MACFARLANE GROUP

2009 Results

March 2010

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Contents

Executive Summary

- Challenging UK economic environment in 2009
- Results in line with market expectations
- Strong performance in Packaging Distribution
- Difficult H1 in Manufacturing Operations – profitability restored in H2
- Net debt at similar levels to 2008
- Increase in pension fund deficit – further actions being taken
- Final dividend 1.0p per share payable June 2010 after AGM
- Series of updated strategic actions for 2010 and beyond

RESULTS	**2009**	2008	2007
Sales	**123.6**	131.4	119.7
Sales Trend	**(6%)**	10%	13%
Distribution	**(5%)**	12%	15%
Manufacturing	**(11%)**	3%	6%
Distribution GP	**31.3%**	30.0%	30.3%
Operating profit %	**3.0%**	3.6%	2.6%
Operating profit pre exceptional	**4.4**	4.7	3.0
Exceptional costs	**(0.7)**	0.0	0.0
Interest	**(1.2)**	(1.0)	(0.5)
Pre-tax profit	**2.5**	3.7	2.5
Tax charge (credit)	**0.5**	0.8	(1.0)
Discontinued operations	**0.4**	(1.1)	(1.6)
Net debt	**7.3**	7.2	3.1

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CASH FLOW	2009	2008	2007
Operating profit	3.7	4.7	3.1
Depreciation	1.4	1.7	2.1
Working capital (net)	(0.6)	0.2	0.5
Interest and Tax	(0.8)	(1.2)	(1.1)
Pensions scheme payment	(2.3)	(1.3)	(1.3)
Disposal of subsidiary	1.9	(0.6)	3.1
Acquisitions	(1.2)	(7.4)	(0.8)
Net capital expenditure	(0.5)	2.0	(0.9)
Dividends	(1.7)	(2.2)	(2.2)
Movement in debt	(0.1)	(4.1)	2.5
Opening debt	(7.2)	(3.1)	(5.6)
Closing debt	(7.3)	(7.2)	(3.1)

2009 – Distribution

- Distribution sales reduction 5% versus 2008
- New business gains were 53% ahead of 2008
- 2008 acquisition of Allpoint generated benefit of £0.3m
- Gross margin 31.3% versus 30.0% in 2008
- 2009 cost saving initiatives resulted in overhead reductions of 5%
- Telford RDC closed on expiry of lease – absorbed into Manchester and Coventry
- Underlying return in Distribution continues to improve from 2.8% to 4.0%

2009 – Distribution

- Eight RDCs in the range 7% to 12% Return on Sales
- Six RDCs in the range 0% to 4% Return on Sales
- Three RDCs making losses in 2009
- Lower return RDCs caused by high property costs and customer mix at lower margin
- Best practice programme driving operational benefit
- Acquisitions trading well:

  Online now fully integrated into Macfarlane network

  Allpoint will be integrated during 2010

  Telford closure drives benefit in two lower performers

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2009 – Manufacturing Operations

- Labels sales reduction 12% vs 2008 – sales mix changes
- Raw material cost increases in Q1 2009 of 30%
- Good growth in ReSeal-It – US customer demand
- Good wins in major own-brand customers eg. McBrides
- Profitable but significantly reduced levels of profitability

- Packaging Manufacturing – sales 11% below 2008
- Growth in partnership with Distribution – currently > 25% total sales
- Manufacturing/Industrial customers downspending
- Defence/Aerospace upspending in Q4 2009

Pension Deficit

- Investment values now £40.6m versus £35.9m in 2008
- Liabilities now £61.0m versus £53.4m in 2008
- Deficit of £20.4m versus £17.5m in 2008
- Increase in deficit caused primarily by decrease in discount rate from 6.25% to 5.75% - more than offset strong 2009 equity performance
- Intention is to reduce the deficit over seven years
- Valuation 2008 – contributions £2m pa until 2012
- Future accrual of benefit limited since 2006/7
- Currently consulting to amend benefit levels
- Introducing pension increase exchange in H2 2010

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2010 Trading Environment

- Cautious on overall demand - mixed outlook by sector
- 2010 likely to see a continuing period of weak demand
- Bank facilities of £12.5m renewed until February 2011
- Customers looking for security of supply
- Suppliers looking for certainty with their customer base
- Resilience shown in 2009 and strong platform for 2010

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2010 Strategic Agenda – Distribution

- Concentrate on customer retention/product penetration
- Increase new business activity
- Focus on key sectors eg. 3PL – benefit from our UK coverage
- Accelerate development of presentational packaging
- Stronger web presence -www.macfarlanepackaging.com
- Continue best practice to ensure delivery of potential
- Deliver full year benefits of Telford closure
- Integrate Allpoint into the Macfarlane network
- Further improve cash management
- Evaluate acquisition opportunities – both for geographic presence and utilise current infrastructure

Third Party Logistics

- Gist
- DHL
- Unipart Logistics
- 3663
- Norbert Dentressangle
- Wincanton
- iForce™
- SDV Bernard — Powering Global Logistics
- Eddie Stobart
- Kuehne+Nagel
- CEVA
- NYK Logistics & Megacarrier

Presentational Packaging

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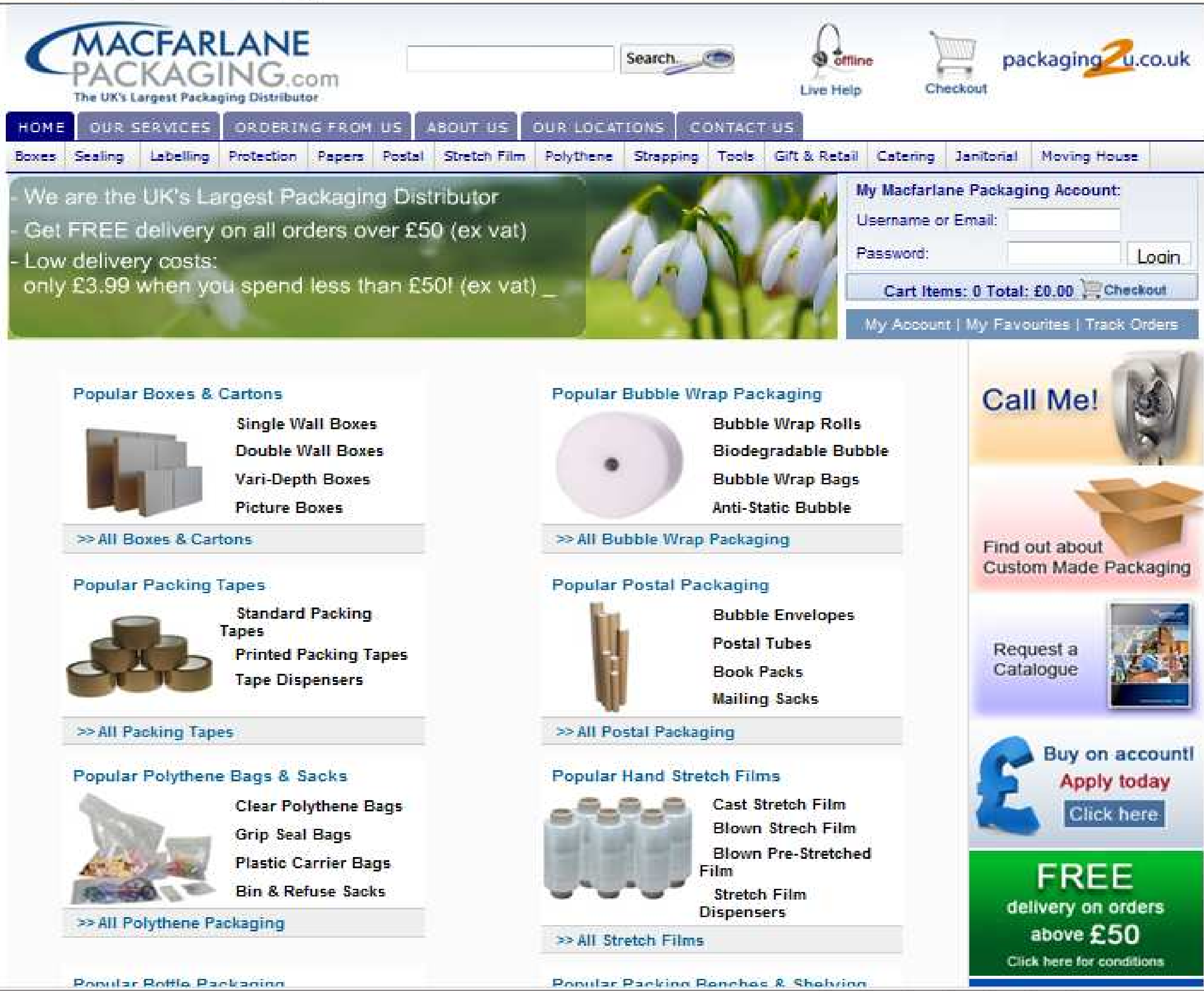

www.macfarlanegroup.net

www.macfarlanepackaging.com

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2010 Strategic Agenda - Manufacturing

Labels

- Sales leadership to focus on more beneficial sales mix
- Identify opportunities to rebuild margins
- Improve operational efficiencies
- Further develop ReSeal-It in US/other geographies

Packaging Manufacturing

- Continually review and flex costs in line with demand
- Improve margins by effective recovery of cost changes
- Strengthen relationship with Distribution
- Productivity and service improvement initiatives

Labels Customers

KRAFT

P&G

McBride

Hochland

KERRY

Tetley A TATA Enterprise

RECKITT BENCKISER

LACTALIS McLELLAND

THE SEAFOOD COMPANY

BAKKAVÖR

PRINCES

PRODUCT OF SCOTLAND Walkers ESTABLISHED 1898

3M

Printpack inc. Packaging Better Ideas.

PREMIER FOODS

MACFARLANE PACKAGING

Packaging Manufacturing Customers

acer®

BOSCH
Invented for life

DELPHI

MEGGITT

rotork®

Chemring
Defence

DOMINO