Scapa Group plc
2009/2010 Interim Results

Analysts' Presentation
19 November 2009

Highlights

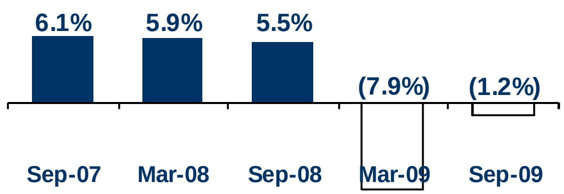
- Sales stabilised at 20% below pre-credit crunch levels
- Significantly improved trading [1] loss of £1.0m compares to £6.4m in the second half of last year
- Restructuring activity largely completed to benefit H2, particularly with respect to the closure of our Bellegarde site in France. Annualised savings now achieved around £10m
- Net cash £2.9m after £3.5m reorganisation spend
- Pension cash savings up to £1.2m p.a. in next three years
- Business now returned to underlying [2] trading [1] profit and cash generation
- New CEO appointed

"The trading loss of £1.0m is a substantial £5.4m improvement on the underlying loss in the preceding six-months, aided by 6.6% more sales in the current period. The improvement in trading result was split 60% Europe and 40% North America with Asia relatively flat. Major restructuring activities were largely concluded in the period and these will benefit the second half."

[1] 'Trading' adjusts for exceptional costs
[2] 'Underlying' adjusts for impacts of disposals and currency movements

Profit and loss account

	Sep-07	Mar-08	Sep-08	Mar-09	Sep-09
	£m	£m	£m	£m	£m
Reported Sales	85.2	84.9	92.1	81.9	86.7
Impact of Foreign Exchange	19.1	15.5	12.0	(0.6)	-
Underlying[(2)] Sales	104.3	100.4	104.1	81.3	86.7
Reported Trading[(1)] Profit/(Loss)	4.8	4.7	4.8	(5.8)	(1.0)
Impact of Foreign Exchange	1.6	1.2	0.9	(0.6)	-
Underlying[(2)] Trading[(1)] Profit/(Loss)	6.4	5.9	5.7	(6.4)	(1.0)



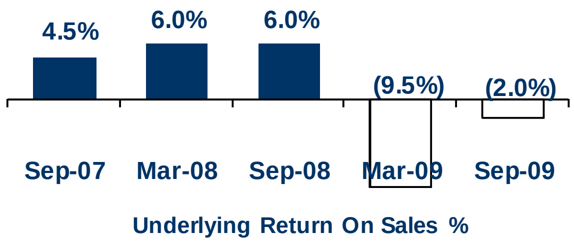
Underlying Return On Sales %

- Sales £5.4m lower than the comparable period
- Underlying[(2)] sales down 17% (£17.4m) on comparable period but 6.6% (£5.4m) higher than preceding six months
- Trading[(1)] loss £1.0m due to:-
  - Average volumes circa 20% down
  - Excess freight and labour costs of over £1.0m in Europe due to Automotive demand spike just as Bellegarde closed
  - Offset by the benefits of the 2008/09 restructuring plan
- The result is £5.4m better than the underlying loss in the second half of the prior year
- Exceptional charges of £0.4m relate to the closure of Bellegarde

[(1)] 'Trading' adjusts for exceptional costs
[(2)] 'Underlying' adjusts for impacts of disposals and currency movements

Segmental - Europe

	Sep-07	Mar-08	Sep-08	Mar-09	Sep-09
	£m	£m	£m	£m	£m
Underlying[2] Sales	58.4	58.2	59.7	45.4	49.0
Underlying[2] Trading[1] Result	2.6	3.5	3.6	(4.3)	(1.0)

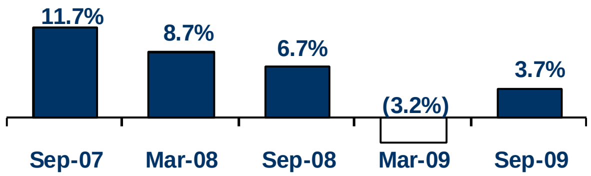


- Underlying sales down 18% on comparable period: Medical 3% and Infrastructure 12% down. Industrial Assembly down 20%
- £1.0m trading loss primarily due to lower sales, a £3.3m improvement on H2 prior year with sales 8% higher
- Bellegarde site closed in July. Benefit in H2 2009/10 of £0.9m
- Excess operating costs in H1 over £1.0m:
  - automotive demand recovered from 50% down in prior year Q3 to 27% down
  - spike in demand occurred just as we closed Bellegarde plant
  - led to over £1.0m of excess labour and air freight costs (should not recur)
- Automotive labour and freight issues now resolved so over £1.0m benefit to H2
- On-time delivery performance suffered in Q2, falling below 90%

[1] 'Trading' adjusts for exceptional costs
[2] 'Underlying' adjusts for impacts of disposals and currency movements

Segmental - North America

	Sep-07	Mar-08	Sep-08	Mar-09	Sep-09
	£m	£m	£m	£m	£m
Underlying[2] Sales	41.0	37.8	38.9	31.2	32.1
Underlying[2] Trading[1] Result	4.8	3.3	2.6	(1.0)	1.2



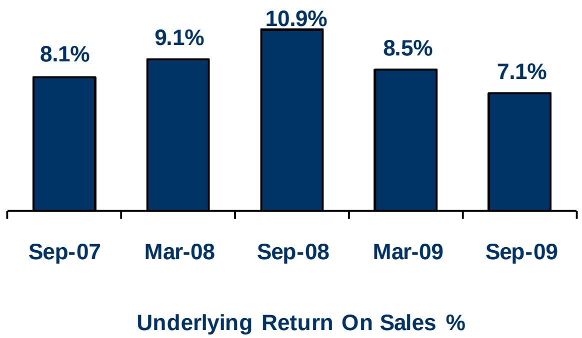
Underlying Return On Sales %

- Underlying sales down 18% on comparable period
- Medical down 7% (mainly consumer), Industrial Assembly shows signs of levelling off with a fall of 12%, Construction is still 60% down
- Underlying trading profit restored at £1.2m but down on comparable period due to lower volumes
- Trading profit is a £2.2m improvement on H2 2008/09, largely due to cost reduction aided by 3% higher sales (£0.9m)
- On-time delivery performance also suffered with performance below 90%
- Capital investment of US$1.5m begun last year completed in Renfrew (Canada)

[1] 'Trading' adjusts for exceptional costs
[2] 'Underlying' adjusts for impacts of disposals and currency movements

Segmental - Asia

	Sep-07	Mar-08	Sep-08	Mar-09	Sep-09
	£m	£m	£m	£m	£m
Underlying[(2)] Sales	4.9	4.4	5.5	4.7	5.6
Underlying[(2)] Trading[(1)] Result	0.4	0.4	0.6	0.4	0.4



- Reasonable result given tough market conditions
- Underlying revenue effectively flat (1.1% up on comparable period)
- Reduction in trading profit due to:-
  - Excess labour costs in Korea
  - Increase in low margin business mix
- New sales personnel now in place (China and India)
- Local conversion capability (low cost capital projects) now installed in China
- Market looking better for the second half although growth will be limited by the loss of a key customer account in recurring annual tender

(1) 'Trading' adjusts for exceptional costs
(2) 'Underlying' adjusts for impacts of disposals and currency movements

Interest, tax and earnings

	Period Ending		
	30 Sep 07	30 Sep 08	30 Sep 09
	£m	£m	£m
Interest receivable	0.3	0.2	-
IAS 19 financing charge	(1.0)	(1.0)	(1.5)
Discount on provisions	(0.2)	(0.2)	(0.2)
Net financing charge	(0.9)	(1.0)	(1.7)
Taxation (charge)/credit	(2.1)	(1.0)	0.5
Headline[1] EPS/(loss)	1.2	1.9	(1.7)

- No net interest income due to lower average cash balances and low deposit rates
- IAS 19 financing charge increases due to an increase in the interest rate applied to the liabilities
- Effective tax rate at (11%) credit, reduced by state taxes payable in certain jurisdictions (mainly US and Italy)

[1] 'Headline' adjusts for exceptional costs

Cash flow

	Six months to		
	30 Sep 08	31 Mar 09	30 Sep 09
	£m	£m	£m
Trading[1] profit/(loss)	4.8	(5.8)	(1.0)
Depreciation	2.3	2.5	2.5
Trade working capital	(2.3)	8.2	0.6
Other	(1.7)	0.2	(1.7)
Cash flow from operating activities	3.1	5.1	0.4
Interest	0.2	0.1	-
Tax	(0.9)	(0.5)	0.8
Capital investment	(3.6)	(5.3)	(1.9)
Borrowings	-	-	1.9
Dividend	(1.1)	-	-
Net cash flow before legacy items	(2.3)	(0.6)	1.2
Pension deficit	(3.2)	(3.1)	(2.6)
Asbestos	(0.3)	(0.4)	(0.4)
Cash flow	(5.8)	(4.1)	(1.8)
Net cash	9.6	6.8	2.9

- Cash inflow from operating activities is £2.7m lower than the comparable period:-
  - £3.5m expended on prior year reorganisation provisions (Bellegarde)
  - £0.6m cash generated from working capital
- Tax refund of £0.8m from accelerated carry-back of losses in France.
- £1.7m decrease in capital spend, prior year major projects completed
- Pension lower due to timing of PPF levy
- Net cash balance down to £2.9m – gross cash at bank £5.1m, as drawn down $3m from the US revolving loan facility
- Average cash typically lowest between August and October
- In addition, £6.3m of cash held as Waycross deposit

[1] *'Trading' adjusts for exceptional costs*

Balance sheet

	As at 30 Sep 08	31 Mar 09	30 Sep 09
	£m	£m	£m
Goodwill	10.8	13.5	12.1
Fixed assets	38.6	44.8	43.2
Working capital	30.6	28.6	25.2
Other provisions	(2.5)	(7.0)	(3.9)
Tax	1.1	26.4	23.9
	78.6	106.3	100.5
Provisions for asbestos litigation	(6.9)	(8.5)	(7.5)
Waycross deposit ($10m)	5.6	7.0	6.3
Pension deficit	(40.7)	(49.3)	(43.6)
Net cash	9.6	6.8	2.9
Net assets	46.2	62.3	58.6
Net asset value per share (p)	31.9	43.0	40.5

- Net cash balance still positive
- £3.4m reduction in operating working capital reflecting lower activity levels and tight control
- Other provisions reduction due to cash paid out for exceptional closure costs
- Pension deficit fall is due to asset gains in the period – almost reversing the losses on assets in the six months to March 2009.
- Asbestos provision moves with US$ exchange rate and expenditure similar to previous years
- Asbestos cases down by just under 400. Dismissal from one trial during the period, one is ongoing and three cases at appeal stage

Pensions

	As at		
	30 Sep 08	31 Mar 09	30 Sep 09
	£m	£m	£m
Group deficit	(40.7)	(49.3)	(43.6)
UK deficit payment	1.7	1.8	1.7
S75 contribution	0.6	0.1	0.6
Admin & PPF (UK)	0.4	0.9	0.3
Overseas	0.5	0.3	0.5
	3.2	3.1	3.1

- IAS 19 deficit fell to £43.6m, a decrease of £5.7m from prior year end.
- Result is effectively a reversal of the prior period where assets fell in value by £10.2m, rising by over £14.1m in the current period
- Final s75 payment in the UK of £0.6m was paid in April 2009
- Prior year saw PPF levy invoices paid for two years, not yet paid in H1 (expect £0.3m in H2)
- Agreement reached with Trustees to reduce annual contributions by £0.5m p.a. with scope to make good if annual cash targets are outperformed
- Expect 2010/11 cash flow to improve by up to £1.2m compared to current full year (£0.5m above plus £0.7m s75)

Outlook for H2

- Signs of stability emerging in a number of markets - sales stabilised at 20% down
- However, Automotive concerns over the end of government support schemes could cause a second dip (‘cash for clunkers’)
- Growth opportunities remain for Scapa in certain market niches and geographies
- Focus on leveraging and extracting value from significant capital investment (£10m+) and restructuring actions over the last year
- Now returned to underlying trading profit and cash generation
- Reorganisation of the business towards a markets focus with some reshaping of the organisational structure

Summary

- Trading [1] loss of £1.0m is a significant £5.4m improvement on the second half of last year with volumes stabilising circa 20% down on the comparable period
- A very challenging six months, particularly when Automotive demand spiked just as we were closing our Bellegarde (automotive-focused) site
- Cost reduction initiatives starting to outperform prior year target of £8.0m p.a.
- Reaching the half year point in positive net cash territory despite £3.5m of exceptional payments was a significant milestone to achieve
- Very helpful collaborative agreement reached with pension fund Trustees for the next three years

"We have now returned to underlying trading profit and cash generation. Our healthy balance sheet and cash position mean Scapa is well placed to benefit as order books recover."

[1] Items denoted as 'trading' adjust for exceptional costs

Appendix: Segmental summary of Group Underlying Performance

		Half Year Ended				
		Sep-07	Mar-08	Sep-08	Mar-09	Sep-09
		£m	£m	£m	£m	£m
Underlying[2] Sales	- Europe	58.4	58.2	59.7	45.4	49.0
	North America	41.0	37.8	38.9	31.2	32.1
	Asia	4.9	4.4	5.5	4.7	5.6
	Total	104.3	100.4	104.1	81.3	86.7
Underlying[2] Trading[1] Profit/(Loss)	- Europe	2.6	3.5	3.6	(4.3)	(1.0)
	North America	4.8	3.3	2.6	(1.0)	1.2
	Asia	0.4	0.4	0.6	0.4	0.4
	Corporate costs	(1.4)	(1.3)	(1.1)	(1.5)	(1.6)
	Total	6.4	5.9	5.7	(6.4)	(1.0)

(1) 'Trading' adjusts for exceptional costs
(2) 'Underlying' adjusts for impacts of disposals and currency movements