



SCAPA GROUP PLC

2006/2007

INTERIM RESULTS

ANALYSTS' PRESENTATION

30 November 2006



Highlights



- **Underlying sales 5% up due to growth in Europe following operational improvement initiatives**
- **Trading Profit* of £3.8m - £1.0m up on last year's result despite £0.1m detriment from currency (40% up on an underlying basis)**
- **Further stage of major cost reduction programme now put in place - cost of £1.3m (£0.5m of which taken in first half) with estimated annual savings of £1.5m**
- **Sale of Megolon compounding business for £16.75m successfully completed on 13 October 2006. Profit of £9.5m (approx) to be credited to second half accounts**
- **New legal cost apportionment agreement on asbestos saving £0.5m of cash in the full year. Over 12,500 claims (40% of total) dismissed since March 2006**

*Operating Profit before exceptional costs

Strategic Review Update



- **Business Spread**
 - Focus on core speciality tapes
 - Disposal of our small loss-making Irish distribution business for £0.9m net proceeds- completed on 19 June
 - Disposal of our Megolon compounding business for £16.75m - completed on 13 October. Proceeds used to repay secured debt prior to its expiry in 2007
- **Operations**
 - Turnaround of loss-making operations continues
 - Emphasis on relentless cost reduction
 - Further stage of major cost reduction programme now actioned - total cost £1.3m, anticipated annual savings £1.5m

Profit and Loss Account



£m	First Half	
	30.9.06	30.9.05
Sales	97.9	94.1
Trading Profit*	3.8	2.8
Exceptional Costs	-	(1.6)
Operating Profit	3.8	1.2
Bank interest and finance costs	(1.7)	(1.3)
Profit/(Loss) before tax	2.1	(0.1)
Taxation	(2.1)	(2.4)
Profit/(Loss) after tax	-	(2.5)
Trading Profit EPS*	-	(0.6)

*Operating Profit before exceptional costs



Profit and Loss Account



- **Underlying sales increase of 5% with good growth in our European operations**
- **Margins eased a little due to raw material price pressures**
- **Benefit of cost saving initiatives**
- **£0.1m detriment from weaker US\$ - translation effect plus net loss on terminated currency swaps**
- **Net finance costs up by £0.4m due to significant interest rate increases and IAS 19 finance costs**
- **No recognition of UK tax losses**

Geographic - North America



£m	First Half	
	30.9.06	30.9.05
Sales	33.6	32.8
Trading Profit*	3.9	4.3
ROS	11.6%	13.1%

- Sales value up slightly - subdued demand in North American market at start of second quarter
- Mix a little weaker due to the prior year's strength in medical sales
- Raw material/energy cost input pressures partly offset by selling price increases
- Strong operational cost control throughout

*Operating Profit before exceptional costs

Geographic - Europe



£m	First Half	
	30.9.06	30.9.05
Sales	60.6	57.3
Trading Profit/(Loss)*	1.3	0.1
ROS	2.1%	0.2%

- Good underlying sales growth of 7%
- Improved customer service
- Increase in raw material costs offset in the main by sales price increases
- Cost savings due to earlier stages of reorganisation programme £1m

*Operating Profit before exceptional costs

Geographic - Asia



£m

First Half

	30.9.06	30.9.05
Sales	3.7	4.0
Trading (Loss)/Profit*	(0.1)	0.1
ROS	(0.3)%	0.2%

- Disappointing result
- Sales 7% down on prior year
- Negative impact of strength of Korean Won on regional competitiveness
- Actions recently put in place to improve business performance in the second half

*Operating Profit before exceptional costs

Corporate



£m

First Half

	30.9.06	30.9.05
Central costs	1.2	1.7
Loss on currency swaps	0.1	-
Net costs	1.3	1.7

- **Change of Finance Director**
- **Reduction in the number of support staff and rationalisation of workload with European team**
- **£0.1m loss on currency swaps used to partially hedge the Balance Sheet (now terminated)**
- **Seamless move to the AIM market made on 22 August - exceptional cost of £0.1m**
- **Lease assigned on former Blackburn HQ - £0.2m credit to exceptional costs**
- **Post period end agreement to sell residual properties for £0.5m**

Cash Flow



£m

First Half

	30.9.06	30.9.05
Trading Profit*	3.8	2.8
Depreciation	2.7	3.2
Change in working capital	(0.3)	(2.2)
Capital expenditure	(1.2)	(0.7)
Interest and Tax	(1.2)	(0.9)
Reorganisation costs	(0.4)	(1.7)
Other	(0.6)	0.1
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	2.8	0.6
Sale of business	0.6	-
Asbestos litigation	(0.4)	(0.9)
Pensions top-up	(2.0)	(1.4)
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	1.0	(1.7)
Waycross deposit release	-	5.5
Net cash inflow/(outflow)	<hr/>	<hr/>
	1.0	3.8

*Operating Profit before exceptional costs

Cash Flow



- **Working capital - normal H1 outflow due to increased activity as well as raw material price increases**
- **Capital expenditure - tight control continues**
- **Reorganisation costs - major programme in place; third stage now actioned**
- **Sale of business - initial proceeds on disposal of Irish subsidiary**
- **Asbestos litigation - major expenditure reduction with lower legal activity and new legal agreement**
- **Pensions - additional £1.5m legacy top-up continues plus £0.5m relating to the sale of our Irish subsidiary**
- **Waycross deposit release of \$10m in 2005, final \$10m due in 2011**
- **Secured borrowings repaid in full in October from the proceeds of the Megolon disposal**

Pensions



- **IAS 19 deficit at 30 September 2006 £62.2m following reduction in discount rates and more cautious mortality assumptions applied from 31 March 2006**
- **Revaluation of all 3 pension funds at 1 April 2006 and discussions in progress with the Trustees on ways to reduce the deficit including future funding levels. Consultation of Company intention to close the schemes to future accrual commenced with our employees**
- **Sale of our Irish subsidiary triggered a Section 75 debt which will be funded progressively, using in part the £0.9m net disposal proceeds as these are received**

Asbestos Litigation



- **Provision for anticipated legal costs over the next 10+ years at 30 September was £7.5m**
- **Robust defence continues with no court cases on the horizon before June 2007**
- **Step reduction in outstanding litigation with over 12,500 plaintiffs dismissed in last 6 months - 40% of total outstanding claims**
- **Discussions with insurers for a reduction in our share of legal costs concluded, with our share to halve for the 3 years commencing 1 April 2006**
- **Provision for anticipated legal costs thus reduced by £0.5m giving rise to a credit to exceptional costs**

Balance Sheet



£m

	30.9.06	31.3.06
Goodwill	10.4	11.2
Fixed assets	44.2	46.9
Operating working capital	31.3	32.5
Other provisions	(3.1)	(3.8)
Tax	(0.1)	1.1
Provision for asbestos litigation	(7.5)	(8.8)
Waycross deposit	5.4	5.7
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	80.6	84.8
Pension deficit	(62.2)	(63.4)
Net (borrowings)/cash	(12.6)	(13.2)
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Net assets	5.8	8.2



Outlook



- **Markets**
 - **Impact of US weakness on domestic automotive producers/construction markets**
- **Margins**
 - **Oil price stability but at high level**
 - **Upward pressure on certain raw materials moderating**
- **Current Trading**
 - **US volumes strengthened in last 2 months**
 - **Further internal initiatives to improve performance following disposal of Megolon. Phase three of programme now extended - total cost £1.3m, annual savings £1.5m**

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