



**Chief Executive Officer's Presentation
to the
2009 Annual General Meeting
of
Pacific Brands Limited**

**Tuesday 20 October, 2009
The Sebel, Albert Park in Melbourne**

Thank you James. Ladies and Gentlemen.

It has been an extraordinary year in the market and in particular – for Pacific Brands. We were all expecting it was going to be tough. But no one thought it would be as tough as it has been.

James has taken you through the year. I will talk to you about the Pacific Brand 2010 strategy in more detail and update you on the progress we have made on its implementation since the Annual Report.

Let me take you a little deeper into the structure and objectives of Pacific Brands 2010.

The strategy has six core themes:

1. Rationalise and focus the portfolio
2. Optimise the revenue base
3. Rebase overhead cost structures
4. Transform supply chain and operations
5. Reduce capital employed
6. Build organisational capability

It's is a comprehensive and highly detailed strategy – and as you would expect we have a highly detailed implementation plan. No detail is too small – we are across everything. We are determined to stay on schedule.

As we reported in August, implementation achievements during F09 included:

- Discontinuing, merging and divesting more than 150 brands and reduced stock keeping units by 10%;
- Increased pricing for the first time in many years for some businesses;
- We realigned marketing expenditure to focus on further building our key brands and increase effectiveness;
- Decreased the non-manufacturing workforce by more than 500 roles;
- Re-negotiated more than 50% of offshore supply volumes;
- Improved cost savings in air and shipping freight;
- Closed four manufacturing sites;
- Sold 3 properties;
- Reduced inventory holdings;
- Rolled out a 'brand excellence' improvement program;
- Introduced new product development processes to the majority of the group; and
- Implemented new product lifecycle development and management and financial reporting systems.

Since the results announcement in August we:

- Are discontinuing further brands and SKUs;
- Are continuing innovation and NPD which I will talk about more later;
- Continuing advertising ROI improvement;
- Commenced a review of our infrastructure covering distribution, IT and office network to determine the most efficient solution for our company;
- Have closed our Nunawading manufacturing facility;
- Announced our intention to close Homewares NZ in October;

- Further reduced our capital employed through exiting tail brands; and
- Appointed a new Group General Manager of Street & Feet – Anthony Heraghty.

What we are going to do this year includes:

- Further portfolio rationalisation of brands and SKUs;
- Continued innovation and NPD;
- Improve advertising and customer investment;
- Ongoing overhead reductions;
- Closure of a further 5 factories by the 3Q of 2010;
- Continuing to reconfigure remaining sourcing base and driving efficiencies and savings from our offshore suppliers;
- Reductions in working capital through exiting tail brands, supply transformation and S&OP process improvements;
- Further property sales;
- Further rollout of Brand Excellence and NPD processes; and
- Continue to upskill our workforce.

I would like to take a few moments to go into some more detail on our portfolio rationalisation program – it is a key part of our strategy.

Prior to Pacific Brands 2010, we had an extremely cluttered portfolio, with more than 300 brands, 200 with sales of less than \$500k.

This portfolio reduction will ensure we are focusing our efforts on the brands that will deliver the results and margins we expect.

Increasing our focus on our strongest most promising brands means that our new product development program will improve speed to market and lead times – and will ensure we stay focused on building the strength of our power brands.

There is continuous review and monitoring of SKUs and brands to ensure the tail doesn't expand again. It's about discipline throughout the business.

Its important that we all acknowledge that as we discontinue brands, our topline will contract, but we will become more profitable.

I will take you through some examples of how these changes are actually impacting the day to day of how we do our business better.

The transformation of the Berlei Group is a good example.

Berlei is already seeing the successes of the Pacific Brands 2010 strategy as it started its restructure slightly earlier than most other businesses.

The Berlei group is one of Australia's leading intimates businesses with brands such as Berlei, Playtex and Hestia.

Historically the Berlei Group suffered from lack of clarity around the Brand strategy and lack of operational controls. Berlei has now removed some of the minor labels that were distracting them from getting the most out of their big brands.

Through its new product development program – which has embedded new business processes into the business – it has seen a reduction in airfreight, and fewer lost sales. More time is now being spent on product forward planning.

Through our Brand Excellence program, it is much more market focused, with disciplines around gathering consumer insights and trends applied before introducing new products. The programs have improved our product hit rates in each new season.

The business has achieved 36% SKU reductions and removal of excess and redundant stock. These are important achievements for the group.

Berlei and Playtex have grown their sales while their general market has contracted. And that's the test.

The Slazenger business is another example where we are seeing the early signs of the strategy having an impact in one of our core brands.

The Slazenger brand goes back over 100 years – it is one of the oldest sporting brands in the world.

Following the rationalisation of brands in the outerwear business, Slazenger has been reinvigorated through a new focused team of people developing and driving the brand forward.

We have consolidated the brand management for the apparel, footwear and equipment categories which were previously run separately in the Underwear and Hosiery and Outerwear and Sport groups.

New products have been developed enabling the brand to move into new retail channels.

We are seeing the benefits of improving sales growth and margin improvement in F10.

We have also reduced working capital through new systems and supply and operation processes. All in all pleasing progress and there is a clear path forward.

Bonds remains Australia's leading underwear and babywear brand with extensive distribution across all market channels.

Bonds knows what its customers want, having clarity and focus about its product offering.

Although Bonds received much of the attention earlier this year, its brand health remains solid. In the past month we launched the 2010 winter baby search campaign in which we received over 17,000 entries.

Our recent Racey Shapes digital advertising campaign delivered over 70 million page impressions – and our t-shirt category has defied market skeptics and grown. Our social media campaigns are driving sales in what is a cluttered environment with enormous price point sensitivity. It's a great effort.

In terms of brand advocacy, 53% of women say that if Bonds underwear weren't available they would wait for the stock to be available rather than switching to another brand.

Bonds has implemented many of the Pacific Brands 2010 elements and continues to become a much stronger business, more profitable with significantly less complexity.

Inventory management has been improved with stock turns up a further turn and SKUs have reduced by 10% from this time last year.

Bonds is truly a power brand.

Finally, I'd like to mention the workwear group which has achieved substantial efficiencies from the themes underpinning Pacific Brands 2010.

We have rationalised our Australian market facing businesses from 5 to 3:

- CTE merged with Yakka
- NNT merged with Dowd

Two factories – Bellambi and West End – were closed in July 2009 and products resourced offshore.

We have begun rationalising the workwear DC network with the closure of a warehouse in SA and QLD. We will close a further DC in NSW in Jan 2010.

Our workwear group is transitioning from a decentralised approach to a central hub model to improve its focus on customer service. It's now developing the best of both worlds – maintaining its brand independence and accessing best of breed skills from across the group – and its using them to win new business.

Overall, our workwear group is benefiting from improved sourcing and supply chain, rebased overhead and a lower cost of doing business.

Knowing our market, the opportunities on offer, knowing our consumers needs and wants, what they think and what they need – as well as working to predict their future needs and wants – gives us our competitive advantage.

Using innovation – leading edge thinking, consumer understanding – that leads to new products – is critical to our success in these market conditions.

I would now like to share with you some of our latest innovations:

- **Berlei** have added the Jeanious range of underwear to their Barely There range, which uses a special design with invisible panty line under trousers. As well as working with fabric technology and design features to ensure market-leading sports bras are the best in the world.
- **Bonds** have revamped the nappy cover by launching Bonds Babytails which come in colourful stripes and prints, as well as the market-leading revamped Cottontails for today's woman.
- **King Gee** have launched their new Steel workwear range which tests have shown will last 40% longer than other workwear and includes such features as triple stitching, reinforced knees, fade resistant fabric and a treatment that absorbs body odour.

- **Sleepmaker** have launched the Cloud Top mattress into the market – a new one-piece build of mattress that is more durable. Tests have proven that after 25 years of simulated use, the appearance of the mattress remains almost unchanged.
- And **Voodoo** have recently released their Voodoo Magic slimming and shaping range that slims and emphasises the right places to create a smooth silhouette.
- Our **Volley** brand like the majority of our power brands regularly refresh their products and release new ranges to the market generating consumer demand in their categories and driving growth each year. Our Gelati and Shogun Volley are two new products that have been released to the market this year adding a new style to the iconic Volley shoe.

Pacific Brands develops world best in many of its categories. Our ranges are viewed and at times copied by companies internationally. Our product development teams are industries' best. Indeed we have approximately 300 people working in this area identifying emerging trends and developing products to create demand and lead the market.

It's an ongoing and never ending challenge to stay ahead category by category.

We innovate in style, function and quality – sometimes all three at once.

We believe that brands become great through great products.

So let's turn to the Trading Update and Outlook for F10.

There has been no change since our results announcement in August.

Since the start of the financial year, trading has been mixed with some businesses performing well and others marginally down on the prior corresponding period. Although the economic environment and outlook remain uncertain, the company notes cautious optimism in the market and recent signs of improving consumer confidence.

F10 is expected to comprise of two distinct halves. 1H10 underlying EBITA is expected to be down compared to the prior corresponding period primarily as a result of the full impact of currency volatility in F09 and the roll forward of existing contracts put in place when the Australian dollar was at lower levels. The company expects this to be balanced by the 2H10 underlying EBITA, which is expected to be up compared to the prior corresponding period primarily due to the realisation of transformation savings.

Consistent with the Pacific Brands 2010 strategy to rationalise and focus the portfolio, reported sales revenue is expected to reduce over the course of the transformation period.

Ladies and gentlemen, the implementation of the Pacific Brands 2010 strategy remains on or ahead of schedule and we are confident it will deliver a more robust and profitable business in the longer term.

We have an executive team with the skills, experience and energy to achieve the results we demand.

Where there are sales available, where there are opportunities – we will pursue them with vigour, speed and determination.

In closing, I would like to thank you all for your support during what has been a challenging – but very important year – for the business, our employees, you – our shareholders and the wider community.

I would like to join the Chairman in thanking all our employees for the enormous contributions they have made and are continuing to make in order to build smarter stronger businesses within Pacific Brands.

Please trust that we will be working as hard and as smart as you would expect us to do.

Thank you.