



MEMORANDUM

To: All Employees

From: Calvin O'Connor

Subject: AGM & OneScapa Change Programme Update

Date: 28 July 2009

Dear Colleagues

We are today holding our Annual General Meeting (AGM) which is our opportunity to talk to our shareholders about Scapa's business performance and strategy. It also provides me with a timely opportunity to update you on current trading and the progress we are making with the OneScapa change programme.

AGM

The formal AGM Statement, giving a brief update on trading during the first quarter, is now on the website (www.scapa.com). Firstly, it's excellent to see the increased Health & Safety focus and much improved accident performance – well done to all for this. Secondly, you'll note from the Statement that business has strengthened a little with the rate of sales decline decreasing from the 20% level experienced in the second half of 2008/9 to the current 15% level. The improvement in the market is welcome and we need to make sure that we execute our change programme more effectively to make the most of the opportunities we currently have. This will both allow us to return to profit (we made a small loss during the first quarter) and create a stronger platform on which to build for the future.

Finally, as I've mentioned in previous notes, strong cash generation is a key focal point for the whole business and particularly important over the next couple of months to the half year as we complete our major capital investment programme (over £10m spent in the last 18 months) and rationalisation spend. Strong control of working capital is imperative and whilst we have done much in this area over the last six months, we need to do more still to become World Class. This is probably the most important metric we have at present and the one on which the whole Group will be judged externally.

OneScapa Change Programme

We are continuing to make good progress on our journey to become a World Class business and are meeting the key milestones that we have set across our core areas of focus for the change programme - People, Commercial, Technical, Operations and Communications.

In terms of people development, all the Management Conference attendees have recently received their individual feedback from the 360° assessment process which began earlier this year. In addition our new on-line appraisal system has now been launched and is being used by a smaller group of people initially to assess its suitability for roll out across the rest of Scapa. Once in place this system will enable us to provide a consistent mechanism for performance management including staff development with some training programmes already designed.



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Extensive work has continued throughout the Group developing our Quadrant market analysis work further. At the same time, we have been developing our Customer Relationship Management (CRM) project and 'Sales Excellence' training. This is an ongoing investment we are making to ensure that our front line sales teams continue to provide a level of service and support to our customers at a standard that you would expect from a World Class business.

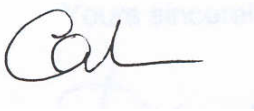
On technology we have introduced the new NPD process intranet system and started to examine new technology platforms – market-led of course!

Work to implement Lean Six Sigma is also moving ahead at a pace and I'm pleased that the first set of training for senior managers has now taken place with excellent feedback received so far. Lean Six Sigma is an essential component to improving performance across our business with initial project work under way at Ashton, Renfrew and Whasung-Myun.

The Scapa intranet was re-launched two weeks ago with lots of new functionality and an increased emphasis on communications. We will be continuing to develop the site further over the coming months including rolling it out across the entire Scapa Group. We are also in the process of planning to introduce the first Scapa group-wide newsletter and an employee views survey which will enable you to tell us what you really think about working for the Company and thereby help us to improve further.

So, as you'll see from the above, there is plenty going on particularly when you add all of this to our every-day business activities! Change obviously brings its challenges, particularly when coupled with the external climate we have at present. It's critical that everyone keeps a positive team orientated attitude so that we work through any issues to find World Class solutions. As I've mentioned recently during some of my site visits, being a tea drinker, I always keep the acronym TCUP in mind – Thinking Clearly Under Pressure – as this is so vital in the challenging conditions we often face.

Thanks once again for all your hard work and efforts on behalf of Scapa.



Calvin O'Connor
Chief Executive



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