

2009 Annual General Meeting

20 October 2009

James MacKenzie, Chairman

Chairman's report for the financial year ending 30 June 2009

**James Mackenzie
Chairman**

Group results¹

- Operating earnings in line with guidance
 - Sales \$2,000m, down 5.5%
 - EBITA \$205.3m, down 10.4%
 - EBITA margin 10.3%, down 0.5% points
 - Operating expenses \$61.7m, down 8.5% (down 12.6% in 2H09)
 - NPAT \$102.5m, down 14.1%
 - EPS 17.4 cents, down 18.3%
- Solid cash flow
 - Net operating cash flow of \$81.2m (post significant items and capital expenditure)

Balance sheet strength

- No significant debt refinancing required until March 2012
- 3 for 4 rights issue raised \$256.0m
- Net debt reduced by \$289.9m to \$452.8m
- Tranche 1 of debt fully re-paid
- Tranche 2 of debt reduced by \$117.5m
- Gearing reduced from 2.9x to 2.0x
- Interest cover improved from 3.5x to 3.9x
 - Tranche 1 interest now excluded from calculation

Underwear & Hosiery

Sales ↓ 1.8% to \$625.6m

EBITA¹ ↓ 7.9% to \$93.4m

- Hosiery, Bonds and Berlei grew sales and profit
- Decline in Holeproof and Clothing NZ
- New brand ambassadors



Bonds
Cottontails Revamped



Berlei
Intimates Range

Outerwear & Sport

Sales ↓ 2.3% to \$641.4m

EBITA¹ ↓ 3.8% to \$56.0m

- Streetwear and sport sales up with workwear flat and unbranded down
- B2B (contract uniform) channel grew 6% with new contracts and rollouts
- Slazenger brand management consolidated



Hard Yakka
Women's Workwear



Malvern Star
Oppy Range

Home Comfort

Sales ↓ 13.1% to \$456.0m

EBITA¹ ↓ 18.3% to \$40.6m

- Businesses impacted by tough housing and construction markets, consumer slowdown and manufacturing fixed cost structure



Simmons
Comfopedic



Tontine
Pillow Selection System

Footwear

Sales ↓ 7.0% to \$251.9m

EBITA¹ ↓ 23.0% to \$28.0m

- Branded businesses strong - Dunlop Volley and Julius Marlow
- Grosby and unbranded operations difficult
- Restructuring international footwear operations

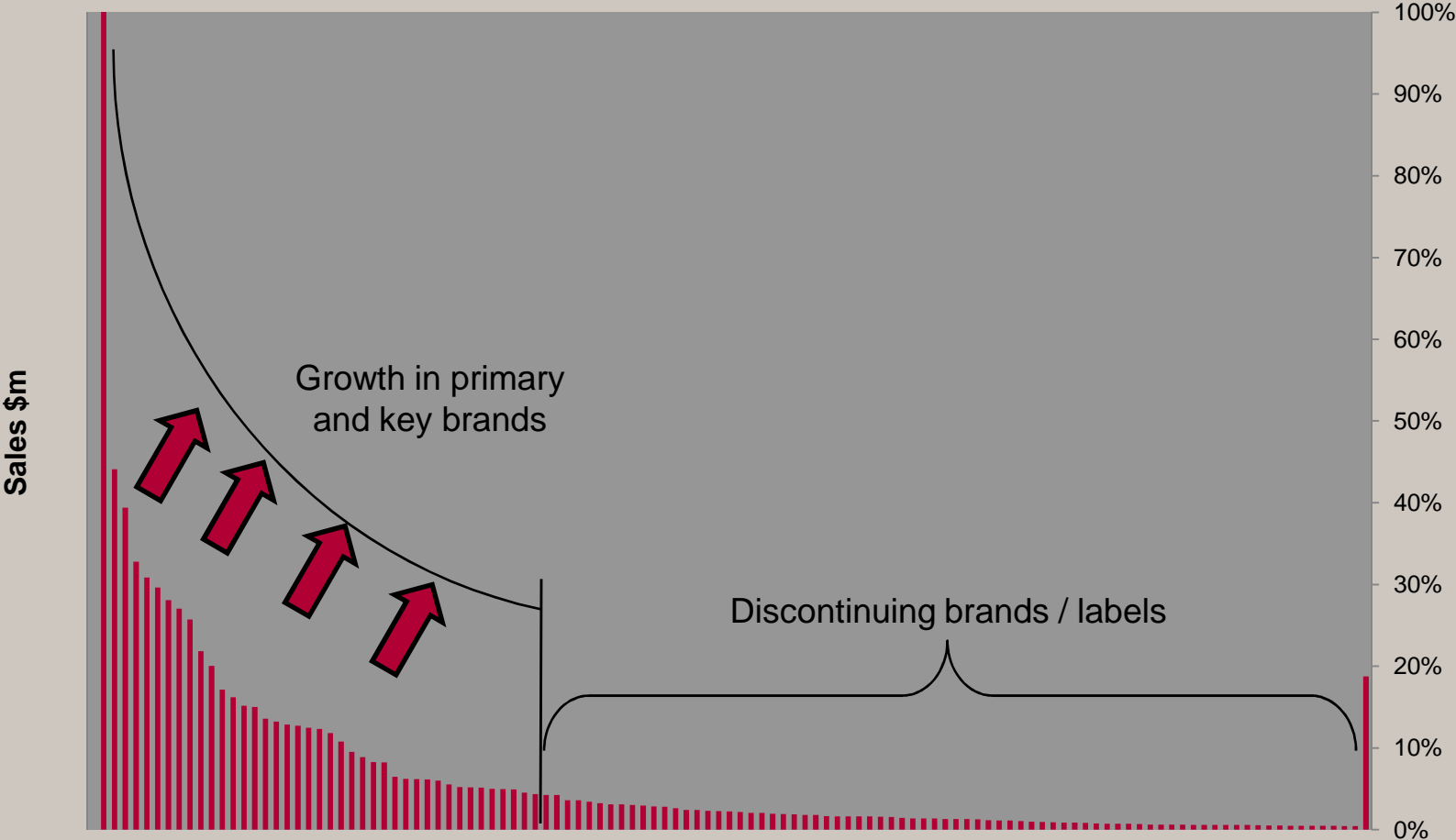


Uggly Volley



Freeman by
Dunlop Sport

Pacific Brands 2010 strategy



Manufacturing closures

- Competitive disadvantage from local apparel manufacturing
 - 70% of clothing product (by value) was sourced from offshore already
- Exiting majority of our clothing manufacturing globally
- Manufacturing workforce is being substantially reduced
 - Over 1,200 manufacturing people have been affected
- Worked with unions to develop an extensive best-practice retraining program
- All affected manufacturing workers have been offered retraining
- Provided up to \$3,000 and up to 3 weeks paid leave per employee while employed

Changes to Board and Senior Management team

- There were a number of changes to the structure and composition of the Board and management team during the past year

Dividend

- No dividends declared in the year ending 30 June 2009
- The Board will make a decision in respect of future dividends after assessing the Company's operating performance at each half and outlook at that time

CEO's presentation

Sue Morphet
Chief Executive Officer

Pacific Brands 2010 – key elements

Rationalise and focus portfolio

- Consolidate or discontinue brands, ranges and SKUs
- Divest businesses and brands
- Focus on key brands (innovation, NPD and marketing)

Optimise revenue base

- Adjust pricing
- Improve customer investment
- Realign advertising spend

Rebase overhead cost structure

- Rebase headcount
- Reduce discretionary spend
- Consolidate offices

Transform supply chain

- Rationalise manufacturing
- Reconfigure global sourcing
- Optimise international freight
- Streamline warehousing and distribution

Reduce capital employed

- Manage working capital efficiently
- Divest surplus properties

Build capability

- Improve culture and reskill employees
- Re-engineer key business processes (Brand Excellence, New product development and S&OP)
- Implement new systems

Status of Pacific Brands 2010 work streams

	Achieved	Update
Rationalise and focus portfolio	<ul style="list-style-type: none"> >150 brands discontinued or divested >10% SKU reductions Prioritised NPD (eg Berlei intimates) 	<ul style="list-style-type: none"> Further brand / SKU reductions Innovation and NPD continued
Optimise revenue base	<ul style="list-style-type: none"> Adjusted pricing across entire group New trade spend system implemented Realigned advertising spend to increase its effectiveness 	<ul style="list-style-type: none"> Continue advertising ROI improvement
Rebase overhead cost structure	<ul style="list-style-type: none"> 500 redundancies in non-manufacturing roles Overachieved F09 discretionary and other overhead spend targets 	<ul style="list-style-type: none"> Ongoing overhead reductions Infrastructure review
Transform supply chain	<ul style="list-style-type: none"> Closed 4 manufacturing sites Renegotiated >50% of China supply volumes Air and shipping freight savings ahead of targets 	<ul style="list-style-type: none"> Closure of Nunawading Announced closure of Homewares NZ Distribution review
Reduce capital employed	<ul style="list-style-type: none"> Reduced inventory holdings 3 properties sold 	<ul style="list-style-type: none"> Further reductions in working capital through exiting tail brands
Build capability	<ul style="list-style-type: none"> Rolled out Brand Excellence program New NPD processes in majority of group New product lifecycle and financial reporting systems implemented 	<ul style="list-style-type: none"> New GGM Street & Feet

Berlei transformation

- Leading intimates business including Playtex, Hestia and Berlei brands
- Historically suffered from lack of clarity around brands and operational controls
- New Product Development program resulted in reduced airfreight, less late penalties and lost sales, and greater time spent forward planning
- Berlei has become more market focused through Brand Excellence program constructing tighter propositions
- Significant improvement in hit rates
- Reduction of SKUs, removal of redundant and excess stock
- Overall Berlei has grown share while its market contracted



Slazenger brand consolidation

- Integration of apparel, footwear and equipment categories
- New retail channels
- Revitalised brand
- Re-engineering of product
- Reduced working capital through new systems and supply and operation processes
- Driving sales growth and margin improvement



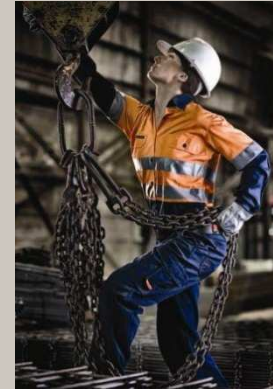
Bonds continuing to drive categories

- Australia's leading underwear and babywear brand
 - >17,000 entries for the 2010 Winter Bonds baby search campaign
 - 'Racey Shapes' online campaign delivered 70m impressions
 - 53% of women say they would wait for Bonds stock to be available if it is not in store
- Bonds continues to become a stronger business with less complexity
- Improved inventory management with improved stock turns and SKUs reductions of 10% on this time last year



Workwear restructure

- Rationalisation of Australian market facing businesses
 - CTE merged with Yakka
 - NNT merged with Dowd
- 2 factories closed and products resourced offshore
 - Bellambi and West End
- DC rationalisation
 - SA and QLD warehouse closed
 - NSW warehouse to be closed January 2010
- Total focus on customer service through new central hub model



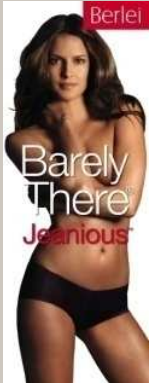
New products and innovations



Bonds Babytails



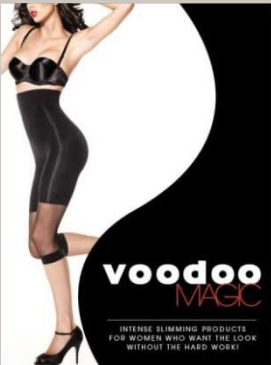
Volley



Berlei Jeanious Briefs



Sleepmaker Cloud Top



Voodoo Magic



KingGee Steel Workwear

Trading update and outlook

- Recent trading has been mixed with some businesses performing well and others marginally down on the previous corresponding period
- Economic environment and outlook remain uncertain, despite cautious optimism in the market and signs of improving consumer confidence
- Expect F10 to comprise two distinct halves
 - 1H10 underlying EBITA expected to be down primarily as a result of full impact of currency volatility in F09 and lagged effect of currency hedging
 - Balanced by 2H10 underlying EBITA expected to be up primarily due to realisation of transformation benefits
- Reported sales are expected to reduce and profitability is expected to improve over the transformation period