PACIFIC BRANDS

23 February 2005

Pacific Brands 2005 Half Year Results

Strong profit growth and margin expansion in subdued retail environment

GROUP HIGHLIGHTS

- Group EBITA at $90.6m up 10.8% on prior half year
- Profit after tax (pre goodwill amortisation) up 35.6%
- Earnings per share (pre goodwill amortisation) up 36.7% to 10.8 cents
- Footwear sales growth up 5.6% and Home Comfort up 4.1%
- Growth in core brands of 3.5% – double-digit growth for Bonds, Grosby, Tontine and Hush Puppies
- Continued focus on brand building and operational efficiencies strengthened EBITA margin to 11.3%
- Ongoing investment in advertising and brand development
- Focus on China sourcing and logistics
- Strong interim dividend of 7.5 cents
- On track to achieve EBITA forecasts for the full year – reconfirm previous profit guidance

Half Year ended 31 December (A$ million)	HY05	HY04	% Change
Sales revenue	798.4	811.2[1]	(1.6)
EBITDA	98.2	90.1[1]	9.0
EBITA	90.6	81.8[1]	10.8
EBITA margin	11.3%	10.1%[1]	
NPAT (pre goodwill amortisation)	54.1	39.9[1]	35.6
NPAT (post goodwill amortisation)	33.4		
EPS (pre goodwill amortisation) (cents)	10.8	7.9[2]	36.7
EPS (post goodwill amortisation) (cents)	6.6		
DPS (cents)[3]	7.5	N/A	N/A

[1] Comparatives from Pacific Brands prospectus dated 1 March 2004.

[2] This has been calculated from an issued capital base of 503,000,003 ordinary shares.

[3] Represents interim dividend announced for the half year – franked to 100% for Australian residents on tax paid at 30%

Earnings Growth

The Group today announced a net profit after tax (pre goodwill amortisation) of $54.1 million for the half year ended 31 December 2004, which exceeded the net profit for the same period last year by 35.6%. This has resulted in earnings per share (pre goodwill amortisation) of 10.8 cents and 6.6 cents post goodwill amortisation.

Commenting on the result, Chief Executive, Mr Paul Moore said “the Group’s achievement of its profit target was the result of a business focus on margin improvement and profitable, branded sales growth. Even though sales were 1.6% lower than the previous half year, the Group posted a strong profit result. The business commitment has been, and will continue to be, on profit and margins, which has contributed greatly to our solid result in a volatile, price sensitive market – one in which the business chose not to fully participate.”

“At the time of floating, we promised safety and yield. In a market of heavy discounting, we have delivered on both, with an increase in margin and dividend.”

“Despite the patchiness in the retail sector over the past six months, the structure of the portfolio across varying broad retail sectors has enabled the Group, to achieve its profit forecasts. Pacific Brands represents a stable of everyday products and purchases that form ‘part of everyday consumer life’. Overall, we are pleased with the Group’s financial performance and remain confident that we will hit our forecast profit targets.”

“The combined sales growth of the major brands was 3.5%, a solid growth profile in our core segments. Growth in the non Sporting Goods brands was above 5.1%.”

“Part of the strategy has been on continuing to re-balance the business between branded and unbranded sales. As a result, the business has seen a further reduction in unbranded sales, including some of our international sales. There is a balance between volume and margin – the achievement of the right balance between the two areas will ultimately lead to higher long term profits.”

“We are disappointed in the performance of the Outerwear and Sport Group but recognise that the results will not fully turn around this year. Although profitable, this operating group is capable of much more.”

Mr Moore said that “ it has been a positive outcome for Pacific Brands in a subdued retail market where December sales finished below expectations. In addition, the Group experienced a myriad of changing market conditions, fluctuations in the Australian dollar and higher input costs from cotton, oil, freight and distribution. The potential benefits from duty and tariff reductions implemented on 1 January 2005, have been affected by the introduction of the Chinese export tax on certain garments.”

“The strengthening Australian dollar has enabled the business to realise some benefit from an improving exchange rate. This has enabled the company to absorb some of the cost increases and hold prices steady or slightly below last year. But the dollar impact swings both ways, our revenue growth has been impacted by deflation in several of our categories.”

“During the first half, the Brave New Way programme concentrated on complexity reduction through range and product management. The key focus has been on clothing in New Zealand, branded footwear and bikes. The continued establishment of product introduction hurdles and procedures have further contributed to the discipline of margin management. Another initiative, to improve speed to market, has involved removing process complexity out of the business. This workstream was initiated at Bonds and is being used as a template across the business.”

“Another focus area has been on the generation of improvements in the supply chain, in particular strategic sourcing and efficiency gains. Pacific Brands continues to rationalise supplier numbers to leverage scale and reduce complexity. During the half, Pacific Brands undertook its largest direct shipment of product from China to retailers in Australia. This first in retail history has proven to be successful. Further direct shipments have been planned for the second half.”

Inventory levels at the half were expected to be at a higher level than the same time last year, to meet the changing ordering patterns by retailers, the earlier timing of Chinese New Year and to reduce any potential stock shortages from China entering the World Trade Organisation (WTO).

Dividends

Strong profit has enabled the company to declare an interim dividend of 7.5 cents. This is at the higher end of the forecast pay-out ratio of between 60% and 70% of profit before goodwill amortisation.

REVIEW OF OPERATIONS

Each of the four major operating groups have contributed to the Group's results.

Underwear and Hosiery

	HY05	HY04	Change %
Sales ($m)	$333.6	$341.8	(2.4)
EBITA ($m)	$46.6	$41.8	11.5

The largest operating group within Pacific Brands strengthened its EBITA in the period, up 11.5% on the previous corresponding period. The focus on improved cost management, brand development and advertising has driven the improvement. Some of the sales decrease can be attributed to a slowing in indent orders and the effect of deflation due to a softer retail environment in the lead up to Christmas.

Bonds continued to enjoy strong growth, up 10.9% for the half over the corresponding half. The 'Mix & Mash' and 'Very Comfy Undies' television campaigns assisted the increase in sales over the previous period. The brand continues to have strong consumer awareness aided by the continued use of brand ambassadors Sarah O'Hare and Pat Rafter. The unaided consumer awareness level for Bonds underwear has reached 78%.

The launch of the 'Barely There' range by Berlei was a key highlight in the period. This range was brought to market in half the usual time it takes to launch a range. There will be a continued focus on portfolio management and brand development in the second half, particularly in the Playtex and Formfit ranges.

Kolotex and Kayser achieved volume growth on the back of sales mix variations, led particularly by the below the knee sector. The business integration is continuing to drive higher than expected benefits.

Outerwear and Sport

	HY05	HY04	Change %
Sales ($m)	$147.1	$167.0	(11.9)
EBITA ($m)	$13.2	$18.7	(29.4)

As stated at the annual general meeting, this operating group has experienced some challenges and will use the 2005 financial year to reposition and turn around the business. The new Group General Manager commenced in October 2004 and is concentrating on refocusing the branded offering of the business. We are confident of an improving result for this business.

The sporting goods hardware market was flat and bike sales were impacted by a poor delivery performance and a bike recall.

Despite these challenges, there was growth in the key brands of Everlast, retail sales of KingGee and Stubbies.

Home Comfort

	HY05	HY04	Change %
Sales ($m)	$155.8	$149.6	4.1
EBITA ($m)	$17.5	$13.6	28.7

The Home Comfort Group achieved a solid performance with an improvement in EBITA by 28.7%.

Despite a softening in the housing market, strong performances were recorded in the Foams and Flooring businesses with the introduction of new and innovative products such as Viscoelastic and Dualtac. Bedding sales growth was positive across all three brands - Simmons, Serta (at the premium end) and Sleepmaker - due to additional marketing commitments.

Tontine has performed exceptionally well – with a 13.8% increase over the previous half year period driven by a focus on increasing our share in quilts and new products in pillows.

Footwear

	HY05	HY04	Change %
Sales ($m)	$142.3	$134.7	5.6
EBITA ($m)	$17.9	$13.2	35.6

The strategy of changing the mix from unbranded to branded product continues to be successful and led to a very positive result in the Footwear Group.

Branded footwear ranges, in particular Hush Puppies, Grosby, Julius Marlow, Naturaliser and Sachi have all enjoyed strong sales growth. The core brands are being supported by advertising campaigns such as the Grosby 'Spider' television advertisement and Hush Puppy marketing campaigns which featured prominently during the half year and excellent product development to broaden the product offerings.

Sporting footwear under the Dunlop brand, which includes Dunlop Volley and KT26, are now managed by this operating group to capitalise on back end synergies. Dunlop Footwear was previously reported in the Outerwear and Sport Group.

The Footwear Group continues to be strengthened by the acquisition of licensed brands such as Esprit footwear and Merrell outdoor footwear.

Outlook

The Group has seen a return to growth in the first few trading weeks of the second half. Sales for January 2005 are ahead of the sales for the previous corresponding period.

The continued focus will be on the maintenance of margins and achievement of profit and earnings forecasts, primarily on cost reduction and operating efficiencies.

Strategic bolt-on acquisitions such as the recently announced acquisition of TMI Australasia and licences such as Merrell Outdoor Footwear will continue to assist sales growth and profitability.

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Pacific Brands listed on the Australian and New Zealand Stock Exchanges on April 2 2004, with a market capitalisation of approximately $1.25 billion, in an initial public offering to retail and institutional investors.

Pacific Brands is a leading manager of consumer brands in Australia and New Zealand, marketing some of the most recognised brands including Berlei, Bonds, Clarks (childrens), Dunlop, Everlast, Grosby, Holeproof, Hush Puppies, KingGee, Slazenger, Sleepmaker and Tontine. Pacific Brands' commitment to market leadership has provided it with number one or two positions across its major product categories in Australia and New Zealand which include underwear, socks, intimate apparel, hosiery and footwear.

These category leading positions have been achieved through a focus on being at the forefront of brand development, product innovation, marketing and an efficient and effective supply and distribution network. Pacific Brands believes that it is one of Australia and New Zealand's most informed companies on the "what, where, when and why" of a consumer's branded everyday essentials.

Pacific Brands employs around 7,000 people and is listed on the Australian and New Zealand Stock Exchanges (ASX/NZX:PBG).