



# 2010 Results

## March 2011



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## Executive Summary

- Challenging UK pricing environment in 2010
- Results in line with market expectations
- Resilient performance in Packaging Distribution
- Manufacturing Operations profitability restored
- Net debt reduced by £0.3m to £7.0m
- Substantial decrease in pension fund deficit
- Final dividend increased to 1.05p per share payable Jun-11 after AGM
- Clear plan of actions for 2011 and beyond



<b>RESULTS</b>	<b>2010</b>	2009	2008
<b>Sales</b>	<b>135.5</b>	123.6	131.4
<b>Sales Trend</b>	<b>10%</b>	(6%)	10%
<b>Distribution</b>	<b>10%</b>	(5%)	12%
<b>Manufacturing</b>	<b>7%</b>	(11%)	3%
<b>Distribution GP</b>	<b>29.6%</b>	31.3%	30.0%
<b>Operating profit %</b>	<b>3.3%</b>	3.6%	3.6%
<b>Operating profit pre exceptional</b>	<b>4.5</b>	4.4	4.7
<b>Exceptional credits/(costs)</b>	<b>0.8</b>	(0.7)	0.0
<b>Interest</b>	<b>(1.1)</b>	(1.2)	(1.0)
<b>Pre-tax profit</b>	<b>4.2</b>	2.5	3.7
<b>Tax</b>	<b>1.2</b>	0.5	0.8
<b>Discontinued operations</b>	<b>0.0</b>	0.4	(1.1)
<b>Net result</b>	<b>3.0</b>	2.3	1.8



<b>CASH FLOW</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Operating profit</b>	<b>5.4</b>	<b>3.7</b>	<b>4.7</b>
<b>Depreciation</b>	<b>1.3</b>	<b>1.4</b>	<b>1.7</b>
<b>Working capital (net)</b>	<b>(1.2)</b>	<b>(0.6)</b>	<b>0.2</b>
<b>Interest and Tax</b>	<b>(0.5)</b>	<b>(0.8)</b>	<b>(1.2)</b>
<b>Pensions scheme payment</b>	<b>(2.6)</b>	<b>(2.3)</b>	<b>(1.3)</b>
<b>Disposal of subsidiary</b>	<b>0.0</b>	<b>1.9</b>	<b>(0.6)</b>
<b>Acquisitions</b>	<b>0.0</b>	<b>(1.2)</b>	<b>(7.4)</b>
<b>Net capital expenditure</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>2.0</b>
<b>Dividends</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>(2.2)</b>
<b>Movement in debt</b>	<b>0.3</b>	<b>(0.1)</b>	<b>(4.1)</b>
<b>Opening debt</b>	<b>(7.3)</b>	<b>(7.2)</b>	<b>(3.1)</b>
<b>Closing debt</b>	<b>(7.0)</b>	<b>(7.3)</b>	<b>(7.2)</b>



## 2010 – Distribution

- Distribution sales increased 10% over 2009 – 7% price recovery
- New business gains totalled nearly £8.0m
- Full benefit of Telford closure evident – improved Coventry and Manchester performances
- All RDCs with one exception now profitable
- Gross margin 29.6% versus 31.3% in 2009
- Underlying returns in Distribution continue to improve
- Progress on new initiatives encouraging:
  - Presentational Packaging – 130 live prospects and 2011 sales forecast £2.5m
  - 3PL Sales – 40% + growth in 2010



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極度乾燥(しなさい)  
**Superdry.**

**TESCO**

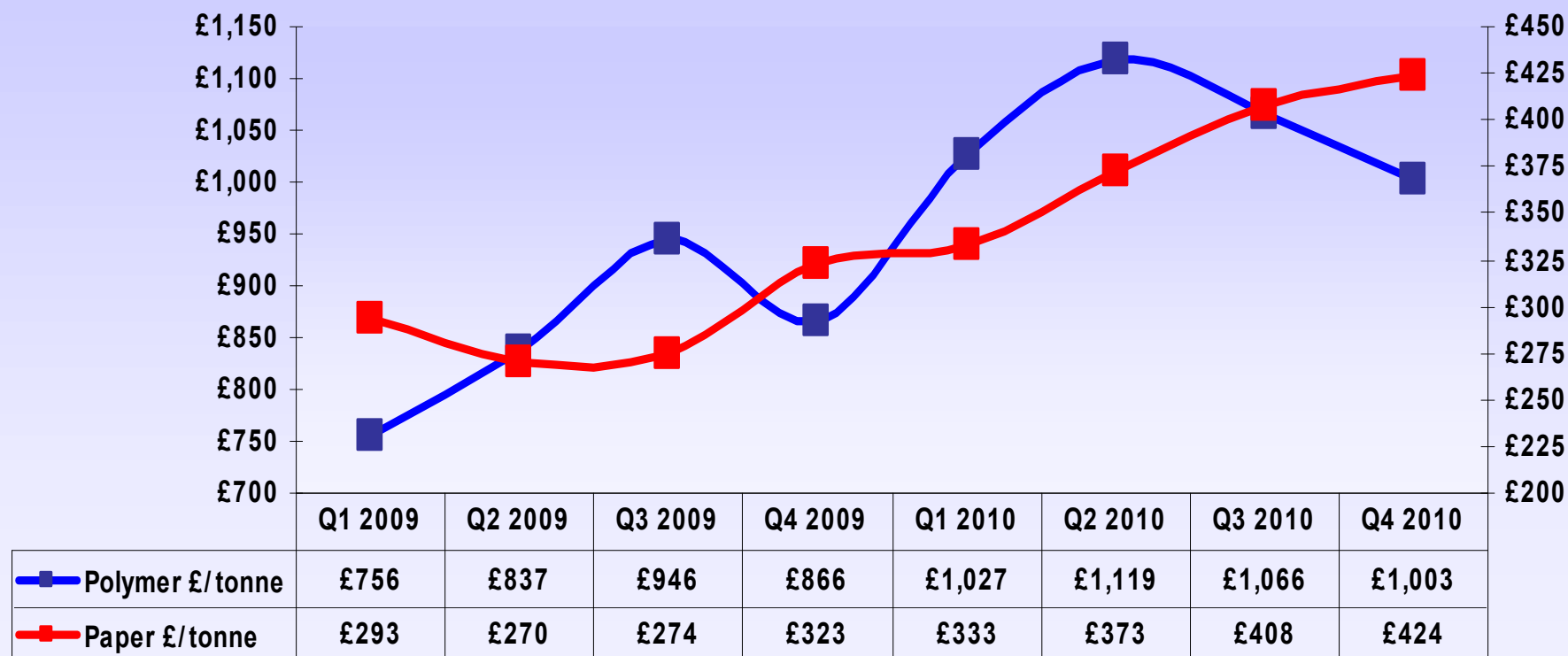
New and Additional Business wins in 2010

**KUEHNE+NAGEL**

**Schneider**  
Electric



## Raw Material Prices / Tonne

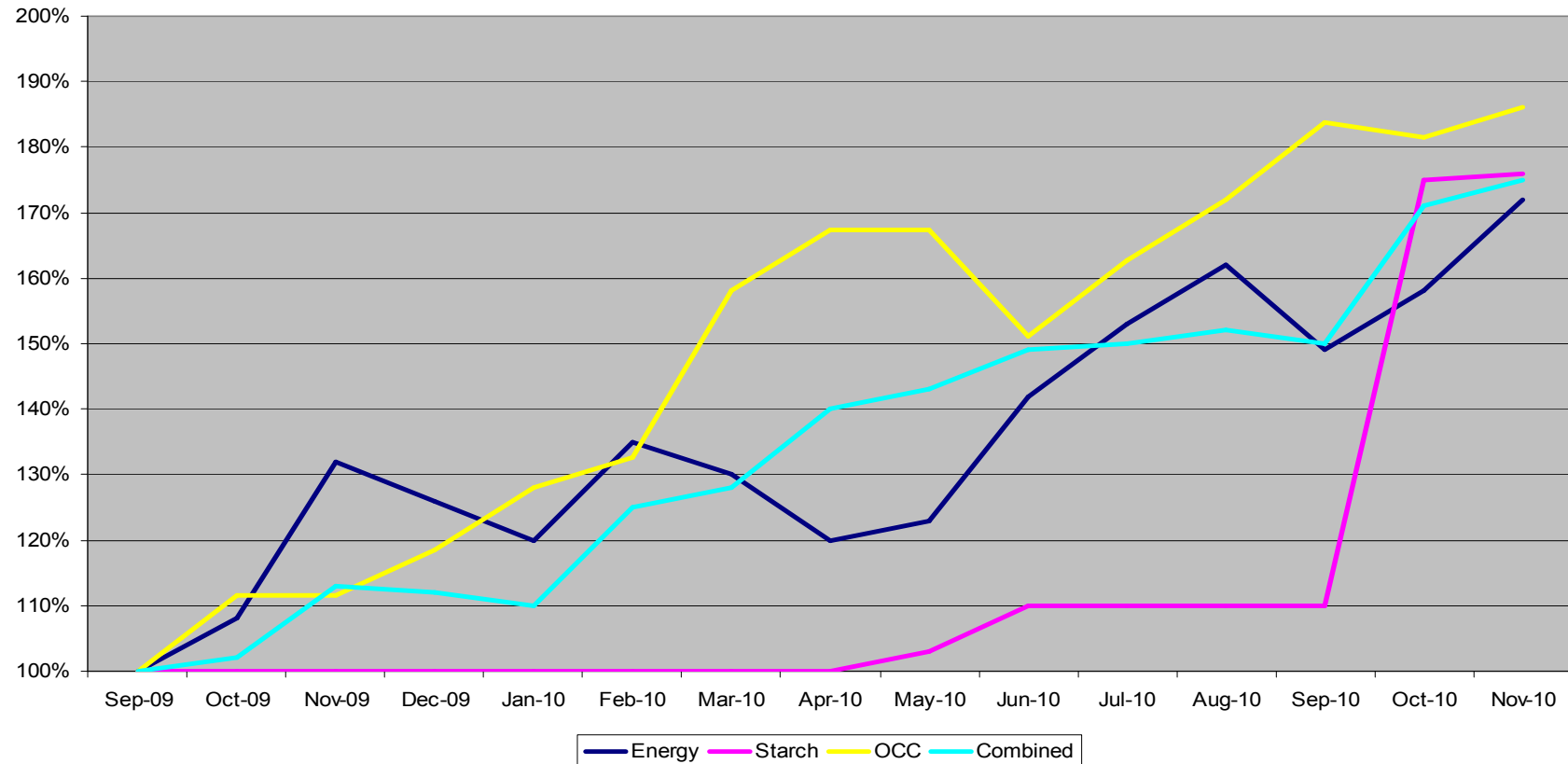






## Corrugated suppliers' input costs

**Paper Mill Input Costs Sep 09 - Nov 10**





## 2010 – Manufacturing Operations

- **Labels** - sales increase of 4% over 2009
- Raw material cost increases difficult to pass through due to retailer pressure
- Sales mix currently has unfavourable balance towards own label
- Good growth in ReSeal-It – US customer demand and UK start up
- Profitable in 2010 but significantly reduced levels of profitability
- **Packaging Manufacturing** – sales 13% above 2009
- Benefit in 2010 from 2009 re-structuring
- Growth in partnership with Distribution – currently > 25% total sales
- Manufacturing/Aerospace up-spending particularly through export volume growth



## Pension Deficit

- Investment values at June £45.7m versus £45.3m in Dec-10
- Liabilities £61.2m versus £61.2m in Dec-10, broadly unchanged given similar assumptions used
- Deficit of £15.6m versus £15.7m in Dec-10
- 
- Deficit reduction contributions continue at £2m pa
- Introducing pension increase exchange in 2011



## 2011 Trading Environment

- Cautious on overall demand - mixed outlook by sector
- 2011 likely to see a continuing period of weak demand
- Bank facilities renewed until February 2012
- Customers looking for security of supply
- Suppliers looking for certainty with their customer base
- Resilience shown in 2010 and strong foundation for 2011



## 2011 Strategic Agenda – Distribution

- Concentrate on customer retention/product penetration
- Strengthen current new business momentum
- Focus on key sectors eg. 3PL – benefit from our UK coverage
- Accelerate development of presentational packaging
- Stronger web presence -[www.macfarlanepackaging.com](http://www.macfarlanepackaging.com)
- Continue best practice to ensure delivery of potential
- Review of footprint in London given Crossrail progress
- Further improve cash management
- Continued evaluation of acquisition opportunities – both for geographic presence and to utilise current infrastructure



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## 2011 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 USA/other geographies and new applications

### Packaging Manufacturing

- Continually review and flex costs in line with demand
- Improve margins through effective recovery of cost price increases
- Strengthen partnership with Distribution
- Productivity and service improvement initiatives in Westbury site





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# 2010 Results

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