MACFARLANE GROUP

2013 Interim Results

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Executive Summary

Profit before exceptional items:	**2013**	2012
	£1.6m	£1.3m *

- Sales levels flat due to subdued demand/price deflation but sales trend is improving
- Good sales growth in our target areas
- Profit increase driven mainly by improved cost control
- Pension deficit down by £2.1m – benefit of higher bond yields
- Net debt at H1 of £7.2m, with good H2 cash generation expected
- Dividend maintained at 0.50p per share will be paid in October 2013 register date 6 September 2013
- Group continues to demonstrate progress

* Restated – 2012 profit reduced by £0.2m due to higher pension interest under IAS19(R)

2013 H1 Results

£m	2013 H1		2012 H1		2012 H2	
Sales		**68.1**		68.0		***73.8***
Gross Profit	**31.9%**	**21.7**	32.0%	21.8	***31.9%***	***23.5***
Overheads		**19.5**		19.8		***19.7***
EBIT	**3.2%**	**2.2**	2.9%	2.0	***5.2%***	***3.8***
Interest		**0.6**		0.7		***0.6***
Profit before exceptionals		**1.6**		1.3		***3.2***
Exceptional charges/(credits)		**0.2**		(1.7)		***0.7***
PBT		**1.4**		3.0		***2.5***
Tax		**0.4**		0.8		***0.8***
Profit for the year		**1.0**		2.2		***1.7***
EPS		**0.88p**		1.89p		***1.51p***

Exceptional items	Property	Pension	Property

2013 H1 Cash Flow

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£m	2013 H1	2012 H1	2012 H2
EBIT	**2.2**	2.0	***3.8***
DA	**0.7**	0.6	***0.7***
EBITDA	**2.9**	2.6	***4.5***
Working Capital	**0.4**	0.2	***0.1***
Interest	**(0.2)**	(0.2)	***(0.3)***
Tax	**(0.3)**	0.0	***(0.9)***
Capex	**(0.4)**	(0.4)	***(0.4)***
Pensions	**(1.5)**	(1.2)	***(1.4)***
Dividend	**(1.2)**	(1.2)	***(0.6)***
Movement in Net Debt	**(0.3)**	(0.2)	***1.0***

Packaging Distribution

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£m	2013 H1		2012 H1		2012 H2	
Sales		**54.9**		55.0		***59.8***
Gross Profit	**29.8%**	**16.4**	30.4%	16.7	***30.1%***	***18.0***
Overheads		**14.8**		15.0		***14.8***
EBIT before exceptional items	**2.9%**	**1.6**	3.1%	1.7	***5.3%***	***3.2***
Sales volume		**1.0%**		0.8%		***-2.0%***
Sales price		**-1.1%**		-2.0%		***1.5%***

Packaging Distribution

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- Subdued demand – competitive pricing
- 3PL (third-party logistics) growth of 6%
- National Accounts growth of 7%
- Internet retail is ca. 20% of Distribution business
- Recent Internet retail wins include The Hut, ASOS, Feel Unique
- Sales split H1/H2 is 47.5%/52.5% for the last four years, seasonal uplift in H2
- Focus on margin – price increases imminent
- Strong overhead control

KUEHNE+NAGEL

DHL

AGA RANGEmaster Group

O2

LAKELAND

feelunique.com
The Destination for Beauty...

Raw Material Movements

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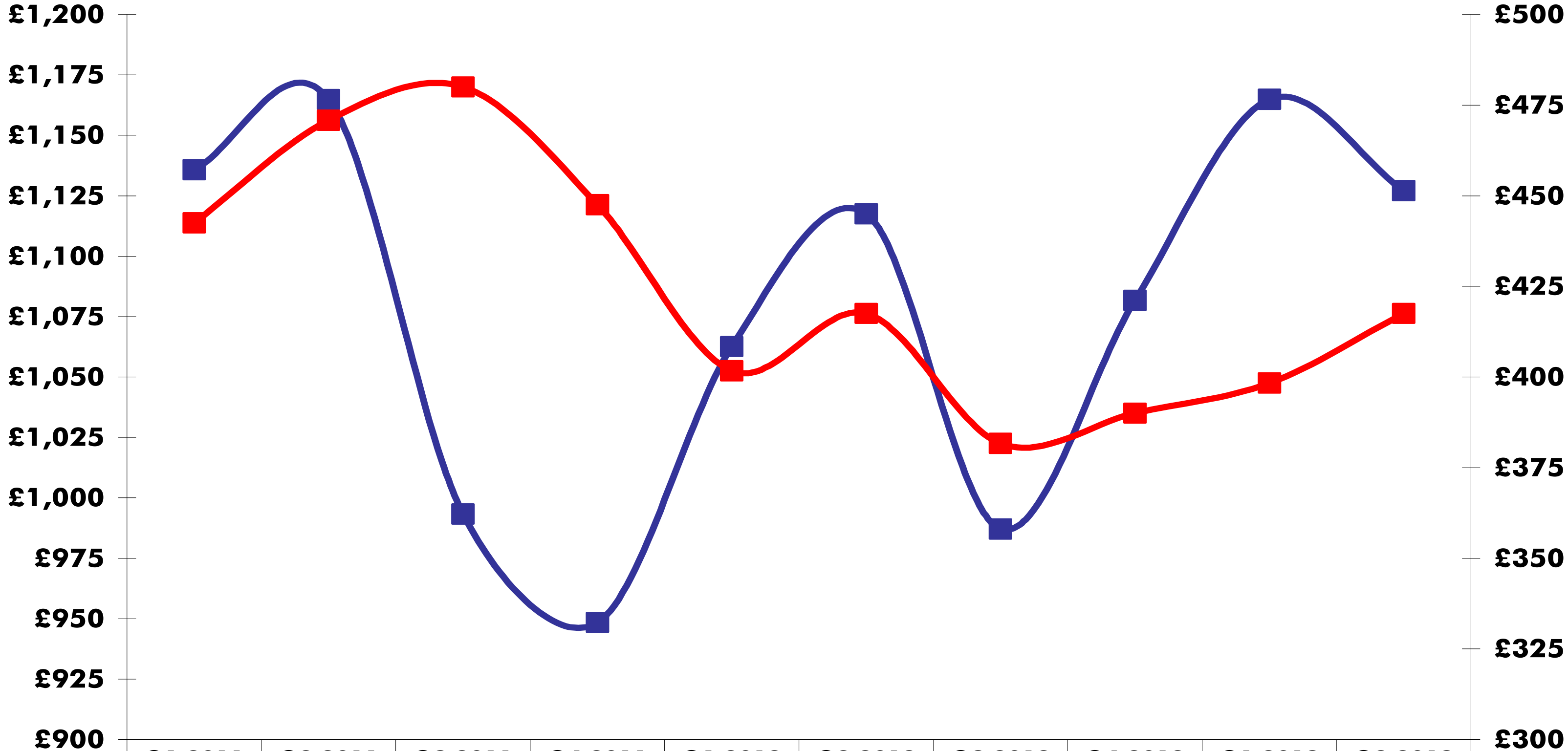


	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Polymer £/tonne	£1,136	£1,165	£993	£948	£1,063	£1,118	£987	£1,082	£1,165	£1,127
Paper £/tonne	£443	£471	£480	£448	£402	£418	£382	£390	£398	£418

Macfarlane Labels

Labels	Growth H1 2013	Growth 2012
Self-adhesive	(2.9%)	(6.4%)
Reseal-it	13.0%	9.1%

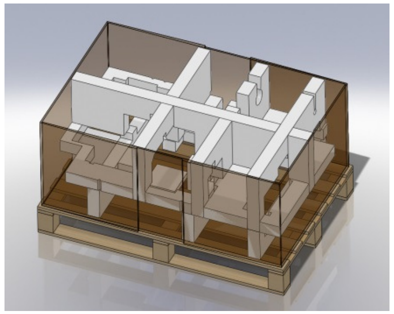
- Sales flat albeit improved customer/product mix, H1 contract renewals
- Reseal-it growth is lead by machine sales – forerunner of label sales
- Strong US customer demand for Reseal-it expected in H2 2013
- Labels profitability consistent with H1 2012
- Move to better quality Wicklow site successfully completed

MACFARLANE LABELS

Reseal-it™

Macfarlane Design & Manufacture

- Packaging Design & Manufacture sales at similar levels to 2012
- Focus on design-led composite packs - added value business
- Good growth from higher margin segments
- Distribution partnership is 23% of total sales (same as 2012)
- Profitability £0.3m ahead 2013 vs. 2012



Pension Scheme Deficit

£m	2013 H1	2012	
Deficit at start of period	**18.9**	20.5	
Ongoing accrual/Interest cost	**0.5**	1.1	Own shares £0.2m
Contributions	**(1.5)**	(2.6)	
Pension Increase Exchange	**0.0**	(1.9)	Increase 0.2% to 4.6%
Bond yield	**(2.1)**	4.2	Increase 0.5% to 3.4%
RPI/CPI assumptions	**0.6**	0.7	
Mortality assumptions	**0.4**	0.0	
Investment gains	**0.0**	(1.6)	
Spouse's Pension Assumption	**0.0**	(1.5)	
Deficit at end of period	**16.8**	18.9	

Pension Scheme

Investments		**H1 2013**	**2012**
Diversified Growth Funds		**£13.4m**	£13.0m
UK Corporate Bonds/Gilts		**£22.3m**	£23.5m
UK Equities		**£ 7.6m**	£ 7.5m
Overseas Equities		**£ 8.2m**	£ 7.0m
Cash		**£0.6m**	£0.3m
Total		**£52.1m**	£51.3m
Liabilities			
Active members	27	**£ 5.7m**	£ 6.2m
Deferred members	324	**£28.8m**	£30.7m
Pensioners	313	**£34.4m**	£33.3m
Total	664	**£68.9m**	£70.2m

Key Actions - Distribution

Improve customer retention, product penetration and new business, through new customer segmentation

Growth opportunities in Internet Retail, 3PL and National Accounts

Optimise benefit of www.macfarlanepackaging.com and Customer Connect

Minimise impact of price increases on gross margin

Ongoing attention to cost reduction

Further improve cash management

Infill acquisitions under consideration

Key Actions - Manufacturing

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Labels

Focus on higher added value products and services

Continue to improve operational efficiencies

Extend Reseal-it product range

Build on new strategic Irish location with Labels and Packaging offering

Packaging Design & Manufacture

Focus on design led activity

Increase penetration of aerospace and medical markets

Improve operating margins at both sites

Strengthen partnership with Distribution

Conclusions

- Demand outlook remains subdued – H2 sales have seasonal benefit
- Trading agenda:
    - Distribution focus on identified growth opportunities – Internet Retail, 3PL and National Accounts
    - Infill acquisitions being considered
    - Manufacturing focus on higher added value products and services
- Balance sheet agenda:
    - Implement additional pension deficit reduction actions
    - Focus on cash generation
- Bank facilities of £11.0m renewed until February 2014
- New Corporate broker – recent changes to the share register
- A strong platform for progress in 2013 and beyond, based on the implementation of strategic actions