

Earnings per share¹ up 6.1%

Net Operating Cashflow up 41.1%

GROUP HIGHLIGHTS

- ◆ Total net sales \$1,820.7m up 12.1% on last year
- ◆ Key financial indicators well above last year:
 - EBITDA \$216.4m up 12.5%
 - EBITA \$194.0m up 12.2%
 - NPAT¹ up 6.0% to \$107.3m
 - Reported NPAT up 4.7% to \$106.0m
 - Net operating cash flow, up 41.1% to \$112.9m
 - Earnings per share¹ up 6.1% to 21.3 cents per share
- ◆ Underwear & Hosiery growth momentum continues, EBIT up 6.9%
- ◆ Home Comfort EBIT up 24.7% including full year benefit from integration of Sheridan acquisition
- ◆ Footwear EBIT remains solid
- ◆ Outerwear and Sport driven by Yakka Group and Brand Collective acquisitions, EBIT up 21.0%
- ◆ Final dividend of 8.5 cents, resulting in a 16.5 cent full year dividend, up 10%
- ◆ Strong outlook for FY08

Full Year ended 30 June (A\$ million)	FY06	FY07	% Change
Total net sales	1,624.9	1,820.7	12.1
EBITDA	192.3	216.4	12.5
EBITA	173.0	194.0	12.2
EBIT	173.0	192.3	11.1
EBIT margin %	10.6	10.6	
NPAT ¹	101.2	107.3	6.0
Reported NPAT (post minority interests)	101.2	106.0	4.7
EPS (cents) ¹	20.1	21.3	6.1
Reported EPS (cents)	20.1	21.1	4.8
DPS (cents)	15.0	16.5	10.0

1. Unless otherwise indicated NPAT and Earnings per share (EPS) exclude the impact of the amortisation of acquired intangible assets. Amortisation pre-tax of approximately \$1.8m is included in unallocated overheads.

Solid result builds platform for future growth

Pacific Brands Limited today announced its results for the full year ended 30 June 2007. Net sales increased by 12.1% over the previous corresponding period to \$1,820.7 million. Earnings before interest, tax and amortisation (EBITA) increased by 12.2% to \$194.0 million. The underlying trading performance was even stronger as during the year we absorbed about \$3 million of non-recurring costs. These included increased investment in China and the cost of repairs following a fire in one of our Queensland facilities.

The consistent strategic direction of the Company continues to deliver strong results. Investment in brands and people, product innovation, a continuing drive for operational excellence and well targeted acquisitions all contributed to the result.

The acquisitions of the Yakka Group and Brand Collective (formerly the Streetwear division of Globe International) have been excellent additions to Pacific Brands, opening new categories, strengthening existing category and channel positions and adding to our portfolio of iconic brands.

Net profit after tax¹ was \$107.3 million, which represents a 6.0% increase over last year. This translates to improved earnings per share¹ of 21.3 cents up from 20.1 cents per share. Net profit was impacted by the higher interest costs associated with a higher debt level following the acquisitions.

Commenting on the result, Chief Executive Officer, Mr Paul Moore said:

"I am pleased to report that we have delivered growing returns for our shareholders in this financial year. We have seen improved performances across each operating group in what has been a challenging and volatile retail market.

"Importantly, the momentum we saw in the first half continued in the second and we are very well placed to sustain future growth.

"Strategic acquisitions to support category expansion are a core component of the Pacific Brands growth model and in this financial year, we have completed two – the Yakka Group and Brand Collective. These businesses significantly increase our size and market presence providing further scope to leverage our scale.

"The Yakka Group is an Australian icon holding the number one workwear and corporate clothing brands in Australia and New Zealand. When added to King Gee, it further cements our position in the workwear market. In the three months since acquisition, the business has performed well and in line with expectation. Integration has begun and a comprehensive strategic review is under way. Implementation of the recommendations coming from this review will be a key focus for Pacific Brands over the next 18 months or so.

"Brand Collective was acquired in January 2007. Its brands have strengthened our position in lifestyle apparel and we anticipate further growth in this category.

"The well-known brands, including Mossimo, Stussy, Mooks, Freshjive and Paul Frank provide a strong position in the lifestyle and casual apparel market. Together with our existing Merrell and Everlast businesses, and Lee and Wrangler that were acquired with Yakka, Pacific Brands now has a meaningful presence in this sector.

"Consumers are increasingly demanding better products, more choices and faster product introductions. Innovation and product development therefore remain key drivers of our sales growth. Ongoing investments in our brands and a disciplined approach to category management have generated improvements in the core businesses. Our people remain committed to the ongoing development of our brands and their category leadership positions.

“Operational efficiency remains a strategic driver. We will continue to leverage our increasing scale and to work collaboratively with our suppliers and customers to meet their evolving business requirements.

“We are pleased with the strong cash generation during the year providing the opportunity for us to pay down debt and continue with our investment in brands. FY08 has started well and we are working to deliver another year of growing returns for our shareholders.”

Scale

The strength, relevance and reach of our brands are vital to the continuing success of the business. The strategic acquisitions completed in 2007 have strengthened our brand portfolio and in key categories we grew market share.

The volume and scope of our shipping and product movements from Asia to Australia, together with our domestic operations give us the scale equivalent to a large logistics company.

We continue to expand our resources in Asia to manage and optimise our efficiency and speed. We opened a new office in Hong Kong – run by an experienced senior General Manager and have extended our presence in Southern China and Shanghai. This resulted in non-recurring costs of about \$2 million and will allow us to rapidly absorb the servicing of our new brands and products. The new warehouse in Shanghai will take on Yakka Group product and we are increasing our shipments direct from Asia to customers.

Our scale is important as we move to more strategic relationships with both suppliers and customers. We are rationalising our supplier base and are better able to work with our suppliers to ensure quality and the flexibility to more quickly respond to market requirements. We are increasing our ability to interface and collaborate with our major customers, driving efficiency and growing categories.

Cashflow

Pacific Brands generated \$112.9 million in net operating cashflow² during the financial year. This is a strong improvement of 41.1% over the previous corresponding period. Improved cash flows are consistent with the uplift in the operating result and the ongoing focus on working capital management.

The business is focused on the ongoing management of inventory with some progress made during the year on reducing inventory levels. Reductions in working capital will provide further scope for us to pay down debt.

Delivering strong sustainable cashflows remains a key feature of Pacific Brands, generating strong dividends and providing us the ability to make further strategic acquisitions as they arise.

2. Net operating cash flow is calculated after interest, tax and capital expenditure.

Tax

The effective tax rate on earnings was 27.1%, which was marginally above the rate of 26.3% for the year ended 30 June 2006.

Balance Sheet

The net assets of Pacific Brands have increased over the year as a result of the Yakka Group and Brand Collective acquisitions. Intangible assets increased by \$206.4m (15.9%), including brand names, brand licences, contracts and the goodwill balances acquired.

Goodwill is subject to an impairment test and is reviewed annually by management. The only change in reporting during the year was the inclusion of amortisation of intangible assets acquired through Brand Collective and the Yakka Group.

The debt to equity ratio at 30 June 2007 was 61.0%, up from 39.6% at 30 June 2006. This was the result of increasing net debt from the funding of acquisitions. Net interest expense also increased as a result of acquisitions but the Company maintains a strong interest cover (EBIT/Interest) of 4.1 times.

Based on the net debt level at 30th June 2007 of \$802 million, the interest expense will be higher in FY08 than in FY07. The company will continue to use its strong cash generation to pay down debt next year.

Dividends

The improved financial performance for the financial year supports the payment of an increased final dividend of 8.5 cents per share. The full year dividend of 16.5 cents per share is a 10% increase over last year and represents a payout of 78.2% of reported NPAT.

Dividends will be fully franked for Australian shareholders at a 30% tax rate.

Review of Operating Groups

Underwear & Hosiery

	FY06	FY07	Change %
Total net sales	610.8	630.0	3.1%
EBITA (\$m)	87.6	93.7	6.9%
EBITA %	14.3%	14.9%	

Note: EBITA = EBIT for each operating group.

The Underwear & Hosiery group finished the year positively through a strong focus on category management with sales and margin both ahead of last year. The group has reaffirmed and consolidated its position as the leader in the Underwear & Hosiery market.

The focus in the first half was on ensuring that our margins were restored to appropriate levels. It is pleasing to report strong sales growth in the second half of 6.4% while maintaining margins.

The group has extremely strong brands and the focus has been on delivering clear, big ideas in all market segments. A continued investment in understanding market trends and consumer insights through targeted consumer research has provided more focus and sharper new product development.

Underwear & Hosiery is leading the men's underwear market with its major brands of Bonds, Jockey, Holeproof and Rio and is focussed on providing the best products in each category in terms of fit and fabric.

Bonds continues to trade extremely well – driving the market with continued innovation. Highlights for the year have included cotton seamfree underwear for men and women, the T-shirt bra and capitalising on the ongoing strength of the fleece market with new ranges of hoodies.

Other highlights in underwear have included the resurgence of the Rio brand, the high technology/contemporary sports bra at Berlei, 3D Jockey performance underwear, and Holeproof Nothings. Grow socks and copper socks have provided market-leading innovation in the sock category.

A record year for hosiery was led by the fashion trend back to legs and the hosiery team's ability to lead this trend with great products – for both leg and body wear.

Continuing investment in our Asian operations will allow us to achieve efficiency gains that will help offset rising prices in China.

Underwear & Hosiery has a strong programme of product innovations and new marketing initiatives and its prospects are good for further growth in FY08.

Outerwear & Sport

	FY06	FY07	Change %
Total net sales (\$m)	249.1	363.2	45.8%
EBITA (\$m)	22.3	27.0	21.0%
EBITA %	8.9%	7.4%	

Over the year our position in the lifestyle, workwear and corporate clothing categories has been strengthened with the addition of the Brand Collective and the Yakka Group businesses.

Continuing the work started in the first half; the core business has been in a transition phase and has now implemented some structural changes. Additional costs incurred during the year, while the business was repositioned, had the effect of reducing the total group EBIT percentage. We have now completed a strategic review of each business, category and brand and expect to achieve an improved performance in Outerwear and Sport during FY08.

The bikes and equipment businesses have been repositioned and the division now has a strong offering across each market segment. The introduction of the Ridley licence, Nalini and Diora brands have strengthened the offer in the premium sector.

The casual outerwear business was impacted by difficult trading conditions at the value end. This business has been simplified with unprofitable, unbranded sales discontinued and a renewed focus on the core brands of Lightning Bolt and Slazenger.

Everlast continues its strong trend in the youth sporting apparel segment with footwear performing well alongside the apparel business.

King Gee generated strong sales growth with a focus on customer service and new product introductions. They have continued to roll out the "totally workwear" store concept increasing the brand's distribution.

The group's result includes three months of trading from the Yakka Group. We are encouraged by its performance since acquisition and look forward to achieving further improvements as the integration progresses. King Gee will also be involved in a review of the whole workwear category.

Brand Collective has performed in line with expectation and improved its distribution in specialty stores.

Outerwear & Sport has spent the year repositioning the core business and will return to profitable growth in FY08. The addition of the Yakka Group and Brand Collective has significantly improved the brand strength, product and marketing development capabilities for the group.

Home Comfort

	FY06	FY07	Change %
Total net sales (\$m)	448.6	517.1	15.3
EBITA (\$m)	36.5	45.5	24.7
EBITA %	8.1%	8.8%	

Home Comfort has delivered solid growth through a combination of continued strength in its core businesses and importantly from the successful integration of the Sheridan business. The key brands of Sheridan, Sleepmaker and Tontine continue to drive the consumer businesses within the group.

Sheridan has been successfully integrated into Pacific Brands and has delivered a strong result for the year. Its relaunch on television and improved ranges across both bedding and bathroom have led the sales growth. Sheridan has increased its market leadership in the department store channel and has cemented its position as the number one bed linen brand via a number of new product introductions such as cool sheet technology and the launch of the exclusive premium cotton Supima range.

The bed linen category has now been extended across all segments and channels in the market.

During the year we have invested in a new 26,000 m² facility for Tontine – one of the largest and most modern in the Southern hemisphere. It will provide improved and more cost-efficient operations in both manufacturing and distribution. Tontine continues to be the number one pillow and bedding accessories brand.

The foam business remained steady; managing to recover significant rises in input costs. It is continuing to extend its development of higher margin specialist foam products.

Sleepmaker strengthened its position in the bedding category through product leadership, investment in research and development and operational excellence. The “Sleepmaker Select” range of beds introduced new technology that allows mattresses to be customised for individual sleep comfort levels.

Flooring continues to achieve market share gains and has generated record sales of carpet underlay in New Zealand. It is now one of only two organisations in the world that can produce underlay that meets the stringent international Marine Organisations fire and safety standards.

The efforts undertaken in the group in FY07 should continue to drive further growth in FY08.

Footwear

	FY06	FY07	Change %
Total net sales (\$m)	277.5	280.1	0.9%
EBITA (\$m)	35.7	37.3	4.4%
EBITA %	12.9%	13.3%	

Footwear performed solidly in a challenging and volatile retail market. The group has maintained its market share through its ongoing commitment to its brands. Increased advertising spend and well-received marketing campaigns across the core brands have generated strong consumer support. Strong sales performances were achieved in Hush Puppies, Dunlop, Merrell and Julius Marlow.

The growth in pick and pack replenishment programmes across all customer groups has resulted in the rise to now over six million pairs of shoes being individually packed per annum in the Altona distribution centre in Melbourne. The group has consolidated the New Zealand warehouse into Altona to further improve efficiencies.

The group is working closely with retailers and logistics partners on increasing direct deliveries from source to customer.

Merrell footwear continues to gain share in the outdoor/lifestyle category through a targeted distribution programme with key specialty retailers. The concept store programme continues to work well for Hush Puppies in New Zealand and this will continue with planned concept store openings for Hush Puppies and Naturalizer in Australia.

A focus on inventory management, consolidation of suppliers and improved lead times have all contributed to positive earnings results in a challenging market place.

The group will continue to invest in consumer research and innovation will remain the focus across fit, style, materials and comfort for all brands. We look forward to another good year for Footwear in FY08.

Outlook

Pacific Brands is well positioned for growth in the FY08 financial year. The basis for the achievement of this result will be the successful integration and a full year of benefits from recent acquisitions together with organic growth in the core businesses. The completion and execution of branded, value adding acquisitions will remain a key focus for the group and we remain committed to extending leading market positions in a number of key consumer categories.

Our ability to leverage our increased scale should deliver further cost efficiencies and a growing return from our increased investments in Asia. We continue to pursue our clear strategies of maintaining strong brands and product innovation. These core fundamentals will drive growth in the base business.

The business will face a number of challenges in FY08 that include increasing cost pressures out of China due to rising inflation and wage rates and a stronger Chinese currency. Consumers and customers will also continue to seek higher levels of service, innovative products and faster lead times. Efficiency gains and the relative strength of the Australian dollar should help offset rising costs.

In FY08 we expect Sales, EBITA and NPAT¹ all to increase strongly. We expect both Sales and EBITA to rise by between 15% and 20%. Given the higher interest bill, following debt-funded acquisitions, we expect NPAT¹ to rise by around 10%+. Our expected strong cashflow during the year should allow us to further pay down debt.

The fundamentals of brand, category and scale are in place and we expect to deliver growth and growing returns in 2008.

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Pacific Brands manages 'Everyday Essential Brands', marketing some of the most recognised brands across Australia and New Zealand including Actil, Berlei, Bonds, Clarks (children's), Dunlop, Everlast, Grosby, Hard Yakka, Holeproof, Hush Puppies, KingGee, Mossimo, Mooks, Sheridan, Slazenger, Sleepmaker, Stussy, Tontine and Yakka. 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, lifestyle apparel, workwear, 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 9,000 people and is listed on the Australian and New Zealand Stock Exchanges (**ASX/NZX:PBG**).