



**Chairman's Address
to the
2007 Annual General Meeting
(Pacific Brands Limited)**

**Tuesday 23 October, 2007
Crown Towers**

Melbourne, Australia

Welcome and Introductions

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

I am very pleased to welcome you to the 2007 Annual General Meeting of Pacific Brands.

You would have seen as you walked into the theatre a showcase of brands and products that have allowed us to have significant positions in our product categories. In addition, during 2007, two important acquisitions allowed us to increase our overall position in the workwear and lifestyle apparel categories – but more on that later.

At the end of the meeting, I invite you to join the directors and members of the Pacific Brands senior management team to review our showcase of products over refreshments.

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 21 September 2007. With your approval, I will take the Notice as read.

[PAUSE]

Thank you.

I would like to introduce you to the Company Secretary and your Board of Directors. 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 prominent Australian and international companies.

Next to Andrew is Dominique Fisher. Dominique joined the board in March 2007 following the retirement of Helen Lynch. Dominique brings extensive experience across the important area of information technology to our board.

On my right is our Chief Executive Officer, Paul Moore. As you may have heard, Paul has decided to retire at the end of the current calendar year, bringing to end a career at Pacific Brands that spans nearly than 30 years. Under Paul's leadership, the company achieved another record performance in 2007. I will speak more of Paul and the Chief Executive Officer transition a little later.

Next to Paul 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 level.

Next to Max is Stephen Tierney, who is the Group General Manager Operations. He 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 15 years.

Senior members of the management team, including our CEO-elect Sue Morphet, 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 and the content and preparation of the Audit Report.

Key Themes

Our third full financial year as a public company has seen Pacific Brands achieve a much stronger market position in nearly all the product categories in which we choose to compete. In 2007, we worked hard to deliver improved performances in each operating group in what is always a challenging retail market.

The consistent dedication to our strategic direction has delivered strong financial performances including record sales, profit, cash generation and dividend returns.

Today, I would like to review our strategy and explain how it has underpinned this year's results. I will then comment on our 2007 financial results, outline our ongoing commitment to corporate governance and highlight some of the successes of our corporate social responsibility endeavours.

Strategic Overview

Our 2007 results again show that our company's "everyday branded" strategy is working. Our adherence to this strategy is fundamental to our future success. It gives our people certainty of where we are going and our customers' confidence around product and service necessary for their success. It places us on a solid footing to deliver an even better performance in 2008.

The three elements of our strategy remain unchanged from those I presented at our first Annual General Meeting in 2004. They are:

- Building brand and category leadership to drive sales growth;
- Leveraging our scale to drive operational efficiencies; and,
- Growth through category enlarging acquisitions.

Bringing this strategy to life now requires the dedication of more than 9,000 people, in 216 locations across 8 countries. We work diligently to attract, develop and retain the best people. Our culture is characterised by talented and very creative people who want to make a real difference for our shareholders, customers and community while achieving their own maximum potential.

We remain focused on creating and building great brands. Our goal is to have number one or two brands in each category in which we operate. Brands are the building blocks of successful category management. They require ongoing reinvigoration and investment to keep them contemporary and vibrant. We are proud to have some of the best brand managers in the country.

Great brands need to be backed up with great product. At Pacific Brands, we understand that the customers and consumers consider good quality as a mandatory requirement. Our competitive advantage is our ability to extend trusted product ranges with timely new innovations and to grow the category and appropriately support our brands.

Our significant scale also continues to provide value creation. We continue to leverage our size to improve our costs, rationalise our supplier base and integrate more seamlessly with our major customers. These programs have provided important returns already, but as always, there is more to do.

We continue to focus on our home markets of Australia and New Zealand. While we have some international interests that allow us to continually monitor international developments and opportunities, we remain confident that there are more than sufficient domestic opportunities to grow.

Our ability to generate cash has also continued to improve as our financial results clearly demonstrate. In addition to the ability to pay a good dividend to shareholders, a strong cash generating ability allows us to manage our growth sensibly through acquisition.

In 2007, we were pleased to continue our track record of growth through acquisition with two category-expanding additions to our portfolio, the Yakka Group and Brand Collective (formerly known as the Streetwear division of Globe International). These acquisitions strengthened our consumer reach in the key categories of Workwear and Lifestyle Apparel.

With strong cash generation anticipated in 2008 and beyond, we continue to be on the look out for value-creating investments. Suitable prospects still exist and we expect to continue to grow through acquisition as well as through organic growth in our major categories.

Results Highlights

As I mentioned earlier, an unwavering focus of our strategy is delivering sustainable results. I would now like to highlight some of the results delivered in 2007's financial performance.

I am pleased to report that net sales revenue grew 12.1% on the previous year to a record high of \$1.82 billion. EBITA grew by 12.2% on the previous year also to a record high of \$194million. We were very pleased with the first full-year contribution of Sheridan to both revenue and profit.

The company's EBITA has grown by a compound annual growth rate of over 13.5%, over the last five years.

Net profit after tax was \$107million, which represents a 6% increase over the prior year. Net profit was impacted by the higher interest costs associated with a higher level of debt following the acquisitions. This translates to earnings per share at 21.3 cents per share, up 6.1% over last year.

Our continued ability to generate cash has been reflected in this year's results. In 2007, the company generated \$113 million in net operating cash flow, up 41.1% over the prior year. We exceeded our objective of generating cashflow equal to profit after tax.

This strong cashflow reflects the company's solid earnings outcome combined with a commitment to the management of working capital, which was held broadly constant before the impact of acquisitions.

Moreover, including making two acquisitions in 2007, we have maintained a low cost of debt around 7.1% and an interest cover of 4.1 times at 30 June 2007. Pacific Brands remains reasonably geared and still has the capacity to fund further business expansion as the right opportunities present themselves

Dividends

The solid performance of the business including another year of 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 16.5 cents per share, representing a 78.2% payout ratio to shareholders.

We remain confident in our cash generating ability and the intention of Pacific Brands is to maintain a high payout ratio of net profit after tax and to frank dividends to the greatest extent possible.

Remuneration Policy

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

The remuneration policies set by your company's Board ensure that there is an appropriate balance between performance and reward over the short and medium term. It is very important that Pacific Brands remains competitive in the employment market so that we can attract, motivate and retain the very best people, to lead and manage this business for the long-term.

The current remuneration policy is designed to:

- Ensure the alignment with the short and long term objectives of the company's business plans,
- Link management rewards to the creation of value for shareholders,
- Retain and motivate our key talent thereby building a team that will take this company forward.

The policy requires 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 59 to 71%. We believe this reflects the right 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 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. Long-term incentives are also an effective tool in retaining 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 most appropriate hurdles 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 2007 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 the likely business cycle conditions as well as the upside the company has for further earnings growth.

In combination, the Board considers that the company has a remuneration policy and incentive scheme that will drive the right outcomes for the business.

Corporate Governance

The right business outcomes are also driven by the company's commitment to corporate governance. Good corporate governance provides the framework to allow companies to create value for shareholders through educated and sensible decision making while providing accountability and controls proportionate to any risks involved.

The directors and management of Pacific Brands believe that adherence with the guidelines as outlined by the Australian Stock Exchange Corporate Governance Council is just good business.

Pacific Brands has policies to enact each of the recommendations

For your convenience these policies are more fully outlined in the Annual Report. As well, the corporate governance statement can also be found on the Pacific Brands website.

Corporate Social Responsibility

An important element of good Corporate Governance is Corporate Social Responsibility. We are pleased with Pacific Brands' ongoing achievements in this area and would like to share some of the aspects of our program and accomplishments with you.

Our community program, "Brands for Good", is now in its second year. What makes our "Brands for Good" program unique is that our employees provide guidance as to where they would like their company to invest to make a difference in the community. Our employees have nominated 'cancer awareness and prevention', and 'children and families at risk' as primary areas of investment. Our employees and organisation have shown great commitment to ensuring that we can contribute positively to improvements in these important areas.

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

Our drive to reduce our environmental footprint continues with momentum. The 2007 financial year saw us deliver important initiatives in waste and packaging minimisation, product recycling, water usage and greenhouse gas reductions. We recognise that there is more to do: We have engaged to reduce emissions and have set ourselves an energy reduction target of 10% by June 2008.

Concluding Comments

You have heard me mention today the benefits that our unwavering focus on our strategy has delivered. Our 2007 performance has further strengthened our belief that our strategy ensures sustainable shareholder value growth.

While we were pleased with the strong financial performance of 2007, we believe that we are well positioned to see further improvements in 2008. The priorities remain largely unchanged. We will continue to work to build brand and category leadership while leveraging our scale. Moreover, should suitable category expanding acquisitions present themselves we will consider them. It is this strategy that will continue to provide high quality earnings, strong cash flow, a high dividend yield and increasing shareholder returns.

We also recognise that the performance of Pacific Brands depends greatly on the quality and commitment of the leadership team and its 9,000 employees and we will continue to work to ensure that Pacific Brands remains an employer of choice. To this end, on behalf of the Board and shareholders, I would like to take this opportunity to thank the company leadership and employees for their tireless dedication over the past year in making a great company even better.

In particular, I would like to take this opportunity to give special thanks Paul Moore, who plans to retire at the end of the calendar year. Paul has had an exceptionally successful career at Pacific Brands nearly some 30-years including the last 9-years as Chief Executive Officer. His foresight and tenaciousness, as well as his leadership style, has consistently seen our company prosper. He has that ability to balance what is important to the employees, our customers and you the shareholders.

It is also a tribute to Paul's leadership abilities and focus on succession planning that the Board was able to appoint his successor from his direct management team.

Sue Morphet has been appointed Chief Executive Officer Elect after more than a decade with Pacific Brands. Some of Sue's most important achievements have been in leadership roles in our Underwear and Hosiery Group where her ability to take brands to new levels of performance was exemplified.

Under Sue's leadership, we are confident that she will continue to execute our strategy and deliver improved shareholder returns.

We appreciate the continued support of our shareholders and stakeholders including their attendance here today. I would now like you to welcome our CEO, Paul Moore.