



**Chairman's Address
to the
2008 Annual General Meeting
(Pacific Brands Limited)**

**Tuesday 21 October, 2008
RACV Club**

Melbourne, Australia

Good morning Ladies and Gentlemen. My name is Pat Handley and I am your Chairman.

I am very pleased to welcome you to the 2008 Annual General Meeting of Pacific Brands.

The 2008 Financial Year showed Pacific Brands to be a resilient business, one that delivered results that demonstrated good market and financial management in a period of deteriorating market conditions.

We achieved our outcomes by placing emphasis on the basic, but important aspects of managing our core brands as well as being more effective at managing our inventory levels and working capital.

We will take you through our results and how we achieved them, but this meeting will also focus on explaining to you how we are evolving our business to further improve our ongoing performance.

At the end of the meeting, I invite you to join the directors and members of the Pacific Brands senior leadership team over refreshments. We have prepared a number of "video stories" and displays around the room to provide greater insight into your company, and bring key elements from our Annual Report to life.

But now, down to the business of the meeting...

The Company Secretary has confirmed that we have a quorum present and, accordingly, I declare this Annual General Meeting open. The Notice of Meeting was mailed to shareholders on 18 September 2008. With your approval, I will take the Notice as read.

Thank you.

I would like to introduce you to your Board of Directors as well as our Company Secretary. On my immediate left is John Grover, our Company Secretary.

Next to John is Andrew Cummins. Andrew brings many years of experience as a senior executive and as a director in a wide range of Australian and international companies.

Next to Andrew is James McKenzie. As our business has broadened and increased, we elected to broaden our expertise on the board with James' appointment in May 2008. James brings extensive experience to Pacific Brands, having held positions with a diverse set of listed companies in Australia and internationally. In addition, James will assume the role of Chairman of the Audit, business Risk and Compliance Committee from today.

On my right is our Chief Executive Officer, Sue Morphet. As you no doubt know, Sue was appointed Chief Executive Officer at the end of 2007, replacing Paul Moore, who retired after 30-years of a distinguished career at

Pacific Brands. Prior to assuming this new role, Sue ran our most successful division – Underwear and Hosiery. Under her guidance, we are formulating the next stages of Pacific Brands' evolution.

Sue will talk more about the business and its ongoing evolution shortly.

Next to Sue is Maureen Plavsic. Maureen brings to the Board important expertise in advertising, media buying and brand marketing. Maureen is also chair of the Nomination and Remuneration Committee.

Next to Maureen is Max Ould. In addition to being the Chairman of the Audit, Business Risk and Compliance Committee, Max brings with him considerable expertise in the consumer goods industry at both the executive and board levels.

Next to Max is Stephen Tierney, who is Pacific Brands' Chief Financial Officer. Steve brings extensive experience in finance, taxation and accounting as well as a detailed understanding of the operations of the Company, having been with us for more than 15 years.

Senior members of the leadership team are also in attendance and, will be available at the end of the meeting to answer questions.

I would also like to advise you that Don Pasquariello from KPMG, the Company's auditor, is here with us today and is available to answer any questions regarding the conduct of the audit as well as the content and preparation of the Audit Report.

Our fourth full financial year as a public company has seen Pacific Brands maintain or strengthen its market position in nearly all of our key product categories. In 2008, we worked hard to deliver improved performances in what was a particularly challenging retail market – especially in the second half.

Of particular focus during the period was ensuring that we achieved strong returns from our investments in our icon brands. It is during challenging trading conditions that the strength of our brands and the skills of our people becomes especially apparent. Brand strength is the critical element that will allow us to continue to trade profitably during the current economic conditions.

During the year we completed the integration of the two acquisitions made in the prior year – Yakka Group and Brand Collective. I am pleased to report that each acquisition is performing at or better than plan.

As the largest uniform company in Australia, the Yakka Group has provided greater resilience to Pacific Brands' revenues with the inclusion of a predominantly new revenue source from the contracted supply of uniforms. This new source of revenue is largely unaffected by the changes in consumer sentiment that can affect other parts of our business.

As well, Brand Collective has given us valuable experience and talent in the retailing of fashion goods, an area which will become more important to us in the future.

During the 2008 Financial Year, we took the opportunity to divest our interests in four small and non-core businesses being the World Brands Joint Venture and the New Zealand Foam, Carpet Underlay and Mattress business. These divestitures came about as a result of a critical review of anticipated returns.

As most of our earnings are cash earnings, we have been able to keep our dividend payout ratio at the higher end of our range of expectations. Combined with better management of our working capital, our cash generation exceeded our earnings, giving us the ability to reduce our debt levels as well as pay a healthy dividend.

The consistent dedication to our strategic direction is at the foundation of these strong financial results.

Today, I would like to give you an overview of our strategy and reaffirm how it has underpinned this year's results. I will then comment on our 2008 financial results, outline our ongoing commitment to corporate governance, and conclude with some highlights of our corporate social responsibility endeavours.

As you know, Pacific Brands has always been built on four pillars - people, products, service and brands. Those who have been shareholders since listing will know that in previous annual reports we have focussed on our talent, our products and our services. In this year's annual report we gave special focus to our power brands and how they help drive the performance of our business in all market conditions.

Pacific Brands is the custodian of some of Australia's most recognized brands. Along with our talent, it is at the core of our shareholder value. Strong brand performance correlates with strong results. Our competitive advantage is in understanding what is important to consumers and developing products to meet their needs.

In addition, the sophistication and scale of our supply operations allows us to offer flexibility to our retail customers and increase speed to market for the benefit of our consumers.

If we continue to perform in these elements well, we believe we will be well positioned to continue to capitalise on opportunities in the coming year. In fact, we believe a company with these attributes is most valuable to our retail customers in difficult times as we are now experiencing. We have the staying power to be a valuable partner for our customers.

In 2008, Pacific Brands undertook an important strategic review of its operations. The key reasons for this were to undertake a detailed review of our portfolio of brands and categories to decide what the future foundation of our growth should be and to develop our overall strategic direction. Sue will

talk in more detail about this, but our review has been confirmatory in that the current business model is still relevant and appropriate for the future.

The pillars of our business strategy underpinned our performance resilience during the 2008 Financial Year, especially during the deteriorating consumer conditions in the second half. I would now like to highlight some of the results delivered in 2008's financial performance.

As you will have read Pacific Brands delivered on its commitment during the 2008 Financial Year. Net sales revenue grew 16.3% on the previous year to \$2.1 billion. EBITA grew by 18.1% on the previous year to \$229 million. The impact of the Yakka Group and Brand Collective acquisitions were responsible for the majority of the growth in both instances.

This year's result has seen the company's EBITA grow by a compound annual growth rate of more than 10%, since we listed in 2004.

Net profit after tax (pre-amortisation) was \$119million, an 11% increase over the prior year. This translates to pre-amortisation earnings per share of 23.7 cents per share, also up 11% over last year.

Your company remains a strong generator of cash. In 2008, Pacific Brands delivered more than \$157 million in net operating cash flow after capital expenditure, up almost 40% over the prior year. In 2008, we exceeded our long standing target of generating cash equal to, or better than, our profit after tax.

We managed our working capital prudently, with inventory well controlled and inventory turn improving to 3.4x. Total capital employed reduced by more than \$41million not including the divested businesses.

Despite increases to interest rates during the year, Net Debt was reduced by almost \$60 million to \$742 million, while gearing has been reduced to pre-Yakka Group acquisition levels. While our focus remains to reduce debt and integrate our acquisitions, your company still has the capacity to fund further business expansion when and if the right opportunities present themselves.

The continued strong cash generation allowed the Board to announce a final fully franked dividend of 8.5 cents per share. This resulted in a total annual dividend of 17.0 cents per share, representing a 73% payout ratio to shareholders.

The resilience and dependability of the Pacific Brands model gives your board confidence that Pacific Brands can maintain its strong cash generation ability. The intention of the Pacific Brands Board is to continue to maintain a high payout ratio of net profit after tax and to frank dividends to the greatest extent possible.

Each year we put a resolution to shareholders to adopt the Remuneration Report.

Pacific Brands remains committed to attracting and retaining the best talent to run your company.

The Board's Nomination and Remuneration Committee is charged with developing the policy framework to ensure that there is an appropriate link between performance and reward over the short and long term. As you can appreciate, it is very important that Pacific Brands remains competitive in the employment market. The policies must ensure that we can attract, motivate and retain the very best people, to continue to add value to our brands, which in turn creates additional shareholder value. In the current economic environment, this has never been more important.

The policy requires that executive packages contain a proportionally higher percentage directly linked to company performance. The total of performance based components to the total possible remuneration achievable range from 41 to 66%. We believe this reflects an appropriate balance between attracting and retaining talent with rewarding performance for shareholder value creation.

In recapping the current policy, the short-term incentive is primarily based around the achievement or betterment of annual objectives. All members of our senior management team as well as selected other members of our staff participate in this program. The objectives are designed to focus on the delivery of outcomes that can be translated to shareholder value in the short-term. To ensure short-term gains translate into long-term benefits, a portion of the short-term incentive is deferred into shares, further aligning management interests with those of the shareholder.

The long-term incentive arrangements are designed to link executive reward with actions that will underpin sustainable growth in shareholder value over the longer term. They are also intended to retain key individuals. Long-term incentives promote the taking of decisions today, to set up opportunities for future earning performance.

A combination of 'Total Shareholder Return' and 'Earnings per Share' remain, in the Board's view, the appropriate measures for the allocation of long-term incentives. The company favours the use of a Total Shareholder Return hurdle as it provides an external market performance measure. Similarly, Earnings per Share is also favoured because it is an absolute measure directly linking company results to senior executive performance. To this end, it is proposed—subject to your approval at this meeting—that the 2008 grant be again subject to these measures.

The performance condition of the first tranche, which comprises 50% of the performance rights, is based on the Total Shareholder Return of Pacific Brands as compared to a set of comparison companies, which are listed in the Notice of Meeting.

Earnings per Share growth over the vesting period determine the percentage of performance rights in the second tranche that vest. This second tranche comprises the remaining 50% of performance rights. We believe the growth

targets—as documented in the Notice of Meeting—properly reflect appropriate stretch target given the nature of our economy.

Good corporate governance equates to good corporate practice. It is the framework by which companies drive shareholder value through sensible and educated decision making. Accountability and controls then screen these decisions in a manner proportionate to the risks involved.

The directors and management of Pacific Brands remain committed to their belief that adherence with corporate governance guidelines – as outlined by the Australian Stock Exchange Corporate Governance Council – is not just good practice, it is good business.

Pacific Brands has policies to enact each of the recommendations made by the Corporate Governance Council. These policies are fully outlined in your Annual Report as well as on the corporate website.

In addition to our responsibility to you, our shareholders, our success depends upon having a balanced view of our responsibilities to the community and its needs. During 2008, we have strengthened our relationships with our community partners, not only through direct support but by encouraging our employees as they connect with their local community groups, schools and charities.

We continue to support through our “Brands for Good” program six national, not-for-profit community partners in the areas of cancer awareness, children, youth and families at risk.

During the past year we worked closely with organisations like the Breast Cancer Network of Australia as well as the Prostate Cancer Foundation of Australia. Other strategic partnerships with organisations like the Brotherhood of St Laurence, Lifeline and Camp Quality have helped combat poverty and social disadvantage in our community.

Pacific Brands is also serious about conducting our affairs in a manner which recognizes our impact on the wider community. In the past year we implemented a variety of initiatives to help reduce our impact on the environment and we have bolstered our already strong commitment to ethical trading with membership of the Ethical Trading Initiative. In fact, we were the first Australian company to embrace this worthwhile initiative.

We continue to work with our supply chain to deliver products that fully meet our consumer’s needs but without compromising on our objective to provide good social and environmental outcomes for our stakeholders

We are a signatory to the National Packaging Covenant with its commitment to reducing the environmental impact caused by packaging. We have signed on more than 1,000 company cars to Greenfleet to neutralise greenhouse gas emissions. We are close to achieving our zero percent trade waste to landfill target in partnership with our environmental service partners. We have

invested in reverse osmosis technology to significantly reduce our use of water in our dye houses saving almost 125,000 litres of water per day.

These and other initiatives form part of our “Planet Brands” program. Planet Brands is a five-year plan which touches every part of our business and encourages our stakeholders to contribute to our vision of a more sustainable future.

Our entire team continues to work to identify the areas where we can best use our position and resources to make a difference to all our stakeholders.

2008 was a year where the sales, profit and cash position of your company have never been higher.

Pacific Brands demonstrated earnings resilience despite deteriorating market conditions through the strength of its business model, strong market positioning and prudent financial management.

Even though last year offered many challenges, I believe we are headed into an even tougher economic environment. As many of the economies with whom Australia does business are in recession, we will not be immune from their troubles. As a country, we have weathered the storm well so far. It will, however, take enlightened leadership to remain resilient – leadership that I am confident we have in place.

As a result, we believe we enter 2009 more focused on the aspects of our business that can make a difference in this market environment. We have demonstrated that when we deliver products to the marketplace which are differentiated, the outcomes are quite rewarding.

Board priorities for the coming year include working with management to deliver high quality earnings, strong cash flows, a high dividend yield and increasing shareholder returns.

We intend to stick with the strategy of focusing on branded, profitable sales growth, the continual review of business processes to drive operational efficiencies, and the improvement of customer service levels.

Thank you for your continued support during the year. We are optimistic about the future.

On behalf of the board and you, our shareholders, I would like to thank our 8,500 employees who work diligently to bring you these outcomes. We have an ongoing commitment to developing our people and making our company a great place to work.

Before Sue Morphet stands to talk to you at her first AGM as our CEO I would like to show you a movie reel giving you more colour and meaning to our brands. These are just a small sample of our most recent marketing campaigns.