PACIFIC BRANDS

22 August 2005

Pacific Brands 2005 Full Year Results

Solid result achieved through a focus on branded sales and margins

GROUP HIGHLIGHTS

- $176.1m EBITA, up 13.5% on previous year in a challenging operating environment
- $102.5m net profit after tax (pre goodwill amortisation), up 16.0%
- Earnings per share (pre goodwill amortisation) up 16.0% to 20.4 cents
- Total net sales $1,521.7m, branded sales $1,381.1 m, up 1.5%
- Footwear sales growth of 6.3% and Home Comfort up 4.8%
- Continued growth in branded sales and operational efficiencies strengthened EBITA margin to 11.6%
- Inventory of $255.4m in line with expectations
- $75.1m net operating cashflow, $110.5m generated in the 2H05
- Final dividend of 7.5 cents resulting in a full year dividend of 15.0 cents per share

Full Year ended 30 June (A$ million)	FY04PF[1]	FY05	% Change
Branded net sales	1,361.3	1,381.1	1.5
Unbranded net sales	173.8	140.6	(19.1)
Total net sales	1,535.1	1,521.7	(0.9)
EBITDA	171.6	191.3	11.5
EBITA	155.2	176.1	13.5
EBITA margin	10.1%	11.6%	
NPAT (pre goodwill amortisation)	88.4	102.5	16.0
NPAT (post goodwill amortisation)	47.4	61.1	28.9
EPS (pre goodwill amortisation) (cents)	17.6[2]	20.4	16.0
EPS (post goodwill amortisation) (cents)	9.4	12.1	
DPS (cents)	3.5[3]	15.0	

[1] Pro forma 2004.

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

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

Solid earnings growth achieved in changing operating environment

Pacific Brands Limited and its controlled entities (The Group) today announced a full year EBITA result of $176.1 million which represents a 13.5% increase over the previous year and is consistent with guidance provided at the half year results announcement in February 2005.

Net profit after tax (pre goodwill amortisation) for the full year ended 30 June 2005, was $102.5 million, which exceeded the net profit for the same period last year by 16.0%. This has resulted in earnings per share (pre goodwill amortisation) of 20.4 cents, also a 16.0% improvement over the prior year.

Commenting on the result, Chief Executive Officer, Mr Paul Moore said, "The Group's achievement of its EBITA target number was the result of the commitment to branded, profitable sales and margin improvement. Even though total sales were down slightly on the previous year, branded sales grew over 1.5%. Excluding the Outerwear and Sport group which is undergoing restructuring, branded group net sales were up 3.8% on the previous year, 4.8% up in the second half. This is an encouraging result in an environment of heavy retail discounting and time of price deflation."

"In a changing retail and consumer market with fluctuating consumer confidence – the power of brands is essential and that is why we are committed to building "Everyday Essential Brands" across all our categories."

"The business commitment will continue to be on branded profitable sales and margin improvement. The Group's strategies which have driven the solid earnings growth during the year are building brand equity through a strong commitment to advertising, product development and innovation, driving operational efficiencies through China sourcing and Brave New Way and adding growth through acquisitions."

"I am also pleased to announce that the Group generated $75.1 million in net operating cash flow for the year with $110.5 million generated in the second half. The business traditionally generates the majority of its cash in the second half as working capital requirements are higher in the first half."

"In addition, we reduced our inventory levels back to $255.4 million after the business took a conservative position at the end of the first half to accumulate inventory in preparation for China entering the World Trade Organisation."

"The focus has been on building brand equity across all categories of the business. Investing in advertising and marketing as well as customer service has enabled us to improve margins, which can then be reinvested back into the brands."

"The ordering patterns of our customers are also changing with shorter lead times and greater emphasis on replenishment orders which clearly requires a "pull" marketing strategy."

Sourcing

During the 2005 financial year, the Group has increased its commitment to China and now has over 120 people based in China across four offices. This enabled the Group to further expand its already strong sourcing position in China. The plan is to increase numbers to 150 people by the end of the 2006 calendar year. During the year a new office in Taiping was opened and the offices in Hong Kong and Shanghai were expanded.

Significant resources have been added in China to the quality control and product development functions. The key decision-makers have been located closer to the factories to enable

improvements in speed to market. Flexibility and speed will be important areas in driving further efficiencies across the Group.

The Group continues to use its scale to achieve efficiencies and rationalise its supplier base. Improved purchasing and inventory management systems have been implemented to generate greater “end to end” visibility through the supply chain.

Brave New Way

Since September 2002, Brave New Way has contributed to the improvements in the operations of the Group. The team has focused on gross profit improvement (category management, planning and merchandising), complexity reduction (SKU and stock reduction) and strategic sourcing.

The priorities for the team into 2006 will be on category planning to maximise profitable growth, generating greater market insights and developing a consistent “go to market” approach across the business whilst continuing to reduce complexity.

Commenting on the Brave New Way programme, Mr Moore said “Reviewing the way we do things and continually doing them better is a must for our business.”

Cashflow

The Group continues to generate positive cash flows with $75.1 million in cash flow from operations[1] generated during the year with $110.5 million generated in the second half. This was a decrease of 31.9% over the previous year. A $12.1 million increase in trade receivables due to the timing of winter season sales, a $8.3 million decrease in trade creditors and $5.1 million in restructuring costs influenced cash flow.

Cash was used during the year to fund $55.3 million in shareholder dividends, acquisitions of $9.6 million and $5.6 million on stamp duty payable in respect of the purchase of Pacific Brands Holdings.

Tax

The effective tax rate on earnings was 28.6 per cent, which was the same as for the year ending 30 June 2004.

Balance Sheet

There was no significant change in the net assets of the Group over the 2005 financial year. The debt to equity ratio at 30 June 2005 was 31.7%, down slightly from 32.0% at 30 June 2004.

During the year the Group re-financed and extended its debt facilities, taking advantage of the lowering of credit margins in the financial markets and added an acquisition facility of $150 million.

The Group enters into interest rate swaps to mitigate the risks associated with the floating interest rates on our borrowings. It also enters forward foreign exchange contracts to hedge purchase commitments denominated in foreign currencies, principally USD.

1. Operating cash flow is defined as net cash from operating activities less interest, tax and capital expenditure.

AIFRS

From 1 July 2005, the consolidated entity is required to comply with Australian equivalents to International Financial Reporting Standards (AIFRS) issued by the Australian Accounting Standards Board.

The expected impacts of the resulting changes in accounting policies are disclosed in Note 31 to the financial statements. The main areas of change include cessation of goodwill amortisation and the expensing of performance rights. Adjustments are not expected to affect the cash flow of the Group.

Dividends

The achievement of solid profit numbers has allowed the Group to declare a final dividend of 7.5 cents which represents a full year dividend of 15.0 cents. This is 11.9% above prospectus forecast.

The Group is committed to a high payout ratio and this year's dividend represents a 73.6% payout. Dividends were fully franked and it is expected that in future years they will continue to be fully franked.

Review of Operating Groups

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

Underwear and Hosiery

	FY04	FY05	Change %
Branded sales ($m)	581.3	581.6	0.1
Total net sales	667.2	647.5	(3.0)
EBITA ($m)	90.3	99.6	10.3
EBITA %	13.5	15.4	

With the concentration on branded sales, the overall sales decrease was predominantly driven by a reduction in the less profitable, unbranded categories and international sales. There was good growth in the men's underwear category whilst the women's underwear market remained highly competitive.

Strong sales performances were recorded in the Bonds, Berlei, Jockey, Kayser, Love Kylie and Voodoo brands. Bonds growth was driven by successful brand extensions and product development – in particular the fleece 'Hoodie' and 'Trackie', re-emergence of the Chesty singlet and babywear. All ranges were supported by strong advertising campaigns.

Sales of Holeproof branded socks were driven by the successful campaigns for Computer Socks (using the Donald Trump campaign), Slipper Socks and Explorers.

Men's branded underwear sales increased 6.9% which was the result Holeproof Hunks, Jockey performance, (the development of a new sports performance underwear category) and Bonds.

Strong sales growth of the Berlei brand was supported by the launch of "Barely There". Berlei is now the number one intimates brand across department stores in Australia.

Manufacturing synergies from our hosiery integration have now been fully realised. Significant investment was made in new automated hosiery and sock equipment at the Coolaroo and Nunawading plants in Melbourne, Australia.

During the year, the group acquired TMI Australia, a small bolt-on business that markets and distributes licensed products, in particular underwear and sleepwear.

Brand investment and category management will continue to drive margin growth for this operating group. A continual focus on product development and ranging will ensure that the right products are available for consumers.

New campaigns for the 2006 year include the launch of the Bonds Intimates range with Sarah Murdoch, relaunch of the Hestia intimates range with Nicollette Sheridan who is featured in Desperate Housewives, a new season campaign for Antz Pantz using the "IT girl" campaign and women and baby Explorers.

Earnings improvement is expected to continue during the year with the strength of "Everyday Essential Brands" in category leading positions across underwear, socks and hosiery.

Outerwear and Sport

	FY04[1]	FY05	Change %
Branded sales ($m)	259.8	237.8	(8.5)
Total net sales ($m)	289.4	259.4	(10.4)
EBITA ($m)	24.4	21.4	(12.3)
EBITA %	8.4	8.2	

1. Numbers restated from 1 July 2004 to show movement of Dunlop Footwear from Outerwear and Sport to Footwear during FY2005.

As anticipated, this operating group had a challenging year as it re-focused the business along the branded sales channels and core business categories. During this time a new management team was appointed to assist with the turn around of the group.

The group experienced an improved performance of 43.9% in EBITA in the second half through a combination of a change in sales mix and the identification and execution of expense reduction initiatives.

Core brands for the group include Dunlop, Everlast, KingGee, Slazenger and Stubbies.

Positioning of Everlast in the street and sporting markets supported by great product development has driven strong sales growth in this brand.

Improved efficiencies led to better performance at KingGee.

The sporting goods market was tight, however the focus on core categories and expense reduction has driven an improved result in the second half.

As advised at the half, Dunlop Footwear was transferred to the Footwear group during the course of the year.

An ongoing commitment to branded sales and cost control will generate further improvements in 2006.

Home Comfort

	FY04	FY05	Change %
Branded sales ($m)	280.4	294.7	5.1
Total net sales ($m)	294.7	308.8	4.8
EBITA ($m)	27.7	33.3	20.2
EBITA %	9.4	10.8	

The Home Comfort group had a strong year with solid performances recorded across each area of the group.

The Flooring business performed well, improving its profitability and market share.

Bedding accessory sales grew significantly with the successful relaunch of Doona, strong sales of Tontine pillows and quilts and the launch into bed linen with Esprit.

Serta and Sleepmaker drove improved profitability in the bedding sector.

In response to a shrinking furniture market for foam, the division expanded into other market opportunities – in particular hospitality, transport and packaging.

Operational efficiencies have been generated through the closure of the bedding spring plant and signing a long term spring supply agreement with Leggett & Platt from China. Also, the ongoing review of manufacturing processes and sourcing has contributed to higher margins.

The group has won the contract to supply beds, mattresses and bedding accessories for the Melbourne 2006 Commonwealth Games Athletes village and is expected to continue its solid performance in 2006.

Footwear

	FY04[1]	FY05	Change %
Branded sales ($m)	207.4	228.3	10.1
Total net sales ($m)	251.4	267.2	6.3
EBITA ($m)	22.4	30.6	36.6
EBITA %	8.9	11.5	

1. Numbers restated from 1 July 2004 to show movement of Dunlop Footwear from Outerwear and Sport to Footwear during FY2005.

The Footwear group had an excellent year with the continued focus on branded sales growth. The group is one of the leading marketers and distributors of branded, casual footwear in Australia and New Zealand.

Strong product development has driven double-digit sales growth in Hush Puppies, Grosby, Julius Marlow and Naturalizer. Effective magazine campaigns increased the reach and appeal of the Hush Puppies ranges, including the best selling “Apache” shoe for women. Partnering with our key retailers in enhancing point of sale displays for the brand (including flagship concept stores) has been an important contributor to success.

Grosby achieved strong sales success with its fluffy boot ‘Dakota’ supported by the ‘Be Afraid’ television campaign. The brand received a ‘Bronze Lion’ award in Cannes for its ‘Spider’ Television Campaign which supported the success of its mainstream women’s range.

As noted above, Dunlop branded footwear moved into the Footwear group from the Outerwear and Sport Group during the year.

Dunlop continued to build its brand appeal with the iconic ‘Volley’ and the ‘KT’ ranges. The ‘Legends in the Backyard’ advertising campaign built brand equity and sales in the value athletic market.

Effective category management, which ensures that the right product development and advertising resources are allocated to the right market segments, has been another key to the group’s success. This will remain a priority for the group.

The recently acquired Merrell footwear distribution license will support growth in the premium outdoor footwear category.

The branded sales strategy will continue to deliver results in 2006, combined with the strategic alliances with international footwear brand managers such as Wolverine and Brown Shoe.

Outlook

The Group was pleased with the solid result generated for the 2005 financial year in a changing retail and consumer market. Growth in the branded business, margin improvement and the continual achievement of operational efficiencies has driven the Group's results. The Group believes that it has developed flexibility across its processes to manage the on-going changes in the external environment.

Trading for the first few months of 2006 have been consistent with Group expectations.

In the 2006 financial year, the business will continue to focus on profit improvement and cash flow generation through:

- profitable, branded sales;
- brand investment and product development;
- supply chain and operational efficiencies;
- working capital management; and
- ongoing review of potential acquisitions.

Our brands have gained strong momentum and based on current market conditions are well positioned for profitable growth in FY2006.

For further information contact:

Investor Relations:
Katherine Cooper
Pacific Brands Limited
+61 3 9947 4926
+61 408 773 312

Media:
Peter Mahon/Matthew Mahon
Royce Pty Ltd
+61 3 9639 2300
+61 413 101 860

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 manages 'Everyday Essential Brands', marketing some of the most recognised brands across Australia and New Zealand 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, footwear, bedding, bedding accessories and foam.

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