Interim Management Statement

14 November 2012

Macfarlane Group PLC today publishes its Interim Management Statement for the period from 30 June 2012 to date. In accordance with its normal trading cycle, the Group has recorded a stronger trading performance since June than in the first half of the year.

In Packaging Distribution, sales revenues are 1% below 2011 for the year to date and whilst demand has weakened since June, this has been partly offset by new business wins, increased penetration in the third party logistics sector and growth in web sales. Gross margins remain ahead of last year and with overhead costs similar to 2011 levels, the profit before exceptional items continues to show good growth versus last year.

Manufacturing Operations' sales are 2% below 2011 for the year to date and mainly reflect previous actions taken to address lower margin business. The improved customer mix and focus on the higher added value areas of each business - resealable labels within Labels and design-led work within Packaging Manufacturing - have contributed to the recovery in gross margins. In overall terms, profit before exceptional items from our Manufacturing Operations is well ahead of that achieved in 2011.

Net interest costs are similar to those seen last year. The net effect of these factors is that the Group's profit before exceptional items for 2012 to date remains well ahead of 2011.

Bank borrowings at 30 June 2012 are expected to reduce by the end of the year as a result of traditionally strong working capital inflows in the final quarter.

The benefit of £1.5m from the Pension Increase Exchange exercise disclosed at 30 June 2012 remains unchanged and is classified as an exceptional credit. The Group continues to address the means by which the level of deficit and its volatility can be managed. As previously reported, the effect of bond yields on the level of the deficit is the major influence on distributable reserves and the level of dividend payment. However the Board reiterates its objective to pay a full dividend for 2012 from existing cash flows and we shall continue to keep shareholders advised of progress.

The tenant of our leased property in County Wicklow, Ireland has given notice that it will exercise a break clause in its lease, with the property reverting to Macfarlane Group's use in January 2013. As a result the Group will take the opportunity to use this higher quality and better-located site as the base from which to accelerate the development of our resealable labels business and expand our current activities in Ireland. The impact of this change is that the current smaller Manufacturing site in Dublin will be closed and activities relocated to Wicklow by the end of the first quarter in 2013. The Dublin closure will give rise to an exceptional charge of £0.7m of which £0.5m will be non-cash. This will be charged as an exceptional item in the financial statements to 31 December 2012.

Graeme Bissett, Chairman of Macfarlane Group, said

"Macfarlane Group continues to make solid progress, despite demand conditions remaining subdued. Whilst we do not expect general economic conditions to improve in the short term, the Board remains confident that Group results for 2012 will be in line with its expectations."

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Notes to Editors:

- Macfarlane Group PLC is a UK group focused on packaging-related activities with 60 years' experience in the UK packaging industry and is listed on the London Stock Exchange.
- The Group has two divisions:
    - Packaging Distribution is the leading UK distributor of a comprehensive range of packaging consumable products.
    - Manufacturing Operations comprises businesses designing and assembling transit packaging for the protection of high value fragile items and the design and printing of high quality self-adhesive and re-sealable labels used by major FMCG companies.
- Macfarlane Group is headquartered in Glasgow, Scotland, and employs over 700 people at 22 sites, principally in the UK and Ireland.
- The Group services 20,000+ customers in the UK, Europe and the USA providing 600,000+ lines to a wide range of industry sectors including: consumer goods; logistics; electronics; food manufacturing; retail; internet and mail order.