McPherson's Limited
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The Manager
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Company Announcement Office
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15 March 2012

Dear Sir

McPherson's Limited Demerger of MPG Printing Limited - Fact Sheet: 'General guide on the taxation implications for individual McPherson's Limited Shareholders of the Demerger of MPG Printing Limited'

Further to the Prospectus issued by McPherson's Limited on 16 December 2011, please find attached a fact sheet in relation to the McPherson's Limited Demerger of MPG Printing Limited for immediate release to the market.

Yours faithfully

Philip Bennett
Company Secretary

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General guide on the taxation implications for individual McPherson's Limited Shareholders of the Demerger of MPG Printing Limited (MPG)

All references in this letter are consistent with the Prospectus dated 16 December 2011 sent to all MCP Shareholders.

This letter has been prepared for the general benefit of MCP Shareholders. The income tax consequences for individual shareholders will vary depending on individual circumstances. As indicated in the Prospectus for the Demerger, MCP recommends that all MCP Shareholders obtain their own specialist tax advice as to the taxation consequences of the Demerger of MPG.

Accordingly, this letter outlines the general taxation implications that will arise for individual MCP Shareholders as a result of the demerger of MPG not taking into account any specific circumstances which may apply to such shareholders). The information below is consistent with Class Ruling CR 2012/17 obtained from the Australian Tax Office in this regard.

MCP has also obtained a Private Binding Ruling with respect to the taxation implications for MCP arising from the Demerger.

These Rulings confirm that the *in specie* distribution of the MPG Shares is a demerger for income tax purposes. Should any circumstances change, MCP will advise the ASX and Shareholders immediately.

Impact on resident individual Shareholders

These questions and answers apply to you if:

- You are an individual taxpayer who is an Australian resident for tax purposes;
- You did not acquire your MCP Shares under an employee share scheme; and
- Any gain or loss you made on the Shares is a capital gain or capital loss – that is, you held your MCP Shares as an investment asset rather than:
  - as trading stock
  - as part of carrying on a business; or
  - to make a short-term or one-off commercial gain.

Special Dividend

The Special Dividend is not assessable income, regardless of whether you choose demerger rollover relief.

Capital Reduction

1. What do I have to do if I was a Shareholder in MCP when MPG was demerged?

The Capital Reduction amount resulted in a CGT event happening to each of your MCP Shares. As an MCP Shareholder, there are two things that you must do:

- Consider whether you want to choose demerger rollover relief; and
- Recalculate the reduced cost base and cost base of your MCP and MPG Shares.

You must recalculate your cost base regardless of whether or not you choose demerger rollover relief. Your MPG Shares are taken to have been acquired on the day you acquired your MCP Shares.

2. What if my MCP Shares are pre-CGT shares?

If you acquired your shares in MCP prior to 20 September 1985, you do not have to do anything. The Capital Reduction and the Special Dividend are not included in your income tax return. When you sell the MPG Shares, they are not subject to income tax.

3. What are the consequences of choosing demerger rollover relief?

If you choose rollover relief, you can disregard any capital gain resulting from the Capital Reduction amount.

The decision to choose demerger rollover relief is evidenced by the way you prepare your income tax return (no formal election is required to be lodged with the ATO).

4. What are the consequences of not choosing demerger rollover relief?

If you do not choose demerger rollover relief, you must reduce the unindexed CGT cost base of your MCP Shares by the Capital Reduction amount of $0.36 per Share. If your CGT cost base is less than $0.36, you must reduce your CGT cost base to $nil and include the balance of the Capital Reduction amount as a capital gain in calculating your assessable income in your 2011-2012 income tax return. This capital gain may be eligible for discount capital gain treatment and may be offset against current year or carry forward capital losses.

A matter to be considered by a Shareholder in deciding whether or not to choose rollover relief is that he or she may have significant capital losses that are available to offset the capital gain that may arise. You may need to seek professional tax advice with regard to this decision.

5. How do I calculate the cost base and reduced cost base of my MCP Shares and MPG Shares?

All MCP Shareholders must recalculate the cost base and unindexed reduced cost base of each MCP Share and each MPG Share.

The cost base of your MPG Shares is not $0.36. You need to apportion the cost base of your original MCP Shares between your MCP Shares and MPG Shares. Based on the average VWAP of MCP Shares for the 5 days prior to the demerger implementation date of 31 January 2012, and the market value of MPG as at 31 January 2012, you would allocate 17.72% of the cost base of your MCP Shares to your MPG Shares.

Example

You own 2,000 MCP Shares. Your CGT cost base per MCP Share is $3.10, meaning that the cost base for all your shares is $6,200. You apportion the cost base of your MCP Shares as follows:

- 82.28% to MCP Shares (2,000 shares) - $5,101.36 in total, or $2.55068 per MCP Share;
- 17.72% to MPG Shares (500 shares) - $1,098.64 in total, or $2.19728 per MPG Share.

Remember that in working out the cost base (and reduced cost base) just after the demerger you:

- need to know the cost base of each of your MCP Shares just before the demerger (this means you need to take into account any other CGT events that happened after you acquired the shares, but before the demerger, if they affected the cost base);
- do not reduce the cost base of your MCP Shares by the $0.36 per share Capital Reduction amount associated with the Demerger of MPG, but rather apportion the cost base between the MCP and MPG Shares as set out above; and
- retain these details so that you can work out your capital gains and capital losses when you sell these Shares.

6. What happens if I sell some or all of my MCP Shares after the Demerger?

If you sell any of your MCP Shares, you calculate your capital gain (or capital loss) by reference to the allocated cost base as calculated in Question 5 above.

Where you owned your MCP Shares for at least 12 months, you can use the discount method in working out your capital gain when you sell your MCP Shares.

7. What happens if I sell some or all of my MPG Shares after the Demerger?

Your MPG Shares are taken to have been acquired on the day you acquired your MCP Shares.

If you sell any of your MPG Shares, you calculate your capital gain (or capital loss) by reference to the allocated cost base as calculated in Question 5 above.

Where you owned your MPG Shares for at least 12 months, you can use the discount method in working out your capital gain when you sell your MPG Shares.

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We reiterate, the above guide has been prepared for the general benefit of MCP Shareholders. The income tax consequences for individual shareholders will vary depending on individual circumstances. As indicated in the Prospectus for the Demerger, MCP recommends that all MCP Shareholders obtain their own specialist tax advice as to the taxation consequences of the Demerger of MPG.