MACFARLANE GROUP

2012 Results - March 2013

Contents

Executive Summary

Profit before exceptional items:	2012	2011
	£4.9m	£3.9m

- Overall sales levels lower primarily due to weak demand
- Good sales growth in our target areas
- Profit increase from improved margin in all businesses
- Pension deficit management action – deficit down by £1.6m
- Net debt reduced by £0.8m to £6.8m
- Dividend maintained at 1.05p per share will be paid in June 2013 register date 10 May 2013
- Group continues to progress despite the weak economy

2012 Results £m

	2012		2011		2010	
Sales		**141.8**		144.6		***135.5***
Gross Profit	**31.9%**	**45.3**	30.2%	43.7	***30.9%***	***41.9***
Overheads		**39.5**		39.0		***37.4***
EBIT	**4.1%**	**5.8**	3.3%	4.7	***3.3%***	***4.5***
Interest		**0.9**		0.8		***1.1***
Profit before exceptionals		**4.9**		3.9		***3.4***
Exceptional credits		**1.0**		0.0		***0.8***
PBT		**5.9**		3.9		***4.2***
Tax		**1.7**		0.5		***1.2***
Profit for the year		**4.2**		3.4		***3.0***
EPS		**3.69p**		3.01p		***2.63p***

Subdued sales levels, but margin improvements/ cost control
Exceptional items in 2010 & 2012 – active pension deficit management

2012 Cash Flow £m

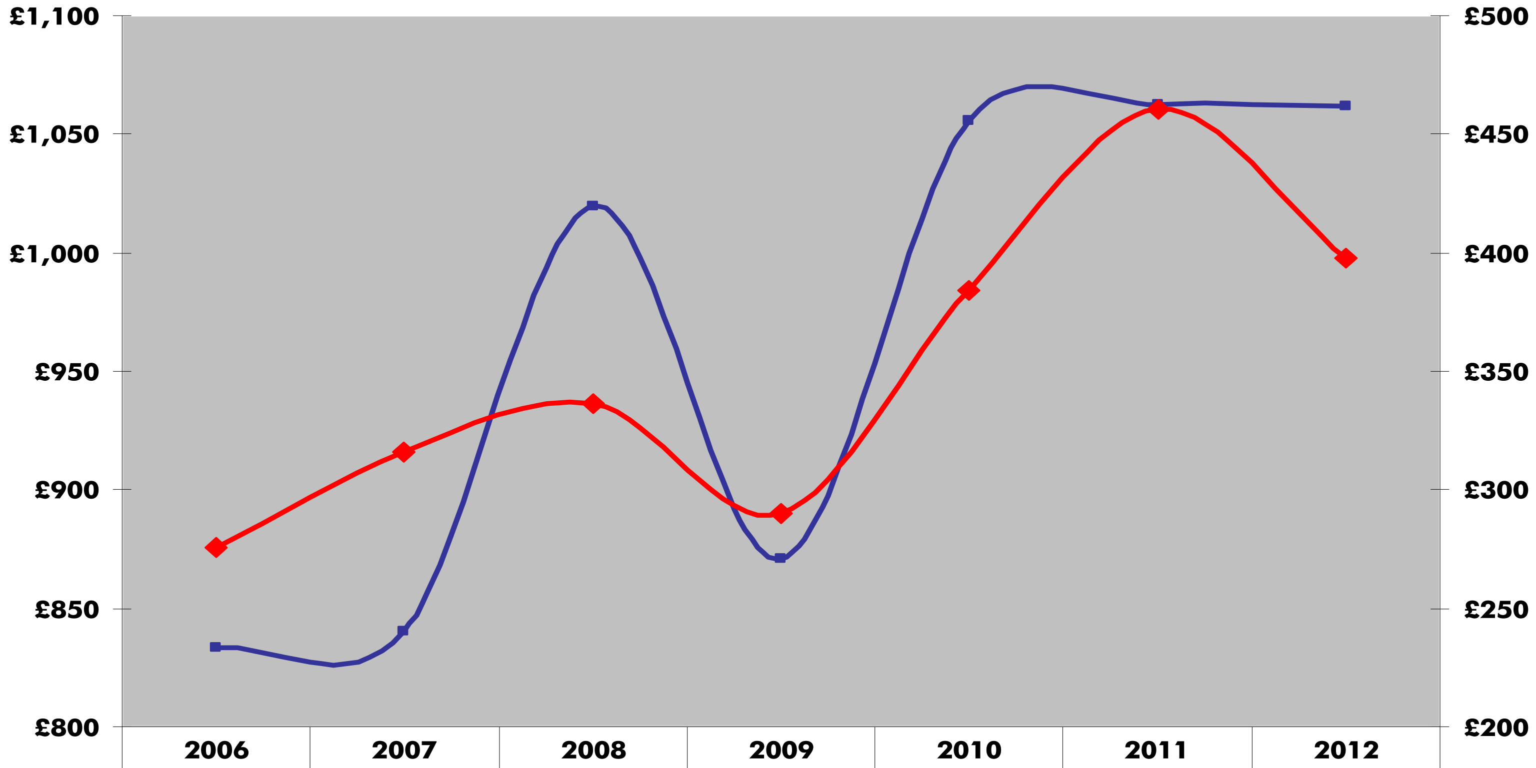
	2012	2011	2010
EBIT	5.8	4.7	4.5
DA	1.4	1.4	1.3
EBITDA	7.2	6.1	5.8
Working Capital	0.1	(1.2)	(0.4)
Interest	(0.4)	(0.4)	(0.4)
Tax	(0.9)		
Capex	(0.8)	(1.1)	(0.4)
Pensions	(2.6)	(2.2)	(2.6)
Dividend	(1.8)	(1.8)	(1.7)
Movement in Debt	0.8	(0.6)	0.3

Strict working capital control in 2012
Tax payments resumed in 2012

Packaging Distribution

£m		2012		2011
Sales		**114.8**		116.7
Gross Profit	**30.3%**	**34.7**	29.2%	34.1
Overheads		**29.8**		29.5
EBIT	**4.3%**	**4.9**	3.9%	4.6
Sales Volume		**-1.2%**		+2.1%
Sales Price		**-0.5%**		+4.9%

Packaging Raw Material Movements



	2006	2007	2008	2009	2010	2011	2012
Polymer £/tonne	£833	£840	£1,020	£871	£1,056	£1,063	£1,062
Paper £/tonne	£275	£316	£337	£290	£384	£460	£398

Packaging Distribution

Sales Growth	2012 vs. 2011
New Business	3%
3PL	13%
PRP	24%
On-line sales	21%

- Good sales growth in target sectors
- Good progress on new business
- Sales to internet retail currently 20% of total sales

Macfarlane Labels

Labels	Growth 2012
Self-adhesive	(6.4%)
Reseal-it	9.1%

- Improved customer and product mix
- Increased production efficiencies
- US customer demand for Reseal-it up by 28% to £3.0m
- Labels profitability increased £0.6m in 2012

Macfarlane Design & Manufacture

- Packaging Design & Manufacture sales 5% below 2011
- Export growth strong from key customers
- Focus on added value business
- Distribution partnership is 23% of total sales (2011 – 24%)
- Both sites profitable and profitability £0.2m ahead 2012 vs. 2011

Pension Scheme Deficit £m

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Deficit at 1 January 2012	**(20.5)**
Ongoing accrual/Interest cost	**(0.5)**
Contributions	**2.6**
Pension Increase Exchange	**1.9**
Bond yield ↓ 0.4% to 4.4%	**(4.1)**
Net effect of other assumptions	**0.1**
Spouse's Pension Assumption	**1.6**
Net effect of other assumptions	**0.1**
Deficit at 31 December 2012	**(18.9)**

Features 2012	Benefit of PIEx exercise
	Cost of continued reduction in bond yields
Actions 2013	Potential for further transfer values
	Longevity assumptions review

Distribution 2013 Key Actions

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- Improve customer retention, product penetration & new business, through new customer segmentation
- Growth opportunities in Internet Retail, 3PL, and National Accounts
- Optimise benefit of www.macfarlanepackaging.com
- Ongoing attention to cost reduction continues
- Develop NovuPak relationship with partners (see Appendix 2)
- Further improve cash management, esp. inventories
- Ongoing evaluation of acquisition opportunities

Manufacturing 2013 Key Actions

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LABELS

- Focus on higher added value products and services
- Continue to improve operational efficiencies
- Extend Reseal-it product range
- Complete successful relocation of activities in Ireland

PACKAGING DESIGN AND 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 weak
- Trading agenda:
  - Distribution focus on identified growth opportunities – internet retail, 3PL and National Accounts
  - 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 non-executive team in place
- A strong platform for progress in 2013 and beyond, based on the implementation of strategic actions

Appendices

Appendix 1- Pension Scheme

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Investments		2012	2011
Diversified Growth Funds		**£13.0m**	£12.2m
UK Corporate Bonds/Gilts		**£23.5m**	£21.8m
UK Equities		**£ 7.5m**	£ 6.6m
Overseas Equities		**£ 7.0m**	£ 6.2m
Cash		**£0.3m**	£0.2m
Total		**£51.3m**	£47.0m
Liabilities			
Active members	28	**£ 6.2m**	£ 6.5m
Deferred members	328	**£30.7m**	£31.6m
Pensioners	315	**£33.3m**	£29.4m
Total	671	**£70.2m**	£67.5m

Appendix 2

Boxon
- Founded 1932
- Helsingborg, Sweden
- Serving Scandinavia
- Sales Euro 100m
- 150 Employees

Moonen
- Founded 1955
- Weert, Holland
- Market - Benelux
- Sales Euro 40m
- 85 Employees

Transpak
- Founded 1975
- Solms, Germany
- Germany & Central Europe
- Sales Euro 80m
- 270 Employees

Macfarlane
- Founded 1949
- Coventry UK
- UK market
- Sales £116m
- 400 Employees