McPherson's Limited
ACN 004 068 419

105 Vanessa Street
Kingsgrove NSW 2208
Australia

Locked Bag 5018
Kingsgrove NSW 1480

Telephone: +61 2 9370 8000
Facsimile: +61 2 9370 8090

McPHERSON'S LIMITED
CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING 20 November 2013

The reported financial results for the 2012/2013 year were disappointing. Underlying earnings per share for the year decreased by 26% to 18.7cents and this was the second consecutive year of declining profits and profitability.

The main factors which affected financial performance during the last two years were:

- The subdued retail sales environment, particularly during the final quarter of the 2012/13 year;
- The requirement to increase trade promotional spend due to pressure from some retailers;
- Retailer ranging strategies, particularly private label expansion, and policies specifically impacting our Impulse Merchandising business; and
- Increased product costs and local cost inflation combined with difficulty in adjusting prices.

Our response to these considerable pressures has been:

- Operational initiatives leading to substantially improved customer service, supply chain efficiency and distribution performance;
- A recent streamlining of the business through the removal of a significant number of underperforming products and brands, combined with a consequent substantial reduction in overhead costs;
- Product cost negotiations with existing and new suppliers, and price increases to customers to preserve contribution margins; and
- Channel diversification and growth through acquisitions, focusing on products and distribution channels where we can achieve adequate levels of profitability. Recent acquisitions have provided significant channel diversification through expansion into the electrical retail, kitchen installation and commercial building channels; as well as major expansion of the Health and Beauty business within the pharmacy channel.

In March 2013 the company acquired 82% of Home Appliances Pty Ltd which provided an initial entry into the kitchen appliance category. Very recently the acquisition of Think Appliances and the Baumatic brand have added substantially to the new appliances business, increasing sales revenue to over $80million per annum.

The Health and Beauty business, which includes brands such as Manicare and Lady Jayne and whose products are predominately sold through the pharmacy channel, has been expanded considerably by acquisition over the last two years. During the 2011/2012 financial year, two small but strategic businesses Footcare International and Cosmex International were acquired and subsequently the Masuer brand, which complements the Footcare International product range. The Health and Beauty business was recently further expanded with the acquisition of the iconic cosmetic skincare brand Dr LeWinn's and beauty treatment brand Revitanail.

These acquisitions all leverage existing resources and infrastructure, such as McPherson's sophisticated distribution facility in Kingsgrove NSW, provide channel diversification, deliver growth in new markets and are expected to produce very attractive return on funds employed. The Dr LeWinn's/Revitanail acquisition is a first step in a broader strategy to invest further in the Beauty sector, thereby becoming a leading player.

The market place challenges of the past two years have been very difficult to deal with and the poor financial results have masked the excellent work undertaken by Management in improving the operations of the business and identifying, acquiring and integrating a number of acquisitions.

We believe that we are now in a vastly improved strategic position coupled with best practice operational capabilities. As a result we expect to see improving profitability with some increase in earnings per share during the current 2013/14 year, with further benefits to flow in subsequent years.

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 Managing Director Paul Maguire, for their considerable efforts in repositioning the company strategically and operationally whilst dealing with a very challenging trading environment.