SCAPA GROUP PLC

2005/2006

PRELIMINARY RESULTS

PRESENTATION TO ANALYSTS

8 June 2006

Highlights

- Trading Profit* of £5.5m - £2.2m up on last year's poor result including £0.9m benefit from currency
- Cash inflow of £2.8m after £5.7m receipt from Waycross deposit - ongoing legacy costs of £4.4m for asbestos litigation and pensions top-up
- Strategic review completed - future Group focus to be on speciality tapes business.
- Sale of Megolon compounding business proposed for £16.75m, subject to due diligence and shareholder approval
- Substantial cost reduction involving reorganisation costs of £2.8m in 2005/06 with anticipated annual savings of £2.6m. Further stage now announced - cost £1.0m with additional annual savings in a full year of £1.2m

*Operating Profit before exceptional costs and impairments

Strategic Review

- Business Spread
  - Focus on core speciality tapes
  - Proposed disposal of our Megolon compounding business for £16.75m, subject to due diligence and shareholder approval
  - Disposal of our small loss-making Irish distribution business for £1m
- Operations
  - More rapid turnaround of loss-making operations
  - Further substantial reorganisation programme post Megolon disposal. Expenditure £1.0m, annual savings £1.2m in a full year
  - Emphasis on relentless cost reduction

Strategic Review (cont'd)

- Legacy Issues
  - Substantial cash drain on the Group of £4.4m in 2005/06. Detailed discussions to come on asbestos litigation and pensions to find a more equitable balance in order for Scapa to become a healthier business
- Finances
  - Disposal proceeds to be used to repay secured borrowings prior to expiry of medium-term bank facilities in September 2007
- Listing
  - Proposed move to AIM given the reduced size of the Group and lower costs particularly for disposals

Proposed Sale of Megolon

Deal:

- **Sales £20m - EBITDA circa £2.0m**
- **Price £16.75m payable in cash at completion**
- **Estimated net assets at completion £7.1m**
- **Proceeds to be used to repay secured borrowings - committed facilities expire in 2007**

Process:

- **Heads of Agreement signed end May**
- **Normal due diligence process now under way**
- **Class 1 transaction - shareholder circular targeted for the end of June**
- **Current timing is for shareholder approval on same date as AGM - 25 July**

Summary P/L Account

£m	Year Ended 31.3.06	Year Ended 31.3.05
Sales	191.5	188.2
Trading Profit*	5.5	3.3
Exceptional Costs	(3.4)	(0.9)
Impairments	(13.7)	(3.6)
Operating Loss	(11.6)	(1.2)
Bank interest and finance costs	(2.9)	(2.4)
Loss before tax	(14.5)	(3.6)
Taxation	(0.8)	5.8
(Loss)/Profit after tax	(15.3)	2.2
Trading Profit EPS*	(0.1)p	(0.1)p

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Summary P/L Account

- Underlying sales decline of 1% - shedding low margin business
- Sales price increases
- Cost saving initiatives
- £0.9m benefit from stronger US$ - translation effect plus gain on currency swaps
- Interest up by £0.3m due to rate increases
- Taxation
  - deferred tax credit on US goodwill and asset impairments
  - release of tax provisions no longer required
  - no recognition of UK tax losses

Reorganisation Costs

	£m	
	Cost	Annual Savings
H1 - 2005/06	1.7	1.8
H2 - 2005/06	1.1	0.8
H1 - 2006/07	1.0	1.2
Total	3.8	3.8

- 2005/06
  - European & N American redundancies
  - Ashton shift pattern changes
  - Further consolidation at Ashton
  - Closure of Corporate HQ
- 2006/07
  - European restructuring following Megolon sale

Geographic - North America

£m	Year Ended	
	31.3.06	31.3.05
Sales	66.7	64.1
Trading Profit*	7.7	7.1
ROS	11.5%	11.1%

- Overall underlying sales flat
- Industrial sales increased - new product launches
- Automotive sales down due to loss of low margin contract
- Raw material/energy cost increases partly offset by selling prices
- Tight operating control and savings initiatives leading to margin improvement
- £0.4m benefit from stronger US$

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Geographic - Europe

£m	Year Ended 31.3.06	Year Ended 31.3.05
Sales	117.1	115.3
Trading Profit/(Loss)*	0.7	(0.4)
ROS	0.6%	(0.3)%

- Strengthening of management team - clearer accountability
- Shedding of low margin business
- Improved customer service - 4-5% sales growth in H2
- Increase in raw material costs offset by sales price increases
- Substantial utility cost increases - £0.5m in H2
- Reorganisation costs of £1.6m - annual savings in a full year £2.0m

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Geographic - Asia

£m	Year Ended 31.3.06	31.3.05
Sales	7.7	8.8
Trading (Loss)/Profit*	(0.1)	0.5
ROS	(1.3)%	5.7%

- Disappointing performance
- Loss of key contract
- Negative impact of movement in Korean Won and new product development costs
- Commercial infrastructure in place to support growth
- Significant opportunities in region - greater value focus

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Corporate

£m	Year Ended	
	31.3.06	31.3.05
Central costs	3.3	3.9
Gain of currency swaps	(0.5)	NIL
Net costs	2.8	3.9

- Change in senior management team
- Closure of Blackburn HQ and move to the Ashton site - cost £0.7m, annual savings £0.4m
- Intense focus on costs including reduction in the number of support staff and rationalisation of workload with European team
- £0.5m profit on currency swaps used to partially hedge the Balance Sheet

Cash Flow Summary

£m	Year Ended 31.3.06	Year Ended 31.3.05
Trading Profit*	5.5	3.3
Depreciation	6.4	6.9
Change in total working capital	(2.8)	(3.9)
Capital expenditure	(2.7)	(4.6)
Interest/Tax/Dividends	(2.1)	(0.9)
Reorganisation costs	(2.4)	(0.9)
Forward contracts	(0.3)	1.8
Other	(0.1)	0.5
	1.5	2.2
Asbestos litigation	(1.4)	(1.1)
Pensions top-up	(3.0)	(3.0)
	(2.9)	(1.9)
Waycross deposit release	5.7	-
Net cash inflow/(outflow)	2.8	(1.9)

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Cash Summary

- Working capital - Q4 outflow
- Capital expenditure - tight control continues
- Reorganisation costs - major programme in place
- Forward contract receipts/(payments)
- Pensions - additional £3m legacy top-up continues
- Asbestos litigation - higher legal defence activity
- Waycross deposit further release
- Covenant - full compliance

Pensions

- Major increase in pension deficit of £17.8m to £63.4m
- Impact of 7% fall in discount rate
- New mortality assumptions
- Increase in the value of pension scheme assets
- Fund revaluation in 2006
- Key discussions to come with pension trustees and Regulator

Asbestos Litigation

- Provision for anticipated legal costs over the next 10+ years at 31 March was £8.8m
- 56 cases (1,300 plaintiffs) dismissed in last 12 months - 3.5% of outstanding claims
- Appeal court reversal of $3m Maryland verdict
- Appeal process continues in Louisiana - $162,500 verdict
- Important case won in Philadelphia
- Robust defence continuing
- Discussions commenced with insurers for a reduction in our share of legal costs

Balance Sheet

£m	Year Ended	
	31.3.06	31.3.05
Goodwill	11.2	21.0
Fixed assets	46.9	52.3
Operating working capital	32.5	28.3
Provision for asbestos litigation	(8.8)	(9.0)
Other provisions	(3.8)	(3.2)
Waycross deposit	5.7	10.7
Tax	1.1	0.9
	84.8	101.0
Pension deficit	(63.4)	(45.6)
Net (borrowings)/cash	(13.2)	(15.2)
Net assets	8.2	40.2

Balance Sheet

	Acquired	£m
• IAS 36 annual impairment review		
• Lusa cable wrapping tapes	(2001)	2.6
• CCL cable tapes	(2001)	1.6
• Medifix/Boldscope medical tapes	(2000)	6.7

		10.9

• Fixed asset carrying values		
• Loss-making UK sites		2.0
• Korean operations	(1998)	0.7
• Lusa cable wrapping tapes	(2001)	0.1

		2.8

- Working capital higher due to increased trading level in Q4, tighter supplier credit and currency movements of £1.1m

Outlook

- Markets
  - Impact of US$ weakness on confidence levels
  - Increased volatility
  - Subdued demand in certain areas
- Growth
  - European growth starting to come through
- Margins
  - Ongoing high oil price
  - Pressure on input costs
  - Sales pricing approach
- Current Trading
  - In line with expectations
  - Internal initiatives in place to improve performance

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