SPECIALTY FASHION | GROUP

Millers crossroads Katies Autograph city chic la SENZA

Half Year Results - 31 December 2011

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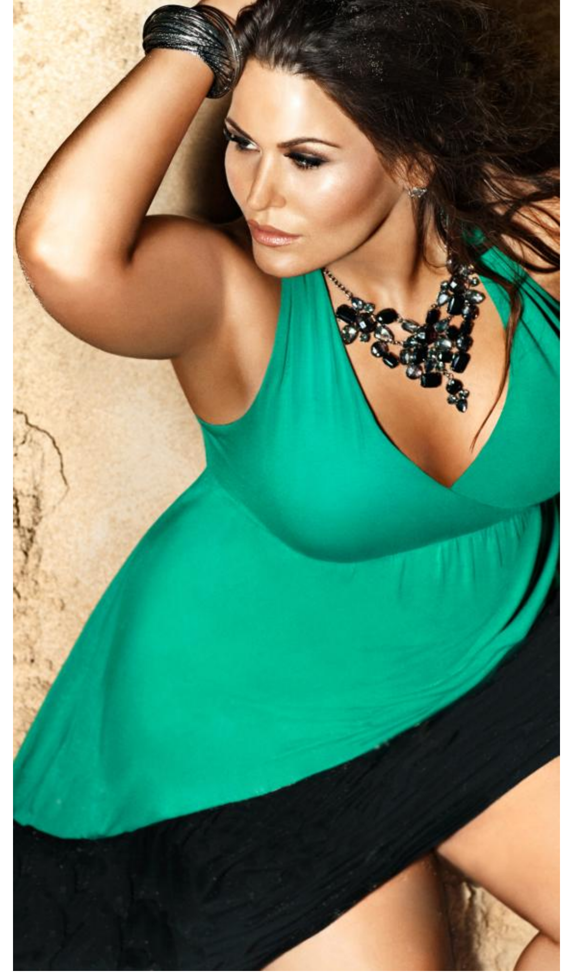
Agenda

1. H1FY12 Summary
2. Business Overview
3. Financial Analysis
4. Outlook
5. Appendices
6. Q&A

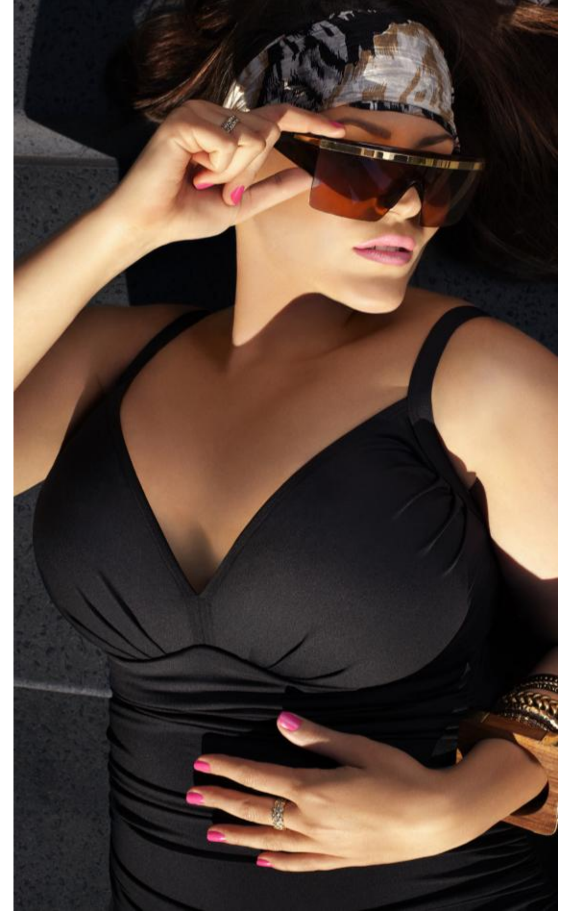


H1FY12 – Half Year Summary

- Tough trading conditions experienced throughout the half year
- Disappointing Christmas trading and rising wage and rental costs
- Revenue $307.3m, EBITDA $21.9m, NPAT $6.2m
- 0.5% decrease in revenue, -4.5% CSG sales for the half
- Transformation of product mix and direct sourcing drives benefits – gross margin 57.6%
- Basic EPS 3.2 cents
- Well managed net cash position of $6.2m. $83m unused debt facility available at end of half
- Favourable inventory position, achieved 6.3 times stock turns
- Reduced investment in store portfolio: net 18 new stores, 12 refurbishments, 909 stores in total
- Membership community (6.8 million), email customers grown to 1.7 million
- No interim dividend declared
- La Senza performing to expectations given retail environment, current portfolio of 17 stores
- Online growth occurring and being aggressively pursued, 3 year target 15% of sales

Business Overview

Gary Perlstein, CEO



The half in review

Economic climate

Extremely cautious consumers

- Perceived and/or real decline in personal wealth with increased cost of living
- Job security and interest rate movements uncertain
- Consumers cutting back on discretionary purchases in favour of paying down debt
- Late 2011 RBA cash rate reductions failed to stimulate consumer spending

Aussie dollar

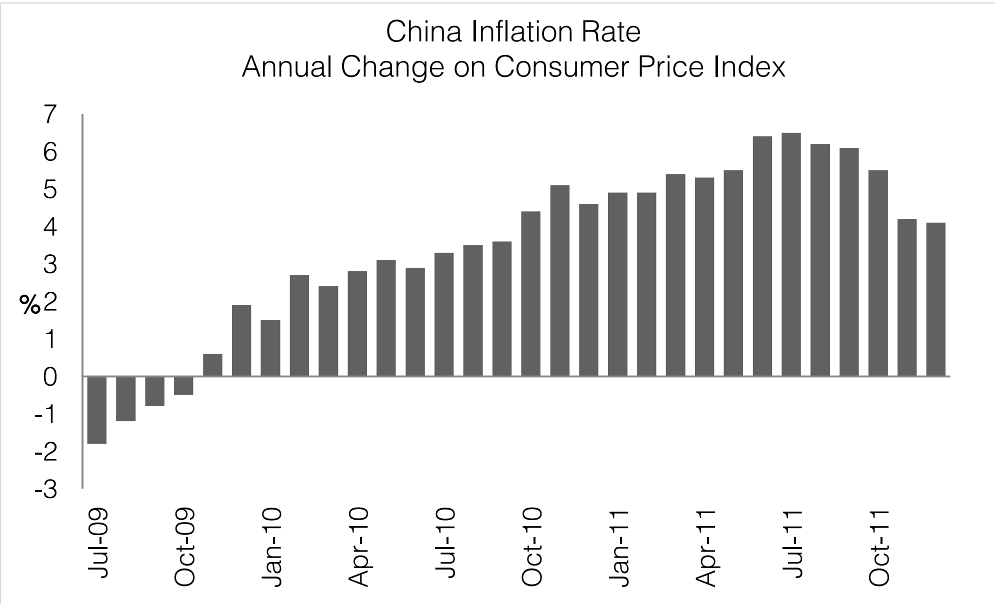
- Commodities and international economic uncertainty continue to support Aussie dollar
- Ongoing strength through H1, peaked at $US1.1029
- Improved USD hedge rates in H2FY12 (95 cents) and H1FY13 ($1.01)

Inflationary pressures in China have eased

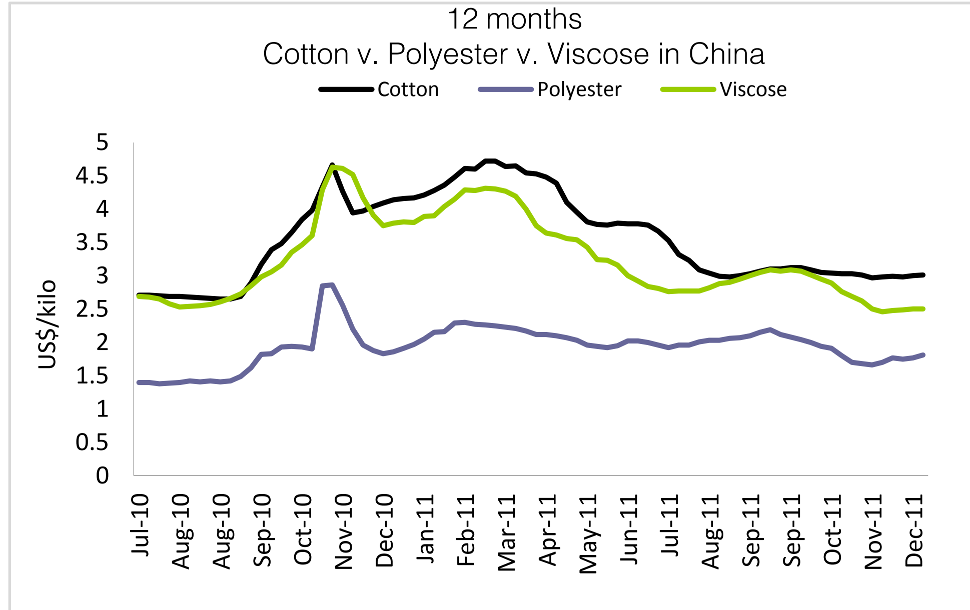
- Cotton crisis is over, but incurred product cost inflation in H1
- Product cost inflation improves in H2, expect further improvement in FY13

The half in review

Input inflationary pressures eased



Source: EmergingTextiles.com



Source: EmergingTextiles.com

- Inflation peaked at a 3 year high of 6.5% in July 11
- Inflation eased in H1FY12 but still high

- Yarn price volatility reduced during the half
- Prices have eased since earlier peaks, but remain higher than long term historical levels

The half year in review

Tough trading but focus on protecting margins, strategic investment, and innovation

Toughest retail environment experienced thus far drove negative CSG for the half (-4.5%)

Gross profit margin % maintained

- Like for like USD rate at average hedge rate of 88 cents (H1FY11: 88 cents)
- Improved product mix allowed for controlled discounting activity, supporting margins in the first half

Focus on strategic investment in store portfolio with higher investment hurdles

- 24 new stores, 6 closures
- 12 refurbishments completed
- 2 new stores planned for H2FY12 (1 La Senza)
- 7 stores closed since 1 January, at least a further 15 closures expected H2
- Up to 120 store closures expected in next 3 years

Ongoing transformation of supply chain

- Expanded Shanghai operations
- Rationalised direct suppliers from 70 to 30 in past year
- Investment in first tier planning system (due April 2012)
- Further margin expected – 150 basis points in next year

The half year in review

Leveraging customer relationship management capabilities

- Implemented new database platform December 2011
- Further development of algorithmic models planned
- Email customer membership grown to 1.7 million

Financial Analysis

Alison Henriksen, CFO

Group Trading

Half year ended 31 December 2011

	H1FY12 $'000	H1FY11 $'000	Change %
Revenue	307,276	308,806	(0.5%)
Gross Profit	176,918 *57.6%*	176,921 *57.3%*	0%
EBITDA	21,921 *7.1%*	34,621 *11.2%*	(36.7%)
EBIT	10,230	25,332	(59.6%)
Profit before income tax	8,946	24,564	(63.6%)
Net Profit after tax	6,156	17,151	(64.1%)
Queenspark	-	(348)	
Profit for the period	6,156	16,803	(63.4%)
Basic earnings per share (cents)	3.2	8.8	(63.6%)

- CSG sales of -4.5% reflecting weak demand; flat revenue overall achieved from new stores
- H1 USD purchases made at average rate 88 cents (H1FY11: 88 cents). Gross Profit % maintained through rationalised supplier base and managed discounting, offset by underlying cotton inflation
- Increases in CODB associated with larger portfolio, and rising wage and rental costs
- $2.4m increase in depreciation includes $1.5m increase in impairment reflecting strategic store portfolio review

Group Cash Flow

Half year ended 31 December 2011

	H1FY12 $'000	H1FY11 $'000	Change %
EBITDA	21,921	34,124	(35.8%)
Net working capital	16,378	18,164	(9.8%)
LTIP vesting expense	(250)	(707)	(64.6%)
Net interest	(1,284)	(768)	67.2%
Taxes	(4,891)	(4,867)	(0.5%)
Operating cash flow	31,874	45,946	(30.6%)
Capex	(9,283)	(20,057)	(53.7%)
Sale of business (Queenspark)	-	3,953	
Free cash flow	22,591	29,842	(24.3%)
Shares	-	-	
Borrowings	(20,000)	(8,000)	150%
Dividends	-	(7,625)	
Net cash flow	2,591	14,217	(81.8%)

- Inventory turns 6.3 times (H1FY11 6.9 times)
- Reduction in capital expenditure reflecting strategic shift away from physical store expansion
- 24 new stores (including 4 La Senza) and 12 refurbishments
- $0.9m of IT capex spend supporting business strategies: transformation of supply chain, CRM and Ecommerce
- $20m borrowings repaid during half, $2m of outstanding borrowings at 31 December 2011

Financial Health

Strong balance sheet with net cash of $6.2m

$85m debt facility available overall

- $40m working capital facility - Unused at 31 December 11
- $45m investment facility - $43m unused at 31 December 11
- Current average interest rate exposure - 6.9%
- Mature in May 2013

Bank covenants met

No interim dividend declared

Outlook

Gary Perlstein, CEO

Outlook

Recalibrating our Group

Online growth to be aggressively pursued

- Growth of brands' online stores:
  - All brands are trading online
  - Target to achieve 15% of sales online over the next three years
  - Multi-branded platform rollout March 2012
  - Expansion of pick and pack operations March 2012
- Expansion of channels through online aggregators:
  - Four brands launched on Ebay's fashion portal in November 2011
  - Promotion being pursued with other brand aggregators both locally and internationally
- Launch a new online business:
  - Target to launch a multi-brand online women's wear business that will feature local and global brands by June 2012

- Continued advancement in CRM capabilities allowing new online opportunities
- Transformation of supply chain, and product innovation to continue
- Rationalisation of store portfolio
- Reduction in capital expenditure as focus shifts to multiple channels
- Expect H2 to be a tough trading environment, no signs of improved consumer sentiment

Appendices

EBITDA Reconciliation

Continuing Business

	H1FY12 $'000	H1FY11 $'000
Profit before tax	8,946	24,564
Interest expense	1,409	858
Interest revenue	(125)	(90)
EBIT	10,230	25,332
Depreciation	11,691	9,289
EBITDA	21,921	34,621

Appendix 4D Reconciliation

Rental and employee benefits expense

	Rental expense $'000	Employee benefits expense $'000
H1FY11	51,398	68,875
Net increase in stores	2,748	3,262
Inflation	2,107	2,337
Stepped leases(1)	(560)	-
Wage and salary savings(2)	-	(1,874)
Other year on year changes(3)	471	853
H1FY12	56,164	73,453

(1) Movement in stepped lease provision as required under accounting standard AASB117

(2) Store rostering efficiencies; reductions in staff count, employee bonuses and LTIP expenses

(3) Rent expense not present for full half in H1FY11; increase in workers compensation insurance

Store movements

Half year ended 31 December 2011

	Stores 1July11	New	Closed	Stores 31 Dec 11	Stores Aus	Stores NZ
Millers	377	2	(2)	377	349	28
Katies	147	4	-	151	151	-
Crossroads	159	10	(2)	167	167	-
Autograph	117	1	(1)	117	117	-
City Chic	77	3	-	80	64	16
La Senza	14	4	(1)	17	17	-
Total	891	24	(6)	909	865	44

Store and other capex

Half year ended 31 December 2011

	New stores H1FY12	Refurbs H1FY12	Total H1FY12
Millers	2	10	12
Katies	4	-	4
Crossroads	10	1	11
Autograph	1	-	1
City Chic	3	1	4
La Senza	4	-	4
Total	24	12	36

	H1FY12 $'000	H1FY11 $'000
New stores	5,539	8,524
Refurbishments	1,464	8,665
IT capex	1,773	2,402
Other capex	507	466
Total capex	9,283	20,057