



**CEO's Address
to the
2008 Annual General Meeting
of Pacific Brands Limited**

**Tuesday 21 October, 2008
RACV Club**

Melbourne, Australia

Introduction

Thank you Pat. Good morning ladies and gentlemen. Thank you for being here today. This is my first AGM as your chief executive officer and it is an honour to be leading your company.

The annual general meeting is one of the most important days in the calendar year for Pacific Brands it is an opportunity to update you on the company face to face and for your management team to hear your views and answer any questions you may have.

But let me begin.

As you just heard from the Chairman, the 2008 financial year was another solid year for Pacific Brands with record results that were in line with our guidance.

I'd like to take you through how these results were delivered in some detail this morning, before taking you through our growth strategy and closing with an updated outlook for the year ahead.

And it would be remiss of me not to take a few moments to also comment on the current trading environment.

As the Chairman has said - there is no doubt these are difficult times for many in Australia and around the world.

As you would have expected, we - like the rest of the retail sector, - are not immune to the downturn in consumer sentiment. However as the Chairman has said our results show that our business model is resilient.

We are well equipped to manage through these challenging times.

Indeed the market volatility is creating a number of circumstances that we have limited control over:

- currency movements
- overall consumer sentiment
- overall retailer sentiment
- and importantly, market demand

But we are tightly managing and controlling the levers that we can control.

Our business model's strength – including our strong brands and the scale of our business - means that we have an ability to manage pricing issues better than many. Given the current environment we are also very cost focussed.

We are controlling our inventory – better than ever before.

Through our strong brands and ranges - and our connection to our consumers - while we can't control demand, when consumers do make the decision to make purchases in our categories there is a greater likelihood that they will be buying from us.

It will be a tough year ahead – but we are ready for it.

Business Overview

The Chairman and I have used resilience to describe our business, but there are other themes you will hear today

- driving our power brands
- and continual performance improvement.

Results Highlights

You've just heard an overview of our results highlights from the Chairman so I won't repeat them in detail.

But in summary, we were disciplined throughout the year and our strong value driven and branded volume delivered growth in sales, profit and cashflow

Our Net profit after Tax was up 11% to \$119m.

We managed our capital well and paid a good dividend.

It is important to stress that in the current climate we are focussed on managing our working capital well and ensuring the business continues with its strong cash generation. Managing inventory is a daily task for the whole management team and we do it well – Cashflow after Tax of \$157m for the year was an excellent result.

I will now outline how these results were generated - business by business.

Business Overview – Underwear & Hosiery

Once again our Underwear and Hosiery group reaffirmed its position as a leader in Australia.

Our brands are mainly the highest selling in their categories in the country.

For example:

- Bonds and Rio are Australia's number 1 and 2 men's and women's underwear brands.
- Berlei, Bonds and Hestia are the number 1, 2 and 3 women's intimates brands
- Bonds, Holeproof and Rio are the country's number 1, 2, and 3 sock brands respectively.

Brand and product strength enabled Underwear and Hosiery to successfully focus on profitable growth. We grew total sales by 1.2% over the prior corresponding period, but profit grew 8.2%.

Once again, Bonds was the standout performer of the group and achieved another year of record sales. Innovation and great basics drove this result - the baby Easysuit, high rise undies for girls and a re-release of the now familiar Hoodies were key elements of the success. As expected, all of these ranges were well-received in the market.

Berlei also re-established its position in the market with the 'Great Shape' campaign that saw the Berlei bus travel around Australia on a mission to fit women with the right size bra.

The Berlei brand now has the highest rating for brand affinity in Australia as well as the biggest core loyalty group.

The leg wear trend that saw a resurgence last year was still popular this year and our hosiery brands continued to embrace it. The hosiery businesses released numerous new ranges to capitalise on the trend including the innovative 'Ladder Control Pantyhose' by Voodoo.

Business Overview – Outerwear & Sport

Outerwear and Sport was up significantly following our acquisitions of Brand Collective and the Yakka Group.

As the Chairman noted, both acquisitions are being integrated into the business and are performing to plan. Both businesses present further opportunities for growth and there is still some integration synergy benefit to come.

Brand Collective extends us further into the youth and lifestyle segment and has given us an important retail presence. We will continue to increase this retail presence throughout Australia and overseas.

The Yakka business is also performing well. It has clearly added value to Pacific Brands and we now have the top two industrial workwear brands in Australia – Hard Yakka and King Gee.

The acquisition has added another dimension to our company, enabling us to develop strong business to business capability within workwear that will provide a buffer against the anticipated drop in other more discretionary spend.

In other areas of Outerwear and Sport

- Slazenger Sportswear delivered good results in the Discount Department Store channel, largely due to the success of their new BioSlyx Performance Apparel range. It was the winner of the supplier of the year award from Big W for both men and women's apparel.
- Our bike businesses also grew during the year, capped off with the very successful relaunch of the iconic Malvern Star brand.

Business Overview – Home Comfort

Home Comfort delivered a strong profit uplift of 9.2% over the prior corresponding period.

While the full year result was good for the division as a whole, manchester was and remains susceptible to the downturn in discretionary spending.

As a result the Home Comfort Group's growth reduced in the second half. We found that discretionary sales at the top-end were particularly impacted by consumer sentiment.

Despite the tough conditions, the strength of the Sheridan brand, and its product ranges, makes it well placed to capitalise when market conditions become more favourable.

Pillows and quilts on the other hand, continue to be in strong demand and Tontine performed well, delivering solid growth throughout the year.

Our Australian Foams and Flooring businesses remained steady throughout the year in a challenging market.

A key highlight from our Foams business was Dunlop Foams' sponsorship of the first annual Young Furniture Designer Award.

The awards are a great incentive to encourage new ideas in the design and production of foam based furniture for the Australian youth market and an ideal way to further our investment in innovation.

As the Chairman stated, we did sell our Foams, Flooring and Sleepmaker businesses in New Zealand as well as our share in the small World Brands joint venture to our JV partner.

Together, these businesses contributed around \$48m to the sales line in FY2008.

Business Overview – Footwear

Footwear held its market share in the sporting, comfort and casual categories where we have considerable brands strengths, and have innovated well.

We did lose share in women's fashion footwear but our Sachi range has since recovered in the department store channel.

Dunlop Footwear performed well with targeted and award winning marketing investment. The Volley brand performed exceptionally well, with strong consumer response to the 'Exceptionally Average' campaign featuring the 'hand musician' which you saw on the ad reel. Volleys upped their sales by 42% on last year to sell 1.8 million pairs. The campaign also gained a large following on internet video site Youtube.

Other highlights in the footwear business included Merrell's expansion of the women's outdoor market and the Clarks 'Perfect Fit' campaign. Clarks continues to be the only children's brand that comes in five different widths.

Pacific Brands is highly regarded by retailers for our ability to replenish footwear quickly and efficiently.

So these were our results for the year just ended.

Despite slowing top-line growth, particularly in the second half, our profit and cashflow achieved record levels.

We innovated well, invested in targeted marketing, strengthened our position as the partner of choice for our major retail customers and managed our working capital well.

I'd now like to take you through our strategy for the years ahead that will deliver the ongoing evolution and strengthening of the business irrespective of prevailing market conditions.

Our Growth & Performance Strategy

You heard earlier from the Chairman that the essential ingredients of our company remain the same: our great brands, products, service and our people have and will continue to drive our success.

However, Pacific Brands today is a very different company to the one that listed in 2004 - and it will and must continue to evolve. We must continually look for areas of improvement in the existing business – and new areas that we can profitably grow into.

In the past we had pockets of excellence throughout the business. In the last six months we have determined where we achieve best practice and are now driving this excellence across our entire business.

We have had very real success acquiring new businesses. Now that our acquisitions are integrated, it is time to concentrate on growing organically by further investment in the brands, people and resources that we have within the business.

Earlier this year we undertook a comprehensive and timely review of our company.

That review confirmed our business model of managing strong consumer brands in the Australian Retail Market. It also showed us areas where greater focus was needed and where we could improve.

We have adopted a clear strategy:

- To further develop the strength of our key brands
- To strengthen and deepen our relationships with the retail sector
- To capture the benefits of scale and efficiency of decentralisation.

With regard to our key brands:

- we are focussing our effort on our key powerful brands;
- we are building on our existing strengths – and innovating to drive their performance further;
- we will showcase these key brands with stronger retail presence for greater shopper satisfaction;

To strengthen and deepen our relationships with our retailers:

- we are enhancing the relevance and importance of our ranges for them
- we are working collaboratively to ensure we know what our retailers require to best grow their categories

And critically for the future operational strength of Pacific Brands we will continue to drive critical skill sets throughout the company.

In practice that means;

- we are decentralising authority and accountability to the business units;
- we are leveraging the functionality of our scale – to make sure we achieve the lowest cost position in the industries in which we compete; and
- we will benchmark ourselves appropriately against the best companies around the world.

Our focus now is on making it happen – efficiently, effectively – and as fast as we practically can. We are very conscious that the "how" is as important as the what.

So I would like to spend five minutes describing "how" we are bringing the strategy alive in our businesses.

Our Powerbrands

Pacific Brands is a provider of 'everyday essentials', delivering staples that are 'must have' products from brands that people desire – our brands.

The likes of Bonds, Sheridan, Yakka, Berlei, Tontine and Volley mean we are the in-demand anchor supplier in key categories for the major retailers.

Our strategy is to continue to narrow our focus and devote more resources to our power brands. The brands that matter – the brands that deliver the results.

Research & Innovation

The reason our power brands are at the top of their categories is because we know our shoppers.

Staying relevant as times change is essential for all brands.

We lead the sector in research, design and development, enabling us to identify the trends ahead of the market. Rather than playing catch-up, we have innovative product ready to meet and even stimulate market demand.

Innovation is also ensuring our hero staples are continually relevant to the contemporary market, eg. Volleys, Chesty Singlets and Baby Suits. These products are decades old and in the last 3 years have grown considerably.

This is what sets us apart, and is a main imperative in delivering on our strategy - we continue to devote more resources to this area.

Points of Presence

We have thousands of points of retail presence across our full range of brands.

The critical thing for us is that every point of purchase at retail should meet our standards – and be consistent with our brands' values and propositions.

Brand Marketing Capability

Our marketing capabilities provide a key competitive edge for our business and we are continually investing in them to ensure we maintain that edge.

In our key successful brands we are disciplined and knowledge driven – and we create and drive demand in the good times and the tough times, because we understand our consumers requirements.

We need to talk to our shoppers where and when it works for them. For example:

- Bonds is mainstream brand therefore TV / Print / Outdoor are the correct medium and we use strong PR.
- Volley uses a mix of viral and mainstream media and PR
- Mooks is 100% underground and viral... mainstream media could kill the brand

And you saw many examples in the movie reel we showed earlier.

Improving Our Business Performance

I talked about ensuring the future operational strength of Pacific Brands - driving critical skill sets throughout the company – rather than centralising them – and working to make sure we captured the full benefits available to us because of our scale.

We are taking a disciplined approach across the business, making processes appropriate and seamless from end to end, removing complexity and driving efficiency. This will continue to add value, particularly over the next tough year or two.

Having the best people and being the workplace of choice – has always been a key pillar for this business. We are increasing this focus even further – building platforms that will reward talent and cherish best-of-market ability.

In addition to our connection with RMIT to build our talent pool we have a strong relationship with the Melbourne Business School for attracting talent and executive development, with many of our team having completed challenging and rewarding leadership programs.

We have also joined a collaboration program with leading fashion universities in New York, the UK and Europe to share the best current international knowledge of fashion and technology trends.

Very simply...Our strategy is to be driving the business at peak performance – ensuring that our brands have businesses underneath them, capable of capitalising on every available opportunity.

Outlook for FY09

At our full-year results announcement in August, we forecast a flat first-half for the current financial year and, in line with the general expectation of improvement in the Australian economy, a return to growth in the second half.

More recently we have seen a sharp decline in the value of the Australian Dollar and significantly greater weakness in both Retailer and Consumer sentiment.

Our business model is resilient however. We are well placed to support our retail channel partners with supply in an environment where they are wary of forward inventory commitments. We have the ability to achieve price rises in the current market, although this may impact on volumes.

We will continue to control expenses, flex our targeted marketing investment and tightly manage our balance sheet during FY09. The current environment presents a longer term opportunity for us to grow share and strengthen our market presence.

Taking all this into account, we are comfortable with our ability to deliver the first half but have great difficulty in predicting the second.

In summary, under the current circumstances, we would expect to be flat at best for the full year.

In closing, I would like to thank Paul Moore for his contribution to the company over his career, the Pacific Brands Board, the Senior Leadership Team and all Pacific Brands employees.

I feel we are well positioned to drive the performance of your company. Your management team is focussed on - and committed to - creating value for our shareholders.

I will now hand back to the Chairman to conduct the formal business of the meeting.

Thank you.