



SCAPA GROUP PLC

2005/2006

INTERIM RESULTS

PRESENTATION TO ANALYSTS

24 November 2005

Highlights



- **Operating Profit*** of £2.9m - 2% up on the first half of last year - a substantial improvement on the second half
- **Net debt reduced by £3.6m to £11.6m**
- **Reorganisation costs of £1.7m incurred in the first half with a further £0.7m in quarter 3, generating annual savings of £2.5m**
- **Headline loss per share* (0.6)p - no interim dividend**
- **Management changes**

*Before reorganisation costs

Summary P/L Account



	First Half £m	
	2005/06	2004/05
Sales	94.1	95.0
Operating Profit*	2.9	2.7
Reorganisation Costs	(1.7)	-
Bank interest and finance costs	(1.3)	(1.1)
(Loss)/Profit before tax	(0.1)	1.6
Taxation	(2.4)	(0.3)
(Loss)/Profit after tax	(2.5)	1.3
Headline EPS*	(0.6)p	0.9p

*Before reorganisation costs

Summary P/L Account



- **Underlying sales decline of 2% - shedding low margin business**
- **Sales price increases - margin recovery vs H2**
- **Cost saving initiatives**
- **£0.2m beneficial translation effect on operating profit**
- **Interest up by £0.2m**
- **Taxation - no recognition of tax losses**

Reorganisation Costs



	Cost	Annual Savings
First half	1.7	1.8
Second half to date	0.7	0.7
	2.4	2.5

- **First half**
 - **European & N American redundancies**
 - **Ashton shift pattern changes**
- **Second half to date**
 - **Further consolidation at Ashton**
 - **Closure of Corporate HQ**

Asbestos Litigation and Pensions

Asbestos



- Little change in number of outstanding claims
- 47 cases (977 plaintiffs) dismissed in last 6 months
- Appeal court reversal of Maryland verdict
- Appeal processes continues in Louisiana
- Robust defence approach continuing

Pensions

- Impact of 7% fall in discount rate
- Fund revaluation in 2006

Geographic - North America



	First Half £m	
	2005/06	2004/05
Sales	32.8	32.5
Operating Profit *	3.8	3.6
ROS	11.6%	11.1%

- Sales price increases
- Industrial sales increased - new product launches
- Automotive sales down due to loss of low margin contract
- Tight cost control and cost saving initiatives

*Before reorganisation costs

Geographic - Europe

First Half £m

	2005/06	2004/05
Sales	57.3	58.1
Operating Profit *	(1.0)	(1.2)
ROS	(1.7)%	(2.1)%



- Price increases
- Shedding of low margin business
- Medical sales and photo processing declines
- Improvement in customer service
- Reorganisation Costs of £1.6m - annual savings £1.5m

*Before reorganisation costs

Geographic - Asia



	First Half £m	
	2005/06	2004/05
Sales	4.0	4.4
Operating Profit *	0.1	0.3
ROS	2.5%	6.8%

- **Temporary loss of key contract**
- **Commercial infrastructure in place to support growth**
- **Significant opportunities in region**

*Before reorganisation costs

Cash Flow Summary

	First Half £m	
	2005/06	2004/05
Operating Profit*	2.9	2.7
Depreciation	3.2	3.5
Change in working capital	(2.2)	(4.6)
Capital expenditure	(0.7)	(2.9)
Interest / Tax / Dividends	(0.9)	(0.6)
Reorganisation costs	(1.8)	(0.4)
Pensions	(1.4)	(1.4)
Discontinued businesses	(0.9)	(0.4)
Waycross deposit release	5.5	-
Other	(0.1)	0.8
Net Cash Inflow / (Outflow)	3.6	(3.3)



*Before reorganisation costs

Cash Summary



- **Working capital - seasonal outflow**
- **Capital expenditure - tight control continues**
- **Reorganisation costs - first half programme**
- **Pensions - additional £3m annual top-up continues**
- **Discontinued - higher legal defence costs**
- **Covenant - compliance at half year**
- **Waycross deposit release**

***Before reorganisation costs**



Improvement Plans

- **Strengthen Management Team**
- **Cost Reduction Process**
- **Address Loss makers**
- **Product Range Review**



Outlook

- **Markets**
- **Margins**
- **Growth**
 - **new product development**
 - **new commercial / technical team**
- **Review of Options**

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