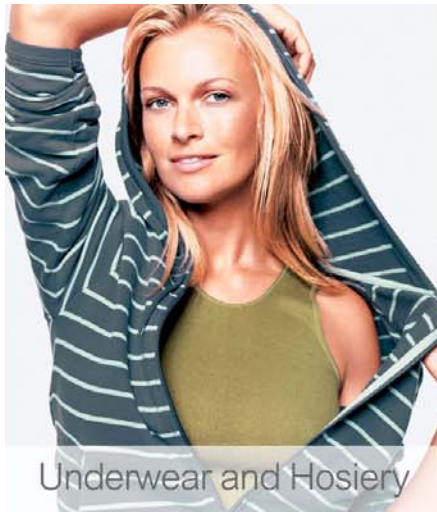


# PACIFIC B **R** BRANDS

## Half Year Results Presentation

for the half year ended 31 December 2005



Underwear and Hosiery



Outerwear and Sport



Home Comfort



Footwear

**Paul Moore, Chief Executive Officer**

**Stephen Audsley, Chief Financial Officer**

**22 February 2006**

# Agenda

---

1. HY2006 performance summary
2. The strength of Pacific Brands
3. Performance by operating group
4. HY 2006 financials
5. FY 2006 outlook

# HY2006 performance summary

**Paul Moore, Chief Executive Officer**

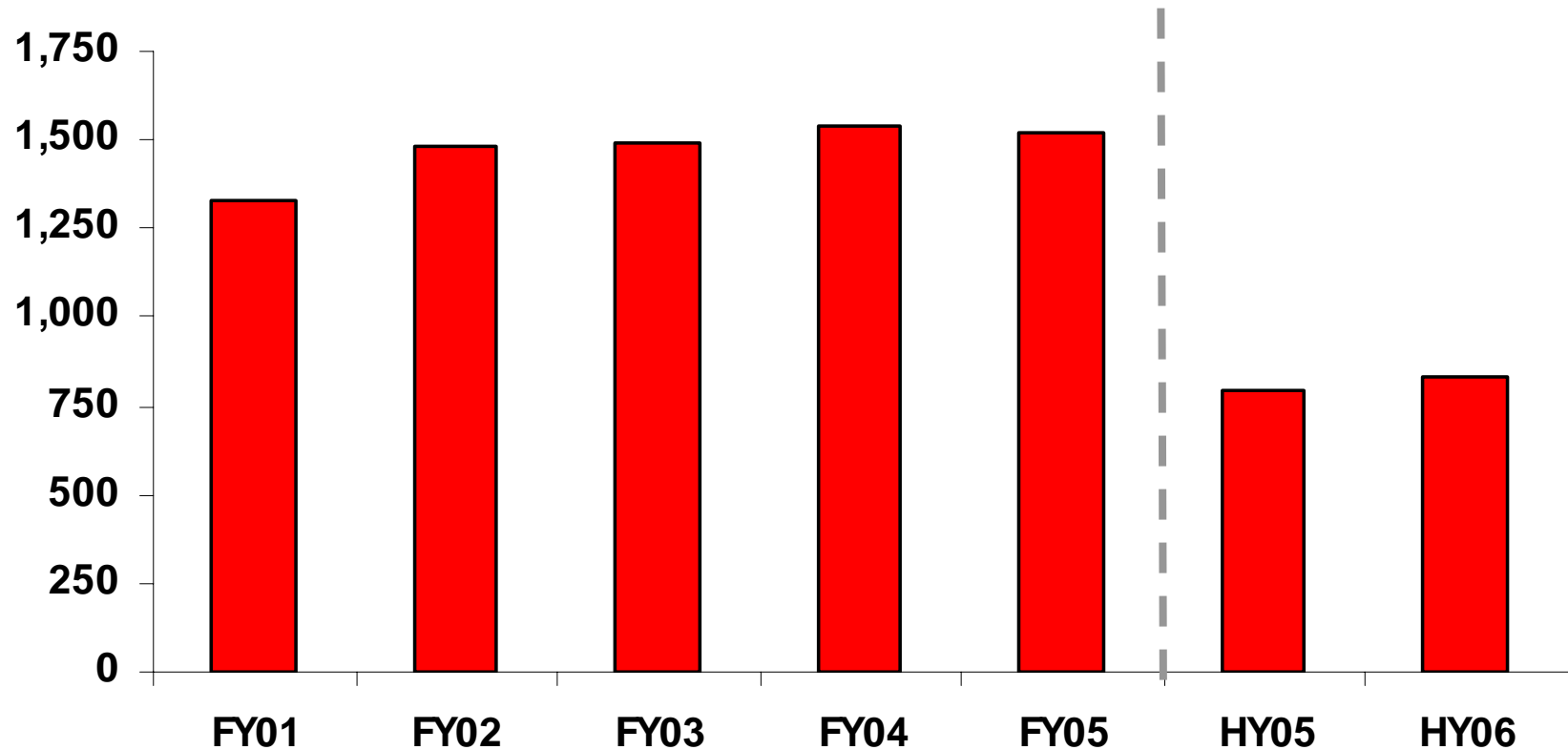
---

# HY2006 performance

- Acquisition strategy delivers sales growth
  - \$772.1m in branded net sales, 7.0% growth on pcp
  - \$834.3m total net sales, up 4.5%
- EBITDA of \$97.5m - same as pcp
- \$88.1m in EBITA, 2.0% lower on record first half last year
- \$50.7m in NPAT, 4.8% lower than pcp
- EPS of 10.1 cents
- Strong net operating cash flow, up \$50.5m on pcp
- 7.5 cps interim dividend declared
- Strong Footwear result
- Continued turnaround in Outerwear & Sport

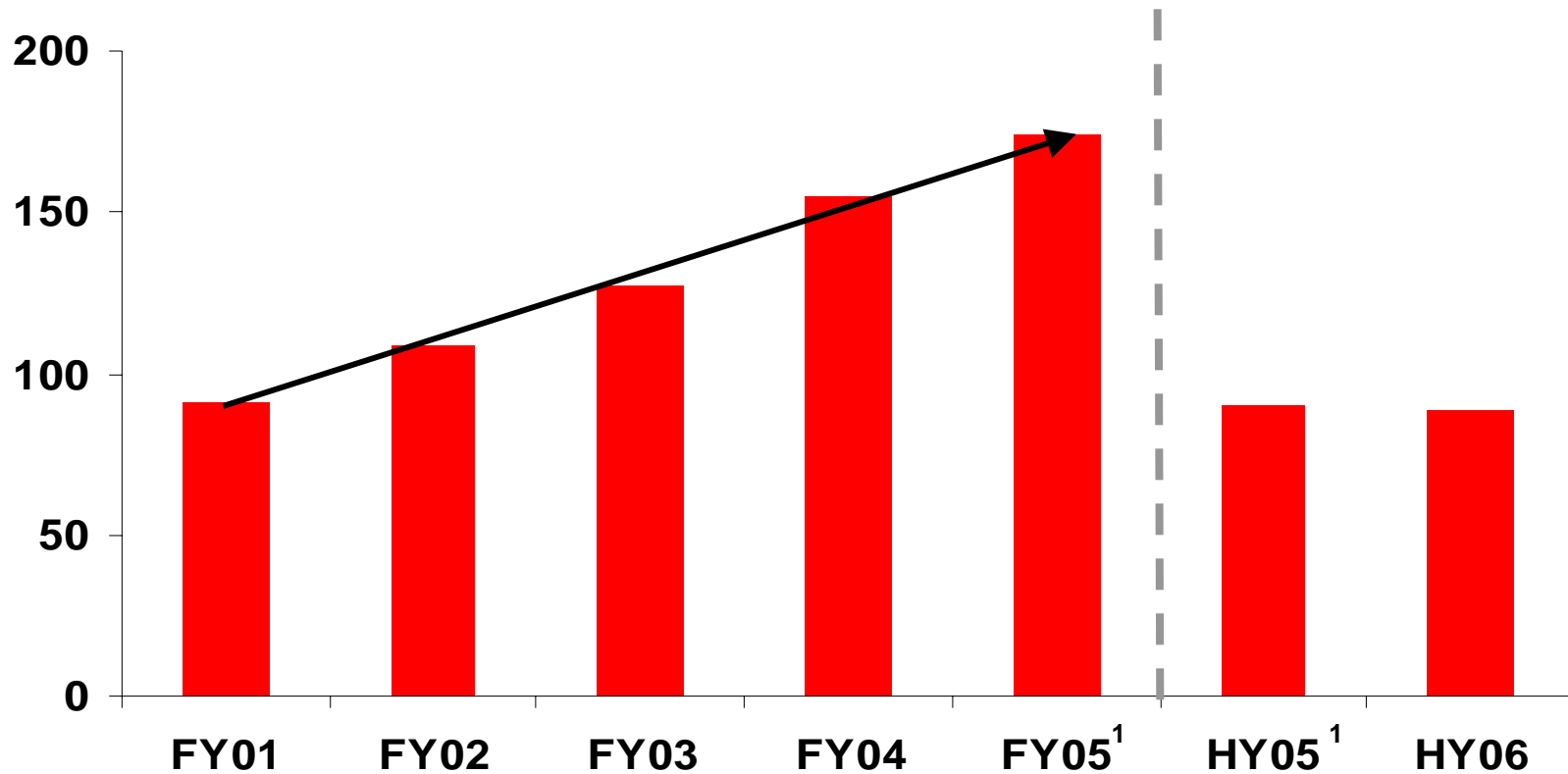
# Group sales

Group Net Sales (\$ million)



# Consistent earnings growth

Group EBITA (\$ million)



1. Restated to reflect AIFRS changes

# Our retail and consumer environment

- Generally difficult first quarter at retail
- Australian retail market impacted by several one off factors:
  - wavering consumer confidence
  - rising oil prices
  - high levels of discounting
  - oversupply in the women's underwear category
  - greater replenishment ordering
  - significant price deflation (around 2%)
  - emergence of the value driven consumer
- Sales improvement in November and December
- Positive momentum continuing

**Everyday Essential Brands are our strength**

## The strength of Pacific Brands -

- Everyday essential brands
  - Innovative product development
  - Talented and creative people
-

# Our strategy

- Build brand equity
  - Category management to leverage strong brand positions
- Drive operational efficiency
  - Leverage our scale across:
    - Categories
    - Sourcing
    - Logistics
    - Technology
  - Maintain flexibility
- Acquisition growth
  - Targeted acquisitions

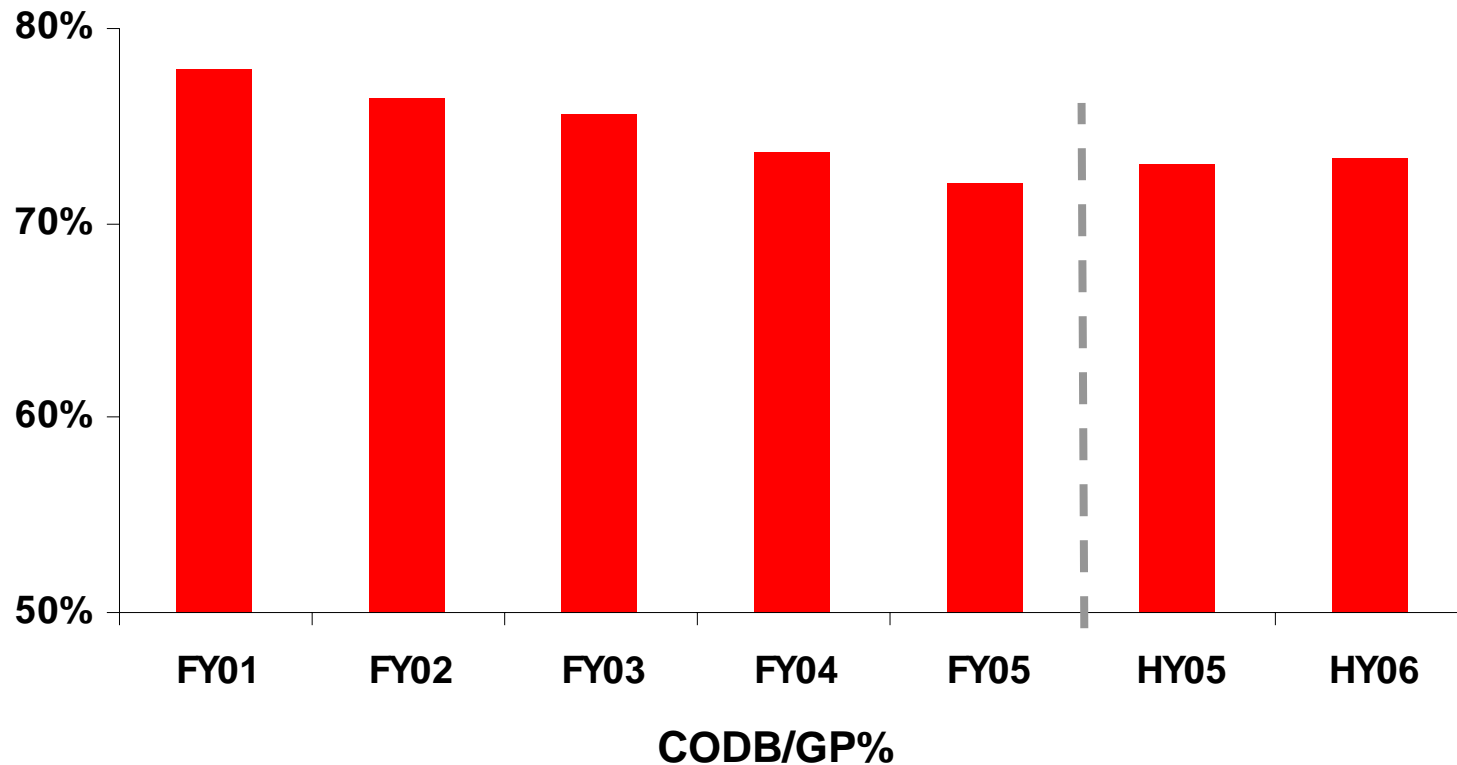
**Business fundamentals are strong**

# Sheridan

- Acquired 26th September 2005
- High consumer brand awareness - #1 in premium bed linen
- Additional upside in earnings identified since acquisition
  - Some earnings benefit to be seen in last quarter FY06
  - Further sales and EBITA upside in FY07 and FY08
- Integration proceeding to plan
- Brand to be re-launched in FY07
- Strategic alliance developed with Li & Fung Limited

**The total bedroom concept**

# Expenses to gross profit



**Costs contained in an environment of increased servicing requirements**

# Sourcing

- Leveraging our scale
- Reducing number of suppliers by 50%
- Opened a new sourcing hub in Southern China
- Employ 130 people across four main sourcing centres in Asia
- Increasing use of “pick and pack” at source
- Sourcing capabilities across ten countries
- Web based purchasing system

**Leveraging our scale**

# Logistics

- Working with our customers on collaborative forecasting programmes
- Bulking up
- Integrating Sheridan into PBG infrastructure
- Increased volumes of Footwear pick and pack
  - branded volume reaching 120,000 pairs a week
- On-going efficiencies from the Brave New Way Team
  - Continued focus on narrower ranges and SKU reduction
  - Rollout of Optimizer planning tool nearly complete
  - Inventory reduction a result of improved planning and forecasting (excluding acquisitions)

**Reduced handling**

# Key performance measures

<b>\$ million</b>	<b>HY2005<sup>1</sup></b>	<b>HY2006</b>	<b>% change</b>
Branded net sales	721.7	772.1	7.0
Total sales	798.4	834.3	4.5
Gross profit	332.5	342.5	3.0
CODB/GP (%)	73.0	74.3	
EBITA	89.9	88.1	(2.0)
EBITA margin (%)	11.3	10.6	
EPS (cents)	10.6	10.1	
Working capital/sales (%)	22.4	22.4	
Inventory	293.4	304.5 <sup>2</sup>	3.8
Inventory turnover (times)	3.3	3.4	
Net operating cashflow	(35.4)	15.1	

1. Restated for AIFRS

2. Includes inventory of acquisitions

# Performance by operating group

---

# Group sales

\$ million	HY2005	HY2006	% change
Branded sales			
Outerwear & Sport	132.7	132.2	(0.4)
Underwear & Hosiery	300.1	285.0	(5.0)
Home Comfort	148.1	201.7	36.2
Footwear	121.1	132.8	9.7
Other	19.7	20.4	3.6
Group branded sales	721.7	772.1	7.0
Domestic	694.5	741.6	6.8
International	27.2	30.5	12.1
Group branded sales	721.7	772.1	7.0
Unbranded	76.7	62.2	(18.9)
<b>Total Group sales</b>	<b>798.4</b>	<b>834.3</b>	<b>4.5</b>

**Branded sales remain the key focus**

# EBITA by operating group

\$ million	HY2005	HY2006	% change
<b>EBITA</b>			
Outerwear & Sport	12.9 <sup>1</sup>	14.6	13.2
Underwear & Hosiery	46.6	38.0	(18.5)
Home Comfort	17.5	18.1	3.4
Footwear	18.2 <sup>1</sup>	20.8	14.3
Unallocated overheads	(5.3)	(3.4)	(35.8)
<b>Total Group EBITA</b>	<b>89.9</b>	<b>88.1</b>	<b>(2.0)</b>

1. Slazenger Footwear business reallocated from Outerwear & Sport to Footwear from 1 July 2004.

# Outerwear & Sport

Year ended 31 December (A\$m)	HY2005	HY2006	% change
Branded Sales	132.7	132.3	(0.3)
Unbranded Sales	11.6	9.3	(19.8)
Total Sales <sup>1</sup>	144.3	141.6	(1.9)
EBITA	12.9	14.6	13.2
EBITA margin	8.9%	10.3%	

- Earnings turnaround continues
  - Second consecutive half of earnings growth
  - Positive margin improvement
- Growth in sales during second quarter
- Bikes bounce back
- Delivering positive improvements in KingGee
  - Strengthening positions in corporate contracts with Telstra and Hertz
- Everlast cementing strong niche in sporting apparel category

**Recovery continues**

1. Slazenger Footwear business reallocated from Outerwear and Sport to Footwear from 1 July 2004 sales = \$2.8m

# Underwear & Hosiery

Year ended 31 December (A\$m)	HY2005	HY2006	% change
Branded Sales	300.1	285.1	(5.0)
Unbranded Sales	33.5	25.2	(24.8)
Total Sales	333.6	310.3	(7.0)
EBITA	46.6	38.0	(18.5)
EBITA margin	14.0%	12.2%	

- Tough conditions in women's underwear - impacted by several one off factors:
  - Oversupply of imports resulting from clearance of stock originally destined for the US and EU
  - Significant price deflation, around 2%
  - High levels of retailer discounting
  - Greatest impact at entry level price points
  - Balance between margin and sales
  - Shift to greater replenishment ordering
- Branded men's underwear stable
- Growth in branded children's underwear
- Growth in Bonds outerwear - driven by successful "Hoodie & Trackie" campaigns
- New management structure effective 1 December 2005

# Underwear & Hosiery

---

## Second Half FY06

- New product introductions to drive second half
  - Bonds, Rio, Berlei & Hosiery
- Greater focus on category management
- Anticipate improving market conditions
- Supply chain benefits
  - leveraged supplier base

# Home Comfort

Year ended 31 December (A\$m)	HY2005	HY2006	% change
Branded Sales	148.1	201.7	36.2
Unbranded Sales	7.7	8.3	7.8
Total Sales	155.8	210.0	34.8
EBITA	17.5	18.1	3.4
EBITA margin	11.2%	8.6%	

- Increased penetration in premium bedding market
- Volume end of bedding market impacted by heavy discounting & oversupply
- Foams affected by lag effect of petrochemical cost increases
  - Will be recovered through recent price increases
- Increased market share at Dunlop Flooring
- Continued integration of Sheridan business
  - includes brand reinvigoration

**Sheridan acquisition will drive growth**

# Footwear

Year ended 31 December (A\$m)	HY2005	HY2006	% change
Branded Sales	121.1	132.8	9.7
Unbranded Sales	24.0	19.3	(19.6)
Total Sales <sup>1</sup>	145.1	152.1	4.8
EBITA	18.2	20.8	14.3
EBITA margin	12.5%	13.7%	

- Branded strategy working
- Ongoing category management delivers in a tight market
- Significant sales and EBITA growth
  - Hush Puppies, Clarks, Grosby, Dunlop, Pierre Fontaine & Merrell's
- Market share growth in department and specialty store channels
  - Increasing numbers of concept stores
- Brandsnet growing SME channel

**Branded strategy drives results**

1. Slazenger Footwear business reallocated from Outerwear and Sport to Footwear from 1 July 2004 = \$2.8m

# HY2006 financials

**Stephen Audsley, Chief Financial Officer**

---

# Summary financial performance

\$ million	HY2005 <sup>1</sup>	HY2006	% change
Total Sales	798.4	834.3	4.5
Gross margin	332.5	342.5	3.0
EBITDA	97.5	97.5	-
Depreciation	(7.6)	(9.4)	23.7
EBITA = EBIT	89.9	88.1	(2.0)
Net Interest	(16.4)	(18.3)	11.6
Tax	(20.1)	(19.0)	(5.5)
Minority Interest	(0.1)	(0.1)	-
NPAT	53.3	50.7	(4.8)
<b>Gross margin (%)</b>	<b>41.6</b>	<b>41.0</b>	
EBITDA margin (%)	12.2	11.7	
EBITA margin (%)	11.3	10.6	
EPS (pre goodwill amortisation) (cents)	10.6	10.1	(4.8)

1. Restated for AIFRS

# Summary financial position

<b>\$ million</b>	<b>HY2005<sup>1</sup></b>	<b>HY2006</b>	<b>% change</b>
Working capital	377.5	384.5	1.9
Property, plant and equipment	149.9	166.6	11.1
Intangibles	1,222.8	1,296.8	6.1
Other	(34.6)	(30.9)	
Total capital employed	1,715.6	1,817.0	5.9
Net debt	447.9	520.3	16.2
Equity	1,267.7	1,296.7	2.3
Net debt / equity (%)	35.3	40.1	
Gearing (x)	2.5	2.7	
Interest Cover (x)	5.1	5.0	
DPS	7.5	7.5	

1. Restated for AIFRS

# Working capital

<b>\$ million</b>	<b>HY2005<sup>1</sup></b>	<b>HY2006</b>	<b>% change</b>
Trade Receivables	185.8	220.0	18.4
Inventories	293.4	304.5	3.8
Trade Creditors	(101.7)	(140.1)	37.8
<b>Working Capital</b>	<b>377.5</b>	<b>384.4</b>	<b>1.8</b>
Working Capital / sales	22.4	22.4	
Debtors Days	44.6	46.0	
Inventory turnover	3.3	3.4	

- Working capital management is key
- Increases as a result of the Sheridan and Arthur Ellis acquisitions
  - Trade Receivables - \$11.9m<sup>2</sup>
  - Inventories - \$33.6m<sup>2</sup>
  - Trade Creditors - \$14.4m<sup>2</sup>

1. Restated for AIFRS

2. Balances at time of acquisition

# Summary cash flow

\$ million	HY2005 <sup>1</sup>	HY2006	FY2005
EBITA	89.9	88.1	176.1
Depreciation	7.6	9.4	15.2
Operating Cash Profit	97.5	97.5	191.3
Net Interest paid	(15.5)	(16.5)	(30.0)
Tax paid	(20.7)	(20.5)	(31.3)
Change in working capital	(73.0)	(18.7)	(22.4)
Other	(15.2)	(14.5)	(13.6)
Capex	(8.5)	(12.2)	(18.9)
<b>Net Operating Cashflow</b>	<b>(35.4)</b>	<b>15.1</b>	<b>75.1</b>
Acquisitions	-	(76.5)	(9.6)
Repayment of borrowings	-	(28.7)	-
Proceeds of borrowings	9.6	123.4	0.4
Dividends paid	(17.6)	(37.7)	(55.3)
Other	-	-	(7.2)
<b>Net Cash flow</b>	<b>(43.4)</b>	<b>(4.4)</b>	<b>3.4</b>

1. Restated for AIFRS

# Interim dividend

- Interim dividend of 7.5 cents per share
  - Record date: 3 March 2006
  - Payment date: 3 April 2006
- 100% franking for Australian shareholders at 30% tax rate
- Maintain a strong payout ratio - this half, 74.4% of NPAT
- DRP to remain in place

**Strong dividend yield**

# AIFRS changes from 1 July 2005

- HY2005 and FY2005 comparatives restated
- No longer include amortisation expense - goodwill and intangibles subject to impairment test
- Performance rights - share based payments expensed
- Lease payments expensed on a straight line basis
- All amounts quantified in Appendix 4D statement

<b>\$ million</b>	<b>HY2005</b>	<b>FY2005</b>
EBITA (Australian GAAP)	90.7	176.1
Performance rights	(0.8)	(1.5)
Lease payments	-	(0.1)
EBITA (AIFRS)	89.9	174.5

**Adjustments did not affect cashflows**

# FY2006 outlook

**Paul Moore, Chief Executive Officer**

---

# HY06 summary

---

- Positive sales growth
- Two acquisitions completed
- Solid cash generation
- Total Underwear & Hosiery operating group established
- One off factors impacting Underwear & Hosiery to stabilise
- Continued strong performance in Footwear
- Outerwear & Sport - second consecutive period of EBITA growth
- Improvement in November & December
- Maintained dividend payout

# Outlook

- Branded sales growth
- Contribution from Sheridan integration
- Focus on total profit improvement
- Supply chain efficiencies and synergies
- Consumer market stabilising
- Further improvements in working capital management
- Ongoing review of potential acquisitions
- Momentum gained in November and December continuing into second half
- Recent sales and margin performance provides confidence in subdued environment

**Focus on category branded sales growth and profit improvement**

# Questions

---

# Appendices

---

# Definitions

- **Net operating cashflow** - cashflow from operations less interest, tax and capital expenditure
- **CODB** - expenses (freight & distribution, sales & marketing, advertising, IT and administration) below margin
- **Inventory Turnover** - calculated on a 3 point average
- **Gross Profit** - excludes interest income
- **Domestic sales** - includes sales of products within Australia and New Zealand
- **International sales** - sales to the rest of the world (excluding Australia and New Zealand)
- **Gearing** - Net debt/EBITDA
- **Interest Cover** - EBITA/Interest

# Reconciliation of profit

<b>\$ million</b>	<b>HY2005<sup>1</sup></b>	<b>HY2006</b>	<b>% change</b>
Net Sales	798.4	834.3	4.5
Other Revenue	10.1	9.9	(2.0)
Total Revenue	808.5	844.2	4.4
Cost of Goods Sold	(476.0)	(501.7)	5.4
Gross Profit	332.5	342.5	3.0
Freight and Distribution	(48.6)	(55.5)	14.2
Sales and Marketing	(92.2)	(95.9)	4.0
Advertising	(39.6)	(34.7)	(12.4)
Retail Outlets	(4.9)	(14.0)	185.7
IT <sup>2</sup>	(9.8)	(10.9)	11.2
Admin <sup>2,3</sup>	(47.5)	(43.4)	(8.6)
EBITA	89.9	88.1	(2.0)
Amortisation of Goodwill	-	-	
EBIT	89.9	88.1	(2.0)
Net Interest	(16.4)	(18.3)	11.6
Tax	(20.1)	(19.0)	(5.5)
Profit After Tax	53.4	50.8	(4.8)
Minority Interests	(0.1)	(0.1)	-
Profit After Tax post Minority Interests	53.3	50.7	(4.8)

1. Restated for AIFRS

2. HY05 IT was \$8.4 but reallocated depreciation that was previously in Admin <sup>36</sup>

3. Includes expensing of performance rights

# Group overview

\$million	FY01 <sup>1</sup>	FY02 <sup>1</sup>	FY03 <sup>1</sup>	FY04 <sup>1,2</sup>			FY05 <sup>3</sup>			FY06
				H1	H2	FY04	H1	H2	FY05	H1
Working capital	381.3	323.5	322.4	339.1	304.5	304.5	377.5	327.7	327.7	384.5
PP&E						171.9	149.9	152.3	152.3	167.1
<b>Capital Employed</b>						476.4	527.4	480	480	551.6
<b>Sales</b>	1,331.30	1,482.80	1,489.10	811.2	723.9	1,535.10	798.4	723.3	1,521.70	834.3
EBITDA	107.7	125.2	143.3	90.1	81.5	171.6	97.5	93.8	191.3	97.5
Depreciation	16.8	16.5	16.1	8.3	8.1	16.4	7.6	7.6	15.2	9.4
<b>EBITA = EBIT</b>	90.9	108.7	127.2	81.8	73.4	155.2	89.9	84.6	174.5	88.1
Interest						31.2	16.4	16.2	32.6	18.3
<b>Profit before Tax</b>						83	73.5	68.4	141.9	69.8
Tax						35.4	20.1	20.9	41.0	19.0
<b>NPAT</b>						47.6	53.4	47.5	100.9	50.8
<b>Reported Profit NPAT</b>						47.6	53.4	47.5	100.9	50.8
<b>Reported EPS - cents</b>						17.6	10.6	12.1	12.1	10.1
<b>Dividend per share</b>						3.5	7.5	7.5	15.0	7.5

1. Amortisation of goodwill excluded

2. Pro forma year

3. Restated for AIFRS

# Sales by geographical region

<b>\$ million</b>	<b>HY2005</b>	<b>HY2006</b>	<b>% Change</b>
Australia	694.3	723.9	4.3
New Zealand	62.2	63.1	1.4
Rest of World	41.9	47.3	12.9
<b>Total Sales</b>	<b>798.4</b>	<b>834.3</b>	<b>4.5</b>
% Australia	87.0	86.8	

# Sales by customer channel

<b>\$ million</b>	<b>HY2005</b>	<b>HY2006</b>	<b>% Change</b>
Department Stores	95.9	112.7	17.5
Discount Department Stores	260.7	244.4	(6.3)
Speciality Stores	133.1	164.5	23.6
Supermarkets	53.5	44.4	(17.0)
Independents/other	208.2	227.0	9.0
International	47.0	41.3	(12.1)
Total Sales	798.4	834.3	4.5