



# Euro Link

Issue 6 - June 2007

## The Quarterly Brief from the European SET

### Scapa Financial Results 2006/7

The Group's annual financial statement was released to the stock exchange, shareholders and the public on June 7th. The Company's web site [www.scapa.com](http://www.scapa.com) has the full results if you wish to see a fuller version of the announcement in English.

The Group reported improved trading performance with Operating profit as a % sales rising to 3.9% compared to 2.9% a year ago. Most of this improvement came from a much improved European performance. In Europe our profitability levels are 2% which is much improved from the loss making situation of a few years ago but we still have some way to go to get to sustainable standards.

For the second year in a row, Europe showed sales growth, 8% in the last year, with improved customer delivery performance, lower levels of credit notes, better quality in production and better selling skills being key to this excellent growth.

Our key raw materials saw significant price increases which coupled with higher energy costs put our margins under pressure. The actions of our purchasing teams to contain these increases and prices increases to customers implemented by the sales teams helped recover the margins, although we need to improve the speed with which we react to these margin pressures.

The cost reduction initiatives involved many of us in the last year and despite the growth we realised over £2 million of cost reductions. This effort is even more significant when combined with the impact of selling the Megolon, Sealants and Irish businesses.

Despite our funding difficulties in the year, Scapa Europe continued to invest £1.5m in capital projects, many health, safety and environment related, in addition to machinery improvements.

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The sale of these businesses realised total proceeds of £23m and allowed the Group to eliminate it's borrowings, allowing Scapa to reduce it's high borrowing costs and more importantly to take away the 'influence' of a non supportive banking group.

Our working capital levels need to improve as quickly as our profitability levels however 2006/7 was a poor year in Europe for this. Our year end position was good, but the mid year performance needs to improve. Most of you should already have seen some initiatives that got underway last year and we should see benefits of these this year. Other new initiatives will be launched shortly. These include stock reduction targets, debtor collection improvements and longer supplier credit terms.

In summary, 2006/7 was a good year, with great improvements in many parts of the business. We need this improvement to continue, and we need to improve faster and be ever more responsive. One thing is sure, our competitors have noticed Scapa Europe more this last year and will be looking to challenge us even harder in the coming year.

# Never Boring at Scapa!

What a year we have been through! New names such as AlphaGary and Hodgson have dominated many of us in the last year. Ideas that surround profits and cash have pushed all of us to new levels and provided new challenges. Our service improvements continue to be under constant, seemingly never ending pressure. In reflection it seems we said similar things the previous year. Will it never end?

We think the answer is unfortunately “no” but not for the reasons you might think. We suspect that we will be pushed again this current year in the same ways but with different names and different concepts. Most of us would say that our bosses provide that pressure. Not enough pay, more work, limited new tools, new tasks, and your boss pushing for more every day. Does that sound familiar? The fact is that your boss is not to blame, in fact no one in Scapa is to blame. This unrelenting pressure is coming from the marketplace and the fact is that you are the one to blame, you are creating this market pressure. This market demand pushes us and our competition to new levels all the time. This market pressure comes from all of us as consumers of the products we buy. We all want cheaper cars, housing, appliances, flights, food, and other consumables and that pressure pushes all manufacturers to make their products cheaper or run more efficiently. This constant pressure to improve products forces our business to change, improve and innovate. Therefore there is no end in sight, and it is the same in all business today. The big differential to all this pressure is how we accept these new challenges and changes in our workplace. How we deal with these changes is what will make our business and our life different.

We all have a choice. We don't have to accept change; we can fight it or even run from it. Our other option is that we can get excited and energized by change. If we start to embrace and anticipate change we will all have more opportunity to benefit. If we chose to do nothing we put our quality of life at risk, our income potential will shrink and our workplace satisfaction will diminish.” Hold on” you say, I would really like to work less and stay at home more. Certainly we all would like to sit back and enjoy our family, our hobbies and our home life but this is not a realistic option to most.

We all need to earn money and that goes right from the top and through the management teams. None of us can simply walk away from this business and expect to improve our lifestyle. We all want and need a successful Scapa!

What should we expect for next year for those of us ‘fortunate’ enough to be working at Scapa? Hard work is needed to excel above our competition and show improvement. Next is the realization and acceptance that change will occur both in people and in the shape of the business. Also priorities will have to be adjusted at different times through the year and lastly our competition will continue to try to beat us each and every day.

It is tough for Scapa management to set direction for our people in our business but it is important that we all know our targets each day when we come to work. It is clear that the most important priority is improved profits at each of our sites within Europe and overseas. It is clear that cash flow is almost as important as profit (and sometimes more important to our success) and it is clear that our core competency of applying adhesive coating to various materials is our primary reason for existence as a business. All of this is good but the real question is what do each of us do to make sure our results show well at “half time” and at the end of the game, year end?

We have progressed to the next level of profit and cash flow but we still remain behind our competition in these areas. We did well in the last year and the improved profit performance was seen when Calvin announced our results on June 7. Let's remember we did well this past year! There is a moment to be proud of that achievement but and there is a big qualification to this statement. Firstly all of our actions to improve have taken too long to implement, secondly we did not capitalize on margin improvement through price increases and product value awareness in the marketplace and thirdly our cash management still requires more focus.

Help Scapa to succeed, help your teammates to succeed, help our customers by allowing them to succeed in the marketplace and help yourself and your family to improve your lifestyle by embracing change, fighting for improvement and driving for our best result possible.

Make our business a real success story, we can do it if each of us commit to push ourselves to the next level.

*Andy Woodward,  
Derek Sherwin & Chris Smith*

# Automotive Team Awards 2006/07

Awards focus our team towards growth and achievement and allow them to aspire towards higher goals each year. This year, it is a new record year for the Automotive BU with sales above budget. At the 5th annual Global Automotive Sales & Marketing meeting in Valence last April, four members of the Scapa team received a trophy in recognition of their outstanding achievement:



## **Mauro Dagna - Sales Person of the Year Award**

Mauro achieved a significant sales growth of 11% and made a combination of efforts that includes excellent communication with the team and customers, price increase achievement, best automotive forecast, margin improvement, great sales example, keeping automotive close to his heart despite his new role as Export Sales Manager.

## **Patrick Loison - Sales Growth of the Year Award**

Patrick exceeded 11% (top sales percentage) in growth during this fiscal year from previous year results within a large territory in Harnessing. This success includes sales above budget (12%) and price increase at a difficult account. This award also represents Patrick's valuable knowledge of the harness industry.

## **Stefan Lietmann - Life Saver of the Year Award**

This award is given to a "non-automotive team" member, nominated by all team members in our BU. Stefan supported many actions above and beyond normal expectations, not only once, but countless times, developing a "can do" attitude with responsiveness which helped to achieve our "best" supplier rating.

## **Xavier Zaballos - Team Member of the Year Award**

This "Global Automotive" award is for exceptional performance through out all fiscal year within our team. Xavier accepted new tasks willingly, giving timely responses to customers and to all individuals within Scapa, participating to the team cohesion and building skills, contributing to sales growth and reduction in debtor days while having a key account management role.



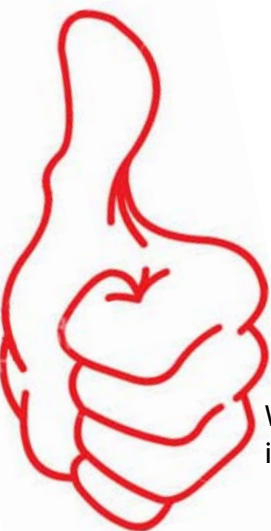
**Congratulations to all the winners and to all from the Automotive Team for these excellent results**

# What do our customers think of ...

## Our Performance?

Over the last few years we have been carrying out a survey of our customers to see what they think about Scapa. These surveys have been carried out by the Customer Care Team through telephone interviews with a selection of our customers in all our markets. The results are shown below:

	2005/6	2006/7	% improvement
Lead times	3.2	3.6	12.5
Meeting delivery dates	3.6	4.0	11.1
Providing information	3.6	3.7	2.8
Product quality	3.8	4.0	5.3
Technical innovation	3.4	3.7	8.8
Easy to do business with	3.6	4.0	11.1
Average	3.5	3.8	8.5



Scores are from 1 to 5 with average being 3 with scores of 4 and above our target.

As you can see we have improved in all areas although there is still much room for improvement.

Over the last two years our service levels have improved considerably but we still need to improve our speed of response both in providing information and getting our products to the customer.

We will change the format of the survey this year to try to get a better understanding of what is important for our customers and to help us to understand how we can better serve them.

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## Hodgson Sealants

Since the acquisition in February 2006 of the sealants business by Hodgson a twelve month transition agreement has begun operating. Hodgson are dealing directly with sealant customers in Asia, North America and the UK. Outside of these parts of the world Scapa Europe is acting as the invoicing agent for up to twelve months (from 09 February 2006).

Initially things did not go as smoothly as either Hodgson or Scapa anticipated and some customers have been receiving some of their orders incomplete or late or both. Richard Symes worked on a part time secondment at Hodgson in March and April to help them organise themselves better at their head office in Beverley in the UK. The procedures for handling the Hodgson business on SAP during the twelve month transition has meant people in Scapa taking on new tasks in customer care, warehousing & distribution, and finance.

During April and May a lot of the problems with delivery performance, advising customers of deliveries professionally, and general information flow between Hodgson and Scapa, were improved. Hodgson has recruited a customer care manager, and more people in customer care, to prepare for their taking customers from Scapa customer care during the coming year. Hodgson plan to take the customers served by UK & Barcelona customer care people before the summer school holiday period. Hodgson have been working out in May and June how they will take the customers off the Scapa customer care people outside of the UK after the summer.



# European Health & Safety

As part of our ongoing drive for zero accidents in Europe the SET is pleased to announce a good result with a positive trend for last year. During the last 12 months we have again step changed our focus on safety in the workplace and again invested over 10% of our capital budget into this critical area of the business.

## Highlights for full year 2006/7 all European sites

- Number of accidents (averages) reduced by **12.8%** year on year
- Lost time accidents (averages) reduced by **29.7%** year on year and the second year the frequency has reduced
- Accidents greater than 4 days (averages) reduced by **32%** year on year which is very positive demonstrating that accident severity is improving

Safety is everybody's responsibility and collectively we need to drive for perfection and this year will be more intense than last as we focus on getting at least another 10% drop in accidents and the same for the accidents greater than 4 days measure (severity). Our mission is to improve our working conditions by eliminating any danger by preventive measures as a result of our near miss and accidents investigations with the SET's goal of ensuring we protect you.

There are several ongoing initiatives running concurrently within each facility with focus on the following which are business and your objectives.

- Operational housekeeping and business audits.
- Proper and improved use of Personal Protective Equipment with full coverage of eye protection on coating lines
- Machine guarding
- Ergonomics
- Material handling and storage
- Counter balance and fork truck improvements (including capital)
- Employee training
- Auditing of H&S policies and practices
- Business continuity and incident plans

Our goal is to protect you so please help us in that mission and each day think safety first and challenge what you and others do as we need to get to that ZERO accident rate as soon as possible and some sites have already made it.

*Derek Sherwin*

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## New Websites

The marketing department is pleased to announce the launch of the new Scapa European, Corporate and Asian websites. The new European site includes a Customer Resource Centre where users can quickly access new marketing literature, there is more detail on our products and markets, plus even easier ways of contacting us with a new World location map. Integrated in to the website is a custom built Content Management System, so all information can be updated in-house.

We have improved the look of the Product Search functionality, and we will be adding even more products with downloadable technical datasheets. The site will be translated in to French, German, Italian and Spanish over the coming months.

Please have a look at the new sites and if you have any comments or suggestions please e-mail [marketing@scapa.com](mailto:marketing@scapa.com)



# IT Update

## Virus Outbreak

Early in March we suffered some problems with our computers. This was because our network was infected by a series of computer “worms”. Worms, like viruses, are computer programs that can copy themselves and infect computers without permission or knowledge of the users.

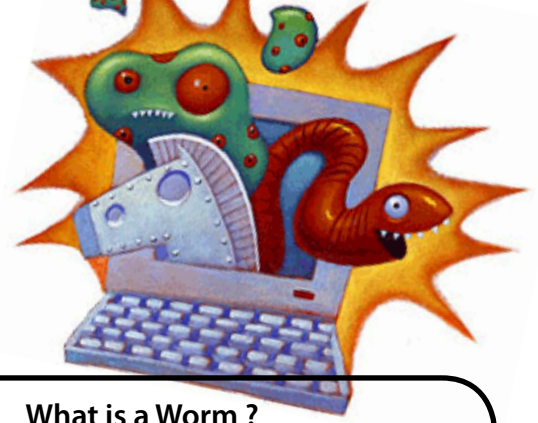
Scapa was infected by several versions of the “Nirbot” worm. This attacked vulnerabilities in the Windows operating system that are patched in XP but not in NT. They also contained a Trojan - a file that appears harmless until executed. In this case the Trojan was a “backdoor” – a program that allows a third party to take control of your PC without your permission or knowledge.

The problems we experienced started when the worms used our network to spread themselves to as many other NT computers as possible and then to “phone home”. This flooded our network slowing down or stopping normal traffic – SAP, e-mail etc. The worm then hijacked certain processes on PCs making them run @ 100% of the computers capacity. When this happens, the PC has no power to run other programs so everything else appears to stop or at best run very, very slowly.

Scapa is protected from viruses, worms etc. by CA E-trust software on all our computers. Unfortunately software like this only protects systems from threats that are known. If there is a brand new threat that has not been seen before, then the software is helpless until the appropriate fix is created.

### What is a Virus ?

Viruses spread from one computer to another when its host is taken to the uninfected computer. E.g. If a user sends it in an e-mail over a network or carries it on a removable medium such as a floppy disk, CD, DVD, USB drive, digital camera, or MP3 player. Additionally, viruses can spread to other computers by infecting files on a network that are then accessed by other computers.



### What is a Worm ?

A worm infects a computer on a network (in the same way as a virus) but then it uses the network to send copies of itself to other nodes (computers) on the network. It can do so without any user intervention. Unlike a virus, it does not need to attach itself to an existing program.

### This is what happened to us.

CSC confirmed that we had a worm on Tuesday afternoon. On Wednesday a fix was deployed but this only cured the first version of Nirbot. We then discovered that we had at least two other versions. CSC provided samples of these versions to CA and it took 'till Friday afternoon for CA to develop a fix. Once this was deployed, over the weekend and the following days, the system returned to normal.

### What are we doing to minimise the chance of this happening again?

We are upgrading from Windows NT to XP.

We are not allowing access to our network to non Scapa Europe devices unless they have first been validated. If a visitor asks if they can connect to our network, the answer is no.

We are looking at whether there are other software or hardware devices that can help.

### We also need your help.

If you receive an e-mail that you are worried about – do not open it, just delete it.

Do not connect any non Scapa device to your PC or the network without approval from the IT team.

Do not download or try to download any software to a Scapa device without approval from the IT team.

We cannot 100% guarantee to prevent another outbreak on the Scapa network but we can try to minimise the risk. Thanks to everyone for their patience and help during the frustrating period while the infection was dealt with.

# IT Update Continued

## XP Roll Out

Today most of the PCs and laptops that we use in Scapa Europe run the Windows NT4 operating system. NT4 is no longer fully supported by Microsoft and is beginning to cause Scapa problems, the worst being the recent virus infection which would not have spread if we only ran XP.



Mark Brookes is now managing a project to deploy XP throughout Scapa Europe. This follows last year's successful project to upgrade our servers from NT to Windows 2003. As many of our existing computers will not run XP, these will have to be replaced with new machines.

Today we are at the pilot stage and initial "Scapa" XP builds for several types of desktop and laptop have been developed. The first deployment of a "Scapa" desktop build is currently being rolled out in Rorschach by Thomas Keller.

The first laptops have been deployed and we are receiving feedback from the users on aspects of the build that they would like to see. However, so far there has been quite a positive response from the users. At least none are asking to have their NT computers back).

Laptops will be deployed as or just after we deploy the desktops to the local users' sites.

As we get to your site we will give you more information.

### Questions:

**Will using the new Scapa XP build be the same as using my home XP PC?**

Yes, and No. While the Scapa PC will be running XP many of the options that are normally available on a home users PC will not be available on the Scapa PC. This is to minimise the cost of support. The less you can do the less there is to go wrong.

**Will I be able to use USB to connect devices like cameras, flash drives**

No and Yes. Most PCs and Most users will not be able to use most USB devices. We are looking at how we can allow USB mice, keyboards and printers but disallow USB flash drives, cameras etc. Ideally we want to be able to allow only specific Scapa devices or users to make use of USB.

### Why?

Because of security and support. We have recently had experience of what happens when a virus or worm successfully infests our system. USB devices are another method to get infections.

*Now Thomas Keller has been recruited as our local IT Support, XP has been fully implemented onsite at Rorschach without any problems. Everyone is now happy because it is a lot quicker to get IT support when we need it.*

**Sandro Pellegrino**

Site	When will XP arrive?
Rorschach	Now
Mannheim	End June
Scapa France	August/September
UK	September/October
Ghislarengo & Barcelona	November/December

## IT Department News

Dan Eltis who has been supporting the Scapa Intranet has decided to leave Scapa. We wish him all the best. Any questions that you might previously have sent to Dan, please send to Jason Mathews.

# IT Update Continued

## Future Desktop Support

Currently much of Scapa Europe's IT support is provided by CSC. They support our desktop and laptop PCs. They support our servers; our local area networks and our wide area networks. They also host our SAP system and provide the application support we require.

However, Scapa has decided that, as we roll out XP, we will bring desktop support back in house. i.e. once a site's PCs have been upgraded to XP the PCs, laptops, printers, scanners etc. for that site will be supported by Scapa employees rather than CSC.

Mark Brookes will be responsible for this support as European Desktop support manager and will report to me in this role. Currently we are in the process of recruiting a team to help Mark in this role. We have already recruited Thomas Keller (based in Rorschach). Once Thomas has completed the roll out of the new XP builds he will support all Rorschach, Mannheim and other German language users for PCs, printers scanners etc.

We have just made an offer to a Valence based support person to cover France and we hope that he will join us before the end of July.

The recruitment process for an Ashton based UK support person is underway and we are considering how we will support Ghislarengo and Barcelona.

CSC will continue to provide support for our servers, LAN, WAN and SAP for the moment and until you are told otherwise you still need to raise calls on CSC whenever you have a problem.

If you have any questions please feel free to ask myself, Mark or Thomas Keller.

*Mike McClure*

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## Training Update

The latest instalment in Product Range training took place in Rorschach during the first week of June as part of an ongoing commitment made at the 2005 Customer NOW conference. Phase One of the Double-Sided and Transfer training was delivered by Product Manager Tom Visser and Technical Support Manager Christophe Chauvin to all Industrial Sales Managers, and this will now be cascaded to the Sales and Customer Care Teams.

Double-Sided and Transfer tapes, produced primarily in Rorschach and Bellegarde offer an excellent opportunity for sales growth at attractive margins and will be a key focus area for the sales teams over the coming weeks and months. The omens for successful sales growth are good – the first training session, on Industrial Foams held in June last year, helped to contribute to a whopping 15% sales growth in the last financial year at good margins!

The course will be followed up by Phase Two training on these ranges later this financial year, and it is also intended to roll out training on other parts of our range during the year.

*Neil Radcliffe*



# Pro-System Racing

The team Pro-System Racing, sponsored by Scapa (technical sponsoring with adhesive tapes supply), covered stage 8 with very good results (18th to final place from Paris-Dakar). Unfortunately since the ninth stage, they had a major mechanical problem with the transmission, and the time they had to take to work on the car added to the difficulty of this treacherous stage, which they then had to complete almost entirely after dark. This meant that they could not reach the Tichit bivouac before the starting check point had closed the next day. Pro-System Racing is preparing to participate in the Tunisian Rally.

They hope to use their Trophy Truck, but it does not correspond completely with the technical rules of the F.I.A, although it does to the rules of the SCORE USA. They also hope to compete in another race later in the year (either the Pharaons Rally or the Shamrock) in order to validate their latest technical changes and reach their objective with that vehicle and finish in the top ten of the Dakar!

In addition, they would like to compete in the United States during the next Baja 1000, which is going to be celebrating its 40th anniversary in November 2007. Here are the pictures of the Trophy Truck with our logo during Paris-Dakar rally.



We wish them good luck for their future races with Scapa adhesive tapes.

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## Scapa Europe Commercial Forum

From 16<sup>th</sup> to 17<sup>th</sup> of April Scapa personnel met in St. Gallen, Switzerland to have the first Scapa Europe Commercial Forum – Industrial BU.

The 55 attendants came from all parts of our business and ensured a very open minded and diversified sight of our business which ensured to meet the theme of this meeting.

### Scapa Europe A New Approach – A New Standard – An Exciting New Future

During the past couple of months a lot of changes have taken place and the Commercial Forum has probably reflected the renewed confidence in Scapa as a strong player in the tapes Industry in Europe.

Through constant challenge and drive by all within our business to 'raise the bar', we are becoming the business that other tape companies compare.

The objective of the meeting was to reflect on the renewal of our business by focusing on the future and our confidence that our current momentum coupled with new ideas and approaches will drive us to a market leadership position.



# Scapa Europe Commercial Forum Cont.

There were various technical presentations as well as commercial ones and all attendees were split into various groups to work on different topics in several break out sessions such as:

*"Tell us what is unique about Scapa that allows our customers to consider us a better supplier than our main competitors"*

or:

*"How do we work with our distribution partners in a way that allows us to work with end users both with and without their knowledge and involvement and to sell to end users directly as well as through the distributor?"*

as well as:

*"A salesman's success is recognized by growing sales and finding new end user customers. What unique ways have you discovered to find these customers and close the sale?"*

**Further Sessions have been:**

*"What can we do to improve our ability to get the right information, get it earlier and help bring about the successful completion of projects on time?"*

or:

*"How can we distinguish between customer 'expectations' and 'desires' in service and what can the sales person or anyone within Scapa do to improve this"*

**and finally:**

*"What are the ways in which we can sell the value of Scapa both to the end user and the distributor. Consider ways in which we can differentiate ourselves from our competitors and how these will benefit us."*

The idea was to bring new refreshed ideas to the table to ensure further progress and development of Scapa into an exiting new future. The results were presented and discussed and the best and most creative team was *Thomas Drews, Bill Doran, Frank Micol, Gabriele Pazienti, Michael Liebe, Martin Becker and Mark Fournier* sponsored by the CMT member *Sergio Colonelli*. They presented their results in a 'play' where various sales people from our main competitors tried to sell to a customer who obviously only wanted to buy from Scapa as Scapa has a new approach, a new standard and an excellent customer focused exiting new future. The Team received an award for the idea and performance.

Part of the forum was to reward those colleagues who contributed extraordinary to the success of last year through their performance, contribution, willingness to put more effort into the daily business to make the success happen.

Those colleagues were :-



*Francois Martin* for achieving the highest sales growth, *Martin Saville* as team member of the year, *Christophe Chauvin* as a life saver of the year, *Michael Liebe* as a sales man of the year. Also *Ken Heywood* and *Gerd Lehner* were awarded for being with Scapa for more than 30 years.

The Forum has been a great success by bringing up some very creative and encouraging ideas. A big achievement has been also to allow the interaction of a lot of Scapa personnel from all over Europe and a renewal of personal friendship throughout the business. The overall spirit within the business will allow us to ensure the future success of Scapa Europe.

A very big part of the success of the commercial forum goes to *Glennis Waring* who did a great job in organising the event. Everything was planned perfectly and all participants felt hosted absolutely perfect – **Thank You Glennis!**

*Michael Gotthart*

## Scapa Europe

## A New Approach – A New Standard – An Exciting New Future