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McPHERSON'S LIMITED
CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING 16th November 2012

McPherson's Limited has three key financial objectives:

- To produce growth in Earnings Per Share (EPS) each year;
- To generate an annual Return on Funds Employed (which is defined as earnings before interest and tax as a % of shareholders' funds plus net debt) well in excess of the Company's cost of capital; and
- To achieve a high conversion of profit into cash to enable the payment of at least 60% of earnings after tax as dividends to shareholders and to enable the funding of acquisitions and other growth opportunities.

In that context McPherson's reported results for 2011/12 were disappointing and did not meet two of the Company's key objectives. Earnings Per Share (from continuing operations) declined by 29% to 25.4c and Return on Funds Employed (ROFE) declined from a healthy 17.4% in 2010/11 to a less than satisfactory 12.4% in 2011/12.

The major factors which adversely affected the revenue and profit performance of the business during the year were:

- The well documented subdued retail sales environment;
- The consequent requirement to increase promotional spend in order to maintain sales volumes;
- Retailer ranging strategies, particularly private label expansion, and policies specifically impacting our impulse merchandise business; and
- Increased product costs.

Management has responded urgently to the challenges facing the company and excellent progress has been made on a range of issues which will enhance performance in the 2012/13 financial year and subsequent years.

One major strategic initiative successfully implemented during 2011/12 was the demerger of the McPherson's printing business, facilitating McPherson's Limited's transition to a focused consumer products business with a portfolio of well-regarded brands, product and brand development expertise, supply chain proficiency and outsourced manufacturing capability.

Becoming a focused consumer products company has been achieved alongside major progress in the Company's operational excellence program. The goals of this program are:

- To improve customer service productivity and efficiency;
- To provide for the more efficient and effective integration of acquired businesses;
- To attract and retain high achievers through training and development; and
- To ensure high levels of employee engagement throughout the business.

During the 2011/12 year the Company implemented a number of operational excellence initiatives and others are currently underway. These include:

- The installation of radio frequency technology in the Kingsgrove warehouse;
- An upgrade to the Enterprise Resource Planning (ERP) system;

- The installation of a new Financial Sales & Operations Planning (FS&OP) system;
- The introduction of a mobile Customer Relationship Management (CRM) system for the field sales force; and
- A warehouse optimisation program.

These initiatives improve productivity and enhance the company's capability as a focused consumer products business and we remain committed to growth through both organic product development and innovation, and by acquisition.

A number of new product ranges have been launched in recent months, and further product programs will be rolled out in coming months. In addition, two small but strategic acquisitions, namely Footcare International and Cosmex International, have been made in the personal care sector during the past twelve months.

The Company is continuing to proactively identify and assess potential acquisitions that will:

- Leverage existing resources and infrastructure;
- Provide synergy and scale benefits;
- Deliver growth in existing and new markets; and
- Enhance shareholder value.

The Company's business plan for the 2012/13 financial year incorporates the anticipated impact of the new product launches, the Footcare and Cosmex acquisitions and operational excellence initiatives, including costs associated with their implementation during the first half, and we are expecting to see a modest growth in sales and earnings per share for the full year.

In line with the business plan, profit for the first half of the 2012/13 financial year is expected to be slightly down on 2011/12, with much of the benefit of the aforementioned initiatives flowing through during the second half of the financial year. Trading in the second half of 2012/13 is expected to produce a marked improvement over the prior corresponding period. Trading for the first four months of the 2012/13 financial year is in line with plan.

On behalf of the Board, I would like to thank all of the staff at McPherson's, who are ably lead by the Senior Leadership Team and the Managing Director Paul Maguire, for their considerable efforts in responding to a very difficult retail environment in such a proactive and professional way.

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