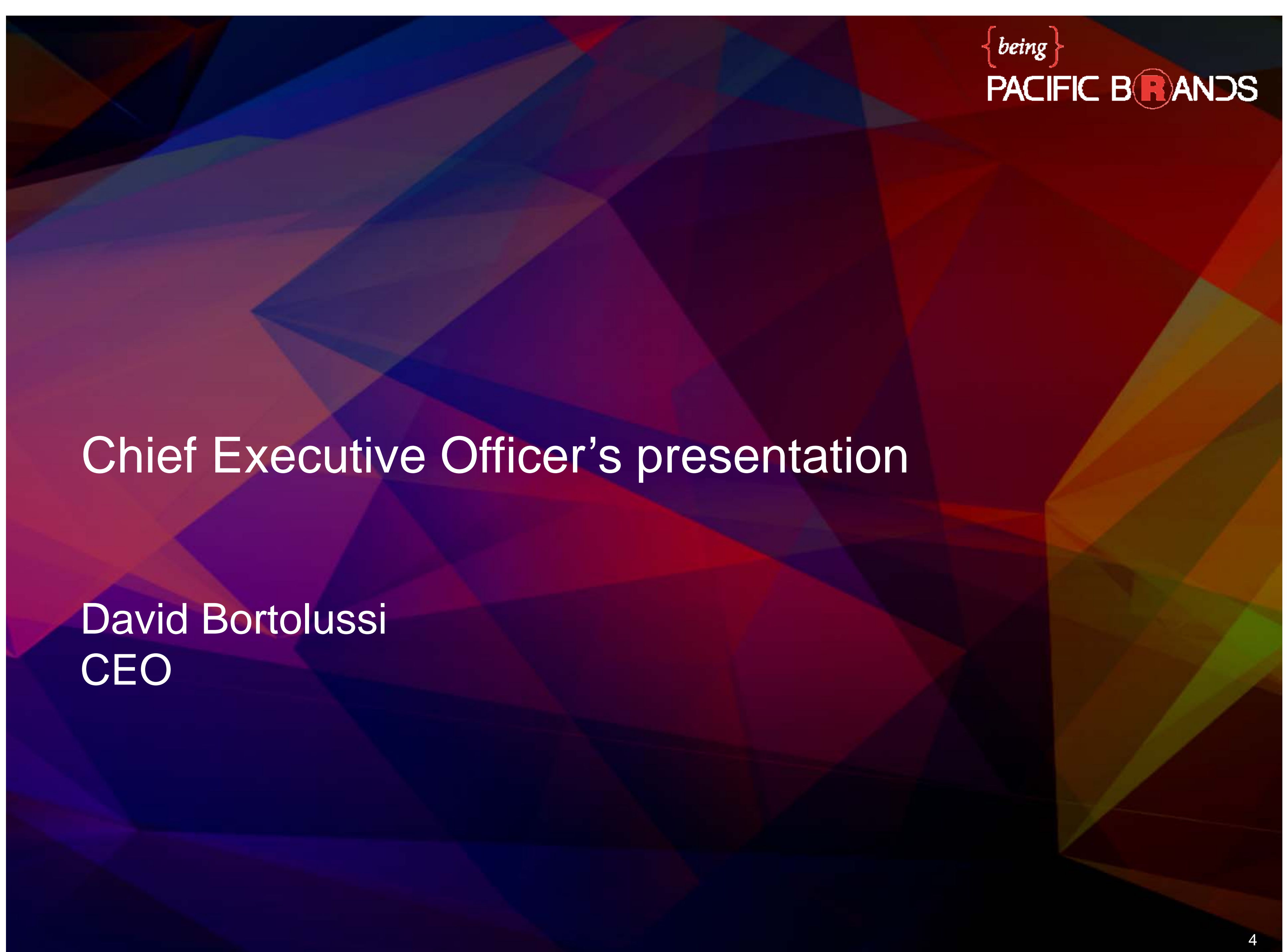
- Welcome
- Chairman's address
- Chief Executive Officer's presentation
- Formal business
  1. Financial Report
  2. Election and re-election of Directors
  3. Adoption of Remuneration Report

Chairman’s address for the financial year ended 30 June 2014

Peter Bush
Chairman

Key points

- **2014 result**
  - Mixed results in challenging market conditions
  - Strong growth in Bonds and Sheridan, underpinned by increased direct-to-consumer sales
  - Earnings impacted by wholesale gross margin performance, investment in capability and significant items
  - No final dividend declared
- **The year ahead – strategic priorities**
  - More balanced growth and disciplined cost agenda, while continuing to invest in key brands
  - Move to a more decentralised organisation model
  - Restore balance sheet strength
- **Strategic review now well progressed**
  - Workwear divested, subject to ACCC and certain other consents and approvals
  - Will continue to review portfolio rationalisation options over time
- **David Bortolussi appointed as CEO**
- **F15 outlook**
  - Challenging and variable market conditions expected to continue
  - Continue to take action to reduce costs and improve performance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Chief Executive Officer's presentation
David Bortolussi
CEO
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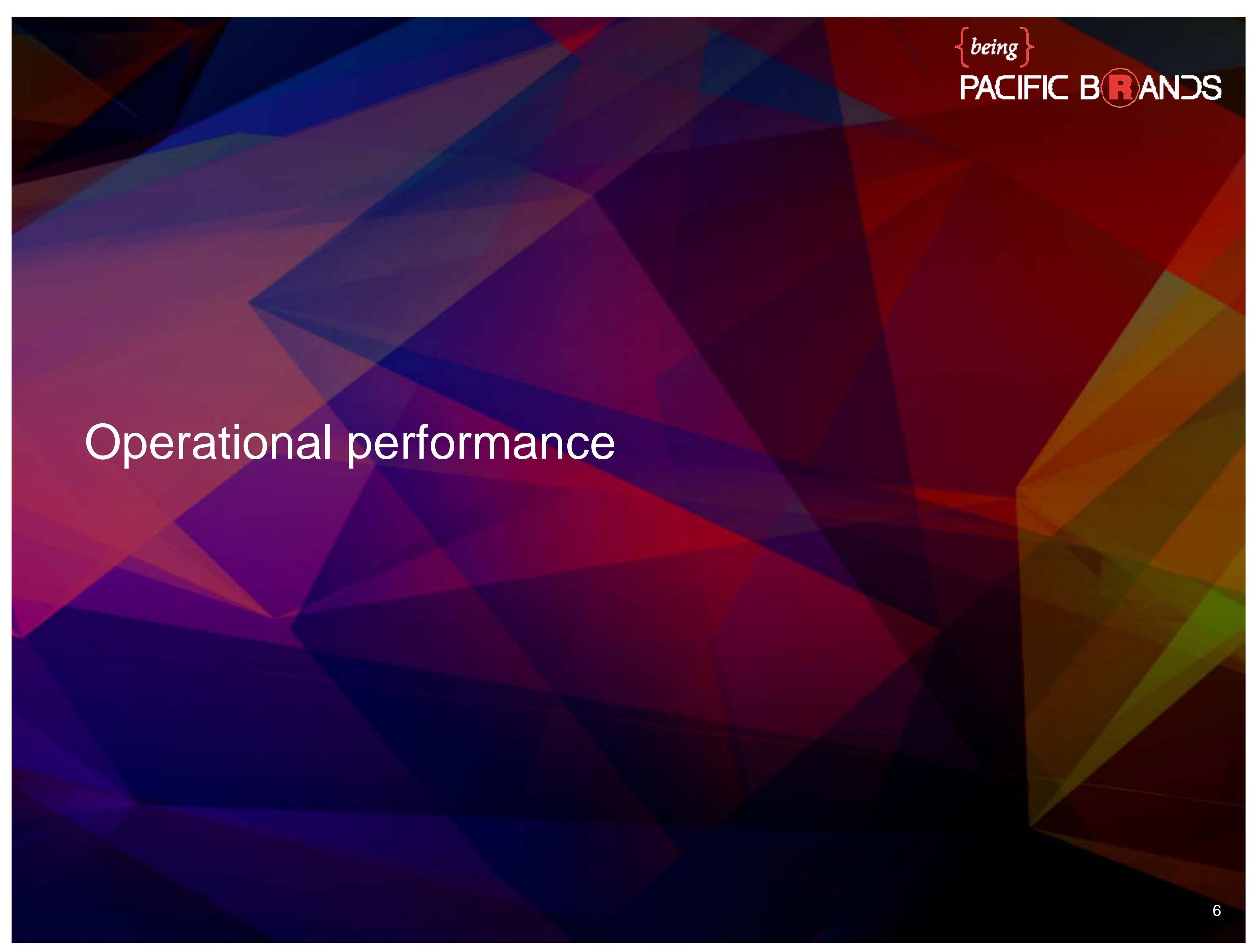
Results summary and key messages

- Reported net loss after tax $224.5m due to impairment in 1H14 and restructuring costs
- Reported sales up 3.8%
  - Bonds up 20% and Sheridan up 16%[1]
  - Retail 19% of business (up from 14%)[1]
  - Continued growth in online to 4% of business (up from 2%)[1]
- EBIT before significant items[2] down 25.3% to $91.2m
  - Underwear materially down: wholesale sales down and gross margins significantly lower
  - Sheridan Tontine materially down: investment in brand, new categories and capability
  - Workwear continued to be impacted by industrial market: substantial restructuring implemented
  - Brand Collective flat: improved 2H14 earnings due to restructuring
- Expansion of performance improvement and cost reduction initiatives to mitigate earnings pressure
- Net debt increased to $249.1m due to reduced earnings, higher working capital and capital expenditure, acquisitions and additional restructuring costs
- No final dividend declared – assist with funding restructuring costs and restoring balance sheet strength

1. Data has not been subject to independent review
2. Significant items contained in Note 4 of the Financial Statements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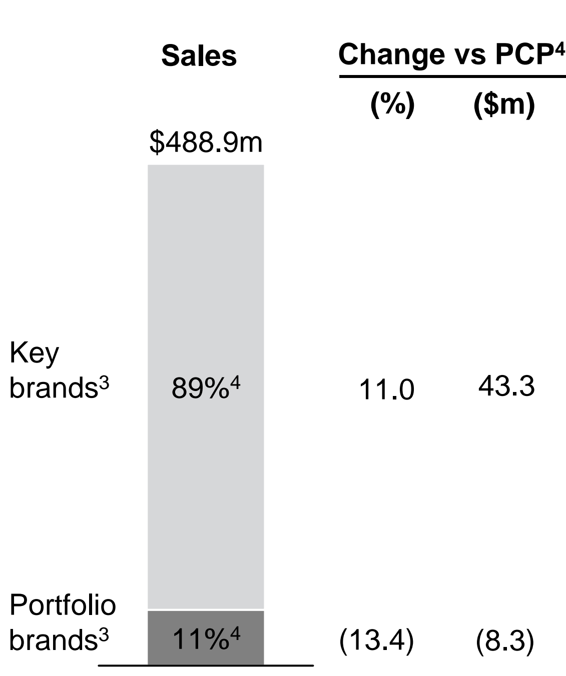
Operational performance

Underwear: Sales growth but earnings impacted by wholesale

$ millions	F14	F13	Change
Sales[1]	488.9	453.9	7.7%
EBIT (reported)[2]	71.9	78.1	(7.9)%
EBIT (pre significant items)	63.6	78.1	(18.6)%

- Bonds and Berlei sales up: retail, online and category expansion
- All other brands sales flat to down: key account underperformance in DDS / DS channels, private label penetration and consumer sentiment
- Wholesale sales down, but direct-to-consumer significantly up: Bonds retail and online now 16%[4] and 8%[4] of Bonds sales
- EBIT (pre significant items) materially down, impacted by:
  - Wholesale margin compression: increased promotional / clearance activity, product mix and currency depreciation, net of price increases and retail / online channel mix
  - Reduced distribution of hosiery and portfolio brands
- Reported EBIT higher due to $10.8m profit on sale of Wentworthville property



1. Excluding other income and inter segment revenue
2. Reported EBIT includes profit on sale of Wentworthville property ($10.8m) less other significant items ($2.5m)
3. Key brands comprise Berlei, Bonds, Explorer, Jockey and hosiery brands; all other brands are classified as portfolio brands
4. Data has not been subject to independent review

Sheridan Tontine: Sales growth driven by retail and online, but earnings down

$ millions	F14	F13	Change
Sales[1]	219.0	195.4	12.1%
EBIT (reported)[2]	12.1	17.7	(31.4)%
EBIT (pre significant items)	13.9	17.7	(21.5)%

- Sheridan sales up driven by
  - Positive comp sales performance in Boutiques and Concessions and continued store rollout
  - Online growth (eBoutique, SFO)
  - UK sales increase (amplified by currency translation)
  - Increase in brand advertising
  - Expansion into adjacent categories (baby, loungewear)
- Continued sales growth in Tontine with a strong second half
- EBIT materially down, impacted by:
  - Increased investment in brands, new categories and capability
  - Margin pressure driven by promotional activity

	Sales ($219.0m)	Change vs PCP[4] (%)	Change vs PCP[4] ($m)
Sheridan	74%[4]	15.6	21.9
Tontine	17%[4]	11.5	3.9
Other[3]	8%[4]	(10.7)	(2.2)

1. Excluding other income and inter segment revenue
2. Reported EBIT includes other significant items ($1.8m)
3. Other brands include Actil, Dunlopillo and Fairydown
4. Data has not been subject to independent review

Workwear: Market downturn significantly impacted profitability

$ millions	F14	F13	Change
Sales[1]	368.5	362.7	1.6%
EBIT (reported)[2]	(247.4)	37.4	n.m.
EBIT (pre significant items)	22.1	37.4	(41.1)%

- Sales marginally up
  - International and imagewear up
  - Supported by acquisitions (Totally Corporate, TWW stores, IncorporateWear UK)
  - Industrial down
- EBIT (pre significant items) materially down, impacted by:
  - Significant decline in industrial market
  - Lower market share due to shift to value and growth in vertical resellers
  - Increase in competitive activity
- Substantial restructuring program implemented
- Reported EBIT loss due to impairment of intangible assets in 1H14 and restructuring costs

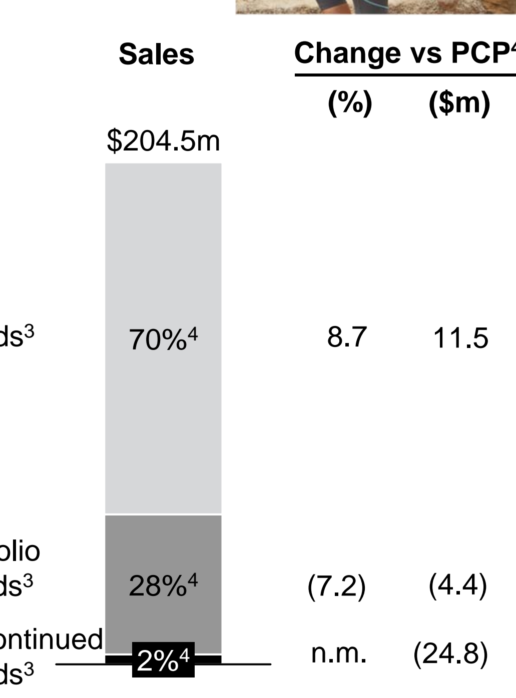
	Sales ($368.5m)	Change vs PCP[3] (%)	Change vs PCP[3] ($m)
B2B (including international B2B)	66%[3]	6.8	15.4
Wholesale	27%[3]	(12.8)	(14.8)
Retail	7%[3]	32.1	6.5

1. Excluding other income and inter segment revenue
2. Reported loss due to impairment of goodwill and brand names ($241.8m) in 1H14 and other significant items ($27.7m)
3. Data has not been subject to independent review

Brand Collective: Restructuring supported earnings with significant sales decline

$ millions	F14	F13	Change
Sales[1]	204.5	222.2	(7.9)%
EBIT (reported)[2]	(22.3)	(0.8)	n.m.
EBIT (pre significant items)	(0.9)	(0.8)	(11.9)%

- Key brands overall in growth but mixed performance
  - Hush Puppies, Clarks, Julius Marlow and Superdry up
  - Mossimo, Volley and portfolio brands down
- Stussy and Naturalizer licences not renewed adversely impacting earnings; Diesel licence relinquished
- Retail up due to acquired distribution (Shoe Warehouse, Shoe Superstore), online, and improved footwear retail performance
- However, independent / SME segment remains challenging
- EBIT (pre significant items) flat due to sales and licence impacts, partly offset by restructuring benefits and lower depreciation
- Reported EBIT includes impairment of goodwill and fixed assets



1. Excluding other income and inter segment revenue
2. Reported loss includes 1H14 impairment of goodwill ($0.5m) and other significant items ($20.9m)
3. Key brands comprise Hush Puppies, Clarks, Julius Marlow, Mossimo, Superdry and Volley. All other brands are classified as portfolio brands. Discontinued brands are Stussy, Naturalizer and Diesel
4. Data has not been subject to independent review

Group Financial Results

Income statement impacted by significant items

$ millions	Reported				Before significant items			
			Change				Change	
	F14	F13	$m	%	F14	F13	$m	%
Sales	**1,322.1**	**1,273.3**	**48.8**	**3.8**	**1,322.1**	**1,273.3**	**48.8**	**3.8**
Gross margin	632.9	625.5	7.3	1.2	622.0	625.5	(3.5)	(0.6)
Gross margin	**47.9%**	**49.1%**	**(1.2)pts**	**n.m.**	**47.0%**	**49.1%**	**(2.1)pts**	**n.m.**
CODB	530.8	503.4	27.4	5.4	530.8	503.4	27.4	5.4
Other expenses[1]	312.0	-	312.0	n.m.	-	-	-	-
EBITDA	**(192.7)**	**138.5**	**n.m.**	**n.m.**	**108.5**	**138.5**	**(30.1)**	**(21.7)**
Depreciation & amortisation	17.2	16.4	0.8	4.9	17.2	16.4	0.8	4.9
EBIT	**(209.9)**	**122.1**	**n.m.**	**n.m.**	**91.2**	**122.1**	**(30.9)**	**(25.3)**
EBIT margin	n.m.	9.6%	n.m.	n.m.	6.9%	9.6%	(2.7)pts	n.m.
Net interest	17.8	20.5	(2.7)	(13.1)	17.8	20.5	(2.7)	(13.1)
Tax	(3.3)	27.8	(31.1)	n.m.	20.5	27.8	(7.3)	(26.3)
NPAT	**(224.5)**	**73.8**	**n.m.**	**n.m.**	**53.0**	**73.8**	**(20.8)**	**(28.2)**
EPS	(24.6)cps	8.1cps	n.m.	n.m.	5.8cps	8.1cps	(2.3)cps	(28.3)
DPS (fully franked)	**2.0cps**	**5.0cps**	**(3.0)cps**	**(60.0)**	**2.0cps**	**5.0cps**	**(3.0)cps**	**(60.0)**
Payout ratio	n.m.	62%	n.m.	n.m.	34%	62%	(27.0)pts	n.m.

1. F14 other expenses include non-cash write down of goodwill, brand names and other assets ($265.4m) and cash restructuring costs ($46.6m)

Group sales result driven by direct-to-consumer and acquisitions[1]

Sales revenue by channel; $ millions

- Direct-to-consumer growth driven by Bonds, Sheridan and Footwear. Wholesale down due to Workwear (industrial), portfolio brands and key account underperformance in DS and DDS
- Reported sales grew by 3.8%
  - Supported by acquisitions of IncorporateWear (UK), Shoe Warehouse, Shoe Superstore, Totally Corporate, TSL and TWW stores
  - Impacted by divestments and discontinuations of Restonic, Stussy, Naturalizer and Diesel
- Excluding the impact of acquisitions, divestments and discontinued brands, underlying sales grew by 1.9%

1. Data has not been subject to independent review, other than reported amounts

Gross margin down significantly due to wholesale business

$ millions	F14	F13	Change	
			$m	%
Sales	1,322.1	1,273.3	48.8	3.8
Gross margin[1]	622.0	625.5	(3.5)	(0.6)
Gross margin[1] (%)	47.0	49.1	(2.1)pts	n.m.

- Key factors negatively impacting gross margins:
  - Underwear wholesale: gross margins declined significantly (ie c.6%pts[2]) due to increased promotional activity and associated trade spend, higher clearance sales, and an adverse shift in product mix
  - Workwear: shift in sales mix towards lower margin channels
  - Other: Net impact of FX depreciation, import costs, product mix and price increases
- Key factors positively impacting gross margins:
  - Direct-to-consumer: positive channel mix impact of higher margin new retail stores, comp store growth and online growth
  - Business mix: relative growth of Underwear and Sheridan with higher margins than Workwear and Brand Collective

1. Before significant items
2. Data has not been subject to independent review

Cost of doing business up due to increased investment in retail

$ millions	F14	F13	Change	
			$m	%
Freight and distribution	117.6	112.2	5.4	4.8
Sales and marketing	300.0	275.3	24.7	9.0
Administrative	113.1	115.8	(2.7)	(2.3)
CODB	**530.8**	**503.4**	**27.4**	**5.4**
CODB / Sales	40.1%	39.5%	0.6pts	n.m.

- Total CODB increased due to investment in retail
- Excluding retail store expansion, CODB decreased due to restructuring initiatives net of inflation and investment in new categories and capability
- Freight and distribution expenses increased with higher volumes, handling units and labour rates; partially offset by warehouse productivity improvements
- Sales and marketing up
  - Investment in retail expansion (Bonds, Sheridan and Footwear clearance network)
  - Advertising investment in top brands increased incrementally, focused mainly on key brands (Bonds, Sheridan, Hard Yakka) and online
  - Administrative expenses down due to restructuring and cost control

Significant items due mainly to impairment charges and cash restructuring costs

Impairment charges

- Impairment of goodwill and brand names in 1H14 ($242.3m, no tax effect) mainly related to Workwear
- Other asset impairments and write-offs ($16.2m after tax) mainly related to Brand Collective

Restructuring costs

- $32.9m after tax ($46.6m before tax); all of which have or will result in a cash outflow
- Acceleration and expansion of performance improvement and cost reduction initiatives
- Majority related to restructuring in Workwear, Brand Collective and shared corporate functions
- Costs included redundancies, site closure costs and onerous lease / contract charges and consulting / other costs
- Benefits to assist with mitigating earnings pressure, particularly from currency depreciation and challenging market conditions

Profit on sale of Wentworthville property

- Profit on sale of $10.8m brought to account in 1H14 in other income (no tax effect)

Tax settlement refund

- Outstanding tax claim settled with ATO ($3.0m) in 1H14

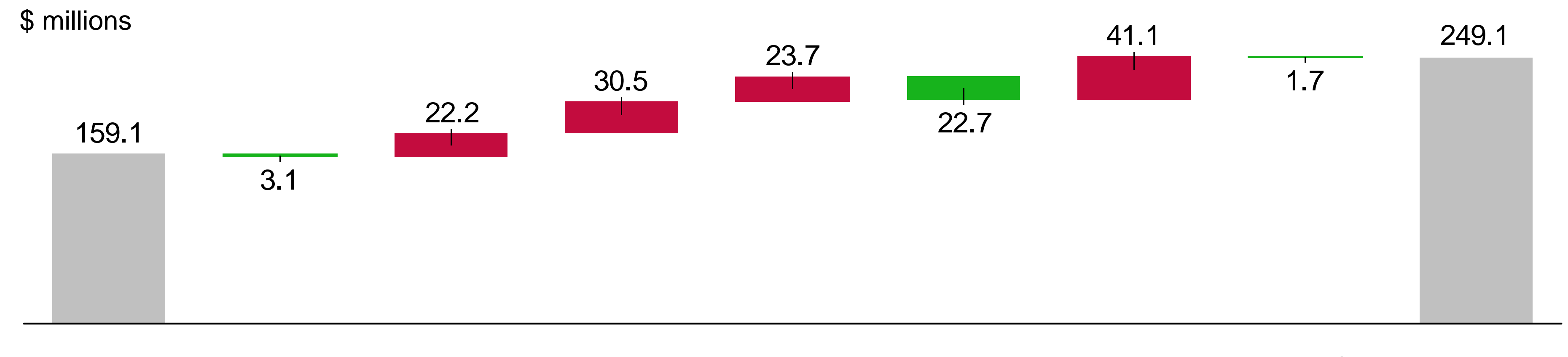
Balance sheet impacted by inventory and impairments

$ millions	F14	F13	Change $m	Change %
Working capital	309.0	262.4	46.5	17.7
Property, plant and equipment	57.5	66.5	(9.0)	(13.5)
Intangible assets	350.4	584.1	(233.7)	(40.0)
Other[1]	(19.0)	(16.7)	(2.4)	(14.3)
Total capital employed	**697.9**	**896.4**	**(198.5)**	**(22.1)**
Net debt	(249.1)	(159.1)	(90.0)	(56.5)
Equity	**448.8**	**737.3**	**(288.5)**	**(39.1)**
Gearing[2] (x)	2.3	1.2	1.1	n.m.
Interest cover[2,3] (x)	6.4	7.6	(1.2)	n.m.
Net debt ratio[2] (%)	35.9	17.8	18.1pts	n.m.
ROCE (%)	13.1	13.6	(0.6)pts	n.m.
Tangible ROCE (%)	26.3	39.1	(12.8)pts	n.m.

- Working capital higher due to a significant increase in inventory levels
- PPE and intangible asset balances impacted by goodwill, brand names & other asset impairments
- Credit metrics not as strong as prior year due to a significant increase in net debt and lower earnings

1. Comprises all other assets and liabilities. Represents net assets less working capital, property, plant and equipment, intangible assets and net debt
2. Calculated in accordance with the Subscription Agreement with the Company's banking syndicate, adjusted to exclude significant items for comparative purposes. The gearing and interest cover ratios calculated in accordance with the Subscription Agreement, which requires the inclusion of certain cash significant items, were 2.5 and 4.9 respectively at 30 June 2014. There were no significant items in F13
3. The interest cover ratio was revised in the most recent update to the Subscription Agreement to exclude the capital expenditure adjustment, comparatives have been restated

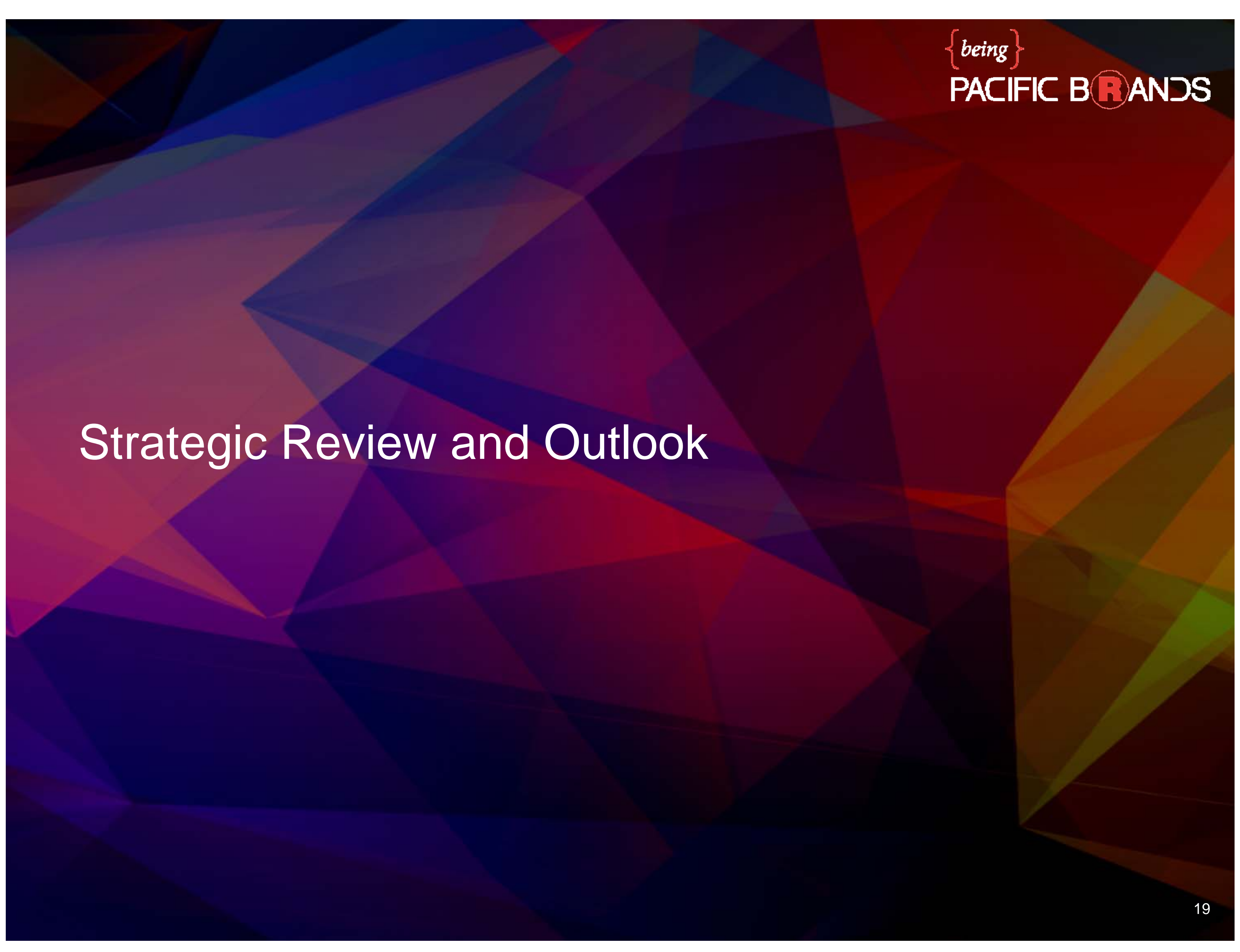
Increase in net debt due to working capital, capex, restructuring and acquisitions



Debt profile		30 June 2014	
$ millions	**Maturity date**	**Facility**	**Drawn**
Tranche 1 (Revolving)	31-Jan-17	125.0	125.0
Tranche 2 (Revolving)	31-Jan-19	125.0	125.0
Securitisation	31-Jan-16	175.0[3]	96.5
Overdraft		35.0	0.0
Total facilities		**460.0**	**346.5**
Cash			(95.7)
Deferred borrowing costs			(1.7)
Net debt			**249.1**

- Capex up due to retail roll out and office relocations and consolidation
- Significant restructuring across the group
- Acquisition of IncorporateWear (UK) (100%), Iconix JV (50%) and other businesses
- Property divestments mainly Wentworthville
- Syndicated debt facility refinanced in Oct 2013
- Securitisation extended to 31 January 2016
- Net debt reduction is a key focus for the Company in F15

1. Before restructuring items
2. Data has not been subject to independent review
3. Based on eligible receivables at 30 June 2014, $124 million of the $175 million securitisation was drawable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PACIFIC BRANDS
Strategic Review and Outlook

Update on strategic review

- The Company has been conducting a strategic review which is now well progressed
- Our near term corporate strategic and financial priorities are:

  1. **Restore balance sheet strength** – maximise operating cash conversion, moderate investment levels and implement a temporary dividend moratorium
  2. **Adopt a more balanced growth and disciplined cost agenda** – continue to invest in Bonds and Sheridan (brands, retail and international), stabilise gross margins and reduce costs
  3. **Move to a more decentralised organisation model** – reduce the role and cost of corporate functions and provide business units with more end-to-end accountability for performance
  4. **Review portfolio rationalisation options** – continue to review and explore options to simplify the business over time and maximise shareholder value

- Business unit strategies are materially unchanged, with a more focused and balanced growth and cost agenda

Divestment of Workwear

- Entered into an agreement to sell the Workwear business to Wesfarmers Industrial and Safety (WIS) for gross proceeds of $180m on a cash and debt free basis, subject to ACCC approval and certain other consents and approvals
  - ACCC currently making market enquiries with a public invitation to make submissions on the acquisition (closing date 16 October). Final ruling expected on 13 November
  - Divestment reduces exposure to the challenging industrial market and restores balance sheet strength to the Company

- Expected financial impact as follows:
  - In F14, the Workwear segment reported sales and EBIT (before significant items) of $368.5m and $22.1m respectively
  - At 30 June 2014, the carrying value of related net assets to be disposed was $140m
  - Subject to timing, costs of disposal and completion adjustments, the Company expects to recognise a profit on sale of approximately $35m in F15 (no tax effect)
  - An element of corporate and shared services costs allocated to Workwear will be unrecovered following full transition of the business, estimated to be up to $3-4m per annum (pre tax) net of savings from associated restructuring initiatives

- Net proceeds of c.$175m (after transaction costs) will be applied to reduce net debt

F15 trading update and outlook

- The Company expects a continuation of challenging and variable market conditions
- In F15, sales for the first quarter are up versus PCP
- In relation to 1H15 compared to 1H14 (before significant items and Workwear divestment):
  - Sales are expected to be up due mainly to growth in retail and online
  - Gross margins are expected to be down due mainly to competitive and FX pressures net of price increases and channel mix benefits
  - CODB is expected to be up due to increased investment in retail net of restructuring initiatives
  - EBIT is expected to be down materially (but up on 2H14 which was $36.0m)
- Operating cash conversion and net debt reduction will be a key focus, notwithstanding the lagged impact of committed inbound stock flows, first half weighted retail store capital expenditure and the payment of F14 restructuring provisions
- Further cash restructuring costs are expected in 1H15 related to the Workwear divestment and as the Company continues to take action to reduce costs and improve performance
- The timing of the outcomes of the strategic review could potentially have a material impact on the above outlook statement

Non-IFRS financial information

- Other than as indicated, the financial information contained in this document is directly extracted or calculated from the audited Financial Statements
- Throughout this document some non-IFRS financial information is stated before significant items as disclosed in Note 4 to the Financial Statements. Results excluding such items are considered by Directors to be a better basis for comparison from period to period as well as more comparable with future performance. They are also the primary measure of earnings considered by management in operating the business and by Directors in determining dividends taking into account other considerations
- Operating cash flow pre interest and tax (OCFPIT) as a measure of cash flow is considered by Directors to be meaningful as it is the cash equivalent of EBITDA and thus provides a measure of the rate at which operating earnings are converted to cash (or ‘cash conversion’)

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