SPECIALTYFASHION | GROUP

HALF YEAR RESULTS

31 DECEMBER 2010

Millers | crossroads | Katies | Autograph | city chic | La SENZA

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Agenda

FY11 First Half Year Summary

- Challenging trading conditions throughout the first half
- Revenue $308.8m, EBITDA $34.6m (continuing operations), NPAT $16.8m
- 0.1% drop in revenue, -3.8% CSG sales (continuing operations)
- Basic EPS 8.8 cents
- Strong balance sheet, with cash of $16.9m. Undrawn $100m debt facility available
- Investment in store portfolio: net 65 new stores, 53 refurbishments, 880 stores in total
- Membership community (5.8 million) and contribution to sales (77%) continues to grow
- Direct sourcing program being executed to plan
- Interim dividend of 4 cents declared
- Ongoing market challenges expected H2FY11: consumer caution and price inflation
- La Senza performing to expectations, 10 new stores planned for H2

Business Overview

Gary Perlstein, CEO

The first half in review

Economic climate

Drop in consumer spending

- RBA rate rise at the beginning of November 2010 depressed consumer confidence and caused disappointing Christmas trade
- Customers bought more, but paid less
- Surplus inventory in the market, retailers discounted heavily to clear summer season stock

Aussie dollar

- Mixed messages regarding US economy
- Consistently strong through H1, peaked at $US1

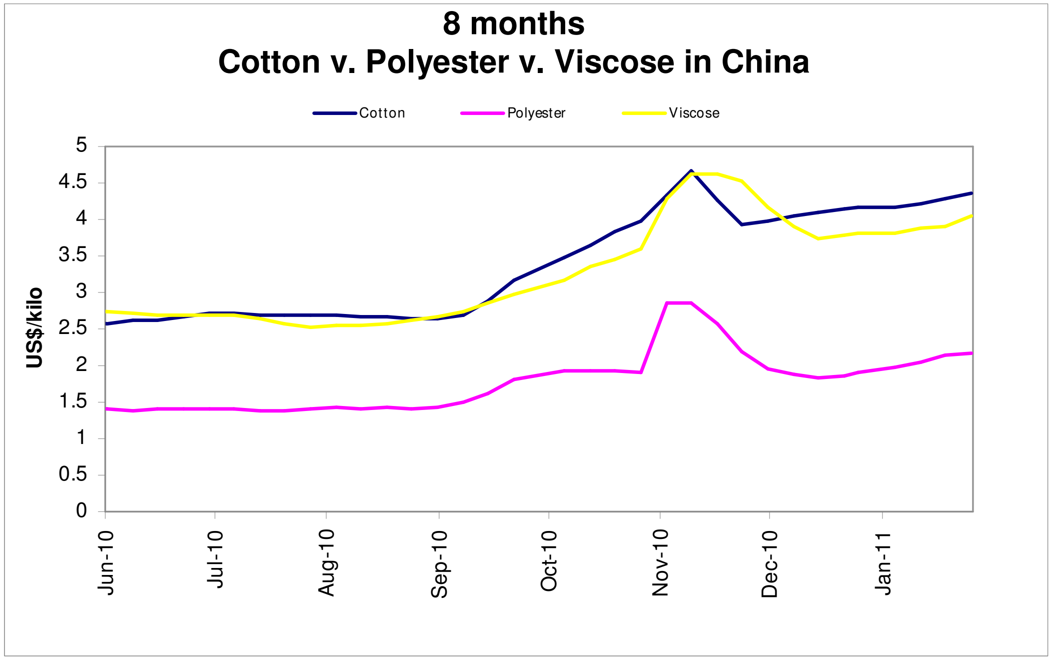
Unprecedented inflationary pressures in China

- Labour shortages
- Cotton shortages
- Will drive price inflation in H2

The first half in review

Escalating inflationary pressures in H1 will have impact in H2

Source: TradingEconomics.com



Source: EmergingTextiles.com

- Capacity issues in parts of China due to shortages of labour
- Capacity issues arising in Bangladesh, with migration of orders from China

- Yarn prices very volatile in reaction to shortage of supply
- Prices have eased since November peak, but remain historically high

The first half in review

Tough trading, but continued focus of investing in our business

General drop in customer spend drove negative CSG (-3.8%, H110+8.9%)

Gross profit margin % maintained

- Favourable USD rate at average hedge rate of 88 cents (H110: 74 cents)
- Foreign exchange gains traded away in promotions

Focus on investment in store portfolio

- Opened/acquired net 65 new stores, disposed of 26 Queenspark stores
- 53 refurbishments completed
- 15 new stores secured for H2FY11
- 60 refurbishments planned for H2FY11

Direct Sourcing change management program being executed according to plan

- Increase in planning, design and sourcing teams in Australia and China
- Systems changes implemented to support new processes

The first half in review

New market opportunities pursued

Strong partnership developed with Limited Brands

- 6 La Senza stores operating and performance improving
- Close collaboration in re-launch of brand, 10 new stores at premium sites planned in H2
- Other options for expansion being explored

Leverage of E-Commerce a priority

- City Chic US online business launched November 2010
- Investment in dedicated E-Commerce team
- Significant growth in Christmas online sales

Financial Analysis

Alison Henriksen, CFO

Group Trading

Half year ended 31 December 2010

	H111 $'000	H110 $'000	Change %
Continuing Business:			
Revenue(1)	308,806	309,236	(0.1%)
Gross Profit	176,921 *57.3%*	176,217 *57.0%*	(0.4%)
EBITDA	34,621 *11.2%*	45,417 *14.7%*	(23.8%)
EBIT	25,332	38,308	(33.9%)
Profit before income tax	24,564	37,710	(34.9%)
Net Profit after tax	17,151	26,477	(35.2%)
Queenspark(2)	(348)	157	
Profit for the period	16,803	26,634	(36.9%)
Basic earnings per share (cents)	8.8	14.0	(37.1%)

- H1 USD purchases made at average rate 88 cents (H1FY10: 74 cents)
- Higher rent and wage costs impacted cost of doing business
- Loss of $191K from La Senza operations (in start up phase)
- 31% increase in depreciation, reflects investment in stores and IT

(1) Revenue of continuing business. Total revenue of $312.7m for the half year includes Queenspark (H110: $317.7m)

(2) H111 Loss from Queenspark includes trading loss after tax of $859K and gain on sale of the business of $511K

Group Cash Flow

Half year ended 31 December 2010

	H111 $'000	H110 $'000
EBITDA	34,124	46,005
Net working capital	18,164	25,805
LTIP vesting expense	(707)	1,305
Net interest	(768)	(598)
Taxes	(4,867)	(7,858)
Operating cash flow	45,946	64,659
Capex	(20,057)	(9,610)
Sale of business (Queenspark)	3,953	-
Free cash flow	29,842	55,049
Borrowings	(8,000)	(33,800)
Dividends	(7,625)	-
Net cash flow	14,217	21,249

- Inventory turns 6.9 times (H1FY10 6.4 times)
- Focus on inventory reductions resulted in 8% year on year decrease
- Shift in supplier profile reflected in payables
- 73 new stores and 54 refurbishments (including Queenspark). Company hurdle ROIC >60%, payback <2 years
- $2.4m IT capex spend supporting direct sourcing and CRM strategies
- $4m cash from sale of Queenspark

Financial Health

Positioned for investment in growth

Strong balance sheet with cash of $16.9m and no outstanding debt

$100m debt facility available

- $40m working capital facility
- $60m investment facility
- Current average interest rate exposure - 7.1%
- Mature in April 2013

Fixed charge cover - 1.5 times (H1FY10 1.8 times)

- Within bank covenants

Dividend & capital management

Board remains confident that the strategies adopted by the Group are the right ones

- The company has a solid balance sheet
- Fully franked interim dividend of 4 cents per share declared, 46% payout
- Record date 11 March 2011 and payment date 25 March 2011

Strategy Update

Gary Perlstein, CEO

SPECIALTYFASHION | GROUP

Our Mission

Making women everywhere look good and feel great

The Year Ahead

Focus on our key differentiators and pursue growth

	JAN 11	JUNE 11	DECEMBER 11
Global Economic Climate	Consumer confidence uncertain	Potential inflation	Potential interest rate increases

EXPAND CORE BRANDS - MILLERS, KATIES, CROSSROADS, AUTOGRAPH, CITY CHIC

Optimise product mix → Expand refurbishment program → Expand store portfolio

EXPAND ECOMMERCE

Expand City Chic US → Expand E-Commerce team → Invest in online platform

LEVERAGE & OPTIMISE SUPPORT SERVICES

Refine direct sourcing process → Drive CRM enhancements, leverage CRM Community → Invest in our people

BROADEN CORE AND EXPAND INTO NEW MARKETS - LA SENZA

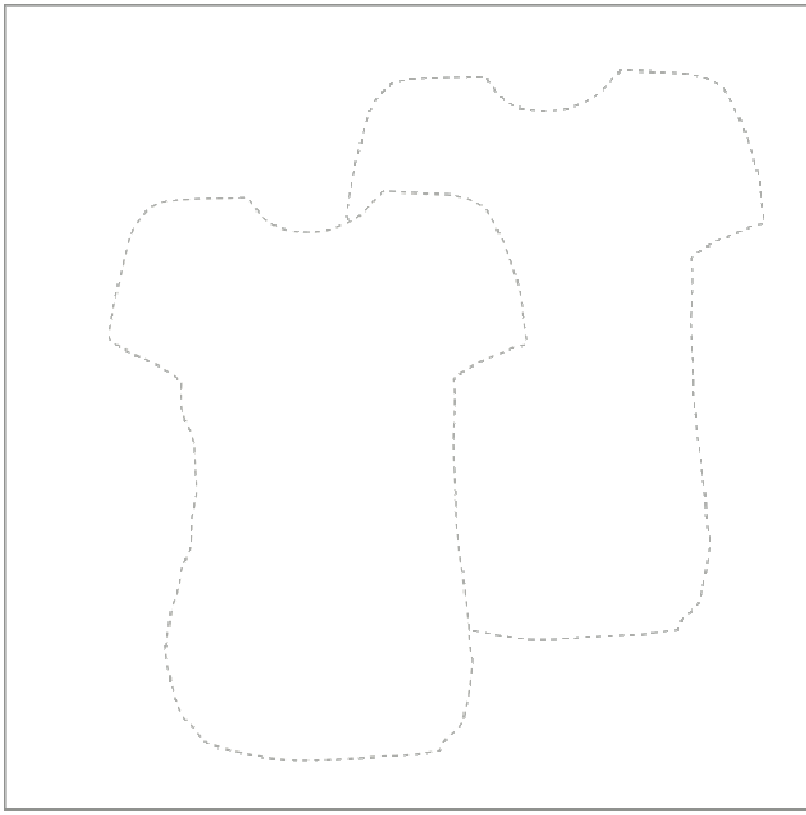
Rollout new La Senza stores → Leverage Limited Brands partnership → Explore new market opportunities

S H I R T

Service | Humility | Integrity | Respect | Trust

Key Differentiators

Design, Production & Sourcing



Design, Production & Sourcing

“Sexy in the City”

A direct sourcing success story

Step 1

- Post seasonal review
- New seasons strategy developed collaboratively between designers and buyers

Step 2

- Fashion trends insight developed
- Lace trim identified as strong trend for suiting

Step 3

- Planners brief sourcing team of suiting options and price points
- Creation of colour palette and lifestyle looks
- Planners and buyers collaborate to identify options to brief to designers

“Sexy in the City”

A direct sourcing success story

Step 4

- Designs presented

Step 5

- Go ahead given to sourcing to order fabrics and commence fit process.

Step 6

- Final orders confirmed

Step 7

- Garments are manufactured & shipped

Step 8

- Styles are delivered in stores supported by strong marketing campaign

Designs presented

Cutting and Sewing

Goods in Store

Key Differentiators
Customer Relationship Management

CRM

SFG Membership Community

Our strategy is driving results

The right insight

- Customer profiling and segmentation
- Product by segment
- Pricing sensitivity
- Research & competitive awareness

The right strategy

- Brand reputation
- Retention strategy by segment
- Acquisition strategy and promotions
- Segmented product and pricing

The right result

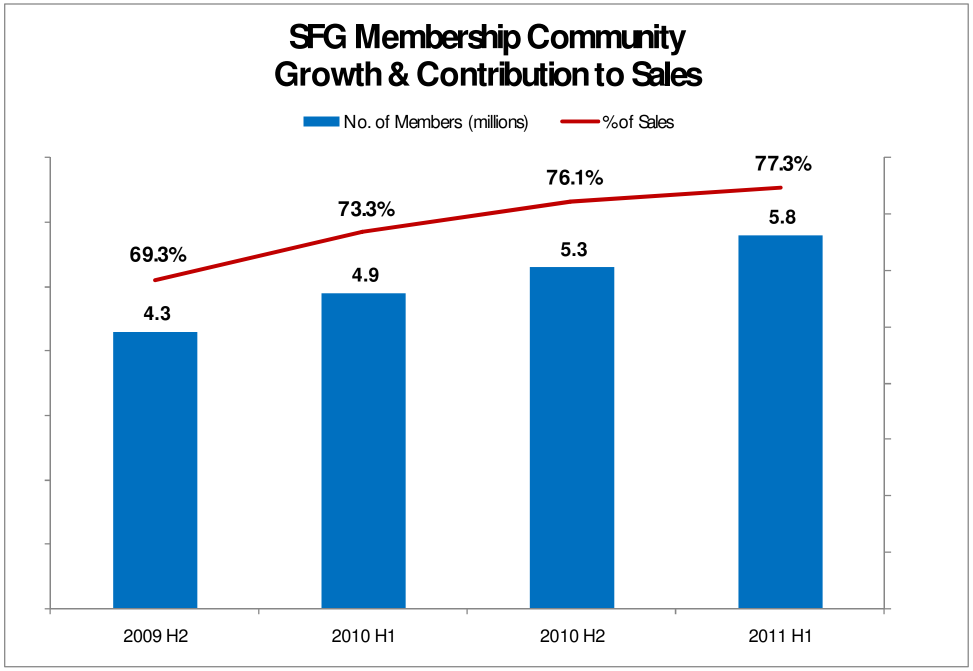
- Greater spend from members
- Most valuable members shop in-store & online
- Higher spend from members with email
- Growth in online sales

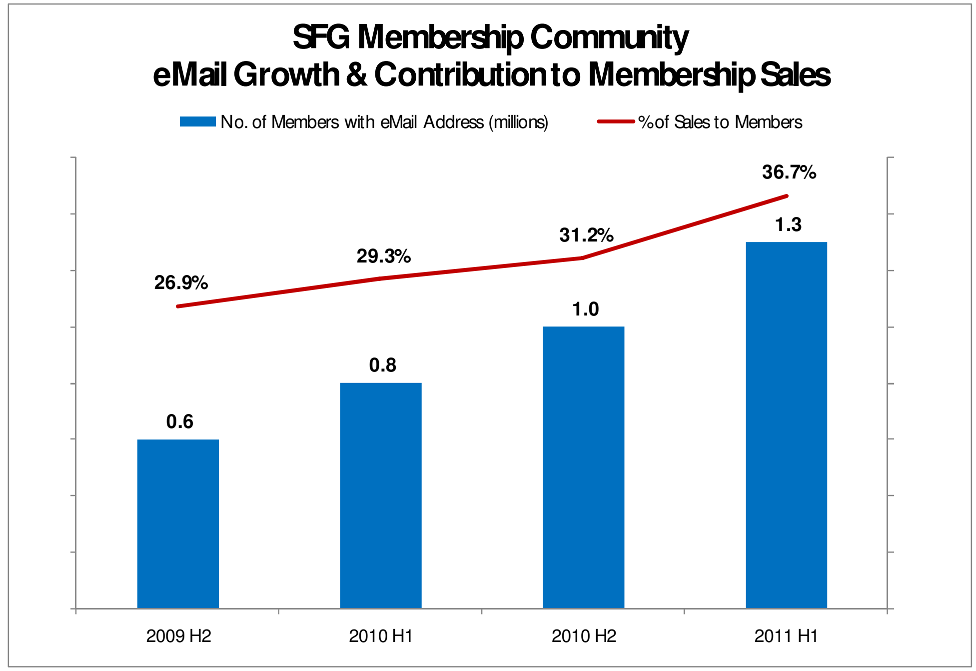
The right experience

- Brand
- Product mix and value pricing
- Store environment & online experience
- Customer service

SFG Membership Community

Brand loyalty is a key driver of sales growth





- SFG Community continues to grow with cross channel acquisition drives
- Increase in % of sales to community underpins the loyalty strategy

- Project Next Gen drives eMail acquisition across the Group
- Highly targeted behavioural eMails to our community have driven growth in eMail contribution to community sales

H2FY11 Outlook

- Partnership with La Senza working well, new store openings on track for H2
- Refinement of direct sourcing processes ongoing
- Expansion of e-commerce business a key focus
- Impact of the floods and cyclone not as severe as first expected, only 3 stores significantly affected
- Early indications of improved customer spending
- Expect H2 to be challenging, the market is facing inflation

Appendices

Appendix 4D reconciliation

Rental and employee benefits expense

	Rental expense $'000	Employee Benefits expense $'000
H1FY10	45,969	64,314
Net increase in stores	1,563	1,366
Inflation	2,160	1,225
Investment in new people	-	1,568
Other year on year changes(1)	1,706	402
H1FY11	51,398	68,875

(1) Other year on year changes includes movements in stepped lease provision as required under accounting standard AASB117, one time rental reductions received in H1FY10, and movements in employee bonuses and LTIP expenses

Store movements

Half year ended 31 December 2010

	Stores 1 July 10	New/ Acquired H111	Closures/ Sale H111	Stores 31 Dec 10	Stores Aus	Stores NZ
Millers	367	14	-	381	354	27
Katies	143	6	(2)	147	147	-
Crossroads	138	15	(1)	152	152	-
Autograph	118	1	-	119	119	-
City Chic	49	27	(1)	75	58	17
La Senza	-	6	-	6	6	-
Total – Continuing Group	815	69	(4)	880	836	44
Queenspark	22	4	(26)	-	-	-
Total	837	73	(30)	880	836	44

Store and other capex

Half year ended 31 December 2010

	New Stores FY11	Refurbs FY11	Total FY11
Millers	14	32	46
Katies	6	7	13
Crossroads	15	7	22
Autograph	1	5	6
City Chic	27	2	29
La Senza(1)	6	-	6
Total – Continuing Group	69	53	122
Queenspark	4	1	5
Total	73	54	127

	H111 $'000	H110 $'000
New stores	8,524	1,127
Refurbishments	8,665	4,640
IT Capex	2,402	698
Other capex	466	3,145
Total Capex	20,057	9,610

(1) 4 La Senza stores were assumed from previous licensee. 2 DFO stores opened in H1FY11