



30 March 2020

Macfarlane Group PLC (“Macfarlane” or the “Company”)

COVID-19 Trading Update

The Board is committed to following all of the UK Government's guidance in response to COVID-19, as well as ensuring the long-term sustainability and success of the Company. The measures being taken by the Company are detailed below together with a summary of its financial position and liquidity.

2020 Trading

On 27 February 2020 our preliminary announcement noted that 2020 had started well and profitability in the year to date was well ahead of the same period in 2019. This performance has continued through March. However, the recent changes in UK Government guidance in response to COVID-19 have negatively impacted a number of the market sectors in which Macfarlane operates. As a result, the Company now expects a marked slowdown in activity.

Our customers in the hygiene, household essentials, medical and food sectors are currently demonstrating strong ongoing demand as they play a vital role in helping the country meet the challenge of COVID-19 and we are continuing to support them. However, customers in other sectors such as automotive, aerospace and segments within retail have been materially impacted and their business has declined rapidly.

We have no visibility on the timescale over which the reduced demand will be sustained. It is therefore not currently possible for the Company to provide meaningful guidance on trading for the financial year ending 31 December 2020. A further announcement will be made on the anticipated 2020 performance when the Board has more clarity.

People

It is the Board's intention during this difficult period to ensure that we protect the wellbeing of our people and preserve employment in line with the UK Government's aim. The Board wishes to express its gratitude to all Macfarlane staff for their commitment, support and flexibility in such challenging times.

The Company is currently assessing the UK Government's range of COVID-19 related financial support measures to assess which of those would assist the business during this period.

Balance Sheet and Liquidity

The Company has a strong balance sheet and liquidity headroom. The preliminary announcement confirmed that net bank debt at 31 December 2019 was £12.7 million. This reduced to £9.6 million at the end of February 2020. The Group's principal bank facility of up to £30.0 million with Lloyds Banking Group, a long-standing and supportive lender to the Company, is available until June 2022.

Operations and Cash Management

The Company is currently focused on taking measures to reduce operating costs to a level that reflects the reduced level of activity. The Board will waive 25% of their salaries and fees for the period from April 2020 until September 2020 and the executive directors have deferred payment of their 2019 bonuses. All non-critical operational and capital spend has stopped.

Cash flows are being carefully managed. We are engaging with customers and suppliers to more accurately predict cash requirements and are reducing inventory levels, whilst ensuring that we can fulfil demand from customers providing essential services.

Pension Scheme

The Company and the Trustees are closely monitoring movements in the scheme's investment values. The Liability-Driven Investments continue to provide an effective hedge against liability movements.

Long-term Project Planning

Our focus is on managing through the current period of volatile demand. In these circumstances and where practical, we shall continue to plan for the implementation of projects forming part of our operational improvement programme designed to make the business more efficient and effective.

2019 Final Dividend

As a key measure to conserve cash, the Board has taken the decision not to propose the 2019 final dividend of 1.76 pence per share, detailed in the preliminary announcement. A resolution was due to be proposed at the forthcoming Annual General Meeting ("AGM") in May 2020, but this resolution will be withdrawn. This will reduce cash outflows by £2.8 million in the second quarter of 2020.

The Company has been a regular dividend payer for a number of years and the Board remains committed to providing dividend income to shareholders. Once trading has recovered in line with normal levels and uncertainty has decreased, the Board's intention is to recommence dividend payments either by augmenting regular dividends or by declaring a special dividend.

2020 AGM

The 2019 Annual Report and Accounts and accompanying notice of AGM will be posted to shareholders at the start of April 2020 and be available on the Company's website.

The Board places a high value on the opportunity to meet shareholders at its AGM. However, recent Government advice is for people to avoid gatherings and all non-essential travel. As a result, the Board advises shareholders not to attend the AGM in person this year and instead to submit proxy votes. The Board will explore ways to enable shareholders to participate in the AGM, including streaming the proceedings over the internet and providing the opportunity for shareholders to submit questions for the Board to consider at the meeting. Further details to enable shareholder participation will be advised in due course.

The Company will continue to engage with all its stakeholders during this difficult time.

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Legal Entity Identifier (LEI): 213800LVRYDERSJAAZ73

Notes to Editors:

- Macfarlane Group PLC is listed on the London Stock Exchange (LSE: MACF) in the Industrials Sector
- The company is headquartered in Glasgow, Scotland and has more than 60 years' experience in the UK packaging industry. Macfarlane Group's businesses are:
 - **Macfarlane Packaging** is the leading UK distributor of a comprehensive range of protective packaging products
 - **Labels** designs and prints high quality self-adhesive and resealable labels, principally for FMCG companies
 - **Packaging Design and Manufacture** designs and produces protective packaging for high value, fragile products
- Macfarlane Group employs over 925 people at 31 sites, principally in the UK, but also in Ireland and Sweden.
- The company has 20,000+ customers in the UK, Europe and the USA providing 600,000+ lines to a wide range of industry sectors including: consumer goods; food manufacturing; logistics; internet retail; mail order; electronics; defence and aerospace.