PACIFIC BRANDS

17 February 2012

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

Market Information Services
New Zealand Exchange Limited
9th Floor
ASB Tower
2 Hunter Street
Wellington
New Zealand

Dear Sir/Madam

FY'12 - HALF YEAR RESULTS – PRESENTATION BRIEFING SLIDES

Please find attached, for release to the market, the slides of a briefing to investors to be webcast following the release of the Company's Half Year Report for the period from 1 July 2011 to 31 December 2011.

These documents will also be available on the Company's website at www.pacificbrands.com.au

Yours faithfully
Pacific Brands Limited

John Grover
Company Secretary

Enc.

Pacific Brands Half Year Results 2012

17 February 2012

Sue Morphet, Chief Executive Officer
David Bortolussi, Chief Financial & Operating Officer

Non-IFRS financial information

- Other than as indicated, the financial information contained in this document is directly extracted or calculated from audited Financial Statements although information for the six months ended 31 December 2010 is from reviewed Financial Statements
- Throughout this document some non-IFRS financial information is stated before other expenses that are individually significant as disclosed in Note 7 to the Financial Statements (significant items). 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 earnings considered by management in operating the business and by Directors in determining dividends
- There are also references to Underlying Sales which are defined as reported sales less sales from acquisitions, divested businesses, business held for sale and brands and labels subject to discontinuation. Directors consider that sales defined in this manner is a meaningful measure of sales as it is consistent with the PB2010 Transformation strategy, representative of the recent movement or trajectory in sales and provides a better indication of the relevant base against which future sales can be compared
- 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

Executive Summary and Operational Performance

Sue Morphet
Chief Executive Officer

Executive summary

- Result largely as expected, apart from non-Bonds Underwear performance
- Reported result impacted by Underwear non-cash write-down of 2004 IPO goodwill
- Underlying sales excluding Kmart down, but in line with market
- Price increases helped manage gross margins despite cotton and other input cost pressures
- Segment performance
  - Underwear: Bonds excluding Kmart up, non-Bonds disappointing, goodwill write-down, but growth and performance improvement plan in place under new management
  - Workwear: resilient sales performance but profit down
  - HFO: Homewares – good result; Footwear and Outerwear – mixed
- Business-to-business (B2B) and business-to-consumer (B2C) channels both up
  - Workwear B2B sales up with contract wins that will benefit future years
  - Online performing well
- Cash flow remains strong and net debt still at conservative levels
- Interim dividend 2.0cps fully franked – payout ratio maintained at c.50% in line with policy and prior corresponding period
- Outlook remains challenging but the company is well placed to deal with it

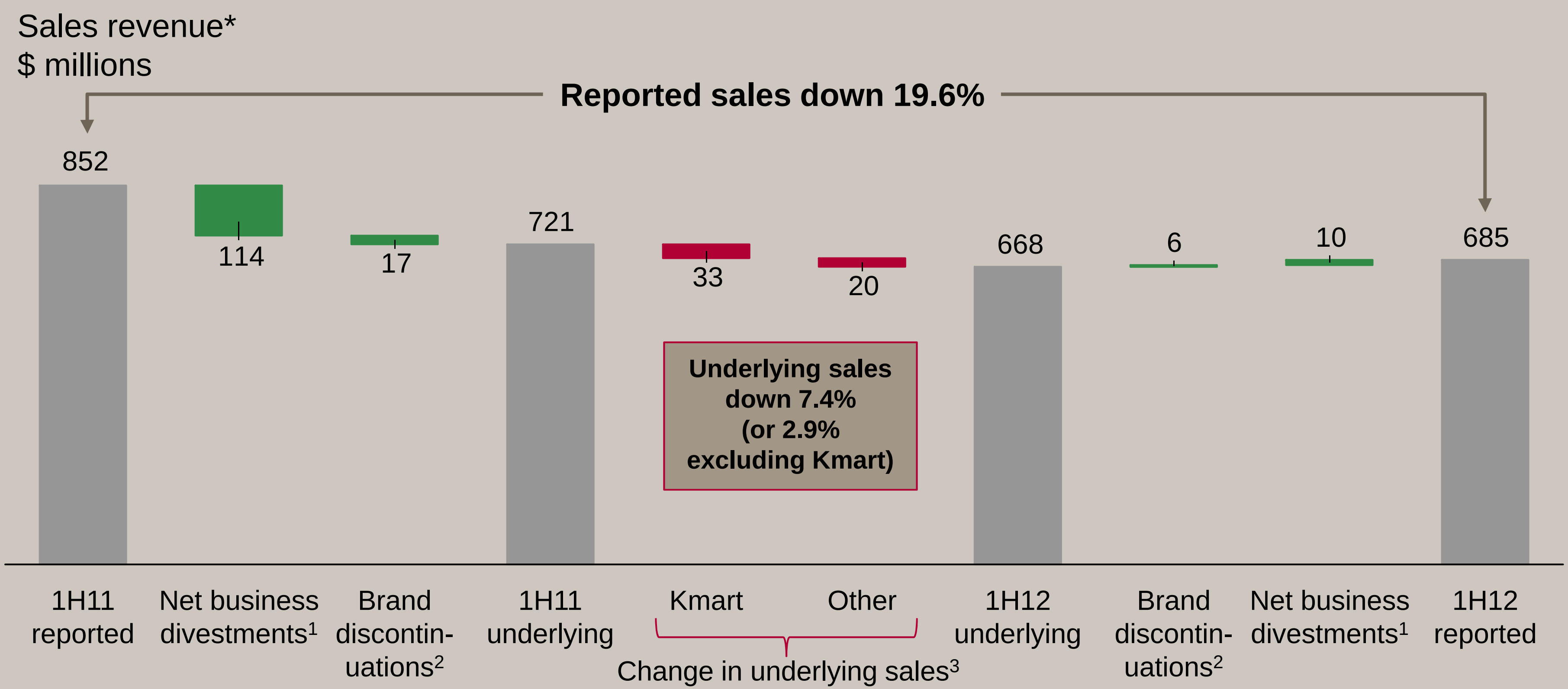
Group results

$ millions	Reported 1H12	Reported 1H11	Reported Change	Before significant items[1] 1H12	Before significant items[1] 1H11	Before significant items[1] Change
Sales	684.7	852.1	(19.6)%	684.7	852.1	(19.6)%
EBIT	(336.5)	(124.9)	n.m.	65.6	103.2	(36.5)%
NPAT[2]	(362.4)	(166.1)	n.m.	35.7	58.0	(38.4)%
EPS (cps)	(39.3)	(17.9)	n.m.	3.9	6.2	(38.0)%
DPS (cps)	2.0	3.1	(35.5)%	2.0	3.1	(35.5)%
Payout ratio[3]	n.m.	n.m.	n.m.	51%	50%	1pt
Net debt[4]	242.2	267.2	(9.4)%	242.2	267.2	(9.4)%

1. Before other expenses that are individually significant as disclosed in Note 7 to the Financial Statements (significant items).
2. After deducting non controlling interest
3. Dividends declared / NPAT before significant items
4. Interest bearing loans and borrowings less cash and cash equivalents

n.m. Not meaningful

Group sales result



1. Sleepmaker and Dunlop Foams divested in F11 (effective 31 March 2011). Bikes business divested in F12 (effective 31 August 2011). Net of minor acquisitions
2. To be discontinued largely by end of F12
3. Underlying sales down due primarily to Kmart transition and challenging retail environment

* Amounts other than Reported are not audited. Refer Appendix B for supporting data

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Underwear

$ millions	1H12	1H11	Change
Sales[1]	217.3	258.6	(16.0)%
EBIT (reported)	(360.7)	57.8	n.m.
EBIT (pre significant items)	35.4	59.6	(40.6)%
EBIT margin (reported)	(166.0)%	22.3%	n.m.
EBIT margin (pre significant items)	16.3%	23.0%	(6.8)pts

- Bonds excluding Kmart up despite weak market (eg success of Invisitails, ‘12 Days of Christmas’ campaign, Bonds online)
- Sales down in other key underwear brands
  - Rio and Razzamatazz down, especially in Supermarkets and DDS
  - Berlei down, especially in DS
- Two-thirds of sales decline due to reduced Kmart sales
- As expected, gross margins impacted by input cost pressures
- EBIT margins down due to lower sales and gross margins
- Bonds / Omni front-end integration successfully completed and distribution centre consolidation announced

1. Excluding other segment revenue and inter segment revenue

Workwear

$ millions	1H12	1H11	Change
Sales[1]	194.5	196.5	(1.1)%
EBIT (reported)	18.4	21.4	(14.1)%
EBIT (pre significant items)	19.4	23.7	(18.2)%
EBIT margin (reported)	9.4%	10.9%	(1.4)pts
EBIT margin (pre significant items)	10.0%	12.1%	(2.1)pts

- B2B sales of corporate imagewear / uniforms up despite reduced business confidence and economic activity amongst customer base
  - High retention rates for existing contracts
  - Further corporate contract wins
- Wholesale sales down
  - Continued strength in resources sector
  - Reduced business confidence elsewhere
- Margins benefited from price increases but impacted by higher input prices and increased allocation of shared costs

1. Excluding other segment revenue and inter segment revenue

Homewares, Footwear & Outerwear

$ millions	1H12	1H11	Change
Sales[1]	272.9	397.0	(31.2)%
EBIT (reported)	14.8	(187.9)	n.m.
EBIT (pre significant items)	17.6	29.3	(39.7)%
EBIT margin (reported)	5.4%	(47.3)%	n.m.
EBIT margin (pre significant items)	6.5%	7.4%	(0.9)pts

- Decline in reported sales and EBIT due principally to divestments
- Sheridan flat – boutique sales up, offset by declines in wholesale, concessions and outlets
- Flooring flat despite continued slowing of housing market
- Tontine down due to customers narrowing ranges and reduced private label manufacture
- Footwear & Sport down, due mainly to lost sales at Kmart (eg Grosby, Volley); Clarks and Hush Puppies down in line with weaker footwear market, but retail pilot progressing well
- Key Outerwear brands up: Mossimo, Superdry and Stussy (increased retail sales). Diesel below expectations
- Margins for the ongoing businesses were generally steady
  - Gross margins down due to higher input prices
  - Costs of doing business reduced (eg Footwear & Sport divisions combined)

1. Excluding other segment revenue and inter segment revenue

Underwear impairment

- Anticipated challenges currently being experienced
  - Loss of key customer, cotton impact and retail conditions
- Took decisive action to mitigate impact, including:
  - Appointed new management team
  - Accelerated integration of Underwear group (ie Bonds and Omni)
  - Implemented cost reduction initiatives
  - Accelerated launch of Bonds online
- However, given structural change in the market and challenging retail conditions:
  - Decline in Underwear performance in 1H12 greater than expected (EBIT before significant items down 40.6% versus prior corresponding period)
  - Lower growth expectations due to uncertainty surrounding the extent and timing of recovery in retail conditions
- Carrying value of goodwill not supported by recoverable amount under accounting standards requiring impairment
- Resulting in a non-cash write-down of $388.7m of all goodwill from the 2004 IPO

Underwear strategy

- Comprehensive strategic review of business by new management team
- Key elements to stabilise performance and drive growth
  - Improve category management
  - Intensify advertising and promotions
  - Expand direct-to-consumer channel
- Supporting organisational and operational initiatives
  - Successful integration of front-end business operations of Bonds and Omni
  - Consolidation of distribution centres into new Melbourne facility announced
  - Continue to focus on simplifying operations and reducing costs of doing business

Group Financial Results

David Bortolussi
Chief Financial & Operating Officer

Income statement

$ millions	Reported 1H12	Reported 1H11	Reported Change $m	Reported Change %	Before significant items 1H12	Before significant items 1H11	Before significant items Change $m	Before significant items Change %
Sales	**684.7**	**852.1**	**(167.3)**	**(19.6)**	**684.7**	**852.1**	**(167.3)**	**(19.6)**
Gross margin	320.2	402.7	(82.5)	(20.5)	320.2	402.7	(82.5)	(20.5)
Gross margin	**46.8%**	**47.3%**	**(0.5)pts**	**n.m.**	**46.8%**	**47.3%**	**(0.5)pts**	**n.m.**
CODB	254.6	299.5	(44.9)	(15.0)	254.6	299.5	(44.9)	(15.0)
Other expenses	402.1	228.1	174.0	76.3	-	-	-	-
EBITDA	(329.4)	(114.8)	(214.6)	n.m.	72.7	113.3	(40.6)	(35.8)
Depreciation / amortisation	**7.1**	**10.1**	**(3.0)**	**(29.5)**	**7.1**	**10.1**	**(3.0)**	**(29.5)**
EBIT	**(336.5)**	**(124.9)**	**(211.6)**	**n.m.**	**65.6**	**103.2**	**(37.6)**	**(36.5)**
EBIT margin	(49.1)%	(14.7)%	n.m.	n.m.	9.6%	12.1%	(2.5)pts	n.m.
Net interest	13.6	18.5	(4.8)	(26.2)	13.6	18.5	(4.8)	(26.2)
Tax	12.0	22.5	(10.5)	(46.6)	16.1	26.6	(10.5)	(39.6)
NPAT[1]	**(362.4)**	**(166.1)**	**(196.3)**	**n.m.**	**35.7**	**58.0**	**(22.3)**	**(38.4)**
EPS	(39.3)cps	(17.9)cps	(21.4)cps	n.m.	3.9cps	6.2cps	(2.3)cps	(38.0)
DPS – fully franked	**2.0cps**	**3.1cps**	**(1.1)cps**	**(35.5)**	**2.0cps**	**3.1cps**	**(1.1)cps**	**(35.5)**
Payout ratio[2]	n.m.	n.m.	n.m.	n.m.	51%	50%	1pt	n.m.

1. After deducting non controlling interest
2. Dividends declared / NPAT before significant items

Other expenses (significant items)

- **Underwear impairment charge**
  - Write-off of all goodwill in Underwear ($388.7m[1])
- **Loss on sale of Bikes**
  - Bikes final loss on completion at 31 August 2011 ($2.0m pre tax, $1.4m post tax)
- **Restructuring expenses**
  - Transformation program costs ($11.4m pre tax, $8.0m post tax), including:
    - Operating Group streamlining and restructuring (Underwear and HFO)
    - Corporate and Functional support restructuring
    - Distribution centre consolidation
    - Office facilities rationalisation
    - Program management and consulting costs

1. Non-cash and no tax effect

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Cost of doing business

$ millions	1H12	1H11	Change $m	Change %
Sales	684.7	852.1	(167.3)	(19.6)
Freight & distribution	57.3	66.9	(9.6)	(14.3)
Sales, marketing & advertising	135.6	150.2	(14.5)	(9.7)
Administration	61.7	82.4	(20.8)	(25.2)
CODB	**254.6**	**299.5**	**(44.9)**	**(15.0)**
CODB / Sales	37.2%	35.2%	2.0pts	n.m.

- All cost categories impacted by divestments
- Ongoing business CODB down
- Freight rates flat but decrease in volumes
- Advertising investment in key brands maintained
- Increased investment in retail and online capability and expansion
- Decrease in administration costs due to restructuring

Financial position

$ millions	1H12	2H11	1H11	1H12 change vs 2H11	1H12 change vs 1H11
Working capital[1]	309.7	325.8	304.2	(16.1)	5.5
PP&E	81.1	80.4	87.8	0.8	(6.6)
Intangibles	693.5	1,081.0	1,082.9	(387.5)	(389.4)
Other[2]	(51.9)	(75.1)	(33.6)	23.2	(18.3)
Total capital employed	1,032.5	1,412.1	1,441.2	(379.6)	(408.7)
Net debt	**(242.2)**	**(227.2)**	**(267.2)**	**(15.0)**	**25.0**
Equity[3]	790.3	1,184.9	1,174.0	(394.6)	(383.6)
Net debt / equity (%)	30.6	19.2	22.8	11.5pts	7.9pts
Gearing[4] (x)	**1.5**	**1.1**	**1.2**	**0.4**	**0.3**
Interest cover[4] (x)	6.1	7.0	5.5	(0.9)	0.6
ROCE[1] (%)	14.4	13.2	14.1	1.2pts	0.3pts
Tangible ROCE[1](%)	43.8	56.2	56.7	(12.4)pts	(12.8)pts

- Impairment charges and divestments have impacted reported financial position
- Conservative credit metrics – gearing of 1.5 times and interest cover of 6.1 times

1. Unaudited data
2. Comprises all other assets and liabilities other than Working Capital, PP&E, Intangibles and Net debt. Includes assets held for sale
3. Includes non controlling interest
4. Unaudited data. Defined as per the Subscription Agreement with the Company's banking Syndicate. Refer Appendix A for further detail

Working capital management[1]

$ millions	1H12	2H11	1H11	1H12 change vs 2H11	1H12 change vs 1H11
Trade debtors ($m)	173.3	179.1	190.0	(5.8)	(16.7)
Inventories ($m)	266.0	262.5	257.5	3.5	8.5
Trade creditors ($m)	129.6	115.8	143.3	13.8	(13.6)
Working capital ($m)	309.7	325.8	304.2	(16.1)	5.5
Debtors days (days)	45.6	42.5	46.4	3.1	(0.8)
Inventory turns (x)	3.0	3.4	3.4	(0.4)	(0.4)
Creditor days (days)	61.0	53.5	56.4	7.5	4.5

- Debtor days improved on prior corresponding period reflecting continued operational improvement in collections
- Inventory turns decrease due to divestment of Sleepmaker and Dunlop Foams (higher turn businesses), impact of increased FOB / cotton prices and early Chinese New Year
- Creditor days improvement mainly due to progressive increase in supplier terms and timing

1. Unaudited data. Refer Appendix A for basis of calculation

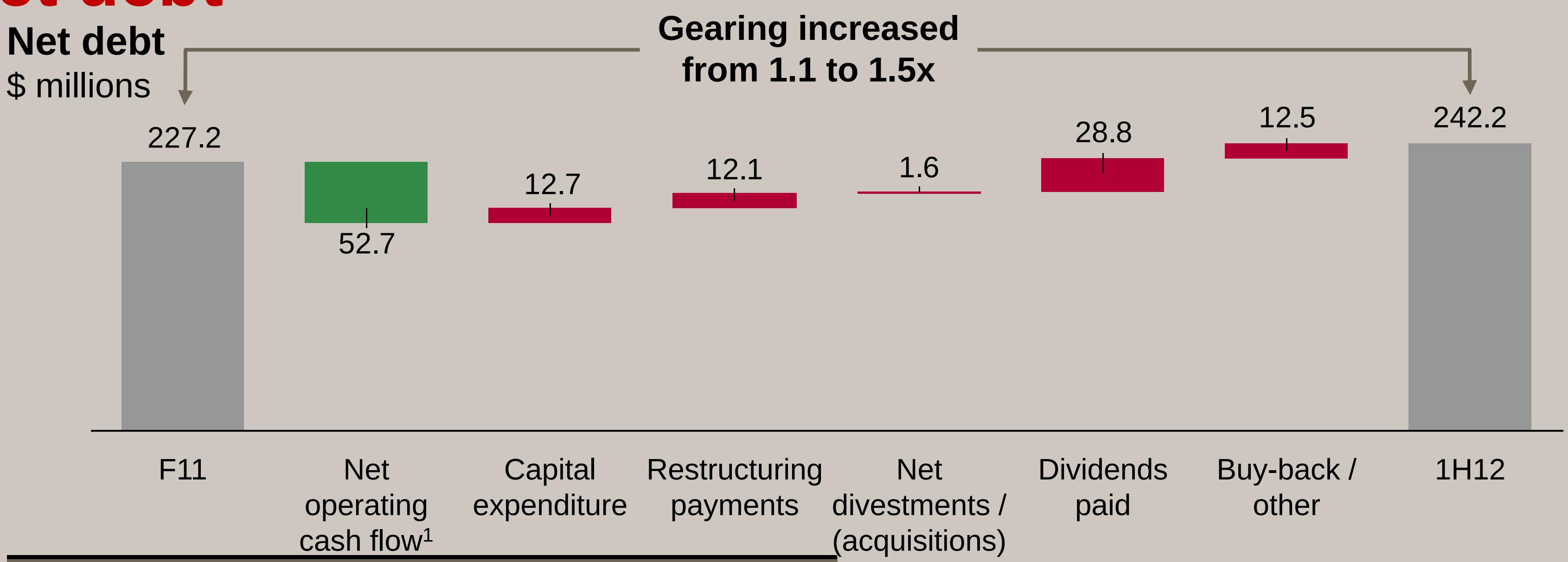
Cash conversion

$ millions	1H12	1H11
EBITDA (reported)	(329.4)	(114.8)
Significant items (pre tax)	402.1	228.1
EBITDA (pre significant items)	**72.7**	**113.3**
Change in working capital / Other	20.2	(11.1)
OCFPIT	**92.9**	**102.2**
Net interest paid	(13.1)	(17.3)
Tax paid	(27.1)	(6.7)
Net operating cash flow (pre restructuring payments)	52.7	78.2
Restructuring payments	(12.1)	(21.9)
Net operating cash flow (reported)	40.6	56.2
Cash conversion[1]	**127.8%**	**90.2%**

- Cash flow remains strong despite decline in sales and earnings
- Positive working capital outcome given the increase in inventory costs due to cotton and the decline in sales

1. Cash conversion is defined as OCFPIT divided by EBITDA before significant items

Net debt



Debt profile $ millions	Maturity date	31 December 2011 Facility	Drawn
Tranche 1	31-Jan-14	100.0	-
Tranche 2	31-Jan-15	175.0	175.0
Tranche 3	31-Jan-16	100.0	100.0
Securitisation	24-May-13	200.0	110.5
Overdraft		33.0	0.0
Total facilities		**608.0**	**385.5**
Cash			(141.1)
Other[2]			(2.2)
Net debt			**242.2**

- Strong cash conversion but net debt up slightly due to normalisation of tax payments and share buy-back
- Tranche 1 of syndicated debt facility reduced from $225m to $100m to better reflect requirements and to capture unused line fee savings

1. Pre significant items and capital expenditure
2. Deferred borrowing costs net of finance leases

Dividend, Capital Management and Outlook

Sue Morphet
Chief Executive Officer

Dividend and capital management

Dividend

- Interim dividend of 2.0 cps fully franked
  - Policy is for a target payout ratio of at least 50% of NPAT (before significant items)
  - Payout ratio of c.50% in line with prior corresponding period

Capital management

- Since announcement of the on-market buy-back on 24 August 2011, 18.5m shares repurchased for a total outlay of $12.3m
- Board will continue to consider capital management initiatives as and when appropriate

Unsolicited approach

- The company 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
- Since then, other enquiries have been received which the company is also considering
- There is no certainty that any agreement will be reached with any party
- The company does not propose to make any further announcement in relation to these discussions until they have been concluded

Outlook

The outlook remains, as indicated at the time of the Annual General Meeting in October, challenging

In relation to 2H12 (compared to 2H11):

- EBIT and net profit after tax (before significant items) 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

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

Conclusion

- Result largely as expected, apart from non-Bonds Underwear performance
- Difficult and challenging retail environment
- Underlying sales excluding Kmart down, but in line with market
- Channel diversification strategy is working – B2B and B2C sales up
- Price increases have helped limit gross margin decline
- Balance sheet and cash flow remain strong
- Interim dividend payout ratio maintained at c.50% in line with policy and prior corresponding period
- 2H12 earnings before significant items are expected to be materially down on 2H11

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Questions

Appendix A: Definitions

- Cash conversion – OCFPIT / EBITDA before significant items
- CODB – operating expenses (freight & distribution, sales, marketing & advertising and administration) below gross margin other than expenses that are individually significant as disclosed in Note 7 to the Financial Statements
- EBIT – earnings before interest and tax
- EBITDA – earnings before interest, tax, depreciation and amortisation
- Gearing – Net debt / LTM EBITDA (annualised for acquisitions) before significant items
- Gross Margin – gross profit plus other income
- Interest cover ratio – (LTM EBITDA before significant items - Capex) / Net interest excluding amortisation of deferred borrowing costs and unused line fees
- Inventory, Debtors and Creditors turns / days – Statement of Comprehensive Income components are based on LTM; Statement of Financial Position components are calculated on a 3 point average (ie average of beginning, middle and ending balances from LTM)
- LTM – Last twelve months
- Net debt – Interest bearing loans and borrowings less cash and cash equivalents
- Operating Cash flow (OCFPIT) – cash flow from operations before interest and tax
- ROCE (Return on Capital Employed) – LTM EBIT / period end total capital employed
- Tangible ROCE – as for ROCE but using total capital employed less Intangibles
- Underlying sales – reported sales less sales from acquisitions, divested businesses, business held for sale and brands and labels subject to discontinuation

Appendix B: Underlying sales[1]

$ millions	1H12	1H11	Change $m	Change %
Net business divestments[2]	10.1	113.5	(103.4)	(91.1)
Brand discontinuations[3]	6.4	17.2	(10.8)	(62.8)
Underlying sales - total	668.2	721.3	(53.1)	(7.4)
Reported sales	**684.7**	**852.1**	**(167.3)**	**(19.6)**
Underlying sales - Kmart	5.4	38.6	(33.2)	(86.0)
Underlying sales - excluding Kmart	662.8	682.7	(19.9)	(2.9)
Underlying sales - total	**668.2**	**721.3**	**(53.1)**	**(7.4)**

1. Unaudited data. Refer Appendix A for definition
2. Sleepmaker and Dunlop Foams divested in F11 (effective 31 March 2011); Bikes business divested in F12 (effective 31 August 2011); Net of minor acquisitions
3. To be discontinued largely by end of F12