



MACFARLANE GROUP PLC

**CEO Presentation
Annual General Meeting
8th May 2012**



MACFARLANE GROUP PLC

- **2011 Performance**
- **Strategic Development**
- **Case Study**
- **Outlook**



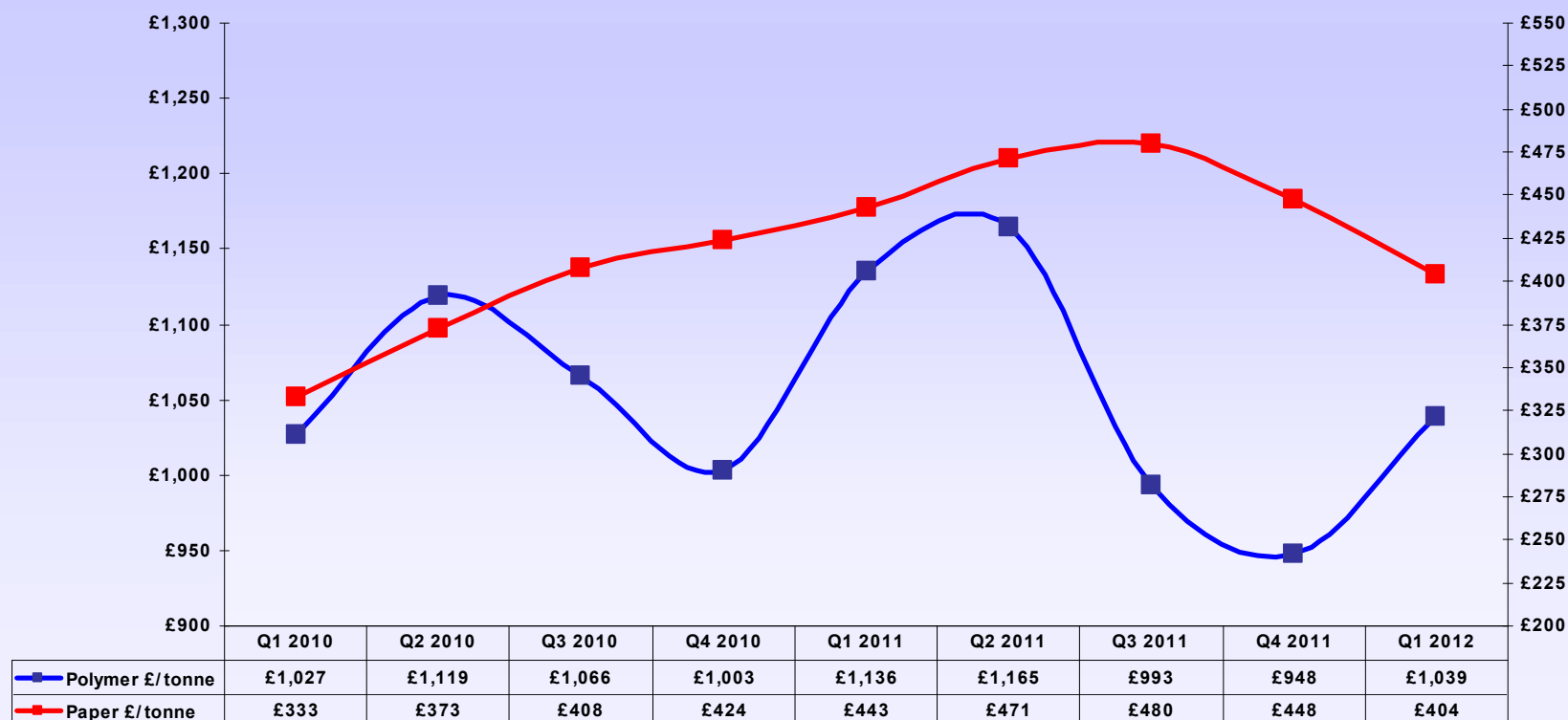
2011 Market Conditions

- UK demand remained weak due to macroeconomic factors
- Key packaging market sectors remained robust:
 - 3PL
 - Internet Retail
- The self adhesive labels market continued to be price oriented
- Raw material price inflation continued but softened in Q4



Raw Material Prices

Raw Material Prices / Tonne





2011 Performance

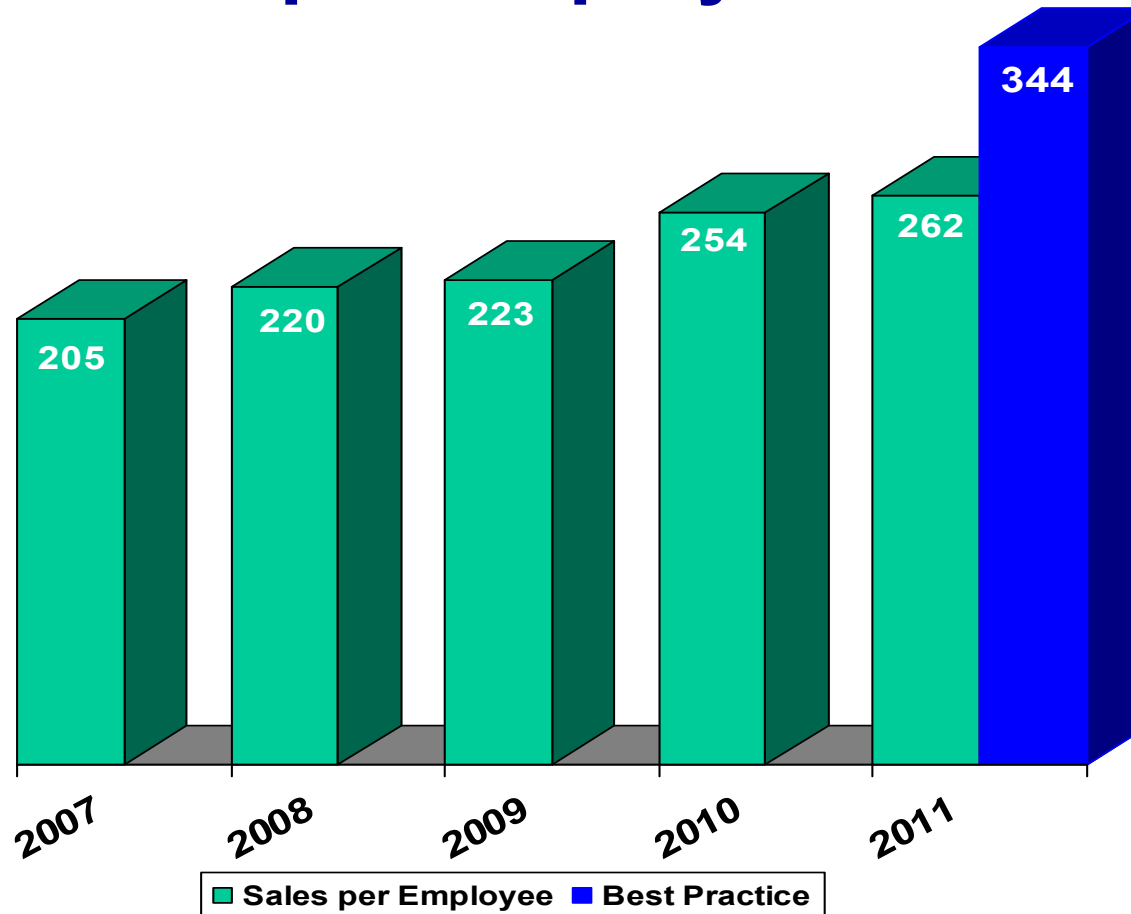
- **Macfarlane Group**
 - Sales up 7%*
 - PBT up 16% (pre-exceptionals)*
- **Packaging Distribution**
 - Sales up 7%*
 - Gross margin erosion but improved profitability*
- **Manufacturing Operations**
 - Sales up 6%*
 - Packaging Manufacturing profits sustained but profit reduction in Labels

Despite unfavourable economic conditions, 2011 was another year of profitable growth for Macfarlane Group

* Relates to calendar year 2011



Sales per Employee* £000



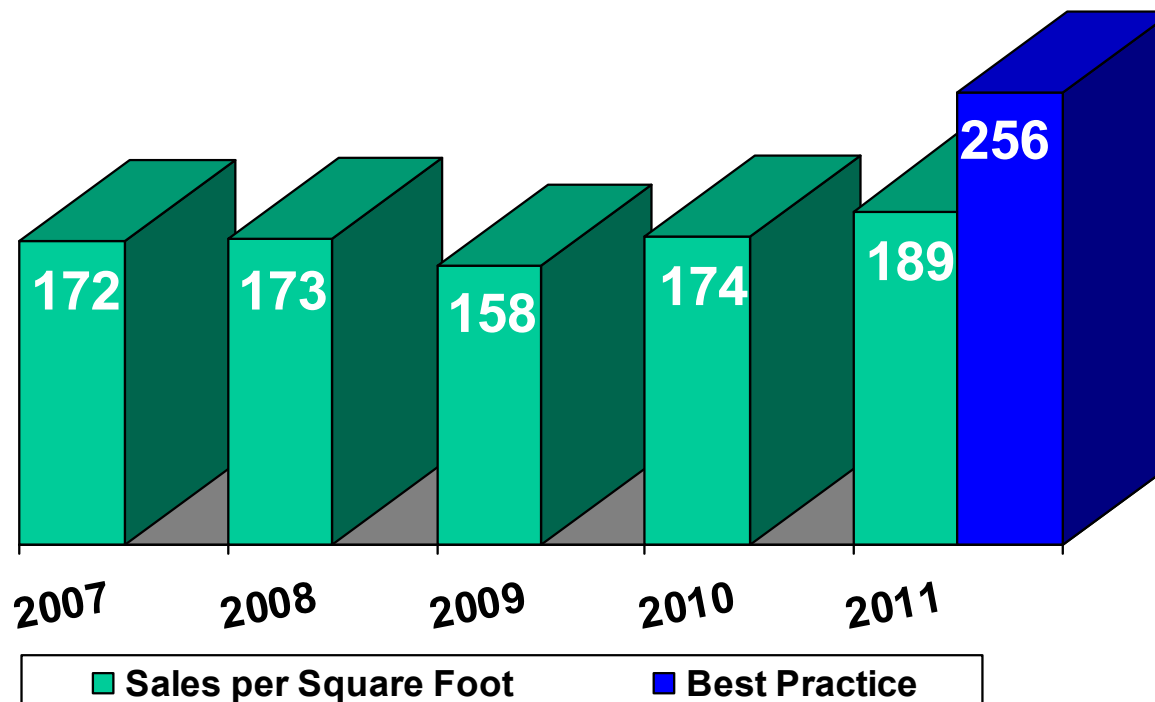
Best Practice Sales
Opportunity **
£36m

* These figures are for the Packaging Distribution business only.

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



Sales per Square Foot* £



Best Practice Sales
Opportunity **
£41m

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

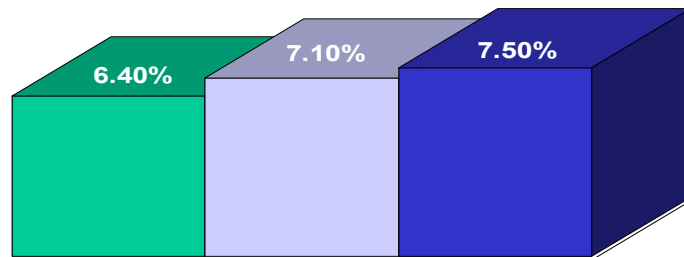
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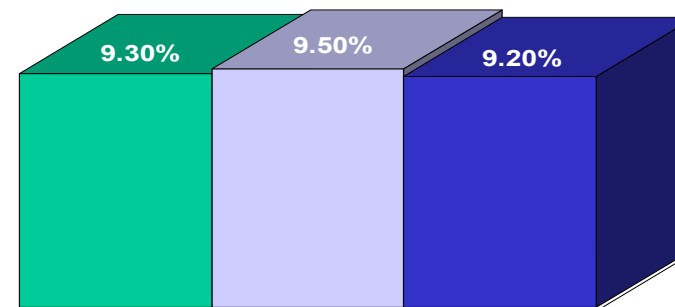
Return on Sales by RDC *

Best Practice
Profit (ROS)
Opportunity **
£6.9m

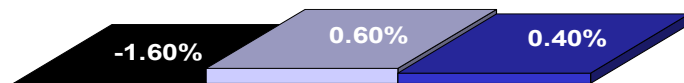
Third Quartile - RDC's



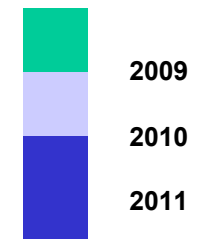
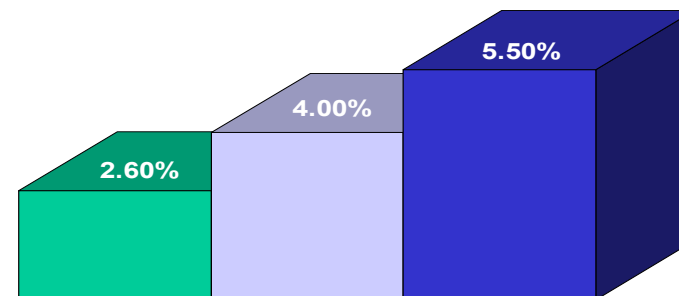
Top Quartile - RDC's



Bottom Quartile - RDC's



Second Quartile - RDC's



• These figures are based on all RDCs in the Packaging Distribution business. Return on sales = RDC Profit/(loss) / RDC Sales x 100 and is expressed as a % return.

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



Strategic Development

Increase 3PL Market Penetration

- Market potential c.£40m current Macfarlane market share 25%
- Sales growth of 24%
- Improved penetration of existing 3PL customers (DHL & Wincanton)
- Gain of new customers e.g. Promotional Logistics





Strategic Development

Increasing Web Presence

- Web related sales growth of 11%
- 12% of total Packaging Distribution sales now electronically transacted

The screenshot shows the Macfarlane Packaging website homepage. At the top, there's a navigation bar with the company logo, a search bar, and links for 'Save the page to favourites', 'LOG IN', and a shopping cart icon showing '£0.00 View Basket'. Below the navigation bar is a horizontal menu with various product categories: Boxes, Bags, Tapes, Sealing, Labels, Protective, Papers, Postal, Polythene, Stretch, Strapping, Accessories, Gift & Retail, and Hygiene. A banner below the menu states: 'WIDEST RANGE OF PRODUCTS | FREE UK DELIVERY ON ORDERS OVER £50 | SIMPLE PRICE PROMISE | NEED HELP OR ADVICE CALL 0800 288 822'. The main content area features a 'For Businesses' section with the text 'A range of services designed to reduce your packaging costs >>' and a photo of two men in a warehouse. Below this is a 'What's New' section with links to 'Easter Promotions', 'Clearance Items', 'New Products', 'Environment', and 'Industry News'. To the right is a 'Our Best Sellers' section with five product tiles: 'Single Wall Cardboard Boxes', 'Value Tapes', 'Bubble Wrap', 'Refuse Sacks', and 'Double Wall Cardboard Boxes'. At the bottom, there are three promotional boxes: 'Contact me to discuss all your packaging needs' with the phone number '0800 2888 444' and a 'Request a Quote' button; 'Order your free 166 page catalogue' with a button; and 'Check out our great deals on our clearance items' with a 'DEAL' tag and a button.



Strategic Development

Presentation & Retail Packaging

- New product range for our customers
- Start up in 2010 – Current sales £2.3m with 50% growth in 2011
- Business mix half new customers and half existing customers
- Strong pipeline of new opportunities
- Opportunity to develop £10m incremental sales





Strategic Development

Growth of Reseal-it

- Sales growth of 41%
- Increased market penetration in the USA
- New UK market penetration: Tesco, Morrisons, Sainsbury.





Customer Case Study

Background

- Lakeland was founded in 1963 is privately owned and based in Cumbria
- Lakeland is a leading mail order and high street retailer of kitchenware
- In 2010 Lakeland was joint first in the “Which High St. Shops Survey”
- Lakeland has 3 million customers, 4000 product lines, 9 million units and dispatches 1.4 million parcels per annum





Customer Case Study

Challenge

- Reduce range of packaging products
- Improve packing process and reduce packing footprint of the operation
- Enhance customer experience

Process

- In depth analysis of Lakeland operation
- Working with high seasonal usage
- Introducing supply partners - B Plus & Saica
- Trial and testing of alternative solutions





Customer Case Study

Lakeland Benefits

- Reduced carton sizes from 19 to 10
- New automated packing process doubled productivity/hour
- Saved space by enabling volume growth in less sq footage
- Courier vehicle utilisation improved by c30%

Lakeland Customer Benefits

- Improved presentation and ease of opening
- Reduced damages - packaging fit for purpose
- Environmentally friendly - packaging made from recycled materials and fully re-cycleable





Customer Case Study

The view from Lakeland

- Macfarlane innovative and independent
- Macfarlane proactive and flexible
- Macfarlane focussed on the needs of the customer
- Macfarlane demonstrating clear market leadership

Our Differentiators = Value for Lakeland





Outlook

- Levels of demand in the UK economy remain uncertain and raw material prices will continue to be volatile
- Packaging Distribution core proposition remains strong
 - Enhanced by our expertise in key sectors e.g. 3PL
 - Increasing breadth of our product range through PRP
 - Growing importance of our web offer
 - The value of our packaging process knowledge
- Packaging Manufacturing activities complement the Packaging Distribution business to provide customers with a complete packaging service
- Reseal-it™ continues to demonstrate its growth potential for our Labels business
- Management remain confident about the achievement of our medium term ambition of £200m sales and 5% return on sales