Scapa Group plc
2007/2008 Interim Results

Analysts' Presentation
29 November 2007

Highlights

- Underlying[1] sales up £5.1m (6.4%)
- Underlying[1] growth in all regions (Europe 7%, North America 5%, Asia 14%)
- Underlying[1] Trading Profit[2] up £2.0m (70%)
- Return on Sales of 5.6% - 60% up on an underlying basis
- Benefit from cost reduction, operational gearing and increased volumes
- Future cash top-up to pension funds agreed with Trustees at a level consistent with previous three years plus RPI (£3.4m p.a.)
- Earnings and cash benefits resulting from utilisation of tax losses and improvements to the Group's internal capital structure
- Generated £1.3m cash in the period
- Pension deficit now £10.3m lower at £48.0m

[1] 'Underlying' adjusts for impacts of disposals and currency movements
[2] 'Trading Profit' is the Operating Profit before exceptional costs

Profit and loss account

	First Half		
	30 Sep 07 £m	30 Sep 06 £m	30 Sep 05 £m
Reported Sales	85.2	97.9	94.1
Impact of Disposals	-	(14.9)	(15.1)
Impact of Foreign Exchange	-	(2.9)	(2.3)
Underlying[1] Sales	85.2	80.1	76.7
Reported Trading Profit[2]	4.8	3.8	2.8
Impact of Disposals	-	(0.8)	(0.6)
Impact of Foreign Exchange	-	(0.2)	(0.2)
Underlying[1] Trading Profit[2]	4.8	2.8	2.0
Exceptional Costs	(0.3)	-	(1.6)
Reported Operating Profit	4.5	3.8	1.2
Underlying[1] Return on Sales (%)	5.6%	3.5%	2.6%

(1) 'Underlying' adjusts for impacts of disposals and currency movements
(2) 'Trading Profit' is the Operating Profit before exceptional costs

Profit and loss account

- Sales on an underlying[1] basis ahead £5.1m (6.4%) year-on-year
- Increase is driven two-thirds by volumes and one-third price/mix
- Sales adversely affected by currency movement (£2.9m)
- Trading profit[2] increases due to:-
  - higher sales values
  - continuing focus on manufacturing and operational efficiency
  - prior year cost reduction programmes delivering full benefits
  - capex investments with rapid paybacks
  - impact of additional volumes on operational gearing
- Corporate costs £1.4m (£1.2m) include various non-recurring credits and charges with respect to closure of the pension funds and adviser costs (£0.1m net impact)
- Current year exceptional charge relates to the deferred consideration due on the sale of the Group's loss-making Irish subsidiary (now in liquidation)

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Segmental summary

		First Half		
		30 Sep 07 £m	30 Sep 06 £m	30 Sep 05 £m
Underlying[1] Sales	- Europe	48.4	45.4	41.9
	North America	32.8	31.2	30.8
	Asia	4.0	3.5	4.0
	Total	85.2	80.1	76.7
Underlying[1] Trading Profit[2]	- Europe	2.0	0.5	(0.5)
	North America	3.9	3.6	3.9
	Asia	0.3	(0.1)	0.1
	Corporate costs	(1.4)	(1.2)	(1.5)
	Total	4.8	2.8	2.0

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Segmental - Europe

	First Half		
	30 Sep 07 £m	30 Sep 06 £m	30 Sep 05 £m
Underlying[1] Sales	48.4	45.4	41.9
Underlying[1] Trading Profit[2]	2.0	0.5	(0.5)
RoS	4.1%	1.1%	(1.2)%

- Strong underlying sales growth of 7% with all market sectors ahead of prior year
- Reported sales at 30 September 2006 of £60.6m included £14.9m from businesses sold during that year (and £0.3m currency difference to current year)
- £2.0m trading profit is a fourfold increase on prior year, resulting from additional volumes and benefits of prior years' cost reduction exercises
- Within Europe, UK RoS has improved over the last three years from negative 9.7%, to negative 3.2%, to positive 2.8% for H1 2007/08
- Overall improvement in European on-time delivery performance from 89% in 2004/05 to over 96% today (UK from 82% to 94% in the same period)

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Segmental - North America

	First Half		
	30 Sep 07 £m	30 Sep 06 £m	30 Sep 05 £m
Underlying[1] Sales	32.8	31.2	30.8
Underlying[1] Trading Profit[2]	3.9	3.6	3.9
RoS	11.9%	11.5%	12.7%

- Underlying sales value up 5% despite subdued demand in North American market (automotive and building and construction)
- Mix improving due to growth in medical sales, back towards levels seen in 2005/06
- Underlying trading profit improvement due to the additional volumes
- ROS maintained at its high historical level

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Segmental - Asia

	First Half		
	30 Sep 07 £m	30 Sep 06 £m	30 Sep 05 £m
Underlying[1] Sales	4.0	3.5	4.0
Underlying[1] Trading Profit[2]/(Loss)	0.3	(0.1)	0.1
RoS	7.5%	(2.9)%	2.5%

- Excellent result and recovery from a poor prior year
- The new management team put in place in November 2006 has performed well in driving sales forward whilst keeping costs under control
- Underlying sales 14% up on prior year (primarily volume driven)
- Particularly strong growth in sales to the electronics and infrastructure sectors
- £0.3m trading profit a strong recovery from the prior year loss, driven primarily by revenue growth

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Interest, tax and earnings

	First Half		
	30 Sep 07 £m	30 Sep 06 £m	30 Sep 05 £m
Interest receivable/(payable)	0.3	(0.6)	(0.4)
IAS 19 financing charge	(1.0)	(0.9)	(0.7)
Discount on provisions	(0.2)	(0.2)	(0.2)
Net financing charge	(0.9)	(1.7)	(1.3)
Taxation	(2.1)	(2.1)	(2.4)
Adjusted[3] EPS	1.2	Nil	(1.7)

- Repayment of Group debt from disposal proceeds in 2006/07 creates interest receivable
- Effective tax rate improving from 62% on 2006/07 full year basis (100% rate in H1 2006/07) to 54% on half year basis in 2007/08 driven by profits growth in UK and improvements to Group's internal capital/financing structure
- EPS – benefits from improved operating results are further enhanced by lower financing charges and a lower effective tax rate (this benefit will continue)

[3] ***Adjusted EPS excludes the impact of exceptional items***

Cash flow

	First Half		
	30 Sep 07 £m	30 Sep 06 £m	30 Sep 05 £m
Trading Profit[(2)]	4.8	3.8	2.8
Depreciation	2.1	2.7	3.2
Change in working capital	(0.4)	(0.3)	(2.2)
Capital expenditure	(0.7)	(1.2)	(0.7)
Interest and tax	(0.7)	(1.2)	(0.9)
Reorganisation costs	(0.3)	(0.4)	(1.7)
Pension curtailment	(0.5)	-	-
Other	(0.4)	(0.6)	0.1
	3.9	2.8	0.6
Sale of business	-	0.6	-
Asbestos litigation	(0.3)	(0.4)	(0.9)
Pensions top-up	(2.3)	(2.0)	(1.4)
	1.3	1.0	(1.7)
Waycross deposit release	-	-	5.5
Net cash inflow/(outflow)	1.3	1.0	3.8
Net cash/(debt)	12.5	(12.6)	(11.6)

[(2)] ***'Trading Profit' is the Operating Profit before exceptional costs***

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Cash flow

- Cash generation from ongoing activities improving at £3.9m (£2.8m PY)
- Net cash flow in the period £0.3m ahead. Prior period included disposal proceeds of £0.6m
- Capital expenditure – will gradually re-build to 'normal' levels over 2-3 years. Current year projects back end loaded
- A one-off pension curtailment credit of £0.5m did not produce a cash flow. The P&L also includes £0.6m of non-recurring pension-related charges that did produce cash flows
- Asbestos litigation – as expected, legal costs continue at a lower level (£0.3m)
- Pensions - additional £1.7m legacy top-up continues plus £0.6m relating to a S75 debt arising on the sale of our Irish subsidiary
- Secured borrowings repaid in full in October 2006 from the proceeds of the Megolon disposal – converts interest payable to a receivable

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Balance sheet

	30 Sep 07 £m	31 Mar 07 £m	30 Sep 06 £m
Goodwill	9.4	9.8	10.4
Fixed assets	32.7	33.5	44.2
Operating working capital	26.7	26.0	31.3
Other provisions	(2.9)	(3.2)	(3.1)
Tax	0.7	2.1	(0.1)
	66.6	68.2	82.7
Provisions for asbestos litigation	(6.3)	(6.8)	(7.5)
Waycross deposit ($10m)	4.9	5.1	5.4
Pension deficit	(48.0)	(58.3)	(62.2)
Net cash/(borrowings)	12.5	11.2	(12.6)
Net assets	29.7	19.4	5.8

Pensions

	30 Sep 07 £m	31 Mar 07 £m	30 Sep 06 £m
Deficit	(48.0)	(58.3)	(62.2)
UK deficit payment	1.7	3.3	1.5
S75 contributions	0.6	0.7	0.5
Total deficit payment	2.3	4.0	2.0

- IAS 19 deficit £48.0m as at 30 September 2007, a reduction of £10.3m from the year end. Largely (80%) due to current market conditions for gilts and equities
- All UK funds now closed to future accrual and all future pension costs now on a defined contribution basis (£0.2m benefit expected in H2)
- New funding agreements are in place with all three funds at levels consistent with last three years plus RPI (i.e. £3.4m p.a.)
- Work to further consolidate/reduce liabilities is continuing

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Asbestos litigation

	30 Sep 07	31 Mar 07	30 Sep 06
Cases outstanding	19,152	19,313	19,923
Provision for legal costs	£6.3m	£6.8m	£7.5m
Cash costs	£0.3m	£0.5m	£0.4m

- Over 12,000 cases dismissed in the last two years. Many cases now considered ‘dormant’
- No cases settled by Scapa/Insurers (3 cases at appeal stage, including recently partially unsuccessful verdict)
- Robust defence continues - next court case expected in early 2008
- Various insurances in place in the event of a settlement
- Agreement reached with insurers to reduce Scapa share of legal costs to 25% of total for three years to 2009/10 (had been 50/50 share)
- Provision for anticipated legal costs over the next 10+ years at 30 September 2007 is £6.3m following renegotiation above

Outlook for H2

- Markets
  - European and Asian markets remaining firm
  - North America: weakness on building and construction, automotive, and industrial assembly markets
- Margins
  - Oil price at a very high level
  - Upward pressure on certain raw materials increasing
- Current Trading
  - Continued development of our European business
  - North America volumes softening
  - Further internal initiatives to improve performance and exploit operational gearing

Summary

- Underlying[1] sales up £5.1m (6.4%) with good growth in all regions
- Trading Profit[2] of £4.8m is up by 70% on an underlying basis
- Return on Sales of 5.6% - 60% up on an underlying basis
- Agreement with pension trustees gives certainty and an affordable three year funding plan that makes further inroads to the pension deficit but also allows the Group to invest further in capex and growth
- Significant additional growth in earnings from repayment of Group debt, utilisation of tax losses and improvements to the Group's internal capital structure
- Attacking each and every line of the P&L
- Managing down the legacy issues

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