15 May 2012

Update on acquisition approaches and outlook reiterated

Pacific Brands announced on 10 January 2012 that it was considering an unsolicited approach regarding a possible acquisition of the entire issued capital of the company and preliminary discussions were being held. The company further announced on 17 February 2012 that other enquiries had been received which the company was also considering.

Having explored these enquiries, the Board of Pacific Brands has concluded that a definitive proposal for the acquisition of the entire issued capital of the company is unlikely to be forthcoming in the near term.

The company reiterates its outlook as set out in the interim results release of 17 February 2012. That is, in relation to 2H12 (compared to 2H11):

- EBIT and net profit after tax (before significant items[1]) are both expected to be materially down
- Underlying sales are expected to be down due to continuing weak retail conditions and changes to the customer base
- The impact on earnings is expected to be partially mitigated by a continuing focus on reducing costs of doing business, however results will largely be determined by trading conditions

For the 2012 financial year (F12), EBIT before significant items is expected to be in the range of $125-130 million.

The company continues to focus on improving the long term competitiveness of its business, including:

- Further investment in its key brands and in the business-to-business and direct-to-consumer channels, including the recent launch of Berlei online, opening the first Bonds retail store, and expanding the Sheridan boutique store network
- The on-going review and rationalisation of the company's brand portfolio
- A sustained focus on reducing costs of doing business which will enable the company to mitigate risks, offset inflationary pressures and fund investment in the direct-to-consumer channel

[1] Before other expenses that are individually significant as disclosed in the notes to Pacific Brands Financial Statements. Results excluding such expenses 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 performance considered by management in operating the business and by Directors in determining dividends

As stated in connection with the F12 half year results release, the company expects cash restructuring expenses included within significant items to exceed previous guidance of $23 million (pre tax) due mainly to additional distribution centre consolidation and operational restructuring. Cash restructuring expenses for F12 are expected to increase to approximately $32 million (pre-tax).

Due to the transformation and restructuring work completed, the company remains well placed to deal with the challenges ahead of it and then to benefit from any improvement in market conditions.

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