



2010 Interim Results

August 2010



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Executive Summary

2010 2009

- Packaging Distribution operating profit **£1.2m** £1.2m
- Manufacturing Operations operating profit **£0.1m** (£0.1m)
- Interest charge **(£0.6m)** (£0.6m)
- Profit before exceptional items **£0.7m** £0.5m
- Exceptional credit of £1.2m in 2010 relating to pension deficit – other actions in progress
- Net debt £9.7m an increase of £2.4m versus 2009 year-end – traditional strong cash generation expected in H2
- Dividend maintained 0.5p per share will be paid in Oct-10
- Full year outlook continues in line with Board's expectations



RESULTS	H1 2010	H1 2009	H2 2009
Sales £m	64.1	59.1	64.5
Sales growth Distribution	9%	(7%)	(4%)
Manufacturing	7%	(11%)	(11%)
GP %	31.2%	32.2%	32.7%
Operating profit %	2.0%	1.8%	3.0%
Pre-exceptional profit £m	0.7	0.5	2.7
Exceptional items	1.2	(0.5)	(0.2)
Pre-tax profit £ m	1.9	0.0	2.5
Tax charge (credit)	0.5	(0.0)	(0.5)
Discontinued operations	0.0	0.2	0.1
Post tax profit	1.4	0.2	2.1



CASH FLOW	H1 2010	H1 2009	H2 2009
Operating profit	2.4	0.8	2.9
Depreciation	0.7	0.7	0.7
Working capital	(2.7)	(2.4)	1.8
Interest and Tax	(0.2)	(0.5)	(0.3)
Pensions scheme payments	(1.3)	(0.7)	(1.6)
Net disposals/(acquisitions)	0.0	1.1	(0.5)
Net capital expenditure	(0.2)	(0.3)	(0.1)
Dividends	(1.1)	(1.1)	(0.6)
Movement in debt	(2.4)	(2.4)	2.3
Opening debt	(7.3)	(7.2)	(9.6)
Closing debt	(9.7)	(9.6)	(7.3)



H1 2010 – Distribution

- Distribution sales 9% >H1 2009 price 7% volume 2%
- Gross margin reduced to 29.9% vs. 31.3% H1 2009
- Concentrated effort to pass through price increases
- Recovery in margin in H2 has already commenced
- New business at similar levels to H1 2009
- Overhead costs show a 5% increase vs. H1 2009
- Telford closed/integrated into Coventry/Manchester
- All RDC's expected to be profitable for the full year



H1 2010 – Distribution Margin

Period	Top 30	% Total	Remainder	% Total
H1 08	26.0%	21	30.4%	79
H2 08	28.2%	21	31.3%	79
H1 09	29.5%	21	31.8%	79
H2 09	28.8%	23	32.1%	77
H1 10	26.9%	25	30.9%	75

Similar position seen in 2008

Margin recovery takes longer with Top 30

Inherently growing part of the business



H1 2010 – Manufacturing Operations

- Labels sales revenue up 1% vs 2009 – sales mix changes
- 2009 raw material cost increases not all passed through
- Good growth in ReSeal-it – US customer demand
- Good wins in major own-brand customers eg. McBrides
- Profitable but reduced level of profitability vs. H1 2009

- Packaging Manufacturing sales 21% > H1 2009 -volume
- Distribution partnership is 27% total sales (2009 –25%)
- Good margin recovery at both sites
- Aerospace-related sales to Meggitt/Chemring increasing



Pension Deficit

- Investments £40.6m (Dec-09 £40.6m), Liabilities £60.6m (£61.0m), Deficit £20.0m (£20.4m)
- Freezing pensionable salaries reduced liabilities £1.2m
- Decrease in discount rate from 5.75% to 5.50% offset this
- Investment values have shown recovery since 30-Jun-10
- Deficit contributions £2m pa until 2012
- Further actions in progress

Introducing pension increase exchange in H2 2010

Transfer value enhancements being reviewed

More regular review of investment portfolio

Consideration of impact of CPI vs. RPI for the scheme



2010 Strategic Agenda – Distribution

- Focus on customer retention/product penetration
- Increase new business activity
- Focus on growth sectors eg. 3PL, given UK coverage
- Accelerate development of presentational packaging
- www.macfarlanepackaging.com relaunch Oct-10
- Continue best practice to ensure delivery of potential
- Further improve cash management
- Continue to evaluate acquisition opportunities – both for geographic presence /utilisation of current network



2010 Strategic Agenda - Manufacturing

Labels

- Identify opportunities to rebuild margins through a more beneficial sales mix
- Continue to improve operational efficiencies
- Further develop ReSeal-It in US/other geographies

Packaging Manufacturing

- Build sales momentum in target sectors eg. Aerospace
- Improve margins by effective recovery of raw material changes
- Strengthen relationship with Distribution



Market Outlook and Conclusions

- Cautious on overall demand - mixed outlook by sector
- Bank facilities of £12.5m renewed until February 2011
- Security of supply and certainty important for businesses
- Busy trading agenda to drive profits
- Busy balance sheet agenda to reduce pension deficit
- A strong platform for progress in 2010 and beyond, based on the implementation of strategic actions