



MACFARLANE GROUP PLC

109th Annual General Meeting

20th May 2008



MACFARLANE GROUP PLC

CEO PRESENTATION



- **Recent History**
- **Progress to Date**
- **Key Opportunities**
- **Achieving our Potential**
- **Conclusions**



Recent History

- In 2003, on sales of £131.0m, pre-tax losses were (£18.5m) and at its peak debt was (£35.0m).
- All but two of seven businesses within the Group were loss making.
- Customer service levels in Packaging Distribution were below 70%.
- Suppliers were evaluating alternative options due to concerns about Macfarlane Group's future.
- Employee morale was extremely low.
- Shareholders were not receiving dividends.



Macfarlane Group PLC - 2003

"...I have little confidence in Macfarlane supplying me correctly and their staff do not know what they are doing..."

Customer

"...Macfarlane look as if they may be going under as far as I'm concerned..."

Supplier

"...I do not feel supported or capable of managing the customer issues..."

Employee



Action Plan

“Business Basics Plan” introduced in 2004, focus on:

- **Improving service to customers**
- **Reducing the cost base**
- **Rebuilding supplier relationships**
- **Engaging with employees and restoring morale**
- **Exiting non-strategic businesses**
- **Disposing of non-core assets**



Significant Progress Achieved to Date

- **The Group has exited – Packaging Manufacture in Scotland, Hungary, US/Mexico and the Brands electronics business**
- **All businesses are now profitable with one at break-even**
- **Both customers and suppliers see Macfarlane as a key partner**
- **Employee morale has recovered, staff retention is good and we are attracting high-calibre new employees from the industry**
- **We have commenced our acquisition programme and completed two strategic acquisitions in Packaging Distribution**
- **2007 sales were £120.0m, pre-tax profit £2.5m and debt £3.1m**
- **Regular dividends have been restored, offering a 7.2% yield**



Strong “Blue Chip” Customer Base



Dixons



BOSCH

TESCO



KONICA MINOLTA

O₂ P&G



Pickfords
moving and storage



DELPHI



Investing in our Customers



Web based service for customers



**Investment in production capability,
creating cost effectiveness and efficiencies
for our customers**



**Online ordering, usage monitoring
and waste packaging analysis for
customers**



**Improved practicality for consumers
and differentiation for brand owners**



Developing our Environmental Expertise

O₂

“World Class” programme

- Worked with Macfarlane to change packaging from 83% virgin material to 93% recycled and recyclable



Paragon

Logistics routing software

- Reducing the environmental impact of Macfarlane deliveries
- Will be in place at all RDCs by the end of 2008





Macfarlane Group PLC - 2007

"...we source a range of products on a global basis, Macfarlane rates as one of our top 3 global suppliers..."

Customer

"...Macfarlane are the best route to the UK market for our products..."

Supplier

"...I left Macfarlane because things were so bad. I heard they were recovering and I have rejoined - it is so much better than the bad old days...."

Employee



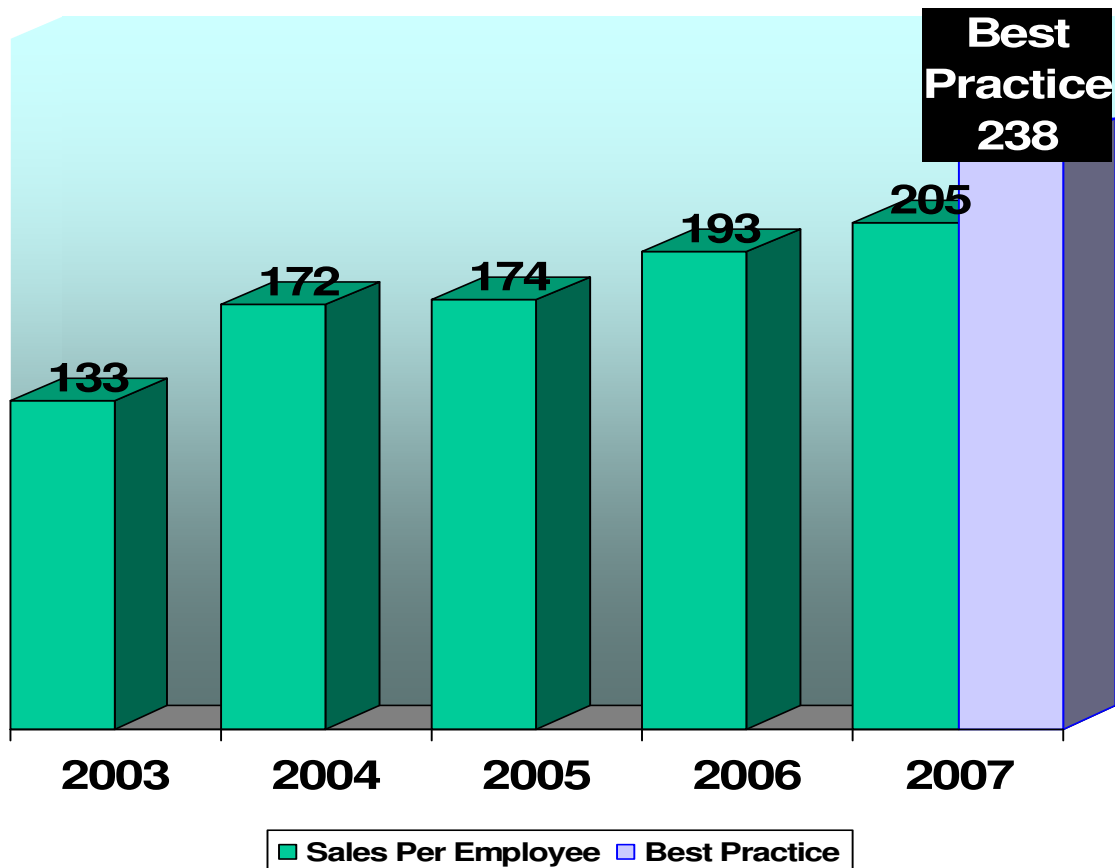
Key Opportunities

In Packaging we plan to:

- **Ensure consistency of performance at all sites**
- **Fully utilise our national capability with major accounts**
- **Accelerate our response to environmental pressures**
- **Better leverage our purchasing scale**
- **Execute our strategic acquisition programme**
- **Strengthen the relationship between our manufacturing and distribution activities**
- **Continue to develop the quality and capability of our people**



Sales per Employee* £000



**Best Practice
Sales**

Opportunity **

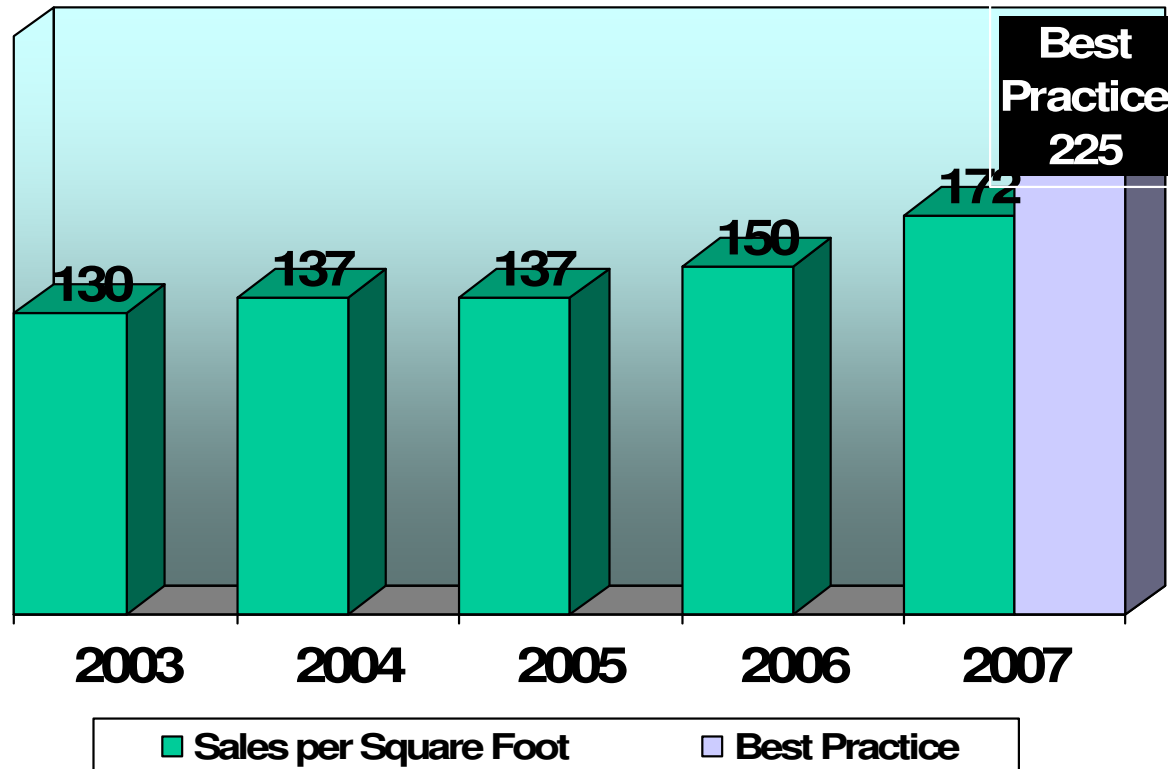
£17m

* These figures are for the Packaging Distribution business only.

** The Best Practice sales opportunity is based on all 15 RDCs achieving the sales per employee level currently being achieved by the average of the top 3 performing RDC's.



Sales per Square Foot * £



**Best Practice
Sales**

Opportunity **

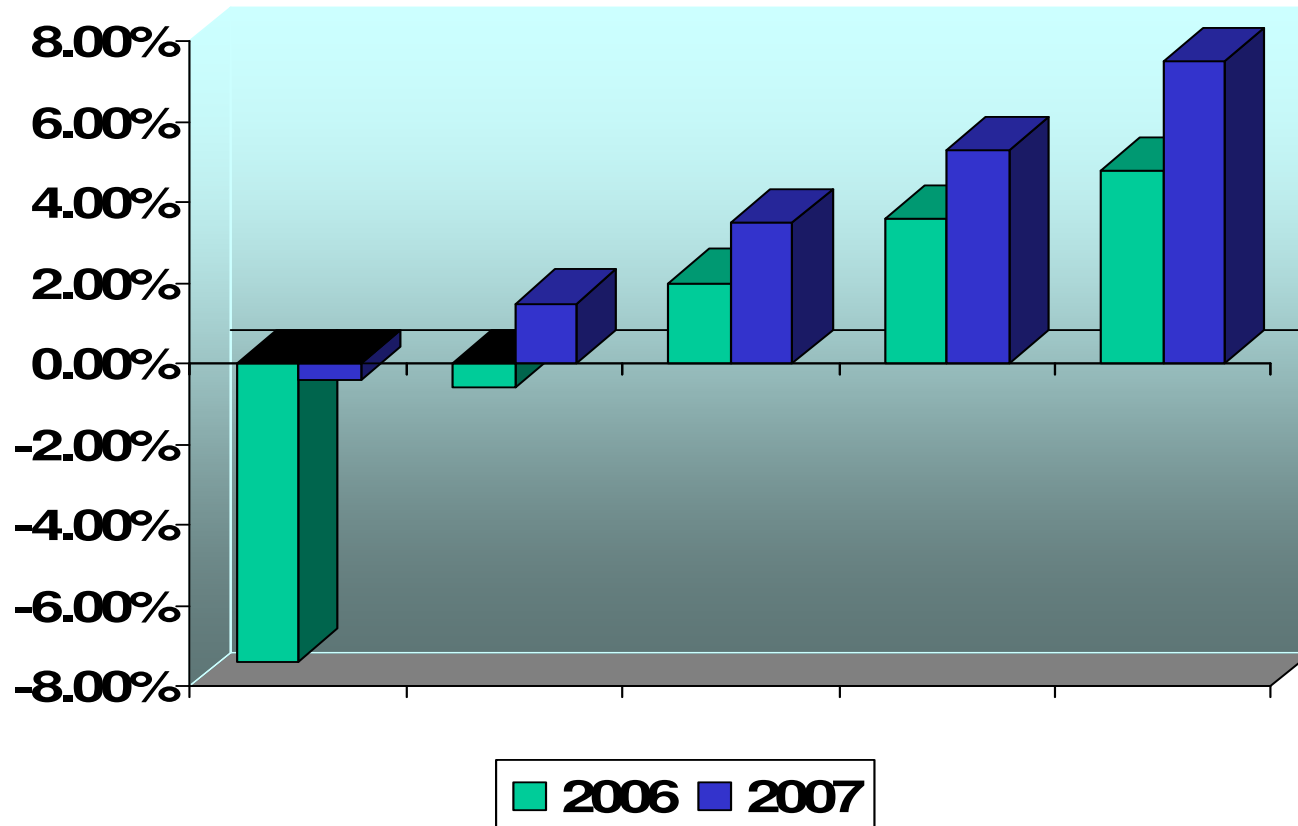
£22m

* These figures are for the 15 RDCs in the Packaging Distribution business only

** The Best Practice sales opportunity is based on all 15 RDCs achieving the sales per sq ft level currently being achieved by the average of the top 3 performing RDC's.



Return on Sales by RDC *



Best Practice Profit (ROS) Opportunity

**

£4m

* These figures are for the 15 RDCs in our Packaging Distribution business. Return on sales = RDC Profit/(loss) / RDC Sales x 100 and is expressed as a % return. RDC's have been grouped in 5 bands of 3 RDC's with the weaker performing on the left and the best performing on the right.

** The Best Practice profit opportunity is based on all 15 RDCs achieving the return on sales currently being achieved based on the average of the top 3 performing RDC's.



Key Opportunities

In Labels we plan to:

- **Continue to build our relationships with key customers**
- **Fully utilise the competitive differentiation of the ReSeal-It range of labels**
- **Maintain the efficiency of our manufacturing operations through selective investments in new technology**
- **Build our sales capability to further strengthen our market position**



Achieving our Potential

- **The Packaging business has the capability to double its share of the UK market through a combination of organic growth and key strategic acquisitions**
- **Customer demands will create opportunities to expand the Packaging business into mainland Europe**
- **The Labels business will grow through its close partnership with key customers and by further developing the penetration and market coverage of the ReSeal-It label range**



Conclusions

- **Since 2003 Macfarlane Group has come through a period of recovery, rebuilding and reconstruction**
- **The Group is now more focused and more capable, with stronger supplier and customer relationships and a higher quality team of motivated people**
- **The current Group businesses are well positioned and offer competitive differentiation in markets with good potential**
- **There is considerable scope for sustainable revenue and profit growth with management aspirations of annual sales at c£200m delivering returns of at least 5%.**