

**Trading Update**

At our Annual General Meeting in May we announced that the trading performance in the first quarter of 2020 had been strong with profits well ahead of the same period in 2019. However, we indicated that we expected demand in the second quarter to reduce by between 20% and 25% of the level achieved in 2019 due to subdued levels of activity following the introduction of “lockdown” by the Government at the end of March 2020.

Our sales performance has been more resilient than previously anticipated in the second quarter of 2020 with total revenue only 7% down compared to the same period in 2019. We have continued to experience weakness in the automotive, aerospace and high street retail sectors but this has been partly offset by underlying strength in the e-commerce, medical, food and household essentials sectors, which demonstrates the benefit of our broad customer base. This will result in sales for the half year, inclusive of the benefit of last year’s acquisitions, being 3% down on the first half in 2019.

All our sites have remained open and trading throughout the period albeit with reduced levels of activity due to market disruption. The sites are operating in line with local social distancing and hygiene requirements to ensure the health, safety and wellbeing of our staff and our customers. The majority of our sales and administration activities are being carried out by staff working from home in accordance with home working programmes.

**People**

In line with the UK Government's aim to preserve employment levels, we furloughed approximately 30% of staff through the Coronavirus Job Retention Scheme in the second quarter to protect employment during the period of uncertainty. However, in the light of the better than expected trading performance, and as we gradually bring employees back from furlough, we do not intend to make any further claims under the Scheme and in the second half of the year we will seek to repay sums already received.

**Liquidity**

Active management of working capital and the cost base has resulted in net bank debt reducing below £2.0m (31 December 2019 £12.7m), albeit with the benefit of government support schemes, salary reductions, bonus and rent deferrals, which in total amount to £4.7m. There remains significant headroom on the Group’s principal bank facility of up to £30.0m and the Company has remained comfortably in compliance with all covenants for the facility.

**Market Guidance**

Given the current uncertainty and concerns around the pace of the potential recovery, it is still not possible for the Company to provide meaningful guidance on trading for the financial year ending 31 December 2020. However, based on ongoing actions and current levels of trading, we expect the business to remain profitable in 2020 and to operate well within the current borrowing facility. Further announcements will be made on the anticipated 2020 performance and the impact on our ability and intention to recommence dividends when the Board has more clarity.

**Half Year Announcement**

Macfarlane Group will announce its half year results on Thursday 27 August 2020.

The Board again wishes to express its gratitude to all Macfarlane staff for their continued commitment, support and flexibility in these challenging times.

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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 70 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 15,000+ 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.