



Scapa Group plc 2009/2010 Preliminary Results

Analysts' Presentation
27 May 2010

World Class Tape Solutions



Highlights

- Return to trading profit and cash generation in H2
- Significant turnaround in H2 trading⁽¹⁾ profit to £2.6m from a loss of £6.4m (H2-2009)
- Net cash balance of £4.8m after funding £5.7m of exceptional cash flows
- Major restructuring programme delivering annual cost savings of over £11.0m
- Pension deficit down to £38.6m (£27.7m after tax) with annual cash outflows reduced by £1.2m for the next three years
- Under IAS 37, provision made for potential asbestos indemnity exposures - fully covered by robust insurance assets
- Senior management strengthened to support global market structure

⁽¹⁾ 'Trading' adjusts for exceptional costs



Profit and loss account

Statutory P&L

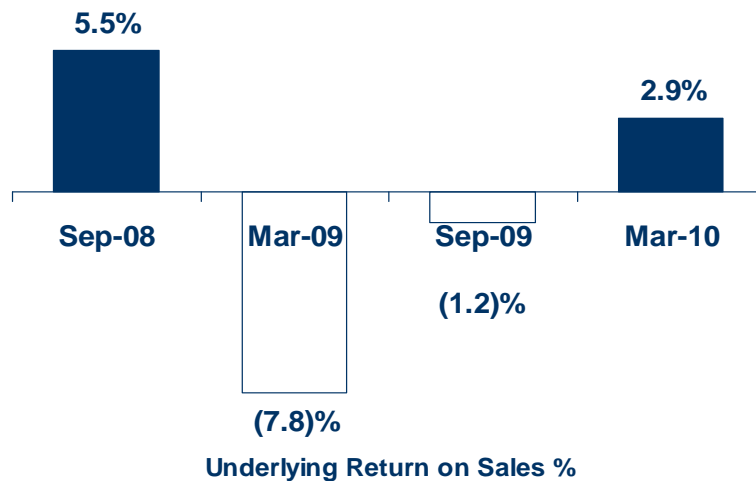
	Year Ended	
	31 Mar 10	31 Mar 09
	£m	£m
Sales	176.7	174.0
Trading Profit/(Loss) ⁽¹⁾	1.6	(1.0)
Exceptional items	(3.1)	(5.9)
Operating Loss	(1.5)	(6.9)
Interest	(3.7)	(2.4)
Loss before tax	(5.2)	(9.3)
Tax credit	2.4	20.2
(Loss)/Profit after tax	(2.8)	10.9
Exceptional costs:		
- Carlstadt	(1.7)	-
- Reorganisation	(0.7)	(2.2)
- Bellegarde	(0.7)	(3.7)
	(3.1)	(5.9)
Interest		
- Cash - Interest receivable/(payable)	(0.2)	0.3
- Non-Cash - IAS 19	(3.1)	(2.3)
- Discount on provisions	(0.4)	(0.4)
	(3.7)	(2.4)

⁽¹⁾ 'Trading Profit/(Loss)' is the Operating Profit/Loss before exceptional items



Profit and loss account

	Sep-08	Mar-09	Sep-09	Mar-10
	£m	£m	£m	£m
Reported Sales	92.1	81.9	86.7	90.0
Impact of Foreign Exchange	12.5	(0.3)	-	-
Underlying⁽²⁾ Sales	104.6	81.6	86.7	90.0
Reported Trading ⁽¹⁾ Profit/(Loss)	4.8	(5.8)	(1.0)	2.6
Impact of Foreign Exchange	1.0	(0.6)	-	-
Underlying⁽²⁾ Trading⁽¹⁾ Profit/(Loss)	5.8	(6.4)	(1.0)	2.6



- H2 sales up 10% on prior year but annual underlying sales down £9.5m year on year. Recovery under way
- Revenue has increased sequentially for two consecutive halves
- Trading⁽¹⁾ profit of £1.6m due to:
 - European volume recovery of 15% in H2 over H2 in prior year
 - Margins in Europe and NA benefitting from rationalisation
 - Offset by excess freight and labour costs (~£1.0m) as Automotive demand spiked as Bellegarde closed
- H2 result £9.0m better than the underlying loss in prior year H2
- H2 on an annualised basis of £5.2m which is a positive step on the road to acceptable profitability

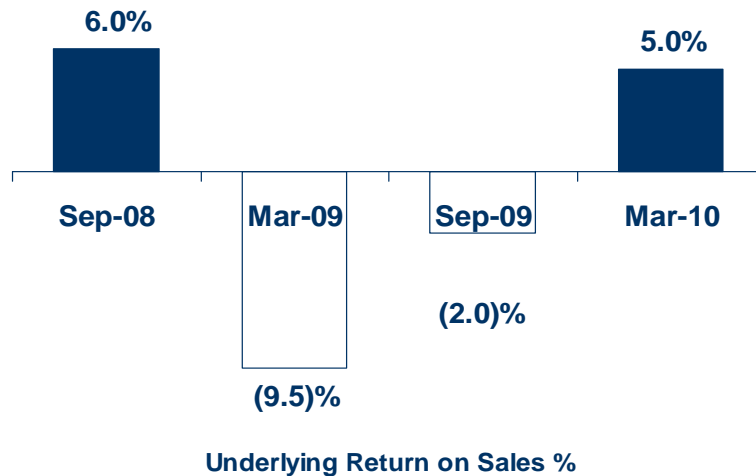
⁽¹⁾ 'Trading' adjusts for exceptional costs

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



Segmental - Europe

	Sep-08	Mar-09	Sep-09	Mar-10
	£m	£m	£m	£m
Underlying ⁽²⁾ Sales	59.9	45.5	49.0	52.1
Underlying ⁽²⁾ Trading ⁽¹⁾ Result	3.6	(4.3)	(1.0)	2.6



- Two halves of consecutive growth of 8% in H1 and 6% in H2
- H2 cumulative year on year growth of 15%
- Improved ongoing trading profit due to rationalisation and volume growth, especially in H2
- Bellegarde site closed in July
- H2 annualised result of £5.2m
- 2010/11 to date seeing continuing progress

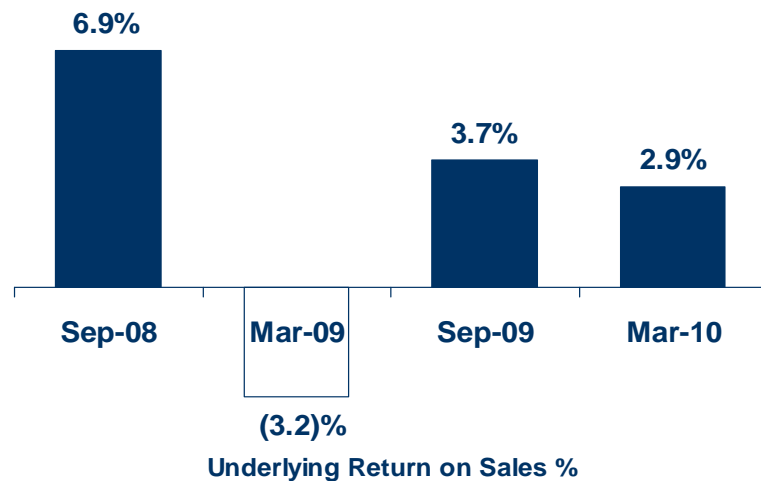
⁽¹⁾ 'Trading' adjusts for exceptional costs

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Segmental - North America

	Sep-08	Mar-09	Sep-09	Mar-10
	£m	£m	£m	£m
Underlying ⁽²⁾ Sales	39.2	31.3	32.1	31.0
Underlying ⁽²⁾ Trading ⁽¹⁾ Result	2.7	(1.0)	1.2	0.9



- H2 flat after a fall in H1
- Underlying annual sales down 11% on comparable period
- Underlying trading profit increased to £2.1m despite lower volumes
- March 2010 decision to close a small silicon coating facility in Carlstadt, New Jersey
- Exceptional cost of £1.7m (£1.4m non-cash) payback in less than six months with working capital release
- Volumes in NA now showing signs of improvement

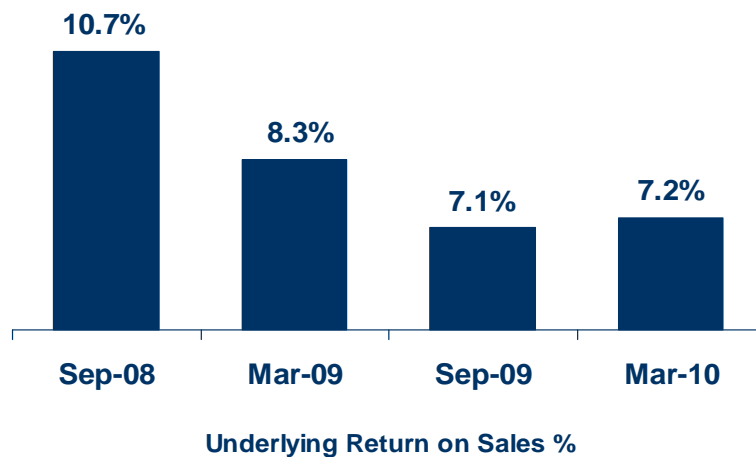
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Segmental - Asia

	Sep-08	Mar-09	Sep-09	Mar-10
	£m	£m	£m	£m
Underlying ⁽²⁾ Sales	5.6	4.8	5.6	6.9
Underlying ⁽²⁾ Trading ⁽¹⁾ Result	0.6	0.4	0.4	0.5



- Underlying revenue up 20% following flat first half
- Trading profit hampered by:
 - Thin margins on growth as primarily in cloth business from Korea
 - US\$ Korean Won FX movements
- Local sales and distribution capability now in place in China and India
- A new managing director appointed with a strong background in electronics
- Strong start to 2010/11, revenues ahead 32% compared to prior year

⁽¹⁾ 'Trading' adjusts for exceptional costs

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



Interest and tax

	Year Ended	
	Mar-10	Mar-09
	£m	£m
Interest receivable/(payable)	(0.2)	0.3
IAS 19 financing charge	(3.1)	(2.3)
Discount on provisions	(0.4)	(0.4)
Net financing charge	(3.7)	(2.4)
Taxation (charge)/credit	2.4	20.2

- No net interest income due to lower average cash balances and low deposit interest rates – especially on US\$ deposits (Waycross)
- IAS 19 pension financing charge increased due to higher interest rate applied to the liabilities (6.4% compared to 6.2% in prior year) and lower opening asset values (£84.0m vs £93.0m)
- Tax credit, reduced by state taxes payable in certain jurisdictions (mainly US and Italy)



Cash flow

	Year Ended	
	Mar-10	Mar-09
	£m	£m
Trading ⁽¹⁾ profit/(loss)	1.6	(1.0)
Depreciation	4.9	4.8
Change in working capital	3.7	5.9
Exceptionals	(5.7)	(2.5)
Other	0.9	0.5
Cash flow from operating activities	5.4	7.7
Interest	(0.2)	0.3
Tax	0.9	(1.4)
Capital investment	(2.2)	(8.9)
Borrowings	2.5	(0.2)
Dividends	-	(1.1)
Net cash flow before legacy items	6.4	(3.6)
Pension deficit	(5.8)	(6.3)
Cash flow	0.6	(9.9)
Net cash	4.8	6.8

- Cash inflow from operating activities is £2.1m lower than the comparable period:-
 - £3.5m expended on Bellegarde closure
 - £2.2m less cash generated from working capital though still a positive movement
 - Offset by improved profitability £2.6m
- Tax refund of £0.9m mainly from accelerated carry-back of losses in France
- Borrowings represent draw down of £2.0m from BoA facility plus £0.5m new finance leases
- Pension lower due to two years PPF levy paid in prior year and lower admin costs
- In addition, £6.6m of cash held as Waycross deposit that can fund future litigation costs and hence free up Group cash

⁽¹⁾ 'Trading' adjusts for exceptional costs

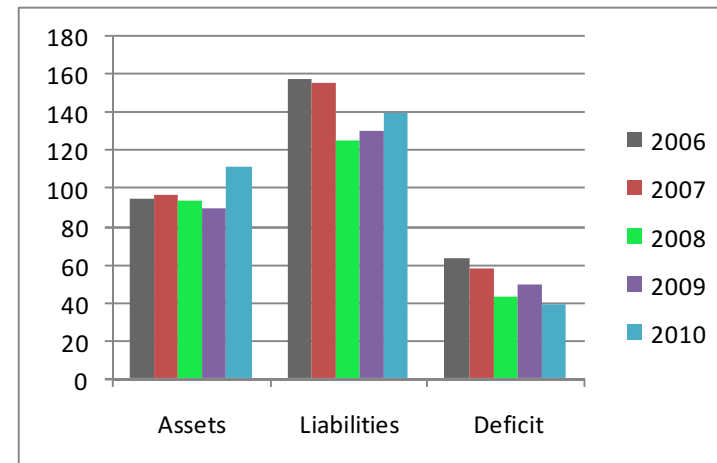


Balance sheet

	As at	
	Mar-10	Mar 09
	£m	£m
Goodwill	12.7	13.5
Fixed assets	41.6	44.8
Working capital	24.8	28.6
Other provisions	(4.3)	(7.0)
Tax	25.2	26.4
	<u>100.0</u>	<u>106.3</u>
Provision for asbestos litigation	(7.5)	(8.5)
Provision for asbestos claims	(20.3)	-
Provision for asbestos insurance	20.3	-
Waycross deposit (\$10m)	6.6	7.0
Pensions deficit	(38.6)	(49.3)
Net cash	4.8	6.8
Net assets	<u>65.3</u>	<u>62.3</u>
Net asset value per share (p)	<u>45.1</u>	<u>43.0</u>

- Net cash balance still positive £4.8m, undrawn facilities of £13.3m (committed US facility of US\$10m and local overdrafts in UK, France and Italy)
- £3.8m reduction in working capital reflecting lower activity levels and tight control over debtors and stock
- Other provisions reduction due to cash paid out for exceptional Bellegarde closure costs
- Pension deficit fall £10.7m is due to asset gains outstripping impact of lower discount rate of 5.7% (2009: 6.4%)
- Asbestos indemnity provision and offsetting insurance receivable are discussed further on page 12

	Year Ended	
	Mar-10	Mar-09
	£m	£m
Group deficit	(38.6)	(49.3)
UK deficit payment	3.4	3.5
S75 contribution	0.7	0.7
Admin & PPF (UK)	1.0	1.3
Overseas	0.7	0.8
	5.8	6.3



Liability

- IAS 19 deficit fell to £38.6m, a decrease of £10.7m from prior year end. Post tax the deficit is £27.7m
- The current year increase in liabilities is due to a fall in the discount rate from 6.4% to 5.7%
- Reopening to early retirement allowed the schemes to discharge an extra £2.0m of liabilities with their own assets
- This will help reduce next year's interest charge, aided by higher opening asset values, by £1.5m

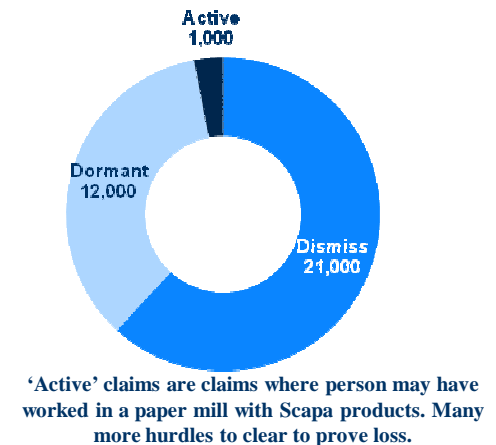
Cash

- Final s75 payment in the UK of £0.7m was paid in 2009/10
- 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 circa £1.2m compared to current full year (£0.5m above plus £0.7m s75)
- Further liability/cash flow reduction initiatives in progress



Asbestos indemnity claims

	Mar 10	Mar 09	Mar 08	Mar 07	Mar 06
Opening - claims	14,234	18,360	19,313	32,607	33,878
New claims	21	19	15	28	106
Dismissals	(1,223)	(4,145)	(968)	(13,322)	(1,377)
Judgements	(3)	-	-	-	-
Closing claims	13,029	14,234	18,360	19,313	32,607



- Loss of recent cases means the potential liabilities must be recognised on the balance sheet on a balance of probabilities, even if covered by insurance. No change in the risk profile, but must show an estimate of the liability as a provision for the full 43 year lifetime. Booked provision £20.3m
- Insurance cover is recognised if passes the test of “virtual certainty”. Provable insurance cover far exceeds the level of the asbestos liability that has been booked and also exceeds the upper range of all reasonable scenarios. Book offsetting insurance asset of £20.3m
- The Group has undergone an extensive exercise to accurately value the potential liability from Asbestos in order to book a value in the accounts. This detailed modelling has been performed by experienced external experts in the US
- Less than 1,000 claimants can have encountered a Scapa product. Many of these are not ill, and where illness exists, Scapa is usually a co-defendant with many other companies
- In addition Scapa have provision for future defence costs - £7.5m



Outlook for H1

- Signs of stability emerging in a number of markets and good demand from our general economic sector, Industrial (represents circa 50% of our business)
- Opening months of 2010/11 show year on year growth in almost all markets and regions
- North America recovery had been lagging but now showing signs of picking up with 5% year on year growth
- Focus on hi-value added markets and products
- Cash profile looking much stronger than prior years and again expect to stay in net cash throughout the year



Summary

- Trading ⁽¹⁾ profit of £2.6m is a significant £9.0m improvement on the second half of last year with volumes stabilising
- Good exit rate on profit and cash at the end of 2009/10
- Closed the year in positive net cash territory despite £5.7m of exceptional payments
- Legacy issues falling in scale and being actively managed down

“The Board recently approved a three-year strategy to focus on our key markets: Medical, Industrial, Electronics, Consumer and Transport. We have restructured our management around the key markets and new skills and capabilities have been added to the team. The business outlook in most of our markets is becoming firmer.”

⁽¹⁾ Items denoted as ‘trading’ adjust for exceptional costs



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Appendices

World Class Tape Solutions

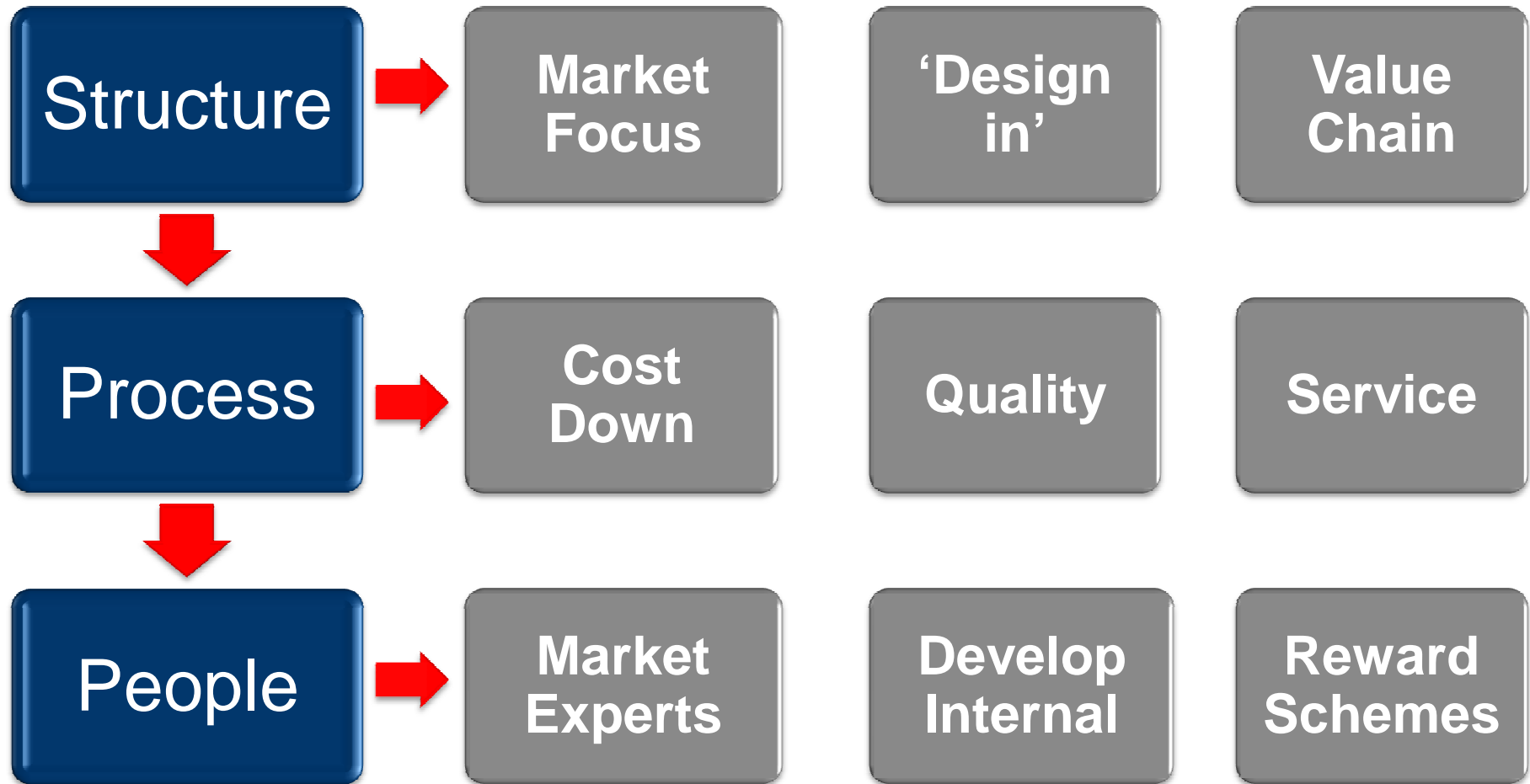


Appendix 1: Segmental summary of Group Underlying Performance

		Mar-10	Sep-09	Mar-09	Sep-08
		£m	£m	£m	£m
Underlying ⁽²⁾ Sales	Europe	52.1	49.0	45.5	59.9
	North America	31.0	32.1	31.3	39.2
	Asia	6.9	5.6	4.8	5.6
	Total	90.0	86.7	81.6	104.7
Underlying ⁽²⁾ Trading ⁽¹⁾ Profit/(Loss)	Europe	2.6	(1.0)	(4.3)	3.6
	North America	0.9	1.2	(1.0)	2.7
	Asia	0.5	0.4	0.4	0.6
	Corporate	(1.4)	(1.6)	(1.5)	(1.1)
	Total	2.6	(1.0)	(6.4)	5.8

⁽¹⁾ 'Trading' adjusts for exceptional costs

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





Appendix 2 - Markets - Medical

Strategy

- Grow market share at existing customers
- Integrate value add beyond coating
- Further expand into devices and transdermal
- Leverage global footprint

Products

- Skin friendly adhesives
- Breathable PU foam backings
- PU film/foam laminate
- Converted components for medical devices

Applications

- Wound dressing backings
- Ostomy accessories
- Electrode fixation pouches
- Consumer products

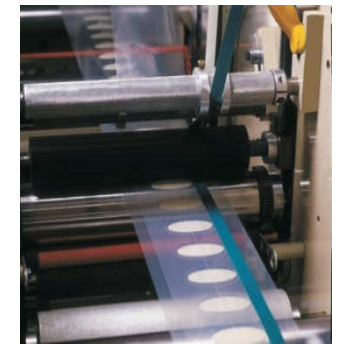
14.8%



2009/10 Revenue



Johnson & Johnson





Appendix 2 - Markets - Industrial

Strategy

- Market and product differentiation
- Lower cost to serve
- Leverage the channel relationships

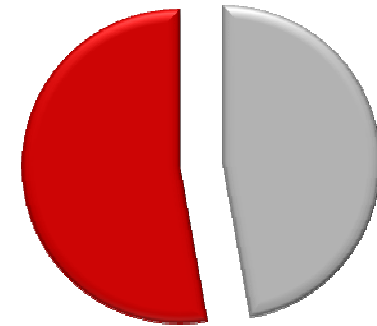
Products

- PVC tapes
- Cloth tapes
- Exafit® foam tape
- Cable wrapping tapes
- Double sided tapes

Applications

- Gas pipeline
- Construction/housing
- Print & graphics
- Military
- Power cables
- Alternative energies

52.8%



2009/10 Revenue





Appendix 2 - Markets - Consumer

Strategy

- Leverage the existing channels
- Expand product portfolio to full category
- Outsource to fill the full range
- Initiate e-commerce

Products

- PVC tapes
- Hockey tapes
- Masking tapes
- Trainer tapes
- Electrical tapes



Applications

- Protection
- Insulation
- Reparation
- Hockey blade tapes
- Ankle strapping



14.9%



2009/10 Revenue





Appendix 2 - Markets - Electronics

Strategy

- Asia based strategy
- Focus on product development and time to market
- Local R&D and productions
- Leverage global supply chain requirement

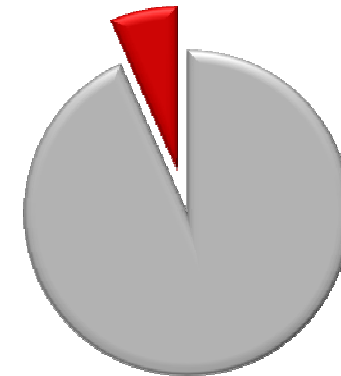
Products

- Acrylic foam tapes
- Heat adhesive foam
- Conductive thermal tape
- Transfer tape
- Double sided PE tape

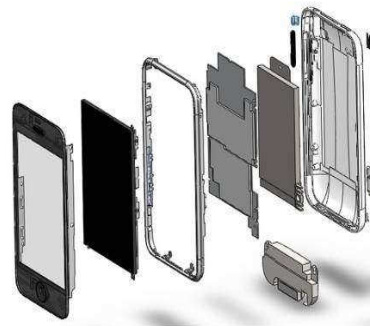
Applications

- Mobile phone assembly
- TV assembly
- Wire holder bonding
- EMI shielding
- Chip embedding in Smart Cards

6.7%



2009/10 Revenue





Appendix 2 - Markets - Transport

Strategy

- Optimise operation and supply chain
- Expand product range
- Diversify customer base

Products

- PVC tapes
- Rayon cloth tapes
- Polyester tapes
- Non woven polyester tapes
- PU foam tapes

Applications

- Wiring harness
- Assembly
- Noise and vibration reduction
- Protection
- Sealing
- Airplane wing manufacturing

10.8%



2009/10 Revenue



DELPHI





Appendix 3 - Operational Strategy



- Leverage global footprint to achieve economies of scale
- Optimise operational effectiveness
- Implement global supply chain structure and strategy
- Expand Asian manufacturing
- Instil highest level of Environmental, Health & Safety





Appendix 4 - Organisational Structure

