STRATEGIC VALUE CREATION

SCAPA GROUP PLC

INTERIM REPORT 2016

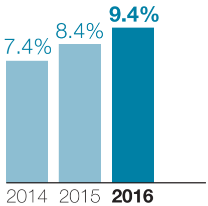
STRONG PERFORMANCE ACROSS THE GROUP

SCAPA GROUP IS A GLOBAL SUPPLIER OF BONDING SOLUTIONS AND MANUFACTURER OF ADHESIVE-BASED PRODUCTS FOR THE HEALTHCARE AND INDUSTRIAL MARKETS.

KPIs

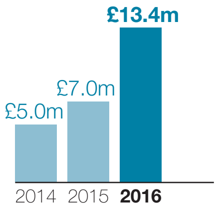
RETURN ON SALES

9.4%



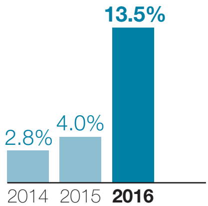
UNDERLYING CASH FLOW FROM OPERATIONS

£13.4M



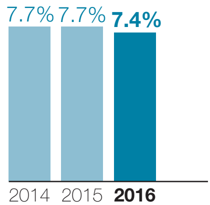
REVENUE GROWTH

13.5%



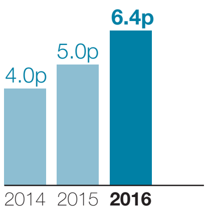
ADJUSTED RETURN ON CAPITAL EMPLOYED (ROCE)*

7.4%



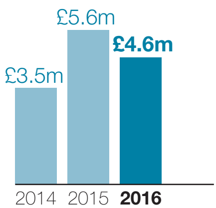
ADJUSTED EARNINGS PER SHARE

6.4P



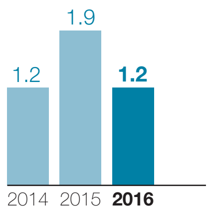
CAPITAL EXPENDITURE

£4.6M



LOST TIME INJURY FREQUENCY RATE (LTIFR)

1.2



* ROCE is calclulated for the six months ending 30 September.

For the full definition of KPIs please refer to pages 10 and 11 of the Annual Report, which is available at **www.scapa.com**. Certain KPIs are only considered meaningful on an annual basis and so are not reported in the interim results.

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Revenue grew 13.5% to £135.4m (2015: £119.3m); 3.7% at constant exchange rates
- Trading profit* increased 27.0% to £12.7m (2015: £10.0m); 12.4% at constant exchange rates
- Trading profit* margins further improved to 9.4% (2015: 8.4%)
- Adjusted profit before tax** improved 24.7% to £12.1m (2015: £9.7m)
- Adjusted earnings per share*** increased 28.0% to 6.4p (2015: 5.0p)
- Basic earnings per share of 4.5p (2015: 1.4p)
- Net debt of £29.0m (March 2016: £2.6m) reflecting the acquisition of EuroMed for £28.3m

OPERATIONAL HIGHLIGHTS

- Healthcare revenue increased 23.3% to £53.5m (2015: £43.4m); 11.9% at constant exchange rates
- Healthcare trading profit increased 16.9% to £7.6m; 5.6% growth at constant exchange rates
- Margins at 14.2% (2015: 15.0%) reflecting significant investment to support growth and integration costs related to EuroMed
- Healthcare acquisition of EuroMed on 23 May 2016; integrating well
- EuroMed and First Water significantly strengthen our innovation and development capabilities
- Industrial trading profit grew 49.0% to £7.6m; 33.3% at constant exchange rates
- Margins increased to 9.3% (2015: 6.7%), further improving the quality of the business and closer to double digit margin target
- Swiss facility ceased production during October and will close by the end of the calendar year, on time and on budget
- Sale of Swiss land and building progressing well and proceeds should exceed initial estimates

RESULTS SUMMARY	**Half year ended 30 Sept 2016 £m**	Half year ended 30 Sept 2015 £m	Year ended 31 March 2016 £m
Revenue	**135.4**	119.3	246.7
Trading profit*	**12.7**	10.0	21.3
Operating profit	**9.5**	4.1	11.7
Net finance costs	**(1.0)**	(0.8)	(1.9)
Profit on ordinary activities	**8.5**	3.3	9.8
Basic EPS (p)	**4.5p**	1.4p	4.1p
Adjusted EPS*** (p)	**6.4p**	5.0p	10.6p

* Before amortisation of intangible assets, exceptional items, pension administration costs and finance charges
** Trading profit less interest payable on bank loans and overdrafts
*** Adjusted earnings per share is calculated by dividing the trading profit less cash interest less tax on operating activities by the weighted average number of ordinary shares in issue during the year

HEALTHCARE

A trusted strategic outsource partner to the global healthcare industry, delivering turn-key solutions and support for our customers through all stages of the product life cycle.

MARKET SNAPSHOT

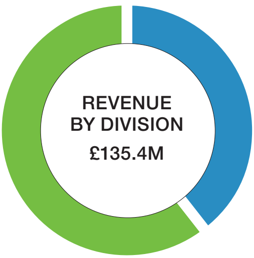
The market sectors we focus on today are Advanced Wound Care, Consumer Wellness, Medical Devices and Drug Delivery, including the rapidly growing Wearable Medical Device Fixation market. With our global footprint we can service and support all customer needs wherever they may be.

INDUSTRIAL

The Industrial business operates across a wide range of markets and geographies. It manufactures and delivers an extensive portfolio of adhesive bonding solutions and applications to a global customer base.

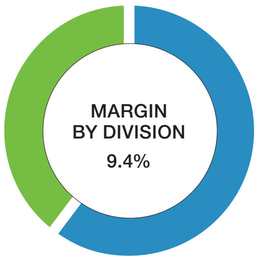
MARKET SNAPSHOT

With a global market through business models of Engineered and Commercial Products, our segment focus includes: Automotive, Cable, Construction, Consumer and Specialty Products. The Industrial business continues to adapt to address the nature and complexity of the supply chain in which we operate.



- Healthcare **£53.5M**
- Industrial **£81.9M**

- Healthcare **£7.6M**
- Industrial **£7.6M**
- Corporate **(£2.5M)**



- Healthcare **14.2%**
- Industrial **9.3%**

Strategic priorities and business objectives

Scapa has delivered a strong first half performance with growth in revenue, trading profit and margins. We continue to consistently deliver improving results in a volatile and uncertain environment which affirms the robustness of our strategy.

We operate two distinct and separate businesses each with its own strategic goals and priorities. Healthcare – to become the strategic Turn-Key partner for our customers leveraging the trend of outsourcing in the Healthcare industry; and Industrial – to maximise the Return on Capital Employed (ROCE) through operational efficiencies and footprint consolidations as we continue to execute our self-help agenda.

We also continue to execute our acquisition strategy to supplement the organic growth. During the period we completed the acquisition of EuroMed, the hydrocolloid-based wound care solutions business based in Orangeburg, New York. The acquisition significantly enhances our innovation and development capabilities, which further strengthens our value chain and deepens our strategic engagement with our Healthcare customers. EuroMed has integrated well during the period and made a good contribution to the Healthcare growth for the period.

Following the UK referendum on EU membership on 23 June 2016, we have assessed the impact of the result on our business. The outcome of this referendum is not expected to have a material near-term impact on our business and we are well-placed to continue to grow our global business without significant disruption. The Group generates less than 10% of its revenues in the United Kingdom, with 50% of revenues being US dollar based and 25% in Euros, so a weakened Sterling would be beneficial.

Group results

Group revenue for the period increased 13.5% to £135.4m (2015: £119.3m). Trading profit[1] for the period increased 27.0% to £12.7m (2015: £10.0m), increasing the margin to 9.4% (2015: 8.4%). During the period, Sterling has significantly depreciated against the US Dollar and Euro, our main trading currencies, which had a positive translational effect on the results. Adjusting for the effects of exchange rates, revenue increased 3.7% (2015: 4.0%) and trading profit increased 12.4% (2015: 16.3%).

Adjusted profit before tax[2] increased 24.7% to £12.1m (2015: £9.7m). Pre-tax profit, after exceptional items, increased to £8.5m (2015: £3.3m). Taxation charges for the period were £1.8m (2015: £1.2m), with the underlying effective tax rate[3] for the period reducing to 20.7% (2015: 23.7%). The basic earnings per share was 4.5p (2015: 1.4p). When adjusted for exceptional items, pension administration costs, amortisation and non-cash interest, earnings per share was 6.4p (2015: 5.0p), an increase of 28.0%.

Markets

Healthcare

Six months ended	**30 Sept 2016**	30 Sept 2015
Revenue (£m)	**53.5**	43.4
Trading profit (£m)	**7.6**	6.5
Trading margin (%)	**14.2%**	15.0%

The strategy of our Healthcare business is to continue to be the strategic partner of choice for the world leading companies in advanced wound care, consumer wellness and medical devices. The EuroMed acquisition further strengthens our value proposition and significantly expands our portfolio of intellectual property. We continue to invest in our global platform, with FDA compliant global design control procedures and FDA validated computerised quality management systems meeting pharma standards. We have developed a regulatory and compliance capability that is now being offered as an outsourced service to our customers.

1 Before amortisation of intangible assets, exceptional items, pension administration costs and finance charges.
2 Trading profit less interest payable on bank loans and overdrafts.
3 Adjusting operating profit and taxation for exceptional items, pension administration costs, amortisation and non-cash interest.

The continued investment enables us to accelerate the growth of our new business pipeline, which is strong.

Revenue grew 23.3% to £53.5m (2015: £43.4m); at constant exchange the growth rate was 11.9%. Healthcare trading profit increased 16.9% to £7.6m (2015: £6.5m); at constant exchange the profit increased 5.6%. The trading margin at 14.2% (2015: 15.0%) reflected significant investment to support growth and integration costs related to EuroMed. We expect the full year margin to be maintained at the historical level, as we continue to drive our operating efficiency.

The integration of EuroMed, the US based Healthcare business acquired in May 2016, is on plan and we are seeing the benefits and opportunities of cross engagement through our customer base. EuroMed revenue for the four months of ownership was £3.9m.

Industrial

Six months ended	**30 Sept 2016**	30 Sept 2015
Revenue (£m)	**81.9**	75.9
Trading profit (£m)	**7.6**	5.1
Trading margin (%)	**9.3%**	6.7%

Our Industrial strategy to focus on maximising ROCE has enabled us to deliver strong results in a volatile and uncertain market environment. Revenue grew 7.9% to £81.9m (2015: £75.9m). Trading profit for the period was £7.6m (2015: £5.1m), an increase of 49.0% over the prior period with the trading margin increasing to 9.3% (2015: 6.7%). After adjusting for the effect of exchange rates, revenue declined by 1.1% and profit grew 33.3%, reflecting the improvement in operational efficiency and lower input costs.

The closure of our Rorschach site in Switzerland, which we announced in April 2015, is progressing in line with plan. The site ceased production during October and will close by the end of the calendar year after remediation and disposals. We remain confident in our forecasts that the closure will add an underlying £2.0m of trading profit per year to the Group, with £1.0m expected in the second half of 2016/17. Additionally, the auction process for the sale of the land is progressing well and post certain remediation we expect to generate proceeds above the initial estimates.

Exceptional items

The exceptional expenses in the period relate to the Company's decision in July 2015 to close its Rorschach facility and the acquisition in May 2016 of EuroMed. The acquisition costs are those costs directly related to the purchase of EuroMed. The site closure costs are made up of retention payments made to certain key staff and a small additional impairment of fixed assets. Both items are reported separately to give a better understanding of the Company's underlying performance.

Balance sheet

Net assets at 30 September 2016 totalled £80.9m (31 March 2016: £77.7m). The slight increase arises from improved retained earnings of £6.7m and positive foreign exchange movements of £9.8m offset by negative actuarial movements of £11.6m and share related items of £1.8m. The Group net debt balance was £29.0m (31 March 2016: £2.6m) after a net cash outflow of £26.4m in the period, principally reflecting the acquisition cost of EuroMed for £28.3m.

Pensions

The pension deficit increased to £38.0m (31 March 2016: £27.5m). The increase in the deficit is owing to the decrease in the interest rate used to discount the long-term liabilities; it fell significantly from 3.5% at March 2016 to 2.2% at September 2016. Cash payments of £2.2m (September 2015: £2.1m) and liability matching asset investment gains mitigated the effect of the change.

Cash resources

Net cash generated from operations was £11.2m (2015: £6.8m). Trading working capital increased by £0.1m (2015: £1.5m), owing to some additional inventory associated with transferring activities from Rorschach. Capital expenditure in the period was £4.6m (2015: £5.6m) down slightly from the prior year despite capital expenditure due to the transfer. Pension payments in excess of operating charge were £2.2m (2015: £2.1m) and represent the deficit repair payments and contributions to scheme expenses. Tax and interest outflows were £2.4m (2015: £2.2m), with the increase being mainly the interest on increased debt after the acquisition of EuroMed for £28.3m. After dividends of £2.6m (2015: £2.2m), closing net debt was £29.0m, less than 1x LTM EBITDA[4] (31 March 2016: £2.6m net debt).

Dividend

A final dividend for the year ended 31 March 2016 of 1.75p per share was paid on 19 August 2016 to all shareholders registered on 22 July 2016. In line with last year, the Board does not propose an interim dividend but intends to maintain a progressive dividend policy.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that these principal risks and uncertainties have changed since publication of the annual report for the year ended 31 March 2016. A more detailed explanation of the risks for the Group can be found on pages 10 and 11 of this interim report.

Going concern

As stated in note 1 to these condensed financial statements, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

Summary and outlook

Scapa has delivered a strong first half performance with growth in revenue, trading profit and margins. We continue to consistently deliver improving results in a volatile and uncertain environment. We maintain a disciplined approach in executing our strategy and are excited about the opportunities that exist for the business. The Board believes the Group will deliver full year results ahead of expectations, benefitting from both trading and currency.

James A S Wallace

J A S Wallace
Chairman
22 November 2016

[4] As defined in Note 22 of the Annual Report.

CONSOLIDATED INCOME STATEMENT
For the half year ended 30 September 2016 (unaudited)

All on continuing operations	note	**Half year ended 30 Sept 2016 £m**	Half year ended 30 Sept 2015 £m	Year ended 31 Mar 2016 £m
Revenue	2	**135.4**	119.3	246.7
Operating profit	2	**9.5**	4.1	11.7
Trading profit*		**12.7**	10.0	21.3
Amortisation of intangible assets		**(1.9)**	(1.2)	(2.3)
Exceptional items	4	**(1.0)**	(4.3)	(6.6)
Pension administration costs		**(0.3)**	(0.4)	(0.7)
Operating profit	2	**9.5**	4.1	11.7
Finance costs	7	**(1.0)**	(0.8)	(1.9)
Profit on ordinary activities before tax		**8.5**	3.3	9.8
Taxation charge	8	**(1.8)**	(1.2)	(3.7)
Profit for the period		**6.7**	2.1	6.1
Weighted average number of shares (m)		**150.4**	147.3	148.3
Basic earnings per share (p)		**4.5**	1.4	4.1
Diluted earnings per share (p)		**4.3**	1.4	3.9
Adjusted earnings per share (p)		**6.4**	5.0	10.6

* Before amortisation of intangible assets, exceptional items, pension administration costs and finance charges.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 30 September 2016 (unaudited)

All on continuing operations	**Half year ended 30 Sept 2016 £m**	Half year ended 30 Sept 2015 £m	Year ended 31 Mar 2016 £m
Profit for the period	**6.7**	2.1	6.1
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translating foreign operations	**9.8**	(2.5)	2.5
Actuarial (loss)/gain	**(11.6)**	5.9	7.9
Items that will not be reclassified subsequently to profit and loss:			
Deferred tax on actuarial (gain)/loss	**–**	–	(0.2)
Other (expense)/income for the period	**(1.8)**	3.4	10.2
Total comprehensive income for the period	**4.9**	5.5	16.3

The notes on pages 10 to 20 form an integral part of this interim financial report.

CONSOLIDATED BALANCE SHEET
As at 30 September 2016 (unaudited)

	note	**Half year ended 30 Sept 2016 £m**	Half year ended 30 Sept 2015 £m	Year ended 31 Mar 2016 £m
Assets				
Non-current assets				
Goodwill		**54.5**	33.4	34.7
Intangible assets		**8.3**	4.5	3.4
Property, plant and equipment		**53.5**	42.5	46.1
Deferred tax asset		**8.0**	8.7	7.6
Other receivables		**0.1**	–	–
		124.4	89.1	91.8
Current assets				
Inventory		**33.9**	27.7	27.1
Trade and other receivables		**51.3**	43.4	47.9
Current tax asset		**1.5**	1.0	0.6
Cash and cash equivalents	14	**12.4**	15.9	18.7
		99.1	88.0	94.3
Liabilities				
Current liabilities				
Financial liabilities:				
– Borrowings and other financial liabilities		**(1.4)**	(0.9)	(1.0)
Trade and other payables		**(48.9)**	(42.3)	(45.2)
Deferred consideration		**(0.1)**	(0.1)	(0.1)
Current tax liabilities		**(0.1)**	(0.2)	(0.2)
Provisions	13	**(2.5)**	(4.2)	(3.9)
		(53.0)	(47.7)	(50.4)
Net current assets		**46.1**	40.3	43.9
Non-current liabilities				
Financial liabilities:				
– Borrowings and other financial liabilities		**(40.0)**	(21.8)	(20.3)
Trade and other payables		**(0.2)**	(0.2)	(0.2)
Deferred consideration		**–**	(0.1)	(0.1)
Deferred tax liabilities		**(6.8)**	(6.5)	(6.4)
Non-current tax liabilities		**(2.4)**	(2.0)	(2.0)
Retirement benefit obligations	12	**(38.0)**	(31.7)	(27.5)
Provisions	13	**(2.2)**	(1.4)	(1.5)
		(89.6)	(63.7)	(58.0)
Net assets		**80.9**	65.7	77.7
Shareholders' equity				
Ordinary shares		**7.6**	7.4	7.5
Share premium		**0.4**	0.4	0.4
Retained earnings		**42.6**	42.4	49.3
Translation reserve		**30.3**	15.5	20.5
Total shareholders' equity		**80.9**	65.7	77.7

The notes on pages 10 to 20 form an integral part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 September 2016 (unaudited)

	Share capital £m	Share premium £m	Translation reserves £m	Retained earnings £m	Total equity £m
Balance at 31 March 2015	7.4	0.4	18.0	36.0	61.8
Employee share option scheme – value of employee services	–	–	–	0.6	0.6
Dividends to shareholders	–	–	–	(2.2)	(2.2)
	–	–	–	(1.6)	(1.6)
Currency translation differences	–	–	(2.5)	–	(2.5)
Actuarial gain on pension schemes	–	–	–	5.9	5.9
Net (expense)/income recognised directly in equity	–	–	(2.5)	5.9	3.4
Profit for the period	–	–	–	2.1	2.1
Total comprehensive (expense)/income	–	–	(2.5)	8.0	5.5
Balance at 30 September 2015	7.4	0.4	15.5	42.4	65.7
Employee share option scheme – value of employee services	–	–	–	1.2	1.2
Equity-settled share based payments	–	–	–	(0.1)	(0.1)
Issue of shares	0.1	–	–	–	0.1
	0.1	–	–	1.1	1.2
Currency translation differences	–	–	5.0	–	5.0
Actuarial gain on pension schemes	–	–	–	2.0	2.0
Deferred tax on actuarial gain	–	–	–	(0.2)	(0.2)
Net income recognised directly in equity	–	–	5.0	1.8	6.8
Profit for the period	–	–	–	4.0	4.0
Total comprehensive income	–	–	5.0	5.8	10.8
Balance at 31 March 2016	7.5	0.4	20.5	49.3	77.7
Employee share option scheme – value of employee services	–	–	–	0.9	0.9
Equity-settled share based payments	–	–	–	(0.1)	(0.1)
Dividends	–	–	–	(2.6)	(2.6)
Issue of shares	0.1	–	–	–	0.1
	0.1	–	–	(1.8)	(1.7)
Currency translation differences	–	–	9.8	–	9.8
Actuarial loss on pension schemes	–	–	–	(11.6)	(11.6)
Net income/(expense) recognised directly in equity	–	–	9.8	(11.6)	(1.8)
Profit for the period	–	–	–	6.7	6.7
Total comprehensive income/(expense)	–	–	9.8	(4.9)	4.9
Balance at 30 September 2016	**7.6**	**0.4**	**30.3**	**42.6**	**80.9**

The notes on pages 10 to 20 form an integral part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

For the half year ended 30 September 2016 (unaudited)

All on continuing operations	note	**Half year ended 30 Sept 2016 £m**	Half year ended 30 Sept 2015 £m	Year ended 31 Mar 2016 £m
Cash flows from operating activities				
Net cash flow from operations	14	**11.2**	6.8	16.5
Cash generated from operations before exceptional items*	14	**13.4**	7.0	19.0
Cash outflows from exceptional items*	14	**(2.2)**	(0.2)	(2.5)
Net cash flow from operations		**11.2**	6.8	16.5
Net interest paid		**(0.5)**	(0.3)	(0.6)
Income tax paid		**(1.9)**	(1.9)	(3.0)
Net cash generated from operating activities		**8.8**	4.6	12.9
Cash flows (used in)/from investing activities				
Acquisition of subsidiary	11	**(28.3)**	–	–
Purchase of property, plant and equipment		**(4.6)**	(5.6)	(9.8)
Proceeds from sale of property, plant and equipment		**–**	0.1	0.1
Net cash used in investing activities		**(32.9)**	(5.5)	(9.7)
Cash flows (used in)/from financing activities				
Dividends		**(2.6)**	(2.2)	(2.2)
Increase in borrowings		**20.8**	3.0	5.7
Repayment of borrowings		**(1.3)**	(0.4)	(4.9)
Net cash from/(used in) financing activities		**16.9**	0.4	(1.4)
Net (decrease)/increase in cash and cash equivalents		**(7.2)**	(0.5)	1.8
Cash and cash equivalents at beginning of the period		**18.7**	16.7	16.7
Exchange gains on cash and cash equivalents		**0.9**	(0.3)	0.2
Cash and cash equivalents at end of period	14	**12.4**	15.9	18.7

* Exceptional items include provision movements on items charged to the Income Statement in prior years.

The notes on pages 10 to 20 form an integral part of this interim financial report.

NOTES

1. GENERAL INFORMATION

Scapa Group plc ('the Company') and its subsidiaries (together 'the Group') manufacture bonding products and adhesive components for applications in the healthcare and industrial markets. The Group has manufacturing plants around the world and sells mainly in countries within Europe, North America and Asia.

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is 997 Manchester Road, Ashton-under-Lyne, Greater Manchester OL7 0ED. The Company has its listing on the Alternative Investment Market.

The financial information for the period ended 30 September 2016 and similarly the period ended 30 September 2015 has been neither audited nor reviewed by the auditor. The financial information for the year ended 31 March 2016 has been based on information in the audited financial statements for that period.

The information for the year ended 31 March 2016 and the interim condensed financial statements for the period ended 30 September 2016 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2016 has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Basis of preparation

The consolidated financial statements for Scapa Group plc are prepared in accordance with IFRSs as adopted by the European Union. AIM listed companies are not required to issue IAS 34 compliant interim reports. Scapa Group plc complies with the majority of IAS 34 but does not produce a number of additional disclosures that are not considered significant.

Accounting policies

The same accounting policies, presentation and methods of computation are followed in the interim condensed financial statements as applied in the Group's latest annual audited financial statements.

Critical accounting estimates, judgements and risks

The preparation of the interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2016.

The notes on pages 10 to 20 form an integral part of this interim financial report.

1. GENERAL INFORMATION CONTINUED

A summary of the principal risks and uncertainties is below and a more detailed explanation and how the Group seeks to mitigate the risks can be found on pages 12 to 18 of the Annual Report, which is available at www.scapa.com.

Health and safety – failure to work safely could damage the reputation of the Group and incur regulator intervention or fines

Acquisitions – poor decision-making on acquisitions could adversely affect the Group's results, weakening shareholder value

Business strategy – development of the wrong strategy by the Board or the failure to implement its strategy effectively could negatively impact on the Group's long-term growth plan

Financial and treasury – the Group has significant operations outside the UK and as such is exposed to movement in exchange rates

Pensions – retirement liabilities fluctuate with changes in life expectancy, inflation, asset performance and discount rate assumptions

Customers – the Group benefits from good commercial relationships with a number of key customers. Damage to these relationships could have a direct, detrimental effect on the Group's results

Raw material pricing – Group margin is susceptible to supplier price increases

Human resources – availability of sufficient, skilled resource may impact on our ability to achieve sustainable growth

ICT systems and infrastructure – the Group is reliant on ICT systems in the effective planning and manufacture of product. Significant disruption can interrupt manufacturing and support process and potentially impact sales

Product quality – the Group is exposed to financial risk around product liability, customer returns and ultimately customer trust in Scapa as a supplier

Environment – failure to mitigate environmental impacts could damage the reputation of the Group and result in the financial loss associated with clean-up, fines and sanctions

Going concern

The Directors are satisfied that the Group's forecasts and projections show that the Group should be able to operate within its banking facilities and comply with its banking covenants. The Group is exposed to a number of significant risks and uncertainties, which could affect the Group's ability to meet its banking covenants. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed financial statements.

The notes on pages 10 to 20 form an integral part of this interim financial report.

2. SEGMENTAL REPORTING

The Group operates two standalone business units: Healthcare and Industrial, supported by a strategic Corporate function. All inter-segment transactions are made on an arm's length basis.

The chief operating decision maker relies primarily on turnover and trading profit to assess the performance of the Group and makes decisions about resources to be allocated to each segment; assets and liabilities are looked at geographically. Trading profit is reconciled to operating profit on the face of the Income Statement.

The Board reviews the performance of the business using information presented at constant exchange rates. The prior year results have been restated at constant currency as shown on the following pages.

Segment results – 30 September 2016

The segment results for the half year ended 30 September 2016 are as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	53.5	81.9	–	135.4
Trading profit/(loss)	7.6	7.6	(2.5)	12.7
Amortisation of intangible assets	(1.9)	–	–	(1.9)
Exceptional items	(0.6)	(0.4)	–	(1.0)
Pension administration costs	–	–	(0.3)	(0.3)
Operating profit/(loss)	5.1	7.2	(2.8)	9.5
Net finance costs				(1.0)
Profit on ordinary activities before tax				**8.5**
Tax charge				(1.8)
Profit for the period				**6.7**

Revenue is allocated based on the country in which the order is received. The revenue analysis based on the location of the customer is as follows:

	Europe £m	N America £m	Asia £m	Other £m	Group £m
External revenue – 30 Sept 2016	53.8	67.2	6.3	8.1	135.4
External revenue – 30 Sept 2015	44.1	59.6	7.3	8.3	119.3
External revenue – 31 Mar 2016	95.4	121.0	15.1	15.2	246.7

The revenue based on the location where the sale occurred is as follows:

	Europe £m	N America £m	Asia £m	Other £m	Group £m
External revenue – 30 Sept 2016	55.5	72.5	6.4	1.0	135.4
External revenue – 30 Sept 2015	49.3	62.0	7.3	0.7	119.3
External revenue – 31 Mar 2016	101.9	129.3	14.0	1.5	246.7

The notes on pages 10 to 20 form an integral part of this interim financial report.

2. SEGMENTAL REPORTING CONTINUED

Segment results – 30 September 2015

The segment results for the half year ended 30 September 2015 are as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	43.4	75.9	–	119.3
Trading profit/(loss)	6.5	5.1	(1.6)	10.0
Amortisation of intangible assets	(1.2)	–	–	(1.2)
Exceptional items	–	(4.7)	0.4	(4.3)
Pension administration costs	–	(0.1)	(0.3)	(0.4)
Operating profit/(loss)	5.3	0.3	(1.5)	4.1
Net finance costs				(0.8)
Profit on ordinary activities before tax				**3.3**
Tax charge				(1.2)
Profit for the period				**2.1**

The Board reviews the performance of the business using information presented at constant exchange rates. The prior half year results have been restated using this year's exchange rates as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	43.4	75.9	–	119.3
Foreign exchange	4.4	6.9	–	11.3
External revenue at constant exchange rates	**47.8**	**82.8**	**–**	**130.6**
Trading profit/(loss)	6.5	5.1	(1.6)	10.0
Foreign exchange	0.7	0.6	–	1.3
Trading profit/(loss) at constant exchange rates	**7.2**	**5.7**	**(1.6)**	**11.3**

Segment results – 31 March 2016

The segment results for the year ended 31 March 2016 are as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	93.3	153.4	–	246.7
Trading profit/(loss)	14.0	10.7	(3.4)	21.3
Amortisation of intangible assets	(2.3)	–	–	(2.3)
Exceptional items	(1.5)	(4.6)	(0.5)	(6.6)
Pension administration costs	–	–	(0.7)	(0.7)
Operating profit/(loss)	10.2	6.1	(4.6)	11.7
Net finance costs				(1.9)
Profit on ordinary activities before tax				**9.8**
Tax charge				(3.7)
Profit for the year				**6.1**

The notes on pages 10 to 20 form an integral part of this interim financial report.

2. SEGMENTAL REPORTING CONTINUED

The Board reviews the performance of the business using information presented at constant exchange rates. The prior year results have been restated using this year's exchange rates as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	93.3	153.4	–	246.7
Foreign exchange	6.5	13.3	–	19.8
External revenue at constant exchange rates	**99.8**	**166.7**	**–**	**266.5**
Trading profit/(loss)	14.0	10.7	(3.4)	21.3
Foreign exchange	1.2	1.2	–	2.4
Trading profit/(loss) at constant exchange rates	**15.2**	**11.9**	**(3.4)**	**23.7**

3. SEGMENT ASSETS AND LIABILITIES

The chief operating decision maker does not review assets and liabilities by business unit but by geographical area. The assets and liabilities at 30 September 2016 and capital expenditure for the period then ended can be analysed into geographical segments as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Non-current assets*	36.2	76.1	4.1	–	116.4
Inventory	15.2	15.7	3.0	–	33.9
Trade receivables (net)	20.8	24.3	1.7	–	46.8
Trade payables	(21.4)	(10.9)	(0.6)	(0.4)	(33.3)
Cash	6.0	4.6	1.9	(0.1)	12.4
Additions of property, plant and equipment	2.4	2.1	0.1	–	4.6

* Non-current assets excluding deferred tax assets.

The assets and liabilities at 30 September 2015 and capital expenditure for the period then ended were as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Non-current assets*	32.7	44.8	2.9	–	80.4
Inventory	12.4	13.0	2.3	–	27.7
Trade receivables (net)	17.9	19.5	3.5	–	40.9
Trade payables	(17.4)	(11.5)	(0.7)	(0.4)	(30.0)
Cash	8.0	4.7	1.6	1.6	15.9
Additions of property, plant and equipment	2.9	1.2	1.6	–	5.7

* Non-current assets excluding deferred tax assets.

The notes on pages 10 to 20 form an integral part of this interim financial report.

3. SEGMENT ASSETS AND LIABILITIES CONTINUED

The assets and liabilities at 31 March 2016 and capital expenditure for the year then ended were as follows:

	Europe £m	**N America £m**	**Asia £m**	**Head office £m**	**Group £m**
Non-current assets*	34.2	46.4	3.6	–	84.2
Inventory	11.9	13.0	2.2	–	27.1
Trade receivables (net)	22.1	20.0	1.2	–	43.3
Trade payables	(19.8)	(9.2)	(0.5)	(0.5)	(30.0)
Cash	6.6	3.5	1.8	6.8	18.7
Additions of property, plant and equipment	5.2	2.3	2.0	0.2	9.7

* Non-current assets excluding deferred tax assets.

Unallocated head office items relate to assets and liabilities incurred in the normal course of business for the Parent Company.

4. EXCEPTIONAL ITEMS

	Half year ended 30 Sept 2016 £m	Half year ended 30 Sept 2015 £m	Year ended 31 Mar 2016 £m
Operating income:			
UK pension settlement gain	**–**	0.6	0.6
US pension settlement gain	**–**	–	1.0
Bellegarde land sale	**–**	–	0.5
Operating expenses:			
Site closure costs	**(0.3)**	(3.4)	(3.5)
Asset write-offs and accelerated depreciation	**(0.1)**	(1.5)	(1.6)
Post-combination remuneration	**–**	–	(2.0)
Reorganisation costs	**–**	–	(1.2)
Abortive acquisition costs	**–**	–	(0.4)
Acquisition costs	**(0.6)**	–	–
	(1.0)	(4.3)	(6.6)

During the period costs have been incurred on the closure of our Rorschach site in Switzerland and on the purchase of EuroMed. To enable readers of the accounts to better understand the underlying performance of the business, these one-off costs have been separated out on the face of the income statement.

The acquisition costs are directly related to the acquisition of EuroMed and are covered in note 11.

The notes on pages 10 to 20 form an integral part of this interim financial report.

4. EXCEPTIONAL ITEMS CONTINUED

The closure of the Rorschach site in Switzerland was announced in April 2015 and substantially provided for in the 2016 accounts. However certain costs have been incurred in the period that could not be provided for previously: being retention payments made to certain key members of staff of £0.3m and £0.1m impairment of assets that continued to be used up until cessation of production at the site.

The prior year costs relate entirely to the closure of our Rorschach site and include the impairment of plant and machinery down to its recoverable value, £1.5m, and the then best estimate of costs to close the site of £3.4m. The closure costs included all the employee and employee consultation costs, the remediation and building strip-out costs, the legal costs associated with closing the site and certain costs related to revalidating a number of products at alternative sites, essential to ensure the continued production within the Group. These estimates remain our best estimate and no additional provisions have been made in the period. In the future certain costs may be incurred to enhance the site if it is deemed economic to attain a higher final sale price.

5. KEY MANAGEMENT COMPENSATION AND DIRECTORS' REMUNERATION

	Half year ended 30 Sept 2016 £m	Half year ended 30 Sept 2015 £m	Year ended 31 Mar 2016 £m
Short-term employment benefits	**2.6**	1.8	4.1
Post-employment benefits	**0.1**	0.1	0.2
Termination benefits	**–**	0.2	0.2
Share-based payments (including share incentive plan)	**0.8**	0.8	1.6
	3.5	2.9	6.1

Key management is considered by the Group to be the Executive Team, which comprises certain senior employees, as defined in the annual financial statements.

The short-term employment benefits include wages and salaries, bonuses, social security contributions and non-monetary benefits.

6. RELATED PARTY TRANSACTIONS

The pension schemes are related parties to the Group. There were no contributions outstanding at the period end.

7. NET FINANCE COSTS

	Half year ended 30 Sept 2016 £m	Half year ended 30 Sept 2015 £m	Year ended 31 Mar 2016 £m
Interest payable on bank loans and overdrafts	**(0.6)**	(0.3)	(0.7)
Expected return on pension scheme assets less interest on scheme liabilities	**(0.4)**	(0.5)	(1.2)
Net finance costs	**(1.0)**	(0.8)	(1.9)

The notes on pages 10 to 20 form an integral part of this interim financial report.

8. TAXATION

	Half year ended 30 Sept 2016 £m	Half year ended 30 Sept 2015 £m	Year ended 31 Mar 2016 £m
Current tax:			
Tax on trading activities – current period	**(1.7)**	(1.4)	(3.0)
Tax on trading activities – prior period	**0.1**	0.2	0.4
Tax on non-trading items	**–**	0.4	0.2
Total current tax	**(1.6)**	(0.8)	(2.4)
Deferred tax:			
Tax on trading activities – current period	**(0.6)**	(1.1)	(2.4)
Tax on trading activities – prior period	**(0.3)**	–	0.1
Tax on non-trading items	**0.7**	0.7	1.0
Total deferred tax	**(0.2)**	(0.4)	(1.3)
Tax charge on trading activities	**(2.5)**	(2.3)	(4.9)
Tax income on non-trading activities	**0.7**	1.1	1.2
Tax charge for the period	**(1.8)**	(1.2)	(3.7)

9. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. Diluted earnings per share has been calculated on share options in existence at 30 September 2016.

Adjusted

Adjusted earnings per share is calculated by dividing the trading profit less cash interest less tax on operating activities by the weighted average number of ordinary shares in issue during the period.

	Half year ended 30 Sept 2016	Half year ended 30 Sept 2015	Year ended 31 Mar 2016
Profit attributable to equity holders of the Company (£m)	**6.7**	2.1	6.1
Weighted average number of ordinary shares in issue (m)	**150.4**	147.3	148.3
Basic earnings per share (p)	**4.5**	1.4	4.1
Weighted average number of shares in issue, including potentially dilutive shares (m)	**157.3**	154.1	157.3
Diluted earnings per share (p)	**4.3**	1.4	3.9
Adjusted earnings per share (p)	**6.4**	5.0	10.6

The notes on pages 10 to 20 form an integral part of this interim financial report.

10. DIVIDENDS

A final dividend for the year ended 31 March 2016 of 1.75p per share was declared by the Directors at their meeting on 23 May 2016. The dividend was paid on 19 August 2016 to shareholders registered on 22 July 2016.

11. ACQUISITION OF SUBSIDIARY

On 23 May 2016 the Group acquired 100% of the share capital of EuroMed, obtaining control. EuroMed is a hydrocolloid-based wound care solutions provider. The Company is based in New York State.

The Directors believe that the acquisition of EuroMed brings multiple advantages to Scapa, including:

- Proprietary and patented technology to broaden and strengthen Scapa Healthcare's Turn-Key value proposition
- Innovative R&D capabilities complementing Scapa Healthcare's existing resources
- Expanded opportunities for growth in new markets and with new customers
- Significant cross-selling opportunities across the customer base
- Improved manufacturing infrastructure
- Acceleration in Scapa Healthcare's growth
- The acquisition is expected to be earnings enhancing in the first full year in the enlarged Group.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair Value £m
Net assets acquired	
Separately identifiable intangible assets	6.5
Property, plant and machinery	1.9
Other assets	0.1
Inventory	2.1
Debt, cash and equivalents	3.2
Trade and other payables	(2.3)
	11.5
Goodwill	16.8
Total consideration	**28.3**
Satisfied by cash	28.3

In addition to the above, the former owners of the business have the opportunity to earn an additional US$7.0m (GBP £5.4m) consideration based on the future performance of EuroMed. None of the consideration has been recognised as current forecasts suggest that the targets for payment will not be met.

The goodwill of £16.8m arising from the acquisition is expected to be deductible for income tax purposes in the US. Acquisition related costs (included within exceptionals) amount to £0.6m.

The notes on pages 10 to 20 form an integral part of this interim financial report.

12. RETIREMENT BENEFIT SCHEMES

Defined benefit schemes

The defined benefit obligation as at 30 September 2016 is calculated by rolling forward the March 2016 valuation and adjusting for movements over the period.

The defined benefit plan assets have been updated to reflect their market value at 30 September 2016. Differences between the expected return on assets have been recognised as an actuarial gain or loss in the Statement of Comprehensive Income in accordance with the Group's accounting policy.

13. PROVISIONS

	Reorganisation and leasehold commitments £m	Environmental £m	Total £m
At 31 March 2015	1.7	0.7	2.4
Charged in the period	3.6	–	3.6
Utilised in the period	(0.1)	(0.3)	(0.4)
At 30 September 2015	5.2	0.4	5.6
Exchange differences	0.2	–	0.2
Charged in the period	1.3	0.1	1.4
Released in the period	–	(0.3)	(0.3)
Utilised in the period	(1.7)	0.2	(1.5)
At 31 March 2016	5.0	0.4	5.4
Exchange differences	0.2	–	0.2
Charged in the period	0.7	–	0.7
Utilised in the period	(1.5)	(0.1)	(1.6)
At 30 September 2016	**4.4**	**0.3**	**4.7**
Analysis of provisions:			
Current	2.2	0.3	2.5
Non-current	2.2	–	2.2
At 30 September 2016	**4.4**	**0.3**	**4.7**

The notes on pages 10 to 20 form an integral part of this interim financial report.

14. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW AND RECONCILIATION OF NET CASH

	Half year ended 30 Sept 2016 £m	Half year ended 30 Sept 2015 £m	Year ended 31 Mar 2016 £m
Operating profit	**9.5**	4.1	11.7
Adjustments for:			
Depreciation and amortisation	**4.8**	3.7	7.5
Exceptional pension settlement	**–**	(0.6)	(1.6)
Impairment of tangible fixed assets	**0.3**	1.5	1.6
Pensions payments in excess of charge	**(2.2)**	(2.1)	(4.4)
Share options charge	**0.8**	0.6	1.8
Grant income released	**–**	(0.1)	(0.1)
Changes in working capital:			
Inventories	**(2.7)**	(3.4)	(1.7)
Trade debtors	**2.7**	0.9	0.9
Trade creditors	**(0.1)**	1.0	(0.4)
Changes in trading working capital	**(0.1)**	(1.5)	(1.2)
Other debtors	**0.5**	0.6	(1.1)
Other creditors	**(1.5)**	(2.7)	(0.4)
Deferred consideration	**–**	–	(0.1)
Net movement in environmental provisions	**(0.1)**	(0.2)	(0.3)
Net movement in reorganisation provisions and leasehold commitments	**(0.1)**	–	0.2
Net movement in other provisions	**(0.7)**	3.5	2.9
Cash generated from operations	**11.2**	6.8	16.5

Cash generated from operations before exceptional items	**13.4**	7.0	19.0
Cash outflows from exceptional items	**(2.2)**	(0.2)	(2.5)
Cash generated from operations	**11.2**	6.8	16.5

Analysis of cash and cash equivalents and borrowings

	At 1 April 2016 £m	Cash flow £m	Exchange movement £m	**At 30 Sept 2016 £m**
Cash and cash equivalents	18.7	(7.2)	0.9	**12.4**
Borrowings within one year	(1.0)	(0.3)	(0.1)	**(1.4)**
Borrowings after more than one year	(20.3)	(19.2)	(0.5)	**(40.0)**
Total borrowings	(21.3)	(19.5)	(0.6)	**(41.4)**
Total	(2.6)	(26.7)	0.3	**(29.0)**

The notes on pages 10 to 20 form an integral part of this interim financial report.

COMPANY INFORMATION

KEY DATES

Next year end (to be reported)	31 March 2017
Next preliminary announcement	23 May 2017
Next annual report due	June 2017
Next Annual General Meeting	18 July 2017
Next interim results	21 November 2017

SHAREHOLDER INFORMATION

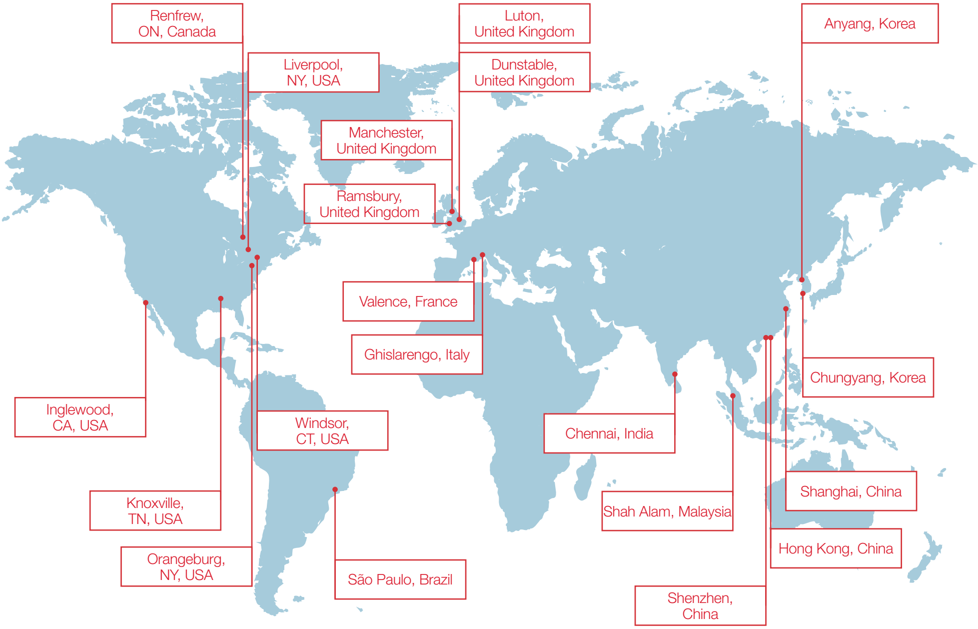
Shareholder enquiries should be directed to the Company's registrars, Capita Asset Services, at their Customer Support Centre, details as follows:

By phone – UK – 0871 664 0300 (UK calls cost 12p per minute plus your phone company's access charge). If you are outside the United Kingdom, please call +44 371 664 0300. Calls from outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.
By email – ssd@capita.co.uk
By post – Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Further information regarding the various services offered by Capita Asset Services, including the Share Portal and Share Dealing Service, can be obtained from the above or directly from Capita's website www.capitaassetservices.com or www.capitashareportal.com.

Scapa Group plc

Manchester Road
Ashton-Under-Lyne
Greater Manchester OL7 0ED
United Kingdom
T +44 (0)161 301 7400
F +44 (0)161 301 7597
www.scapa.com



Scapa Asia
T +852 2439 4330

Scapa North America
T +1 860 688 8000

Scapa South America
T +55 11 2589 6003

Scapa Europe

UK
T +44 (0) 161 301 7400

France
T +33 (0) 475 44 80 00

Italy
T +39 0161 867 311