



Scapa Group plc 2008/2009 Interim Results

Analysts' Presentation
20 November 2008





Highlights

- 60% increase in headline⁽¹⁾ earnings per share to 1.9p from 1.2p
- Sales growth of £6.9m due to favourable currency movements
- Trading profit⁽¹⁾ of £4.8m equal to last year's strong first half
- Selective capital investment programme (£3.6m) on time and on budget to deliver targeted efficiency benefits
- Effective tax rate of 30% sustainable in the medium term
- Net cash balances approaching £10m

“Trading profit was in line with last year's strong performance with gains in our European and Asian businesses offsetting the shortfall in North America. This was achieved against a background of tough market conditions throughout the first half. Second half sales levels to date are almost 10% lower than last year and our order visibility remains relatively short, with automotive particularly weak. Shift-working patterns and indirect cost structures have been adjusted accordingly.”

⁽¹⁾ 'Headline' and 'trading profit' adjust for exceptional costs



Profit and loss account

	First Half		
	30 Sep 06 £m	30 Sep 07 £m	30 Sep 08 £m
Reported Sales	97.9	85.2	92.1
Impact of Disposals	(14.9)	-	-
Impact of Foreign Exchange	3.9	6.9	-
Underlying ⁽²⁾ Sales	<u>86.9</u>	<u>92.1</u>	<u>92.1</u>
Reported Trading Profit ⁽¹⁾	3.8	4.8	4.8
Impact of Disposals	(0.8)	-	-
Impact of Foreign Exchange	0.2	0.5	-
Underlying ⁽²⁾ Trading Profit ⁽¹⁾	<u>3.2</u>	<u>5.3</u>	<u>4.8</u>
Exceptional Costs	-	(0.3)	(1.1)
Reported Operating Profit	<u>3.8</u>	<u>4.5</u>	<u>3.7</u>
Underlying ⁽²⁾ Return on Sales (%)	<u>3.7%</u>	<u>5.8%</u>	<u>5.2%</u>

⁽¹⁾ 'Trading profit' adjusts for exceptional costs

⁽²⁾ 'Underlying' adjusts for impacts of disposals and currency movements



Profit and loss account

- Reported sales are £6.9m higher due to favourable currency movements
- Underlying⁽²⁾ sales growth is flat (Europe and Asia up, North America down)
- Reported trading profit⁽¹⁾ maintained at £4.8m as a result of:-
 - Improved profitability in Europe (£0.8m) and Asia (£0.2m)
 - Reduced corporate costs (£0.3m - mainly pension adviser costs)
 - Favourable currency movements (£0.5m)
 - Offset by a significant reduction in North America (£1.8m) due to lower volumes and higher input costs
- Result is after the investment in increased R&D expenditure (£0.2m) and investment in additional sales and marketing personnel (£0.2m) to support future growth and value opportunities
- Exceptional charges include £0.7m related to the disposal of the Megolon business in 2006/07 (land value 'guarantee') and £0.4m restructuring costs

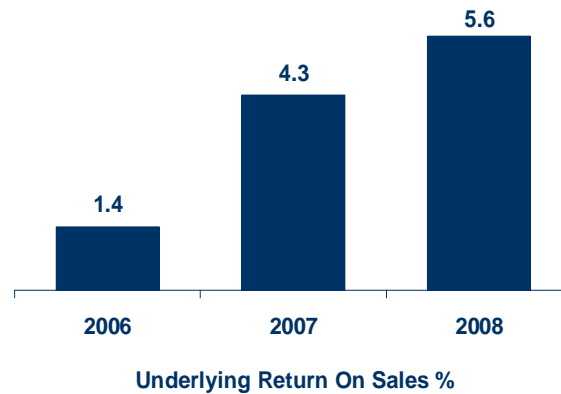
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Segmental - Europe

	First Half		
	30 Sep 06	30 Sep 07	30 Sep 08
	£m	£m	£m
Underlying ⁽²⁾ Sales	50.6	53.7	54.9
Underlying ⁽²⁾ Trading Profit ⁽¹⁾	0.7	2.3	3.1



- Underlying sales up 2.2% with double-digit growth in the medical and infrastructure sectors partly offset by reductions in automotive and industrial assembly
- £3.1m trading profit is 35% higher than prior year, resulting from:-
 - Volume growth above
 - Prior years' capital investments
 - Business Improvement Plans (BIPs) at all sites helping reductions in our cost base
 - Offset by a time lag in recovery of higher input costs
- Within Europe, UK RoS continues to improve from negative 9.7% three years ago to positive 5.6% for H1 2008/09
- European on-time delivery performance remaining strong at 94% with more to achieve

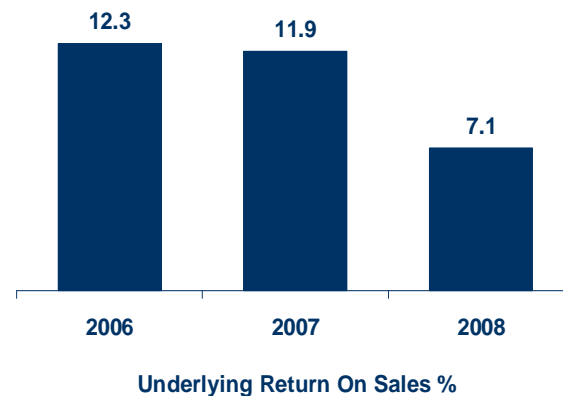
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Segmental - North America

	First Half		
	30 Sep 06	30 Sep 07	30 Sep 08
	£m	£m	£m
Underlying ⁽²⁾ Sales	32.6	34.2	32.5
Underlying ⁽²⁾ Trading Profit ⁽¹⁾	4.0	4.1	2.3



- Underlying sales value down 5% reflecting a tough trading environment in North America
- Similar to 5% fall in H2 of 2007/08
- Consumer wound care and printing and graphics sectors fell. Cable, pipeline and sports all saw strong growth
- Underlying trading profit fell by £1.8m:
 - Lower volumes above
 - A time lag between input price rises and raising prices to our customers
- Trading profit similar to H2 2007/08
- Business Improvement Plans starting to gain traction, particularly in Canada on waste reduction
- On-time delivery performance maintained at 95%
- SAP on target for phased Go-Live 1 December 2008

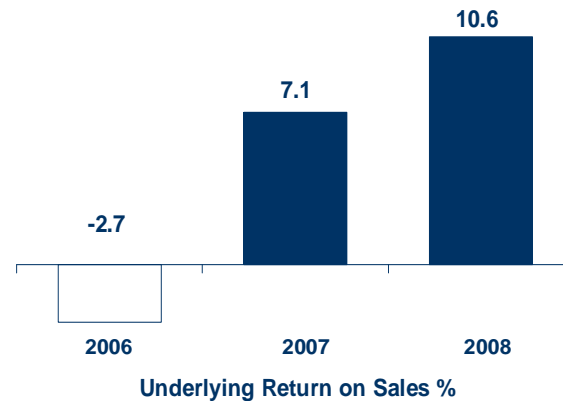
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Segmental - Asia

	First Half		
	30 Sep 06 £m	30 Sep 07 £m	30 Sep 08 £m
Underlying ⁽²⁾ Sales	3.7	4.2	4.7
Underlying ⁽²⁾ Trading Profit ⁽¹⁾	(0.1)	0.3	0.5



- Excellent result and continued strengthening
- Double-digit profitability achieved
- Underlying sales growth 14% and 12% in 2007 and 2008 respectively
- Particularly strong growth in the electronics and infrastructure sectors
- £0.5m trading profit a strong result driven by revenue growth and improved sales mix
- Investing in additional new sales personnel in the region (China and India)
- Restructuring the service offering in China with additional local conversion capability (low cost capital projects)

⁽¹⁾ 'Trading profit' adjusts for exceptional costs

⁽²⁾ 'Underlying' adjusts for impacts of disposals and currency movements



Interest, tax and earnings

	First Half		
	30 Sep 06	30 Sep 07	30 Sep 08
	£m	£m	£m
Interest receivable/(payable)	(0.6)	0.3	0.2
IAS 19 financing charge	(0.9)	(1.0)	(1.0)
Discount on provisions	(0.2)	(0.2)	(0.2)
Net financing charge	<u>(1.7)</u>	<u>(0.9)</u>	<u>(1.0)</u>
Taxation	<u>(2.1)</u>	<u>(2.1)</u>	<u>(1.0)</u>
Headline ⁽¹⁾ EPS	<u>Nil</u>	<u>1.2</u>	<u>1.9</u>

- Financing charge stable, lower interest rate on US\$10m Waycross deposit
- Effective tax rate improving from 38% on 2007/08 full year basis (54% rate in H1 2007/08) to 30% on half year basis in 2008/09 driven by profits growth in UK and continuing improvements to Group's internal capital/financing structure
- Expectation is to maintain or marginally improve this rate for the medium term
- 60% increase in headline EPS (20% or 0.2 pence per share basic EPS) due to the impact of a substantially lower tax charge

⁽¹⁾ 'Headline' adjusts for exceptional costs



Cash flow

	First Half		
	30 Sep 06 £m	30 Sep 07 £m	30 Sep 08 £m
Trading profit ⁽¹⁾	3.8	4.8	4.8
Depreciation	2.7	2.1	2.3
Change in working capital	(0.9)	(0.4)	(2.3)
Other	0.1	(0.7)	(1.7)
Cash flow from operating activities	5.7	5.8	3.1
Interest	(0.5)	0.3	0.2
Tax	(0.7)	(1.0)	(0.9)
Capital investment	(0.6)	(0.7)	(3.6)
Dividend	-	-	(1.1)
Net cash flow before legacy items	3.9	4.4	(2.3)
Pension	(2.0)	(2.8)	(3.2)
Asbestos	(0.9)	(0.3)	(0.3)
Net cash flow	1.0	1.3	(5.8)
Net (debt)/cash	(12.6)	12.5	9.6

- Cash inflow from operating activities is £2.7m lower than the prior year:-
 - £1.9m increase in working capital largely due to higher raw material costs
 - Early discharge of a US environmental provision (full and final settlement £0.2m)
- £2.9m increase in capital spend on rapid payback (efficiency) projects
- Dividend payment recommenced this year - cost £1.1m
- Pension cash outflow continues as previously plus prior year PPF of £0.3m
- Review of working capital processes under way to release cash
- Net cash balances approaching £10m

⁽¹⁾ 'Trading profit' adjusts for exceptional costs



Balance sheet

	Half Year Ended		
	30 Sep 07 £m	31 Mar 08 £m	30 Sep 08 £m
Goodwill	9.4	9.7	10.8
Fixed assets	32.7	35.6	38.6
Operating working capital	26.7	27.7	30.6
Other provisions	(2.9)	(2.9)	(2.5)
Tax	0.7	0.8	1.1
	<u>66.6</u>	<u>70.9</u>	<u>78.6</u>
Provisions for asbestos litigation	(6.3)	(6.4)	(6.9)
Waycross deposit (\$10m)	4.9	5.0	5.6
Pension deficit	(48.0)	(43.1)	(40.7)
Net cash	12.5	14.8	9.6
Net assets	<u>29.7</u>	<u>41.2</u>	<u>46.2</u>
Net asset value per share (p)	<u>20.5</u>	<u>28.5</u>	<u>31.9</u>

- Net cash balances approaching £10m
- Pension deficit fall is due to a higher net discount rate (£3.2m), company contributions (£3.2m) offset by reduced asset values (£4.0m)
- We are actively exploring market opportunities to de-risk the Group's pension liabilities
- Canadian defined benefit pension scheme (£0.7m) bought out in October with a third party insurer at a cost equal to the accounting deficit (£0.2m)
- Asbestos provision moves with US\$ exchange rate. Small reduction in outstanding claims to 18,160. Robust defence and no settlement policy continues



Outlook for H2

- Unprecedented levels of uncertainty and volatility
- Growth opportunities remain for Scapa in certain market niches and geographies
- European and Asian markets showing signs of weakening - automotive well down
- North American volumes remaining soft; weakness on consumer wound care and printing and graphics
- Certain raw materials starting to reduce. Time lag between reducing commodity prices and benefit to Scapa
- Continued investment in equipment in all regions to improve performance
- Business Improvement Plans key management tool for extracting value and improving working capital cash flow



Summary

- Strong growth in earnings per share despite tough trading conditions that are likely to persist for some time
- Selective investment programme on track to make the business much more efficient and create strong business platforms to build on for the future
- New strategic plan under preparation both to help to drive the business more effectively through the short-term tough trading climate as well as provide greater growth and development opportunities over the years to come

“Investment is being made in capital expenditure with attractive payback and expansion of our sales and marketing and research teams. Our healthy balance sheet and cash position put Scapa in a strong position to weather the severe challenges of the current trading environment and to fully support our developing strategy.”



Appendix: Segmental summary of Group Underlying Performance

		First Half		
		30 Sep 06	30 Sep 07	30 Sep 08
		£m	£m	£m
Underlying ⁽²⁾ Sales	- Europe	50.6	53.7	54.9
	North America	32.6	34.2	32.5
	Asia	3.7	4.2	4.7
	Total	<u>86.9</u>	<u>92.1</u>	<u>92.1</u>
Underlying ⁽²⁾ Trading Profit ⁽¹⁾	- Europe	0.7	2.3	3.1
	North America	4.0	4.1	2.3
	Asia	(0.1)	0.3	0.5
	Corporate costs	(1.4)	(1.4)	(1.1)
	Total	<u>3.2</u>	<u>5.3</u>	<u>4.8</u>

⁽¹⁾ 'Trading profit' adjusts for exceptional costs

⁽²⁾ 'Underlying' adjusts for impacts of disposals and currency movements