CHAIRMAN'S ADDRESS
JOYCE CORPORATION LTD GENERAL MEETING

Parmelia Hilton Hotel
Mill Street, Perth

FRIDAY 4 FEBRUARY 2005 AT 10AM

Good morning and welcome.

We are here today to consider a proposal to sell our foam businesses to Pacific Brands Limited for, effectively, $32.5 million.

You have already been informed in the explanatory statement that accompanied the notice of this meeting of some of the reasons why we support the sale.

However, it is now appropriate to expand on background information to further help shareholders in their own determination.

The manufacturing industry in Australia today in our sector is facing its greatest challenge ever from import competition.

Throughout its 118 years of operations, Joyce has been a proactive, innovative and relevant part of Australia's manufacturing industry.

In the last 20 years we have tried to bring the plight of the country's manufacturing industry to the attention of political, academic, institutional and industry leaders.

I have taken part in many discussions and prepared many submissions, including an invitation to present to then Prime Minister Paul Keating in 1992 in which I addressed the main issues facing Australian manufacturers as we strive for sustained economic growth, and outlined my vision of Government and enterprise working together for a better economic future.

For the last decade or so much has been said about the need for a level playing field. Certainly in terms of polyurethane foam, there has never been one.

Polyurethane foam coming into Australia as finished products – furniture, bedding, nappies and other products containing foam as well as direct foam imports - does not have to conform to the same high standards as products

Joyce Corporation Ltd
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Joyce Foam Products
Polystyrene Industries

manufactured domestically. Nor are they subject to other adverse domestic influences such as payroll and other non-competitive taxes, regulations and structures.

Yet surely globalisation should mean that we all have the same manufacturing and environmental standards.

Joyce's production history has been stable and this is a reflection of market conditions.

However, during this period there has been a significant increase in foam production capacity in Australia with nine new foam production facilities established.

While Joyce and Dunlop continue to be the major players, these new suppliers have made inroads into the foam market. And the two largest of these competitors have grown market share quite significantly in the last five years.

The forecast for the furniture and bedding industry, which currently represents 72% of all foam sold in Australia, is for no growth potential in the next two years. This is a direct result of increased imports of finished products in this sector.

Imports are absorbing the real market growth in the retail segment and impacting on the prices of local products.

To continue competing effectively in this market, low cost production is essential. This means investing in increased automation and foam manufacturing equipment upgrades.

Over the last three years Joyce has worked towards this objective. However, it is apparent that in order to address the over-capacity in the market and gain real cost savings, there has to be consolidation of foam manufacturing.

That is the reason for going down the path we are now. There needs to be a quantum move forward by the Australian foam industry.

The deal we are advocating with Pacific Brands offers significant synergistic gains that will give those industries that use polyurethane foam products a better chance of survival, because these gains will be shared and consequently they will be better able to compete with the increase in imported products.

That we are here today is an inevitable consequence of these circumstances.
In fact, Joyce started talks nearly two years ago with Pacific Brands, with the idea that **we** should acquire **their** foam businesses.

They agreed with our rationale and the assessment of unsustainability if there was no change, and it was only in the last few months that the scenario turned 180 degrees and became the proposal that they acquire Joyce's foam businesses.

As the Chairman and on behalf of the Board of a committed manufacturer of 118 years' standing, we strongly believe that this is the best option for Joyce stakeholders.

As you know, the proposed sale is conditional on approval here today by shareholders and receipt by Pacific Brands of a 'no action' letter from the Australian Competition & Consumer Commission.

The ACCC has allowed until today for further comments from interested parties on issues raised by the proposed sale before it makes a decision.

If the decision is in favour of the sale, and - subject to shareholder approval - the sale is completed, Joyce's net tangible assets would increase from approximately 74c per share as at 30 June 2004 to somewhere between $1.25 and $1.40 per share, depending on the valuation of Bedshed and the manufacturing properties we may or may not retain and other asset values.

In the event the sale progresses, we would plan a return of capital equivalent to about 22.5 cents a share in April/May this year, which would consume about $4.5 million of our cash resources.

We would then take some time – up to 24 months – to determine objectively and carefully options that may be available for Joyce, particularly relating to Bedshed.

With regard to Bedshed, these options include:

- increasing our holding in Bedshed
- increasing our import activities
- redoubling our efforts to further penetrate Eastern States markets
- acquiring other beds and bedroom retail franchise structures, or
- property investments to support the franchise structure, along the lines of Harvey Norman and Bunnings.

If the sale to Pacific Brands does not go through, Joyce would then need to carefully consider how, in the prevailing market, it would structure itself to ensure maximum shareholder wellbeing.

Meanwhile, it is appropriate to advise that results for the six months to 31 December 2004 indicate a growth in pre-tax profitability of approximately 15% over the corresponding period last year.

Ladies and gentlemen, I would like to conclude by saying that by supporting the proposal to sell we will bring significant gains to shareholders in the short term as well as positioning the company for either further wealth addition and/or cash returns.

At the same time the sale will help improve the prospects of our customers, our employees and the Australian economy in general.

Thank you. I am happy to answer any questions.

DAN SMETANA
Chairman