

Swallowfield plc

25th AGM

3rd November 2011

This presentation contains strategic targets which, for the avoidance of doubt are not intended to be forecasts.

Martin Hagen

Chairman

**“Welcoming Address
and Opening Remarks”**

- Fire exits are situated behind you and to your left. If the alarm sounds please leave by the nearest exit - the assembly point is at the front car park.
- Please ensure mobile phones are switched off.
- Questions will be taken after the presentations.
- Buffet lunch will be served the end of the meeting.
- Product development presentation during lunch
- There will an opportunity for a factory tour after lunch. More details at the end of the meeting.
- “Goodie” bags will be handed out at Reception, by the car park, as you leave.

Order for the Day

- Voting on the proposed resolutions
- Strategy presentation
- Questions from the floor

Resolution 1

To receive and adopt the annual statement of accounts and the reports of the directors and auditors for the year ended 30 June 2011

Resolution 1

➤ For	5,111,705
➤ Against	0
➤ Abstain	15,000

Resolution 2

To approve the directors' remuneration report for the year ended 30 June 2011

Resolution 2

➤ For	5,090,800
➤ Against	7,605
➤ Abstain	28,300

Resolution 3

To declare a final dividend of
4.1p per ordinary share

Resolution 3

➤ For	5,111,705
➤ Against	0
➤ Abstain	15,000

Resolution 4

To re-elect I A Mackinnon as
a director

Resolution 4

➤ For	5,011,705
➤ Against	0
➤ Abstain	115,000

Resolution 5

To re-elect M J Hagen as a
director

Resolution 5

➤ For	3,129,651
➤ Against	1,884,754
➤ Abstain	112,300

Resolution 6

To re-elect S D Boyd as a
director

Resolution 6

➤ For	4,993,115
➤ Against	18,590
➤ Abstain	115,000

Resolution 7

To re-elect R S McDowell as
a director

Resolution 7

➤ For	5,000,320
➤ Against	500
➤ Abstain	125,885

Resolution 8

To authorise the directors to determine the auditors' remuneration

Resolution 8

➤ For	5,107,405
➤ Against	3,500
➤ Abstain	15,800

Resolution 9

To re-appoint Grant Thornton UK LLP
as auditors to hold office until the
conclusion of the next Annual
General Meeting of the Company

Resolution 9

➤ For	5,110,905
➤ Against	800
➤ Abstain	15,000

Resolution 10

To renew the Directors' powers
to allot relevant securities

Resolution 10

➤ For	3,196,540
➤ Against	1,924,265
➤ Abstain	5,900

Resolution 11

As a Special Resolution, to authorise the directors to allot equity securities

Resolution 11

➤ For	3,189,435
➤ Against	1,931,370
➤ Abstain	5,900

Resolution 12

As a Special Resolution, to authorise the Company to purchase its own shares

Resolution 12

➤ For	3,208,316
➤ Against	1,898,489
➤ Abstain	16,400

Resolution 13

As a Special Resolution, to adopt new Articles of Association of the Company

Resolution 13

➤ For	3,237,656
➤ Against	1,872,149
➤ Abstain	16,900

Strategy Presentation

**Today is a good opportunity
for us to clarify the strategy ...**



**... to allow you to
understand and evaluate it.**



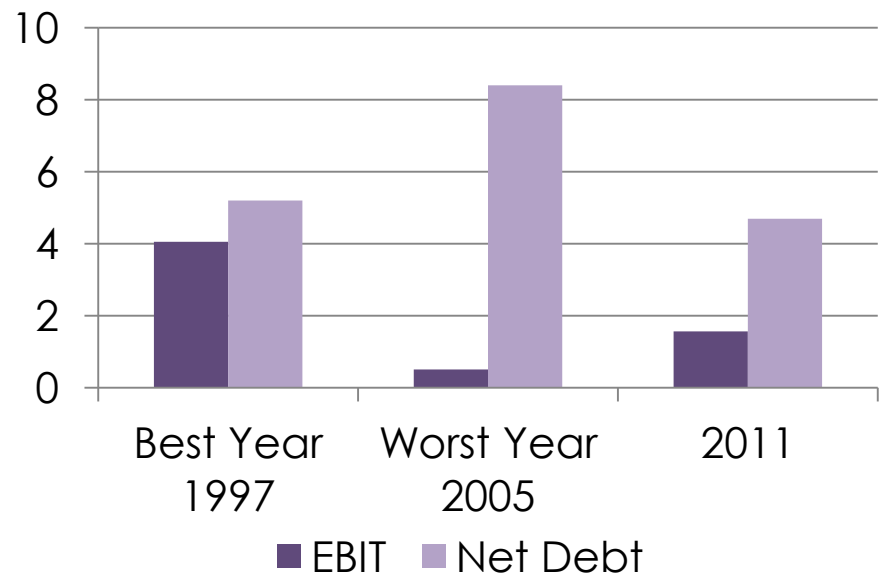
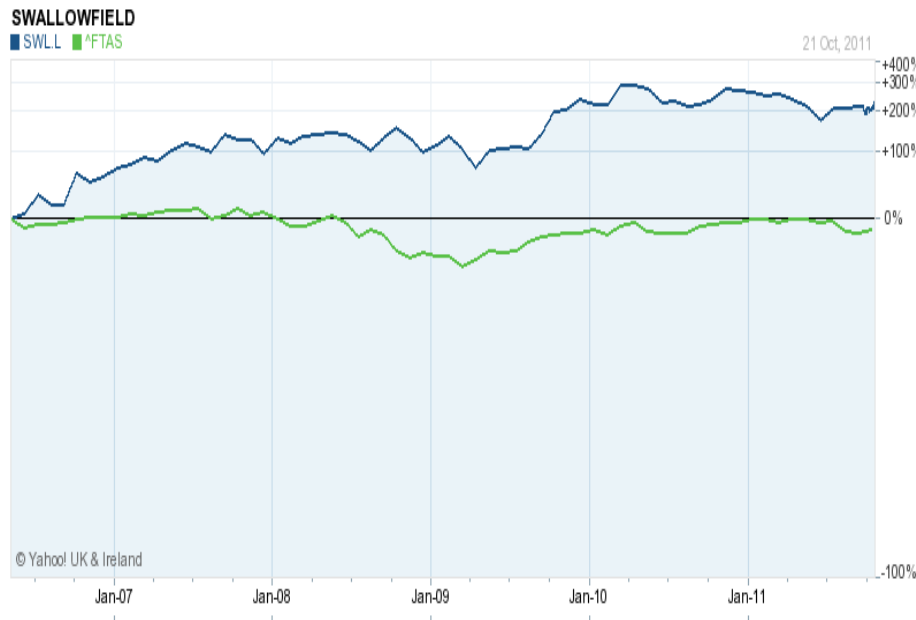
The newly constituted Board ...

- Has significant and relevant UK and international experience
- Is focussed on improving profitability and performance
- Is reviewing:
 - What, where and how we manufacture
 - Where and how we market and sell products

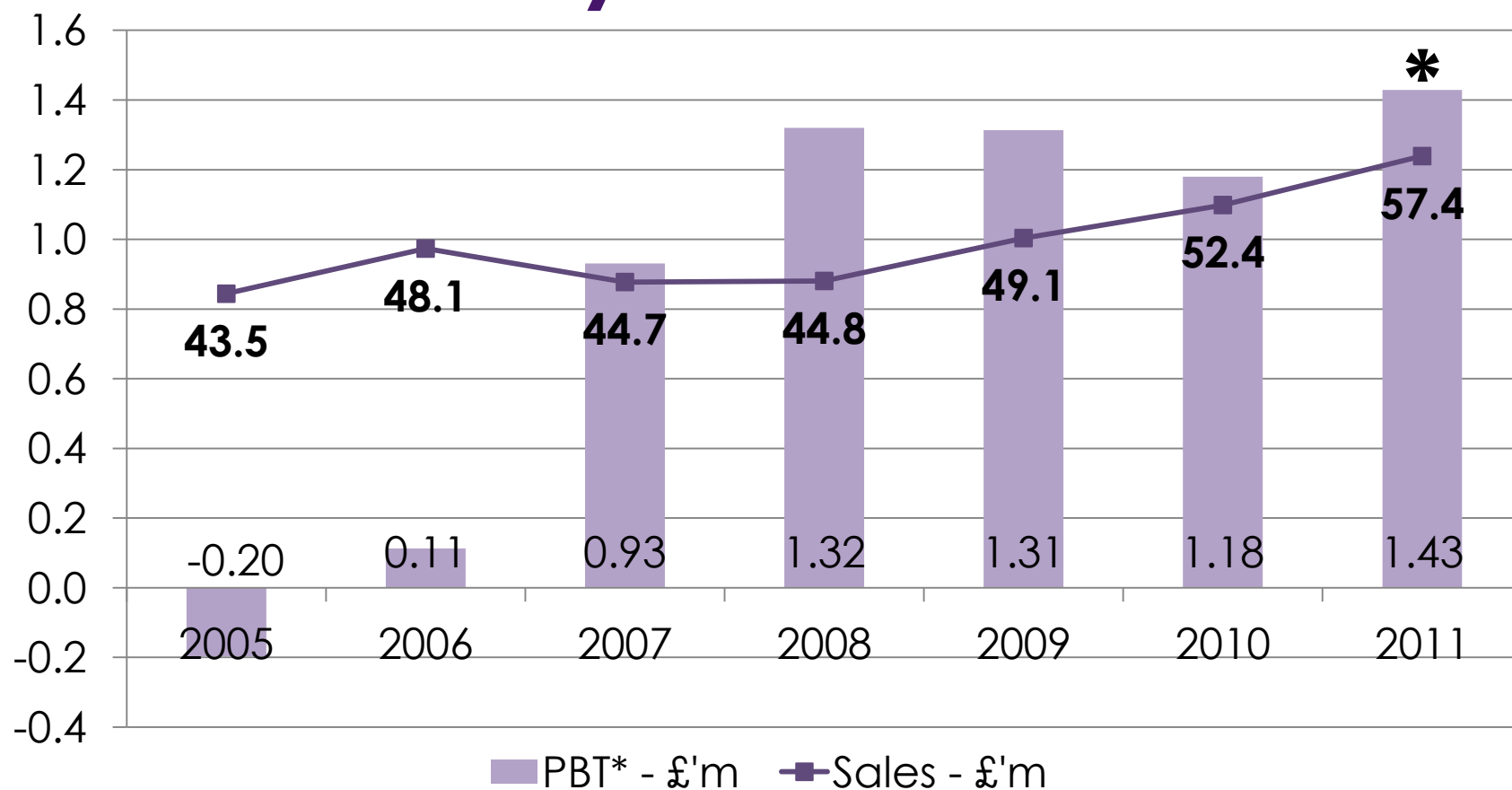
... and starts from great foundations.

- High quality, experienced, knowledgeable **people**.
- Strong **product** capability and technology.
- High quality and impressive **customer** base.

Our prognosis: The company has performed robustly against the worst economic backdrop for more than 50 years, but could be improved.



The results over the last few years ...



* Adjusted for exceptionals

... have been supported by a number of key actions ...

- Opened Czech factory – from green field to functioning factory in < 8 months
- Significant reduction in Bideford cost base
- Opened China sourcing office and purchased a 19% stake in a Chinese JV
- Opened US and French sales support offices
- Implemented single customer facing organisation
- Driven circa 30% sales growth since June 2008



**We are operating in a very
interesting landscape ...**

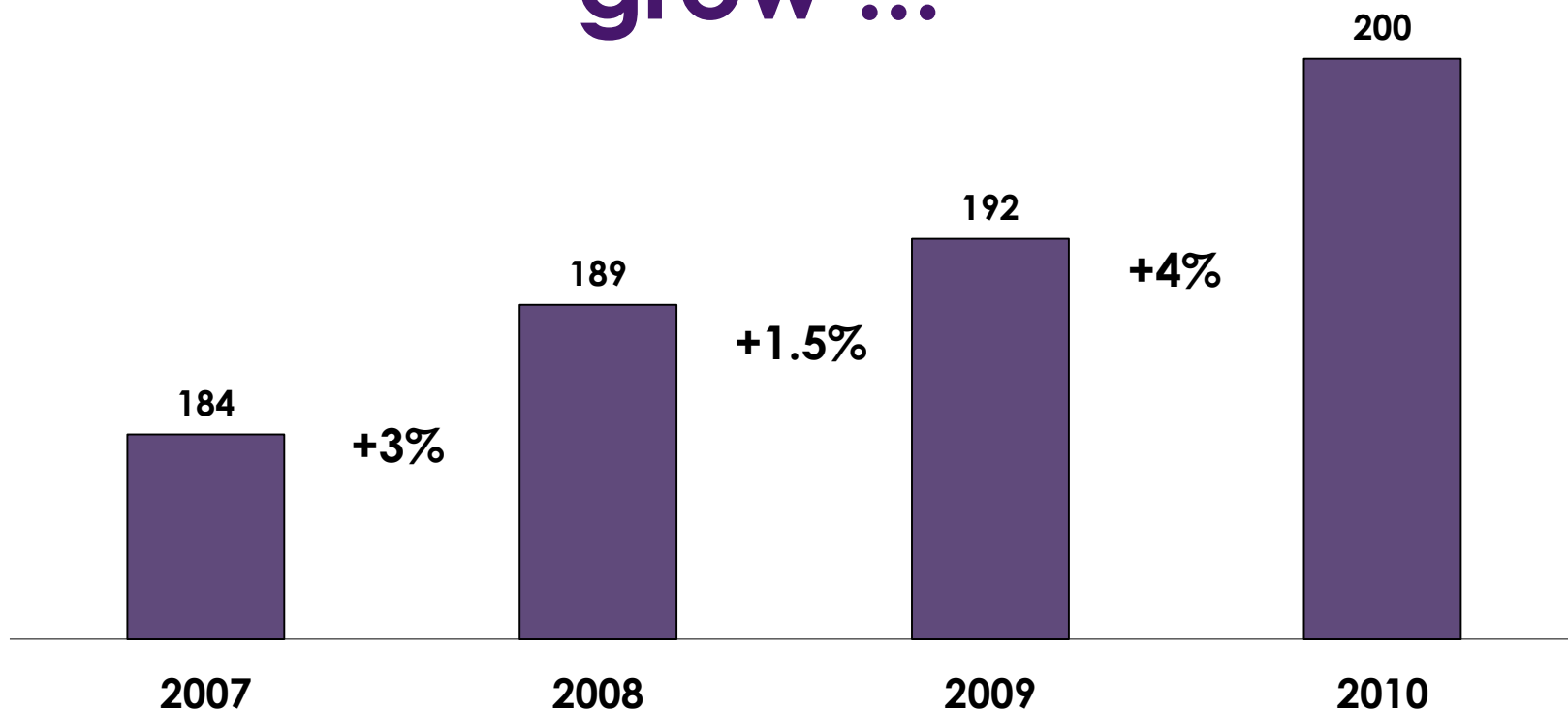


**... where the market still
offers some real and
attractive opportunities ...**





... and has grown consistently
and is expected to continue to
grow ...

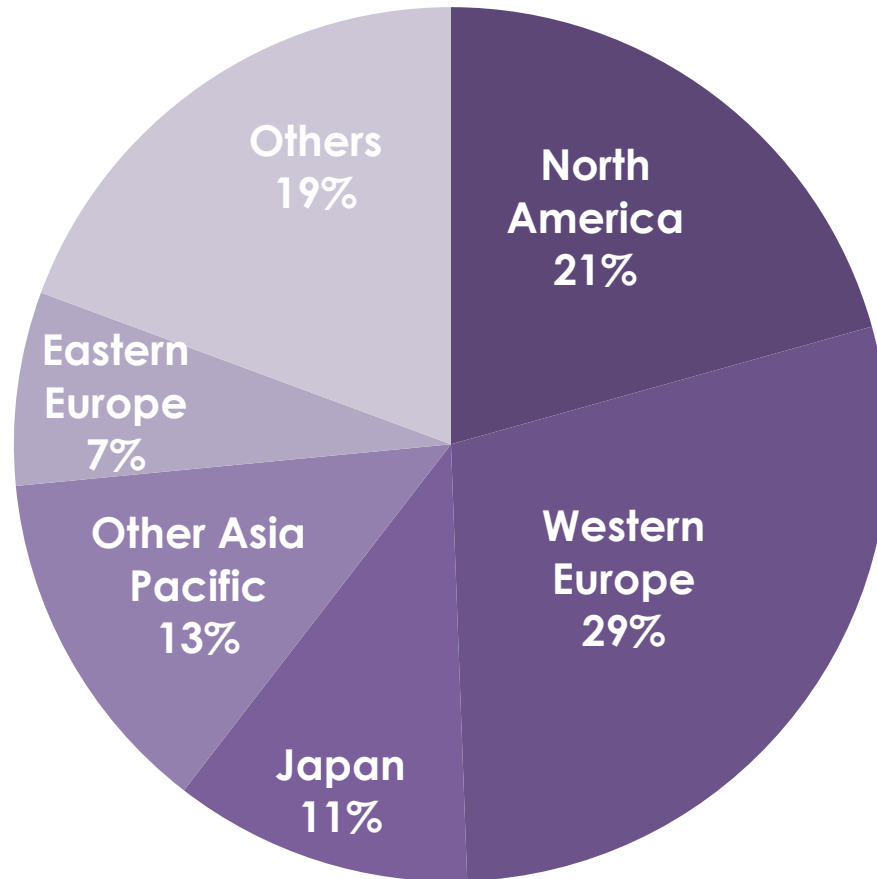


Source: IBIS World

■ Global Market - \$Bn



... and is still driven by established markets and brands.



Source: Euromonitor





Brands continue to outsource manufacture and product development ...



THE BODY SHOP.



L'ORÉAL



YVES ROCHER
FRANCE





**Our competitive position
remains strong...**



... and we have unrivalled product capability – our products are found in most peoples homes ...



Lipgloss



Dual
Compartment
Aerosols

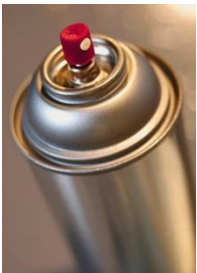
Pressed
Powders



Fragrances



Sticks



Aerosols



Hair Powder



Foundation



Scrubs



Bodycare
Creams/Lotions



Lipsticks



Roll-ons &
other liquids



Cosmetic Pencils



Mascara



Gifts



... and product development remains a core strength ...

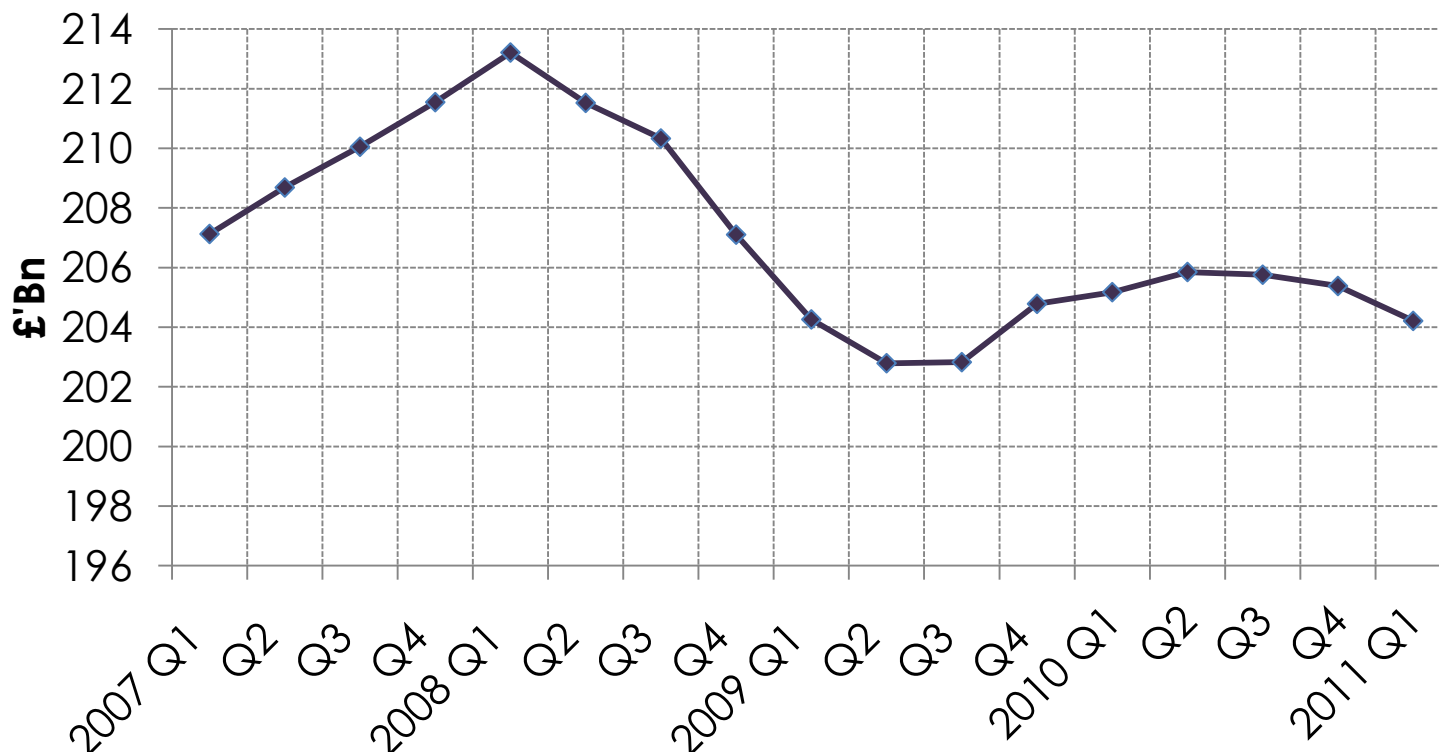
- Reputation as a strong innovator and formulator of products
- Around 1,300 new products developed each year
- Approx. 2/3 of sales derives from own IP
 - Higher in some years



**The economic background
is grim but does provide
long term opportunity.**



UK consumption has weakened and this is likely to last for a while ...

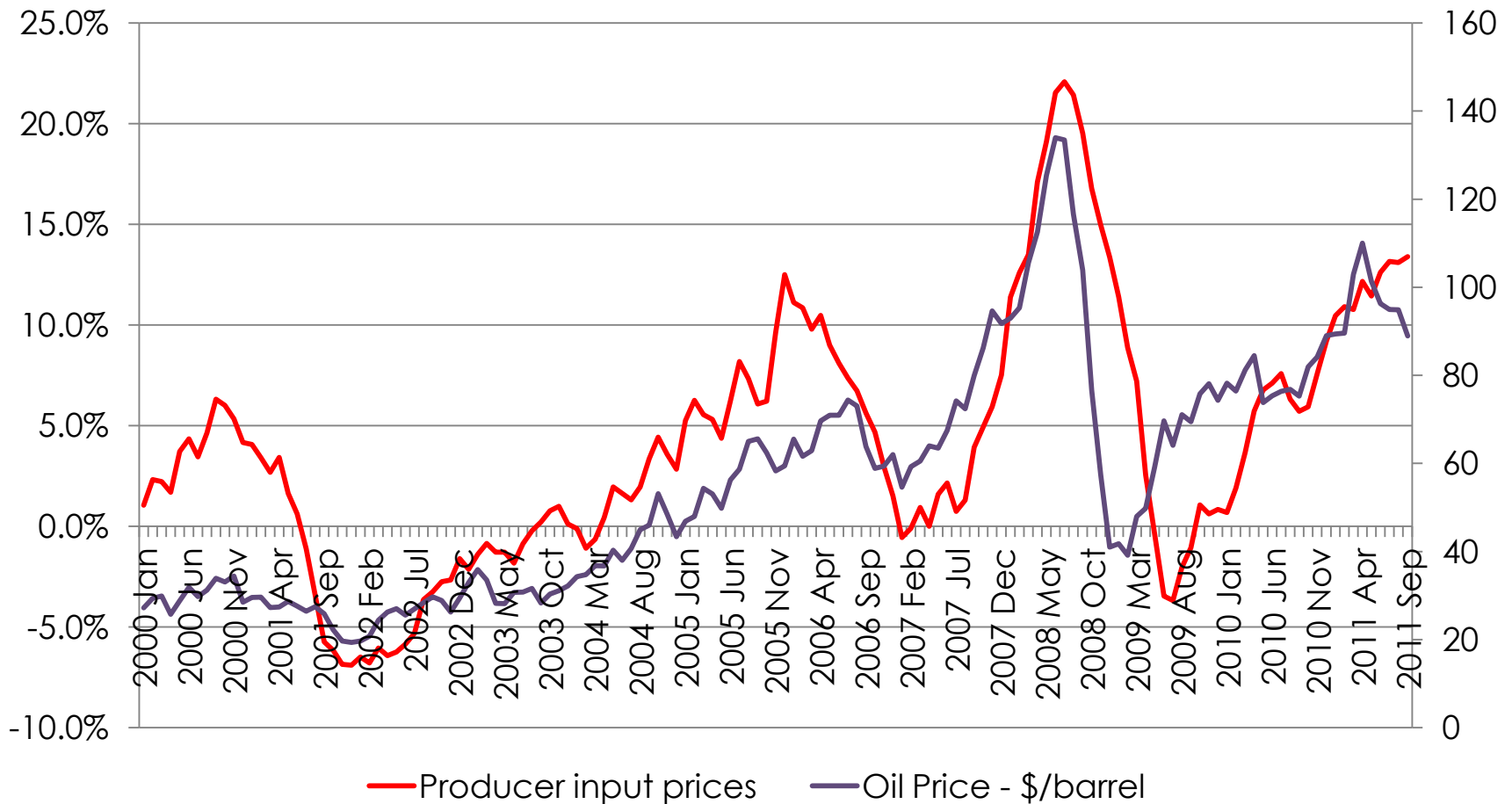


Household final consumption – seasonally adjusted (series ABJR)

Source: ONS



... and input price inflation remains stubbornly high ...

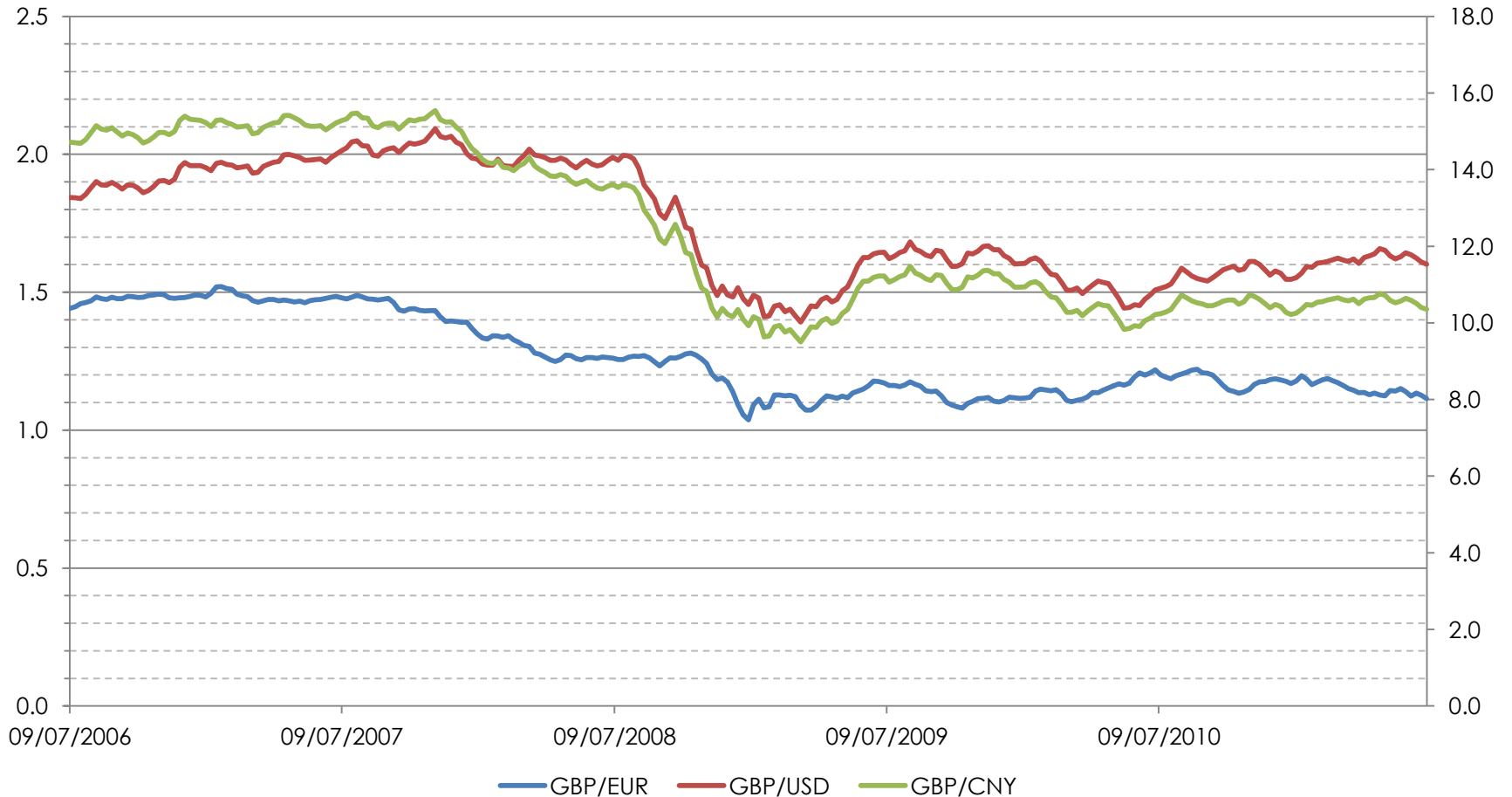


Source: ONS and WTI index





... but exchange rates have increased our competitiveness ...



Source: OANDA





... and financing costs are low and likely to stay low for a while yet ...



Implied 5 Year forward yields

Source: Bank of England

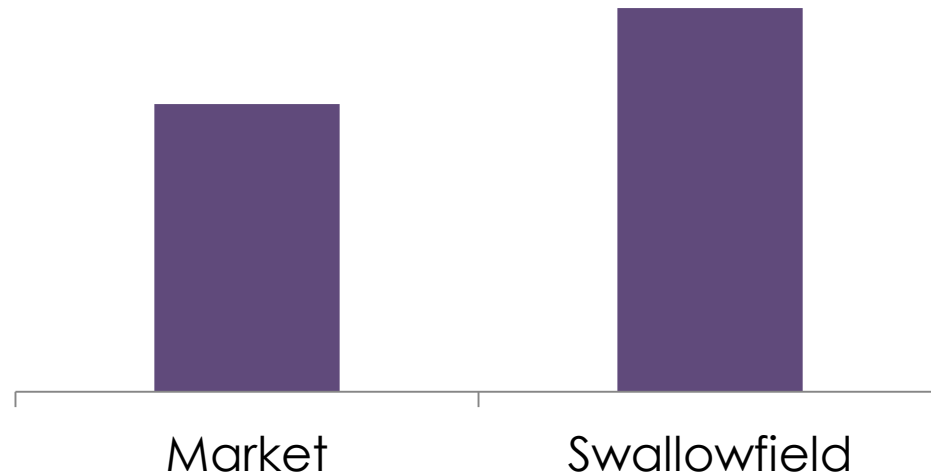




**Against this environment, we
have set simple, stretching,
strategic goals.**



1. We aim to grow at a rate in excess of the overall C&T market.





**2. We will be more
profitable based on ROCE%
and ROS%.**



**3. We will be the
“go to supplier”^①
for our target customer
base.**

① Bill Kunz - Senior Vice President, Global Supplier Relations Estee Lauder.



We will achieve these goals with 5 simple steps.





1. Driving above market organic growth:

- Much improved marketing & pre-selling
- Focus on service offering
- Position to benefit from a move back to UK manufacturing
- Building on relationships and growing networks

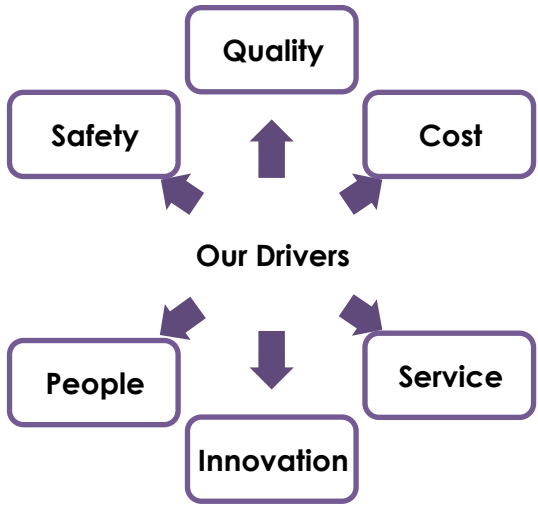


2. Broadening product & other technologies:

- Skin care
- Sun care
- Low carbon technologies
- Rapid prototyping & additive layer manufacturing
- Future factory concepts

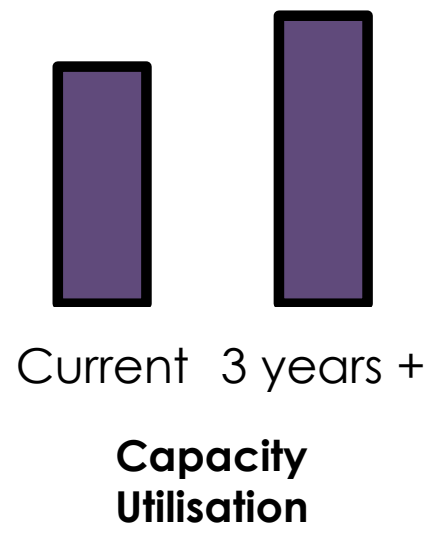
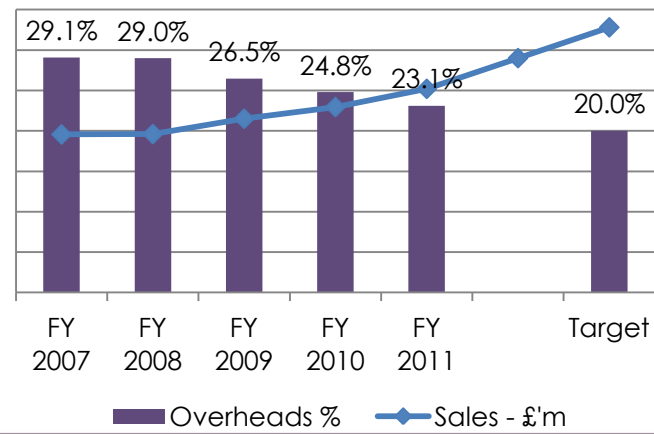


3. Drive improvements in cost structure:



Continuous Improvement

Overhead Leverage



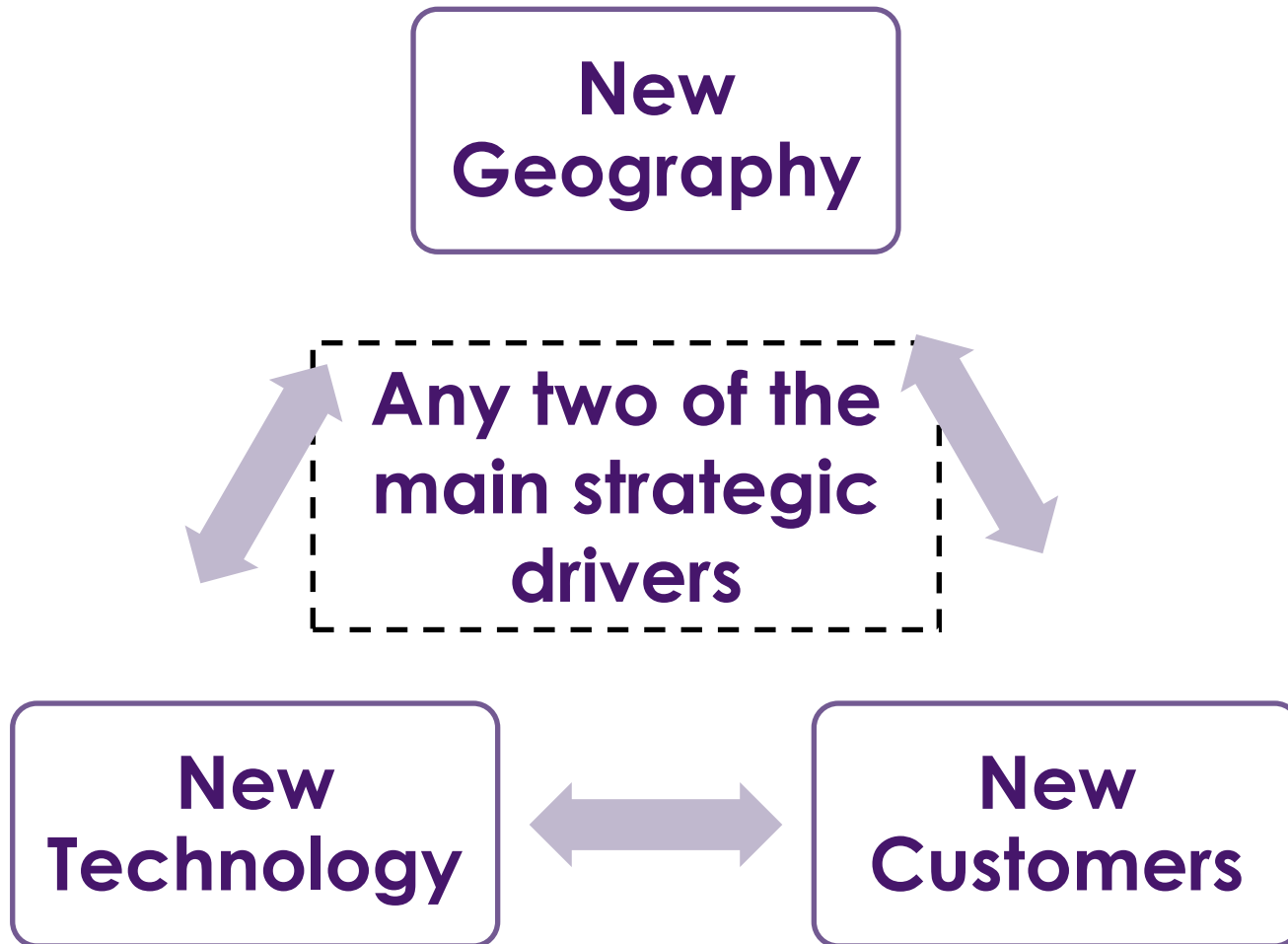


4. Increase our global presence.

- Continue to develop French and US offices
- Expand Czech operation
- Tapping potential of China (and other BRIC) market
- Implement JV in South America
- Develop US supply capability



5. Supportive acquisitions





In Summary

- **Achieve an improved ROS% and ROCE% on a bigger underlying business**
- **By:**
 - **Growing organically in excess of the market**
 - **Broadening product and other technologies whilst retaining focus on innovation**
 - **Driving competitive improvements in our cost structure**
 - **Increasing our global support capabilities and continued development of an international mindset.**
- **And seeking suitable acquisitions which will enhance the speed of the above**

QUESTIONS?

Factory Tour Information

- All mobile phones, watches, cigarette lighters, jewellery must be removed before entry into the factory.
- Secure envelopes will be available for storage of valuables.
- Personal protective equipment must be worn at the times indicated by your guide.
- No open-toed shoes permitted in factory

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