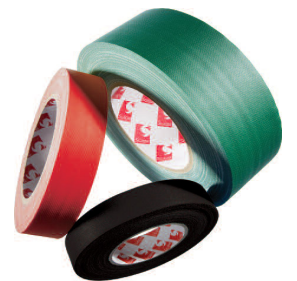




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# Scapa Group plc 2007/2008 Preliminary Results

Analysts' Presentation  
29 May 2008





# Highlights

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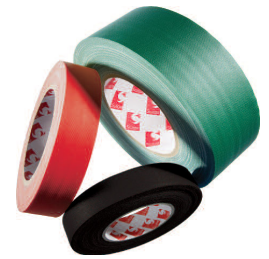
- Trading profit<sup>(1)</sup> of £9.5m - 56% up on an underlying<sup>(2)</sup> basis
- Return on Sales of 5.6% - 51% up on an underlying<sup>(2)</sup> basis
- Headline<sup>(3)</sup> earnings per share 3.3p - 200% up
- Strong net cash flow - £3.5m generated in the year
- Dividend reinstated - 0.75p per share

"The results for the year clearly demonstrate the substantial improvement in Scapa's performance despite the tougher trading environment experienced in North America in the second half of the financial year."

<sup>(1)</sup> *'Trading Profit' is the Operating Profit before exceptional items*

<sup>(2)</sup> *'Underlying' adjusts for impacts of disposals and currency movements*

<sup>(3)</sup> *Headline earnings per share adjusts for exceptional items.*



# Profit and loss account

	Year Ended		
	31 Mar 06 £m	31 Mar 07 £m	31 Mar 08 £m
Sales	191.5	184.3	170.1
Trading Profit <sup>(1)</sup>	5.4	7.0	9.5
Exceptional items	(17.0)	8.7	(0.3)
Operating Profit/(Loss)	(11.6)	15.7	9.2
Bank interest and finance costs	(2.9)	(2.8)	(1.8)
Profit/(Loss) before tax	(14.5)	12.9	7.4
Taxation	(0.8)	0.4	(2.9)
Profit/(Loss) after tax	(15.3)	13.3	4.5
ROS (Trading Profit <sup>(1)</sup> /Sales)	2.9%	3.8%	5.6%
Headline EPS (before exceptionals)	(0.1)p	1.1p	3.3p

<sup>(1)</sup> 'Trading Profit' is the Operating Profit before exceptional items



# Profit and loss account

	Year Ended		
	31 Mar 06 £m	31 Mar 07 £m	31 Mar 08 £m
Reported Sales	191.5	184.3	170.1
Impact of Disposals	(30.6)	(18.1)	-
Impact of FX	(3.7)	(1.6)	-
Underlying <sup>(2)</sup> Sales	<u>157.2</u>	<u>164.6</u>	<u>170.1</u>
Reported Trading Profit <sup>(1)</sup>	5.4	7.0	9.5
Impact of Disposals	(1.8)	(0.9)	-
Impact of FX	(0.3)	-	-
Underlying <sup>(2)</sup> Trading Profit <sup>(1)</sup>	<u>3.3</u>	<u>6.1</u>	<u>9.5</u>
Underlying <sup>(2)</sup> Return on Sales (%)	<u>2.1%</u>	<u>3.7%</u>	<u>5.6%</u>

<sup>(1)</sup> 'Trading Profit' is the Operating Profit before exceptional items

<sup>(2)</sup> 'Underlying' adjusts for impacts of disposals and currency movements



# Profit and loss account

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- Sales on an underlying<sup>(2)</sup> basis ahead £5.5m (3.3%) year-on-year, driven by 5.5% growth in Europe. North America and Asia flat year-on-year
- Trading profit<sup>(1)</sup> increases due to:-
  - additional volumes in Europe
  - improved sales mix (particularly in Asia and North America)
  - prior year cost reduction programmes delivering full benefits
- Underlying Group ROS increased to 5.6% from 3.7% last year
- Current year exceptional charge of £0.3m relates to the deferred consideration due on the sale of the Group's loss-making Irish subsidiary (now in liquidation)
- Current year tax charge of £2.9m reflects an improving effective tax rate now at 38% (2006/07: 62%) and demonstrates the benefit of management actions

<sup>(1)</sup> 'Trading Profit' is the Operating Profit before exceptional items

<sup>(2)</sup> 'Underlying' adjusts for impacts of disposals and currency movements



# Segmental summary

		Year Ended		
		31 Mar 06	31 Mar 07	31 Mar 08
		£m	£m	£m
Underlying <sup>(2)</sup> Sales	- Europe	88.4	93.8	99.0
	North America	61.3	63.1	63.4
	Asia	7.5	7.7	7.7
	Total	<u>157.2</u>	<u>164.6</u>	<u>170.1</u>
		<u><u>157.2</u></u>	<u><u>164.6</u></u>	<u><u>170.1</u></u>
Underlying <sup>(2)</sup> Trading Profit <sup>(1)</sup>	- Europe	(0.9)	1.3	5.0
	North America	7.2	7.5	6.5
	Asia	(0.1)	0.2	0.7
	Corporate costs	(2.9)	(2.9)	(2.7)
	Total	<u>3.3</u>	<u>6.1</u>	<u>9.5</u>
	<u><u>3.3</u></u>	<u><u>6.1</u></u>	<u><u>9.5</u></u>	

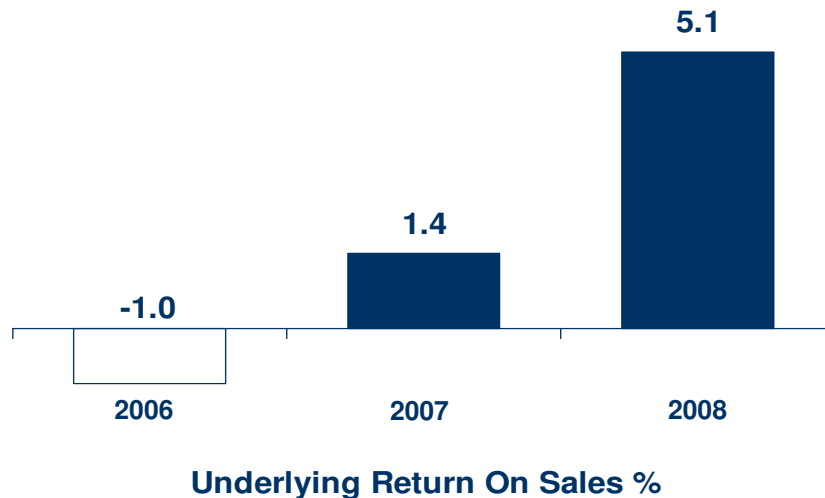
<sup>(1)</sup> 'Trading Profit' is the Operating Profit before exceptional items

<sup>(2)</sup> 'Underlying' adjusts for impacts of disposals and currency movements



# Segmental - Europe

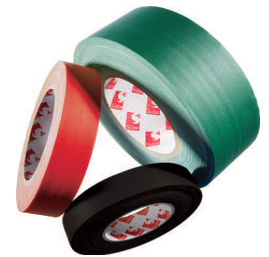
	Year Ended		
	31 Mar 06 £m	31 Mar 07 £m	31 Mar 08 £m
Underlying <sup>(2)</sup> Sales	88.4	93.8	99.0
Underlying <sup>(2)</sup> Trading Profit <sup>(1)</sup>	(0.9)	1.3	5.0



- Underlying sales growth of 5.5% - automotive, cable and medical well up on prior year
- £5.0m underlying trading profit is almost a fourfold increase on prior year, resulting from additional volumes, better sales mix and benefits of new and prior year cost reduction exercises
- Within Europe, UK ROS has improved over the last three years from negative 9.7%, to negative 3.2%, to positive 4.1% for 2007/08
- Overall improvement in European on-time delivery performance from 89% in 2004/05 to over 95% today (UK from 82% to 95% in the same period)

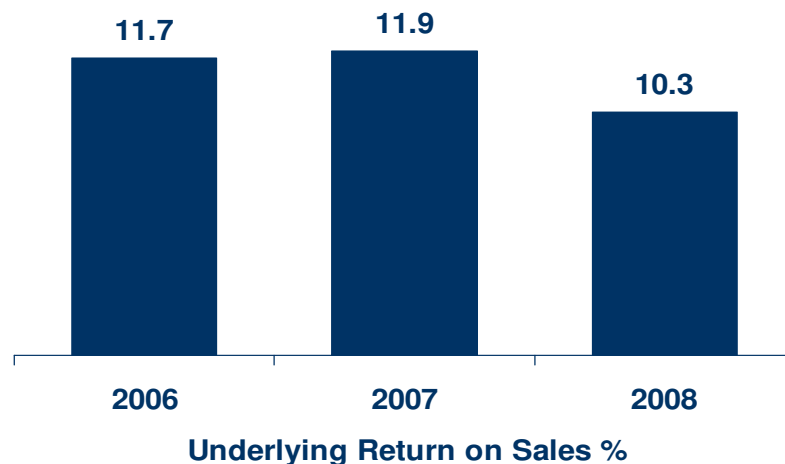
<sup>(1)</sup> 'Trading Profit' is the Operating Profit before exceptional items

<sup>(2)</sup> 'Underlying' adjusts for impacts of disposals and currency movements



# Segmental - North America

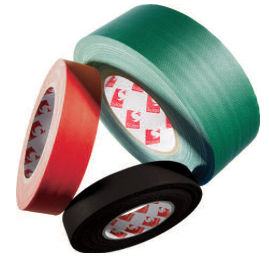
	Year Ended		
	31 Mar 06 £m	31 Mar 07 £m	31 Mar 08 £m
Underlying <sup>(2)</sup> Sales	61.3	63.1	63.4
Underlying <sup>(2)</sup> Trading Profit <sup>(1)</sup>	7.2	7.5	6.5



- Mix improving due to 10% growth in medical sales
- Overall sales flat year-on-year. Weakness in North American economy.
- Stronger Canadian Dollar had negative margin impact on US Dollar product sales
- Trading profit also reduced due to high increases in raw materials and other input costs, only partly offset by price increases
- Steve Lennon, COO, increasingly focused on our North American operations

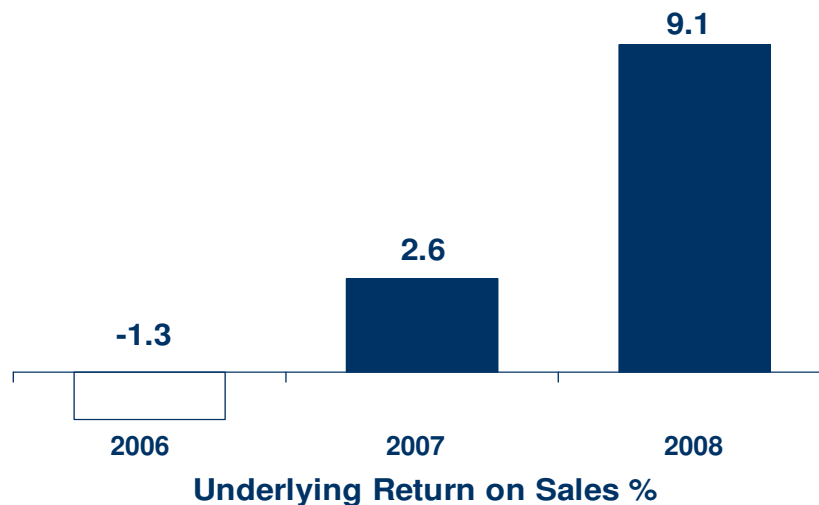
<sup>(1)</sup> 'Trading Profit' is the Operating Profit before exceptional items

<sup>(2)</sup> 'Underlying' adjusts for impacts of disposals and currency movements



# Segmental - Asia

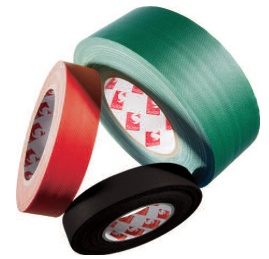
	Year Ended		
	31 Mar 06 £m	31 Mar 07 £m	31 Mar 08 £m
Underlying <sup>(2)</sup> Sales	7.5	7.7	7.7
Underlying <sup>(2)</sup> Trading Profit <sup>(1)</sup>	(0.1)	0.2	0.7



- The new management team put in place in November 2006 has performed well
- Significantly improved sales mix, trading up to more technical products
- Growth in sales to the electronics and infrastructure sectors
- £0.5m increase in trading profit driven primarily by improved sales mix
- Additional resources being allocated to accelerate further growth

<sup>(1)</sup> 'Trading Profit' is the Operating Profit before exceptional items

<sup>(2)</sup> 'Underlying' adjusts for impacts of disposals and currency movements



# Interest, tax and earnings

	Year Ended		
	31 Mar 06 £m	31 Mar 07 £m	31 Mar 08 £m
Interest receivable/(payable)	(1.0)	(0.5)	0.6
IAS 19 financing charge	(1.4)	(1.9)	(2.0)
Discount on provisions	(0.5)	(0.4)	(0.4)
Net financing charge	<u>(2.9)</u>	<u>(2.8)</u>	<u>(1.8)</u>
Tax (charge)/credit	<u>(0.8)</u>	<u>0.4</u>	<u>(2.9)</u>
Headline <sup>(3)</sup> EPS	<u>(0.1)p</u>	<u>1.1p</u>	<u>3.3p</u>

- Repayment of Group debt from disposal proceeds in 2006/07 created interest receivable
- Effective tax rate now 38%, improved from 62% in 2006/07 and 108% in 2005/06. Driven by growth in UK operating profits (pensions shelter) and improvements to the 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)

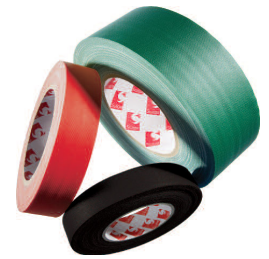
<sup>(3)</sup> *Headline EPS excludes the impact of exceptional items*



# Cash flow

	Year Ended		
	31 Mar 06 £m	31 Mar 07 £m	31 Mar 08 £m
Trading Profit <sup>(1)</sup>	5.4	7.0	9.5
Depreciation	6.4	5.0	4.3
Change in working capital	(2.8)	(1.3)	(0.4)
Capital expenditure	(2.7)	(2.8)	(3.7)
Interest and tax	(2.1)	(1.8)	(1.3)
Reorganisation costs	(2.4)	(1.5)	(0.3)
Other	-	0.6	0.7
	1.8	5.2	8.8
Sale of business	-	23.1	-
Asbestos litigation	(1.4)	(0.5)	(0.6)
Pensions top-up	(3.3)	(4.0)	(4.1)
Pension curtailment	-	-	(0.6)
	(2.9)	23.8	3.5
Waycross deposit release	5.7	-	-
Net cash flow (before financing)	2.8	23.8	3.5
Net cash/(debt)	(12.6)	11.2	14.8

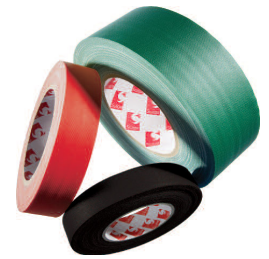
<sup>(1)</sup> 'Trading Profit' is the Operating Profit before exceptional items



# Cash flow

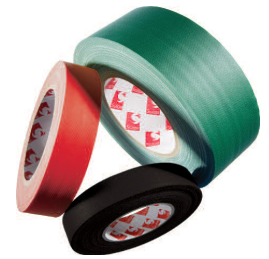
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- Ongoing business generated £8.8m of cash before legacy items (pensions and asbestos)
- Capital expenditure - ramping up in a controlled way to £3.7m from £2.8m in prior year. Next year will almost double with major expenditure on operations and infrastructure projects
- Asbestos litigation - expenditure continues at lower level due to prior agreement with insurers (year 2 of a 3-year deal)
- Pensions - additional £4.1m legacy top-up continues (includes £0.7m relating to the sale of our Irish subsidiary - payment ceases in 2009/10). Group also fund PPF and administration costs of £0.7m. Pension curtailment in current year of £0.6m



# Balance sheet

	Year Ended		
	31 Mar 06	31 Mar 07	31 Mar 08
	£m	£m	£m
Goodwill	11.2	9.8	9.7
Fixed assets	46.9	33.5	35.6
Operating working capital	32.5	26.0	27.7
Other provisions	(3.8)	(3.2)	(2.9)
Tax	1.1	2.1	0.8
	<u>87.9</u>	<u>68.2</u>	<u>70.9</u>
Provisions for asbestos litigation	(8.8)	(6.8)	(6.4)
Waycross deposit (\$10m)	5.7	5.1	5.0
Pension deficit	(63.4)	(58.3)	(43.1)
Net cash/(borrowings)	<u>(13.2)</u>	<u>11.2</u>	<u>14.8</u>
Net assets	<u><u>8.2</u></u>	<u><u>19.4</u></u>	<u><u>41.2</u></u>



# Pensions

	Year Ended		
	31 Mar 06 £m	31 Mar 07 £m	31 Mar 08 £m
Group deficit	<u>(63.4)</u>	<u>(58.3)</u>	<u>(43.1)</u>
UK deficit payment	3.3	3.3	3.4
S75 contribution	-	0.7	0.7
	<u>3.3</u>	<u>4.0</u>	<u>4.1</u>

- IAS 19 deficit £43.1m, a reduction of £15.2m since the prior year end.
- Reduction in PPF levy costs/liabilities following improvement in the Group's financial position and management action to improve D&B score
- All UK funds now closed to new members and future service accrual. UK pension costs now on a defined contribution basis
- 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.). S75 contribution expires in 2009/10



# Asbestos litigation

	Year Ended		
	31 Mar 06	31 Mar 07	31 Mar 08
Cases outstanding	<u>32,607</u>	<u>19,313</u>	<u>18,360</u>
Provision for legal costs	<u>£8.8m</u>	<u>£6.8m</u>	<u>£6.3m</u>
Cash costs	<u>£1.4m</u>	<u>£0.5m</u>	<u>£0.6m</u>

- Over 15,000 cases dismissed in the last three years, down from a peak of 33,878 (31 March 2005). Many cases now considered 'dormant'
- No cases settled by Scapa/Insurers (3 cases at appeal stage)
- Robust defence continues - next court case expected in autumn 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 2008/09 (had been 50/50 share)
- Provision is for anticipated legal costs over the next 10+ years



# Current trading

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- Markets
  - General economic slowdown
  - North American markets challenging with volumes remaining flat - Building & Construction, Automotive and Industrial Assembly weaker
  - European markets more robust
  - Strong Medical and Infrastructure markets
- Margins
  - Oil prices at record levels
  - Upward pressure on certain raw materials increasing
- Operations
  - Business improvement initiatives in place at every site

“The current outlook is for challenging market conditions for the rest of 2008.”



# Outlook

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- Strong progress on trading with significant improvement due to volume growth and the operational initiatives put in place in the last two years
- Additional investment in Research and Development of £0.5m, to enhance new product pipeline
- Capital investment set to double and further improve operating efficiency and platforms for growth
- Dividend reinstatement signals strength of recovery and future prospects
- Medium-term profit target of 8% on sales and ROCE of 20%+

“We remain confident that the Group’s business improvement programme will continue to drive Scapa forward and have accordingly reinstated a dividend.”