PACIFIC BRANDS

24 February 2010

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'10 - 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 2009 to 31 December 2009.

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 2010

24 February 2010

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

Executive Summary

Sue Morphet
Chief Executive Officer

Executive summary

- Transformation on track
  - Substantial achievement - with more to come
  - Implemented in a volatile and challenging environment
  - Building a stronger business for future growth
- Sales revenue down
  - Difficult consumer and trade conditions
  - Portfolio rationalisation and discontinuing brands impacting top-line
  - Margin preservation prioritised over growth
  - Underlying sales (being sales of continuing businesses and brands) down 3.2%
- Earnings down as expected
  - FX significantly impacted earnings
  - Average AUD/USD in the high 60s in 1H10 vs high 80s in 1H09
  - Partially offset by price increases and transformation benefits
- Cash flow very strong and net debt reduced further
- No dividend declared for 1H10
- But well positioned to grow earnings in 2H10 and F11

Group results[1]

- Earnings down as expected
  - Sales $960.8m, down 7.8%
  - EBITA $80.3m, down 31.0%
  - EBITA margin 8.4%, down 2.8% points
  - CODB $316.1m, down 10.2%
  - NPAT $35.5m, down 39.7%
- Operating cash flow very strong
  - OCFPIT $107.7m, up from $27.6m in 1H09
  - Cash conversion 118%
- Net debt reduced further
  - Net debt $419m, down $392m (48.3%) over LTM
  - Reduced by $34m in 1H10 after payment of $47m of restructuring costs
  - Conservative gearing of 2.2 times

1. Before significant items

Pacific Brands 2010 Transformation Update

Sue Morphet
Chief Executive Officer

Pacific Brands 2010 Context

- Launched in February 2009
  - High cost base and high debt
  - Complexity and inflexibility throughout the business
  - Plan to focus, simplify, reduce costs and improve capability
- 12 months into a 36 month change program
- Significant milestones achieved
  - Tail brands / labels being discontinued
  - Overheads reduced substantially
  - Majority of manufacturing sites closed
  - Capability building programs well established
- Overall plan on track – with more to achieve
- Pacific Brands is becoming a leaner, focused, more robust and profitable business with solid organic growth prospects

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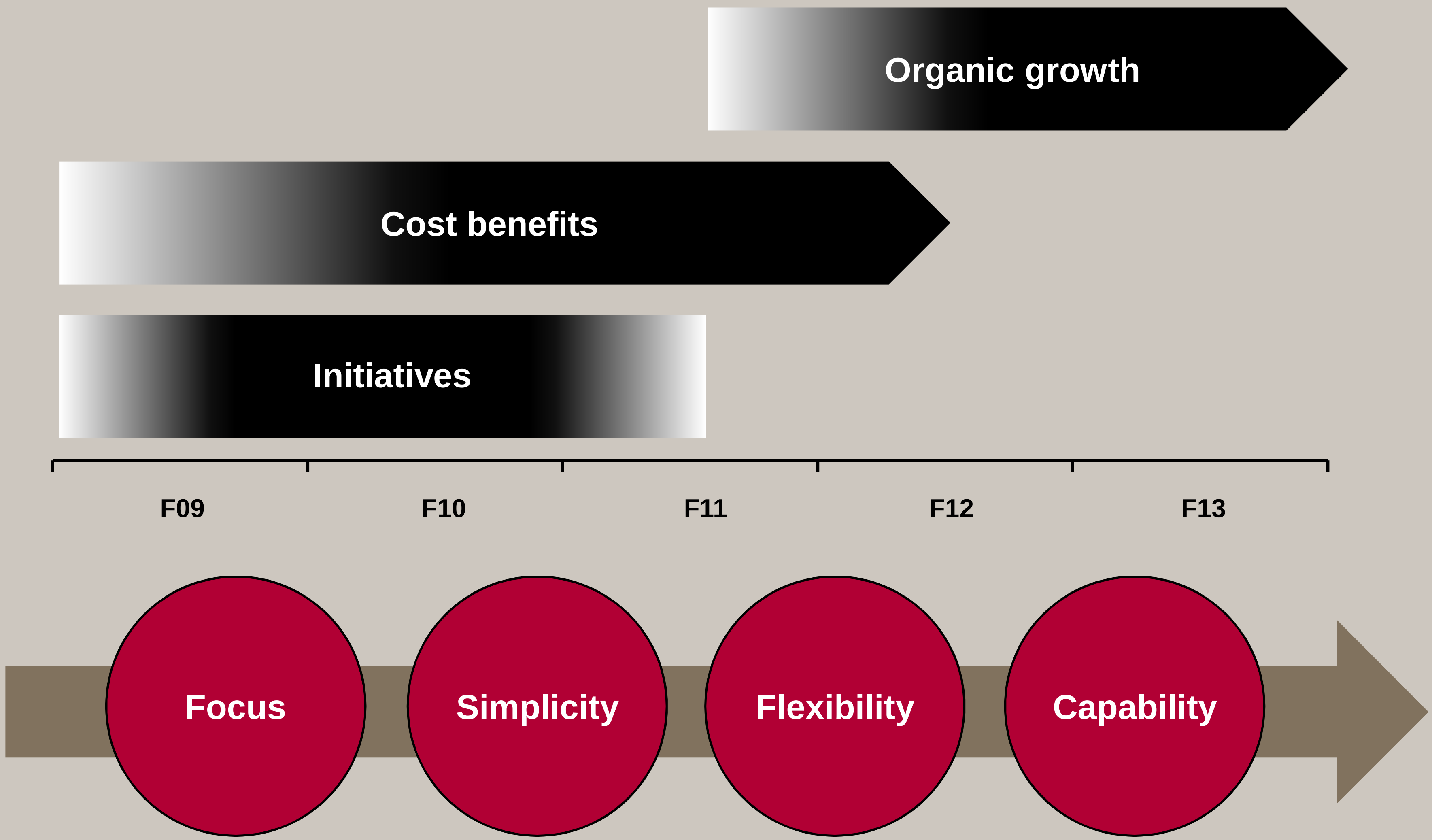
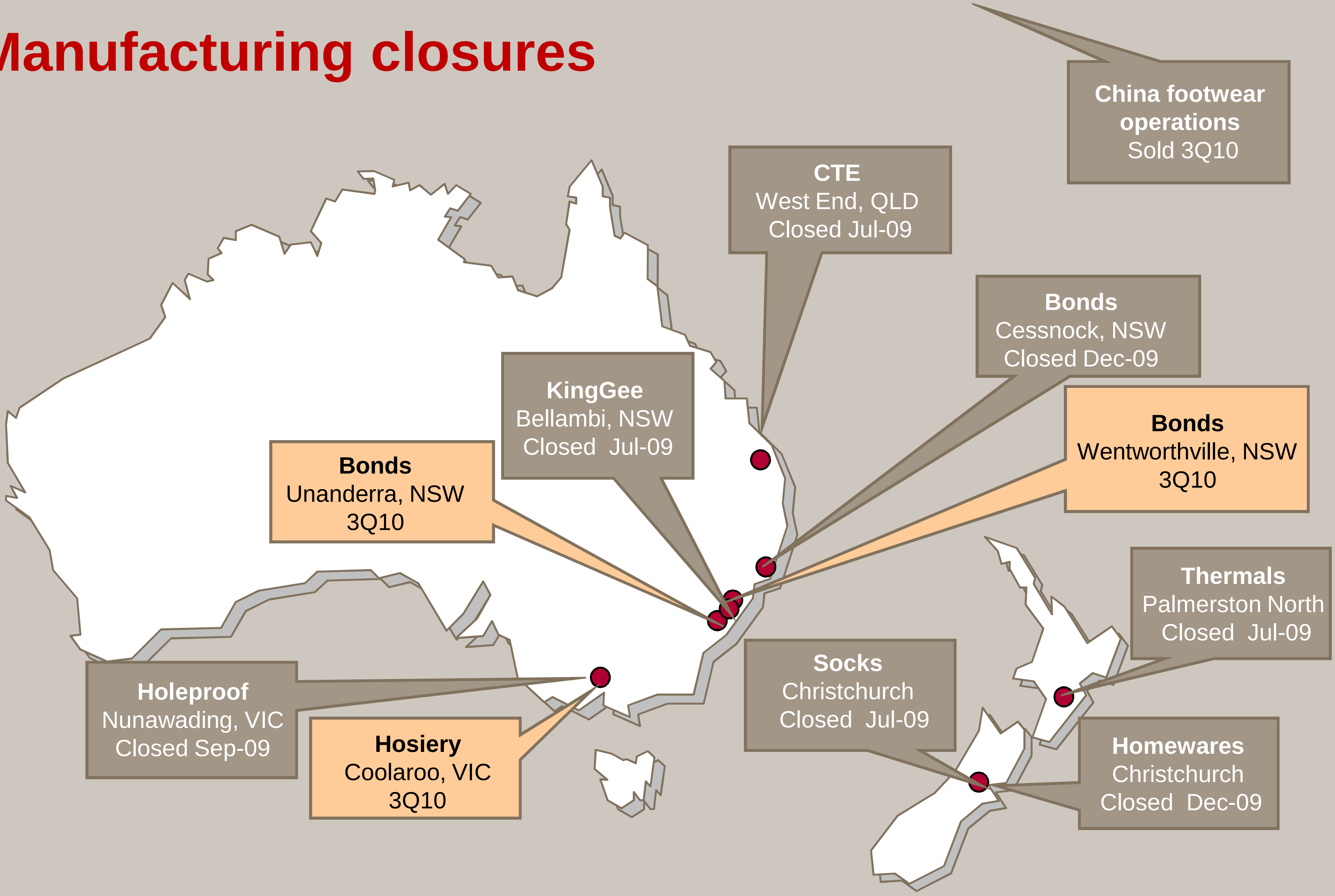
Transformation roadmap



Implementation progress by workstream

Workstream	Achieved	In progress
Rationalise and focus portfolio	☑ Rationalised tail brand portfolio ☑ Reduced stock keeping units	▪ Ongoing label and SKU reviews
Optimise revenue base	☑ Increased prices and improved mix ☑ Refocused advertising on key brands	▪ Improving customer investment ROI
Rebase overhead cost structure	☑ Reduced non-manufacturing roles by >650 ☑ Overachieved CODB targets	▪ Reducing CODB base further ▪ Reviewing indirect sourcing
Transform supply chain	☑ Closed 7 manufacturing sites and sold another ☑ Reduced air freight usage	▪ Closing 3 factories in 3Q10 ▪ Reconfiguring remaining direct sourcing base ▪ Reviewing warehouse network
Reduce capital employed	☑ Reduced inventory holdings ☑ Sold 3 properties ☑ Executed several brand and business divestments	▪ Reducing working capital further through portfolio rationalisation, inventory management and other supply chain initiatives ▪ Selling remaining surplus properties
Build capability	☑ Injected new talent across the group ☑ Reviewed IT systems capability	▪ Building systems and capability across the group ▪ Embedding a performance culture

Manufacturing closures



Closed / Sold

To be closed

Sheridan capability improvement example

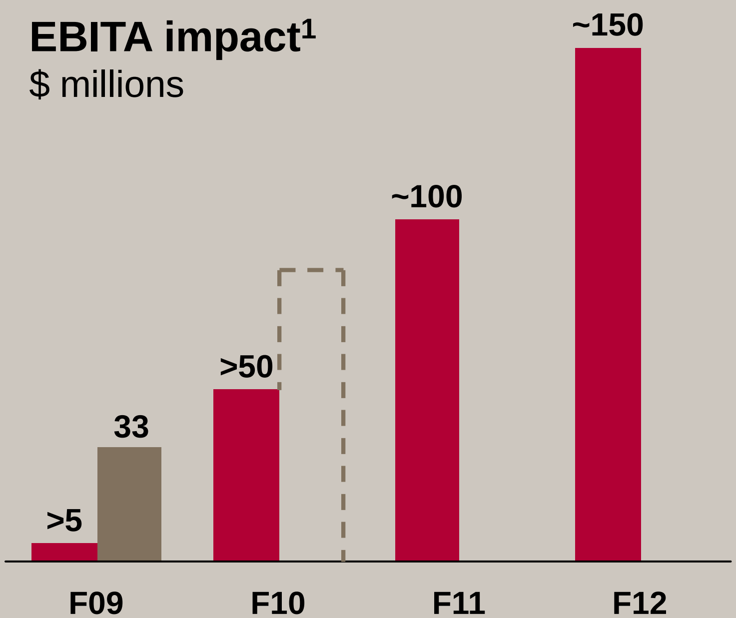
- Through the Pacific Brands' Brand Excellence program Sheridan has completed the largest research project in the businesses' 40 year history
- The rich consumer and market insights from this study were used as the basis to transform the business
- Sheridan branded product is now the only strategic focus of this business
  - Minor brands and labels have been discontinued
- Tighter range control has directly contributed to a significant decrease in inventory, stock turns improving 42%, working capital reduction of 26% and SKU reduction of 18%
- New product development process is having an impact this Winter season, initial reads on sell-through are very good and a strong second half is expected



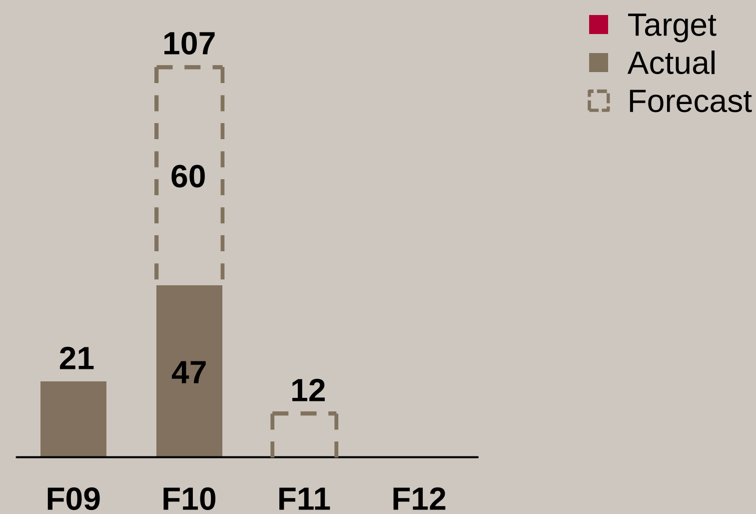

Transformation cost savings & one-off costs

- Cost savings on track
  - On track to achieve over $50m in F10 and $100m in F11, and tracking towards an annualised $150m by the end of F11 with full impact in F12[1]
- No change to one-off costs
  - $47m paid in 1H10 with a further $60m expected to be paid in 2H10

EBITA impact[1]
$ millions



One-off cash costs (pre-tax)
$ millions



Post tax ($m)	**15**	**77**	**8**	

1. Based on current market conditions and currency rates, and before any reinvestment

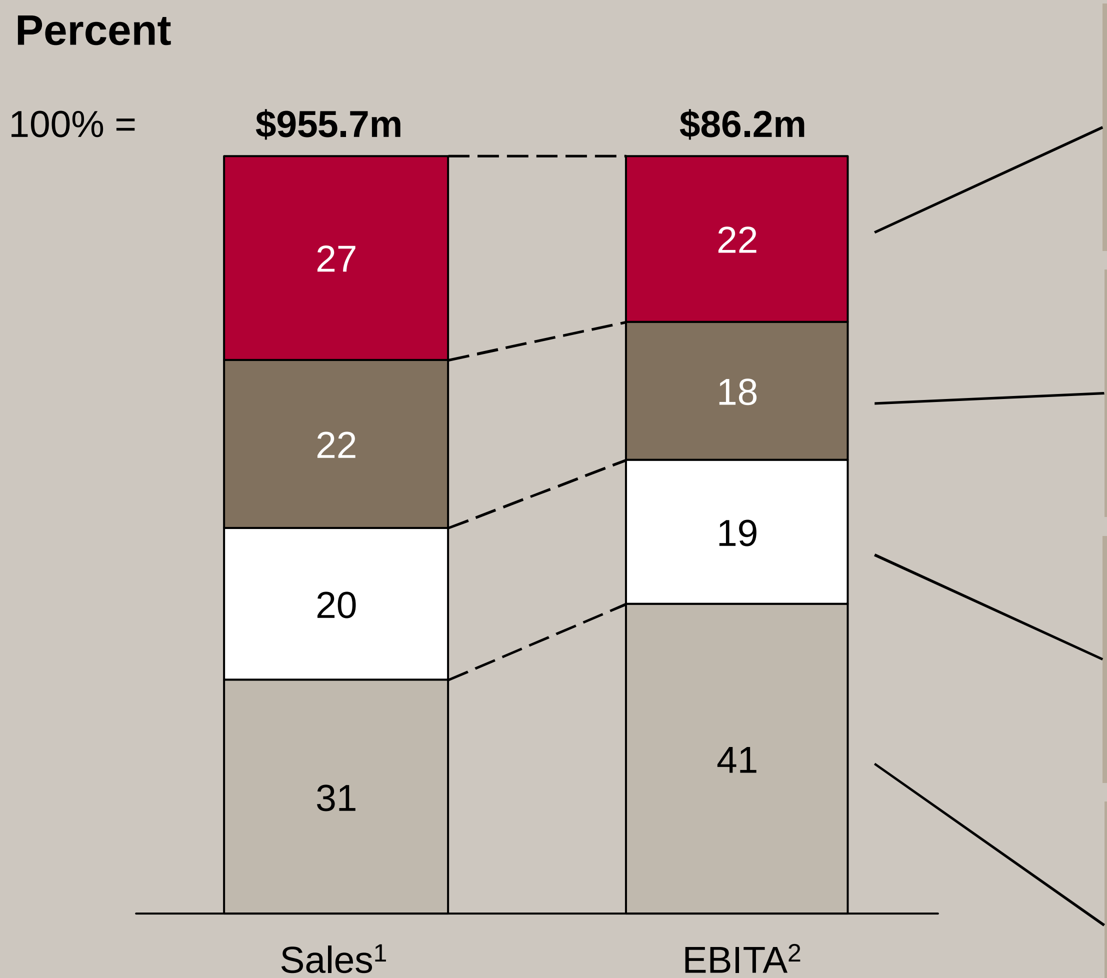
Operating Performance

Sue Morphet
Chief Executive Officer

Group sales result

- Reported sales down 7.8% with underlying sales down 3.2%
- Group sales decline of $81m impacted by:
  - Aggressive portfolio rationalisation of brands subject to discontinuation (~$43m of decline)
  - Poor underlying international sales mainly in NZ and USA (~$14m of decline)
- Australian underlying sales impacted by various factors (~$24m of decline):
  - Price increases to mitigate gross margin declines driven by low FX
  - Softness in DDS channel and depressed Independents channel mainly due to market conditions, including adverse mix as consumers traded down
  - Decline in B2B channel (contract industrial and corporate imagewear) as corporate activity lagged consumer downturn
  - Beds, Bikes and Industrial categories down
- Strong growth momentum in many priority brands including Bonds group up 4%, Volley up 6%, Clarks up 12% and Mossimo up 22%
- Good growth in DS and Supermarket channels with own branded retail flat

Results by segment



Footwear, Outerwear & Sport
Footwear, casualwear, streetwear and sports clothing & equipment. Key brands include Clarks, Hush Puppies, Volley, Mossimo, Everlast and Slazenger

Homewares
Beds, pillows, quilts, bed linen, towels, carpet underlay and foam. Key brands include Sheridan, Tontine, Sleepmaker and Dunlop

Workwear
Industrial workwear, corporate imagewear and protective clothing. Key brands include Hard Yakka, KingGee, NNT and Dowd

Underwear & Hosiery
Underwear, hosiery, intimates and socks. Key brands include Bonds, Berlei, Holeproof, Jockey, Razzamataz, Rio and Voodoo

1. Excluding Other segment revenue
2. Excluding Other segment and before significant items

Underwear & Hosiery

$ millions	1H10	1H09	Change
Sales	297.1	311.5	(4.6)%
EBITA[1]	34.9	45.3	(23.0)%
EBITA margin[1]	11.7%	14.5%	(2.8)%

- Bonds sales continuing to grow strongly
- 4 factories closed in Australia and New Zealand
- Discontinued minor brands and labels
- New Zealand underwear and hosiery well down in the half, and Holeproof down significantly
- Margins down due to currency partially mitigated by price increase and CODB reduction

Bonds
Original Hipsters

Berlei
Electrify Sports Bra

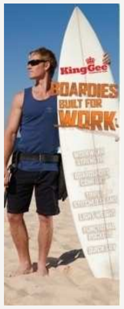
1. Before significant items

Workwear

$ millions	1H10	1H09	Change
Sales	186.5	201.9	(7.6)%
EBITA[1]	16.6	22.1	(24.9)%
EBITA margin[1]	8.9%	10.9%	(2.0)%

- Sales down due to the slowdown in construction and mining industries, reduced corporate spending and higher unemployment
- Uniform spending decline lagged consumer downturn – pipeline now refilling
- Strategic supplier of the year to Compass Group, UK & Ireland
- Margin down with currency - partial protection in some B2B contracts

Hard Yakka
New Vintage



KingGee
Workboardie

1. Before significant items

Homewares

$ millions	1H10	1H09	Change
Sales	209.7	233.0	(10.0)%
EBITA[1]	15.6	21.4	(27.1)%
EBITA margin[1]	7.4%	9.2%	(1.8)%

- Sales down as discretionary items continue to be affected
  - Middle market beds at Sleepmaker
  - Bed-linen
- Discontinued minor ranges at Sheridan
- Tontine down due to ranging issues
- Industrial businesses resilient and margins not affected by currency

Tontine
Summer Cool Quilts

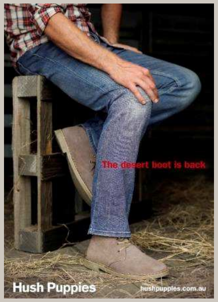
Sleepmaker
Gelite

1. Before significant items

Footwear, Outerwear & Sport

$ millions	1H10	1H09	Change
Sales	262.4	282.1	(7.0)%
EBITA[1]	19.1	34.8	(45.1)%
EBITA margin[1]	7.3%	12.3%	(5.0)%

- Volley, Mossimo, Grosby, Hush Puppies and Clarks sales up
- Sale of footwear operations in UK and China
- Significant restructure
  - Exited Merrell, and divested Icon Clothing
- Discontinued housebrand, minor brands and labels
- Margins especially impacted by currency with 100% of product imported



Hush Puppies
Desert Boot

Superdry
Chadstone Store

1. Before significant items

Group Financial Results

David Bortolussi

Chief Financial & Operating Officer

Income statement

Group results before significant items

$ millions	1H10	1H09	Change $m	Change %
Sales	**960.8**	**1,041.6**	**(80.8)**	**(7.8)**
Gross margin	395.2	467.1	(71.9)	(15.4)
CODB	**(316.1)**	**(352.2)**	**(36.1)**	**(10.2)**
EBITDA	91.0	128.9	(37.9)	(29.4)
Depreciation	(10.7)	(12.5)	(1.8)	(14.4)
EBITA	**80.3**	**116.4**	**(36.1)**	**(31.0)**
EBIT	79.1	114.9	(35.8)	(31.2)
Net interest	(26.4)	(32.9)	(6.5)	(19.8)
NPAT	**35.5**	**58.9**	**(23.4)**	**(39.7)**
EPS[1]	3.8 cps	10.5 cps	(6.7)cps	(63.8)
Significant items after tax	(13.3)	(208.9)	n.m.	n.m.
Reported NPAT[2]	22.2	(150.0)	172.2	n.m.
Gross margin	**41.1%**	**44.8%**	**(3.7)pts**	**n.m.**
EBITDA margin	9.5%	12.4%	(2.9) pts	n.m.
EBITA margin	8.4%	11.2%	(2.8) pts	n.m.

1. EPS re-stated to reflect discount on rights issue
2. After significant items

Cost of doing business (CODB)

$ millions	1H10	1H09	Change $m	Change %
Sales	960.8	1,041.6	(80.8)	(7.8)
Freight & distribution	67.0	72.9	(5.9)	(8.1)
Sales & marketing	168.8	194.5	(25.7)	(13.2)
Administration	80.3	84.8	(4.5)	(5.3)
CODB	**316.1**	**352.2**	**(36.1)**	**(10.2)**
CODB / Sales	32.9%	33.8%	n.m.	(0.9)pts

- Cost-out element of transformation program continuing to have expected impact
- Reported CODB reduced by $36m or over 10% in the half
- Further reductions expected in 2H10

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Financial position

$ millions	1H10	2H09	1H09	1H10 change vs 2H09	1H10 change vs 1H09
Working capital	387.9	425.5	527.4	(37.6)	(139.5)
PP&E	130.4	144.4	198.1	(14.0)	(67.7)
Intangibles	1,318.5	1,321.3	1,324.3	(2.8)	(5.8)
Other	(103.0)	(171.7)	(91.0)	(68.7)	12.0
Total capital employed	1,733.8	1,719.5	1,958.8	14.3	(225.0)
Net debt	**(419.1)**	**(452.8)**	**(810.8)**	**(33.6)**	**(391.6)**
Equity[1]	1,314.7	1,266.7	1,148.0	48.0	166.7
Net debt / equity (%)	31.9	35.7	70.6	(3.8)pts	(38.7)pts
Gearing (x)	**2.2**	**2.0**	**3.2**	**0.2**	**(1.0)**
Interest cover (x)	3.6	3.2	3.6	0.4	-
ROCE[2] (%)	9.8	11.9	11.8	(2.1)pts	(2.0)pts
Tangible ROCE%[3]	40.7	51.6	36.5	(10.8)pts	4.2 pts

- Net debt reduced substantially – conservative gearing of 2.2 times
- Continued focus on improving returns going forward

1. Includes minority interest
2. Last 12 months return on total tangible and intangible capital employed
3. Last 12 months return on total tangible capital employed

Working capital management

				1H10 change vs	
$ millions	**1H10**	**2H09**	**1H09**	**2H09**	**1H09**
Trade debtors	246.0	231.5	283.8	14.5	(37.8)
Inventories	**296.9**	**311.4**	**390.1**	**(14.5)**	**(93.2)**
Trade creditors	(155.0)	(117.4)	(146.5)	37.6	8.5
Working capital	**387.9**	**425.5**	**527.4**	**(37.6)**	**(139.5)**
Debtors days (days)	48.3	46.1	49.0	2.2	(0.7)
Inventory turn (x)	**3.4**	**3.3**	**3.1**	**0.1**	**0.3**
Creditor days (days)	45.2	43.2	47.7	2.0	(2.5)

- Debtors improvement broadly in line with reduction in sales
- Significant reduction in inventory levels due to improved inventory management, more than offsetting lower FX impacts
- Creditor days marginally impacted by payment timing differences

Cash conversion

$ millions	1H10	1H09
EBITA (pre significant items)	**80.3**	**116.4**
Depreciation	10.7	12.5
Equity compensation reserve	0.2	1.2
Change in working capital	24.9	(81.3)
Capex	(4.3)	(14.2)
Other	(4.1)	(7.0)
OCFPIT	**107.7**	**27.6**
Net interest paid	(24.3)	(35.8)
Tax paid	(9.7)	(22.0)
Restructuring payments	(46.8)	(3.4)
Net operating cash flow	**26.9**	**(33.6)**
Net proceeds of borrowings	0.5	58.8
Dividends paid	0.0	(42.7)
Other	8.9	8.6
Net cash flow	**36.3**	**(8.9)**
Cash on hand	**162.8**	**95.9**
Cash conversion*	**118%**	**21%**

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

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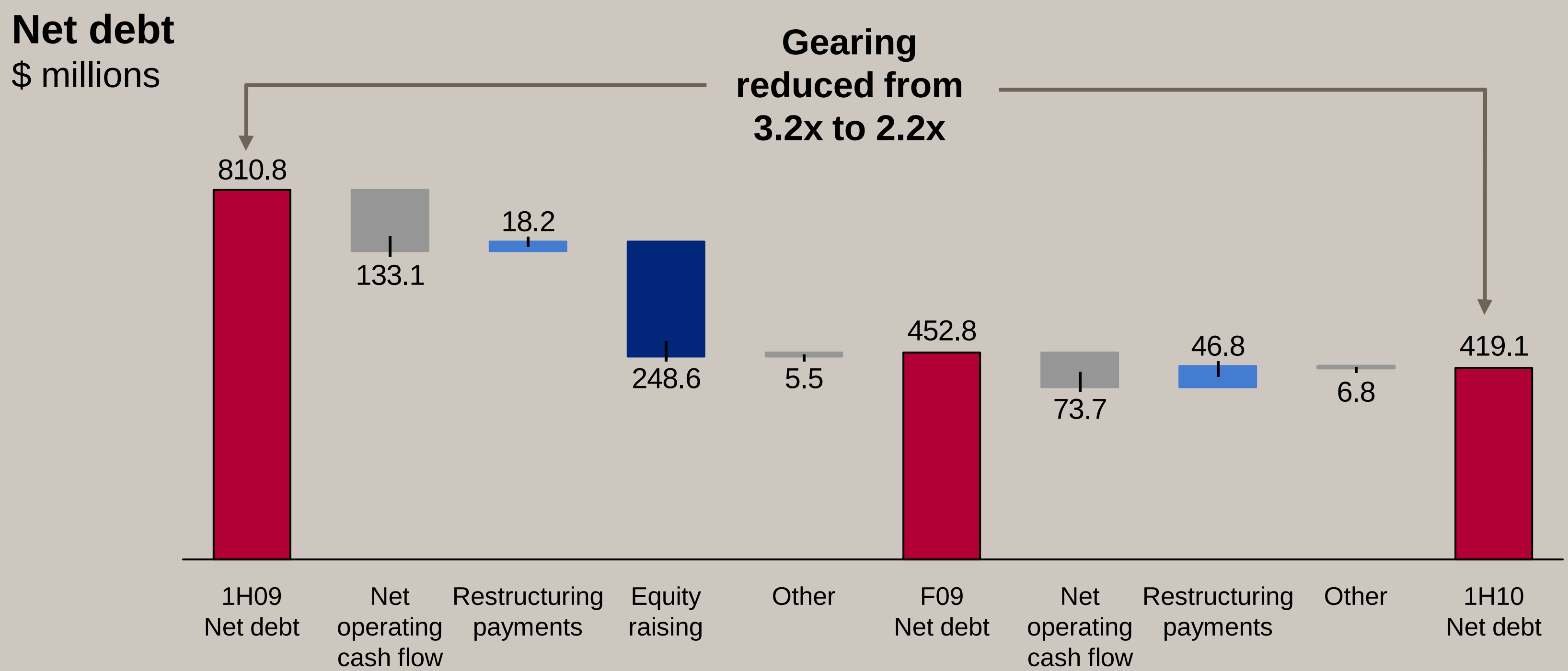
Net debt repayment



Debt profile $ millions	Maturity date	Current facility	Drawn at 31-Dec-09
Tranche 2	28-Mar-12	$330.0	162.5
Tranche 3	28-Mar-12	$246.0	246.0
Securitisation	15-Mar-11	$250.0	175.0
Total facility		**$830.0**	**583.5**
Cash and other			(162.8)
Net debt			**419.1**

Dividend and outlook

Sue Morphet
Chief Executive Officer

Dividend

- The Board has decided to preserve the Company’s capital and no interim dividend will be declared or paid this year
- The Board will make a decision in respect of future dividends after assessing the Company’s operating performance at each half and outlook at that time

Outlook

- Although the currently inconsistent trading environment, the cycling through of stimulus packages, and uncertain market conditions make it difficult to predict performance, Pacific Brands is confident that 2H10 EBITA before significant items will be up on the previous corresponding period. This will be primarily due to the realisation of transformation cost savings
- Based on current market conditions and currency rates, earnings momentum is expected to continue into F11 with the benefit of manufacturing closures and other transformation cost savings flowing through
- As previously stated, consistent with the strategy to rationalise and focus the portfolio, reported sales revenue is expected to reduce further over the course of the transformation period

Conclusion

- Implementation of Pacific Brands 2010 transformation is tracking well and the benefits are flowing through
- 1H10 earnings were down in line with expectation due to currency impact and difficult market conditions
- Sales were down more than expected due to portfolio rationalisation, challenging domestic market conditions and poor international sales
- Balance sheet and cash flow are strong
- Pacific Brands is building a stronger business to realise its earnings potential and drive top-line growth in the future

Questions

Appendix – Definitions

- CODB – operating expenses (freight & distribution, sales & marketing and administration) below gross margin
- EBITA – earnings before interest, tax, amortisation of acquired intangibles and significant items
- Gearing – Net debt / LTM EBITDA (annualised for acquisitions) and before adjusted significant items
- Gross Margin – gross profit plus other income
- Interest cover ratio – (LTM EBITDA before adjusted significant items - Capex) / Net interest
- Inventory, Debtors and Creditors turns / days – calculated on a 3 point average
- LTM – Last Twelve Months
- Operating Cash flow (OCFPIT) – cash flow from operations before interest and tax and significant items
- ROCE – Return on Capital Employed (EBITA / CE) before significant items
- Underlying sales – sales of continuing businesses and brands (ie excludes sales from divested businesses and brands subject to discontinuation)