



EURO LINK

The European Quarterly Brief from the European SET

News From the Commercial Corner

Well it certainly has been a busy few months as we have transitioned in many areas of our commercial organization to give ourselves a much stronger position going forward.

As always in the Sales and Marketing team we are striving to find new ways to differentiate our company from the many competitors we have in the marketplace. This is certainly a tough task as we also make necessary changes to streamline our business (sale of Scapa Ireland and Megolon) and change some of the old ways and ideas. I would like to pass on my appreciation to the many people within Scapa Europe who have taken on the spirit of change and embraced this reorganization with enthusiasm and positive focus. During the past few months our team

has had to sell hard as raw material prices have risen dramatically and price increases to our customers are required almost everywhere. This is not an easy task and requires a lot of input from Product Managers, Customer Care and Site Team Members. This team element is essential for success. Increased focus towards price increases will remain with us in the future and will be required on an 'on-going' basis. We all have to make this exercise more streamlined and rapid so that Scapa can continue on the road to increased sales and profitability. Our sales growth over the past months has been great and ahead of budget, but we still have a declining margin primarily due to the raw material cost increases described earlier.

More work is required to make margin recovery a reality in the coming weeks and months. Quarter 4 last year showed much improvement in sales and again we have the potential to make large gains if we all focus towards the customer and ensure service and quality are closer to perfection. Our service levels have certainly improved over the year and many thanks to the teams who have made that improvement happen but we remain below 'world class' levels. Let's challenge ourselves to get our CLIP above 98% at all sites in Quarter 4 and show our customers that we are one of the best tape companies available.

Good luck to all in 2007

Andy Woodward

Financial News

Sales in Europe increased by 6% compared to the first half of 2005/06, primarily due to higher sales into the printing and graphics, construction, cable and automotive markets. This gain continues to reflect the significant improvements in customer service made by our region over the last 18 months, both from improved delivery performance and better reliability of product quality.

The trading profit for the region increased by £1.2m to £1.3m primarily due to lower costs arising from the previous year's major cost reduction programme.

Targeted selling price increases coupled with improved purchasing are helping to partly offset the increases we are seeing in raw material and energy costs.

Working capital management continues to be high focus and actions to reduce inventory levels are well in hand across all sites. Actions between the finance and sales teams is targeted to reduce the average credit terms we offer to customers. We need to continue to improve in this area of our business.

The sale of the Megolon business in October was completed on schedule.

Sales Target (excl Scapa Ireland)

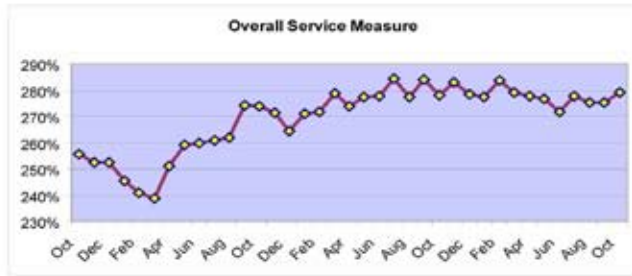
	Apr	May	Jun	Jul	Aug	Sep	Oct
% to budget	-0.1%	+0.7%	+5.7%	+5.8%	0.0%	+10.9%	-2.1%
Qtr to date	-0.1%	+0.3%	+2.4%	+5.8%	+3.3%	+6.5%	-2.1%
Qtr diff to last year			+4.3%			+12.3%	

Nov & Dec figures to be issued in Jan 07

By Chris Smith

Financial News Cont...

Service Measure



Adolfo Giubileo

Adolfo Giubileo our Site General Manager for Ghislarengo and Rorschach retires in December after a tremendous career. Adolfo has held several senior positions within Scapa and has contributed significantly to our business. The elegant and professional style of this gentleman will be missed and he is without doubt not going to be forgotten.

Allora! (One of Adolfo's famous expressions) Adolfo started his career with Pirelli 38 years ago in the Technical Department progressed into Operations Management and then into Sales before becoming Director of Adenax in 1983. In 1992 Scapa purchased Adenax and Adolfo remained Director of the Ghislarengo facility and also became Site Director for Saba (Scapa Bellegarde) before moving on to the role of European Sales Director and Board Member in 1995.

Adolfo has ended his career with style and respect in Ghislarengo and Rorschach and has finished by influencing the career development of several of our more senior people in Scapa.

Adolfo we wish you a long and healthy retirement and thank you from all of the Scapa team.

Dominique Gaudriault will be retiring from our business at the end of December and this event brings to mind many memories and reflections to those he has touched over the years at Scapa and Barnier.

The impact Dominique has had to our Construction Business Unit both in France and throughout Europe is truly remarkable. His marketing flair has allowed us the enviable position of market leader in this sector and his legacy will be one we live with fondly and with great pride.

Dominique has worked for Scapa and Barnier in France for over 13 years. His optimism, energy and passion for the business are well known to many. He now takes on new challenges in retirement that include some marketing assistance in wine making, helping to train people in correct driving skills and relaxing with his wife Genevieve. All of us at Scapa wish Dominique all the best in retirement and hope he will regularly come in to say hello and provide some valued advice.

Congratulations Dominique on a great career at Scapa!



Dominique Gaudriault

UK Pensions - The Company is acting to secure the long-term viability of the business and its Pension Schemes.

There are currently three funds operating for UK employees which have a significant deficit, these deficits, in discussion with the Trustees of the three Schemes, will be corrected by the Company over the coming years.

The Company has recently announced that it proposes to close the Defined Benefit sections of each of these Schemes to future contributions with effect from the 31st March 2007.

This action will help to limit the size of the deficit and secure the pension already accrued by members in that part of the Schemes.

The employees affected by this decision will have the option to join into the already existing Defined Contribution Scheme. They will also have the option to transfer their already accrued benefits into the Defined Contribution Scheme.

Further details of the Defined Contribution Scheme will be the subject of proposed Pensions Roadshows during February 2007.

People Development

We were very pleased earlier this month to announce the changes to the Operations team in Europe with the retirement of Adolfo Giubileo. Our commitment to people development we believe is demonstrated in the career progression of David Grapotte.

David, who is French, joined Scapa as R&D Manager France in March 1998 and has since developed through the roles of European Technical Manager before his re-location to Scapa Rorschach where he assumed the role of Technical Manager and then Technical and Operations Manager. David who already had a PhD completed his MBA at Lyon university just prior to his re-location with his wife and 3 children and will be taking on the role of Site General Manager Rorschach from the 1st January. David has always maintained his positive attitude to every task and role given to him and we have no doubt his technical ability, command of several languages, and his drive and enthusiasm will lead to even more career development for his future.



David Grapotte

By Derek Sherwin

New Recruit

With our continued focus on improving our supply chain and especially our focus on the purchasing process we announced back in October the appointment of Martin Bailey our new European Purchasing Manager.

Martin who is based at our Dunstable facility joined Scapa with a wealth of purchasing experience having held several senior purchasing roles supported by professional qualifications.



Martin Bailey

Martin has already managed to visit all of our European locations and is focusing very much with his new team on price containment projects and our focus on category management.

By Derek Sherwin

Quality

Overall our Quality trends continue to improve with 22% less credit lines and a reduction in Credit Note value of 12% compared to the same period last year.

As we continue to improve, it is getting harder to beat last year's figures and we will all have to work hard to keep the improvement going in the final quarter of the financial year.

Can I congratulate the Ashton team for their efforts in achieving ISO/TS16949 registration. This is an upgrade from the old Automotive based QS9000 standard and was achieved at a time when there was significant disruption at the site resulting from the Megolon sale. Well done everyone and particularly to Phil Ward, the Ashton Quality Systems Officer, for keeping the team focused on the approval process.

After 20 months leading the team I am happy to now hand over the responsibility for European Quality to Meg Gilmartin who, as Global Quality Manager, is now responsible for all Scapa's quality operations. Meg, who is based at our Windsor facility, is well known to most of the European Quality Team and will continue to drive forward our quality improvements.



Meg Gilmartin

By Ken Heywood

Capital Investments France

As we are all aware capital investments have to demonstrate a good return especially when funds are limited, these capital projects need to add value to both a site, a market and our overall business profitability. Scapa France as we are all aware, have made great progress over a number of years despite limited capital projects and this year we have been able to identify some key projects that will lead to even greater performance from our French colleagues to support market growth and factory efficiency. Scapa France dominates the high profit site league table and we want them to stay there and we are committed to investing in high profit earning sites.

Given the ongoing drive for manufacturing excellence within Europe our French team secured two very large projects amongst several others this year and there is a lot of excitement from both the local team and the SET about these two key projects for sites that really do strive for greater improvements.

The first major capital project is for a new rewind slitter (FA300) that will be located in our Bellegarde facility that will give us greater capacity, improved efficiency and process control for harness cloth tapes. The main component of the capex the actual machine, will be operational early January followed by a comprehensive packaging line early March. The total cost of this machine is over €650,000 and payback is very short and will help us support the automotive growth coming into the business. The machine specification, supplier identification and qualification and all of the installation project have been completed very professionally. Well done Thierry Villard and the rest of the team.

The second large project is the total re-organisation of our Valence Pallisy Centre of Excellence for Converting. The main focus on this project has been to reduce the manual handling and improve the process layout of the site. Pallisy, although a relatively new facility, is one that was in need

of further improvements that will assist in out-drive to improve the safety of our employees whilst improving the floor layout of each conversion and packaging machine. The results of a €250,000 investment will be clear in March when the final part of the project, the floor planning is complete and we will have a very professional conversion facility. The team that has been working on this project led by Yves Malmenaide our Commercial Planner are driving the project over a number of weeks including the Christmas period where we have had a great response to working over the festive season when we have an opportunity to move machines etc around during a quieter period than normal.

The official opening of the site will be in April although the team is very keen to keep our customers serviced as normal during a small deviation from the day to day activity.

By Derek Sherwin



Sale of Megolon

The sale of our Megolon business to Alpha Gary/Rockwood Group was completed on the 13th October. The main impact has been in our UK operations with the Openshaw site being transferred in total to Alpha Gary. At the Ashton site the Megolon 6 plant is now owned by Alpha Gary but will continue to operate for the present on the Ashton site along with warehousing of raw materials and finished goods. The Megolon Technical team along with their laboratory equipment will also remain at Ashton for the time being. The Megolon Sales and Customer Care Teams have moved to the Openshaw site and the Megolon salesmen previously based in Valence and Ghislarengo now work from home.

We wish all our old friends and colleagues the best of luck within Alpha Gary.

The sale of the Megolon business has resulted in significant reorganisation of all the functions based in Ashton. The Operations, Quality and Technical teams have been restructured to focus on the Cloth, Cable Tape, Self Amalg-amating and Hot Melt products and the Accounts and Customer Care teams have reduced to reflect the business needs of the remaining Scapa business.

Customer Survey

During the year the Customer Care Team has been surveying a cross section of our customers to determine what they think about Scapa. We last did this on a European basis at the end of 2004 and the results of the surveys are shown below. Scores of 1 & 2 are worst than average, 3 is in line with our average competitor and 4 & 5 is better than average.

Question

	2004	2006	Improvement
• How do you rate Scapa's ability to give you the lead-time that you require?	3.2	3.6	12.5%
• How do you rate Scapa's ability to meet the agreed delivery date?	3.6	4.0	11.1%
• How would you rate Scapa's overall ability to provide you with the information you need with the respect to products (e.g. delivery information, pricing, technical support, literature, etc.)?	3.6	3.7	2.8%
• How would you rate the quality of products purchased from Scapa Europe?	3.8	4.0	5.3%
• How would you rate Scapa's ability to supply you with a product solution to meet your needs, i.e. are we technically responsive and innovative?	3.4	3.6	5.9%
• How would you rate Scapa on the basis of 'easy to do business with'?	3.6	3.9	8.3%

We are clearly now better regarded by our customers and so the effort of the **Customer NOW!** process is working but in the competitive environment in which we operate we need to have all our scores at 4 and above in order to ensure we stay ahead of the competition.

SCAPA EUROPE IT UPDATE

One of the key IT projects in the coming year will be to upgrade the operating systems from NT4 to XP on most of our PCs and laptops. This will also include upgrade of the Microsoft programs that we use, such as Excel, Word and Outlook (e-mail) to the Office 2003 package.

Some of the current PCs and laptops cannot be upgraded to XP and will need to be replaced. This will be the start of a rolling (3-4 year) program to refresh all the PCs in Europe (budgets permitting). While the costs of all PCs have reduced dramatically over the last three years, with approaching 600 laptops and desktops used across Europe we need to ensure that investment in new hardware and software licences is appropriate to business needs. All new laptops now come with Wireless functionality as standard to enable better mobile connectivity and have higher processing power. Given this, new laptops will be assigned initially to those that can make best use of these features – i.e. those that travel extensively and those that need to process large amounts of data on a regular basis.

We intend deploying about 30 XP machines (new and existing) between now and April 2007. Users of PCs with an XP build will not be supported by CSC under our existing contract arrangements and will be supported by internal Scapa staff initially. We still have to finalise how we will support all PCs and laptops from March 2008, which is the end of the existing CSC contract arrangement. We are considering many options from continuing with an amended CSC service to an in-house solution. We will keep you informed of our progress.

By Mark Brookes



SPAM

Spam - unsolicited email - is a major annoyance for anyone using e-mail and over the last few months many of us seem to be receiving more. Scapa is using a top tier e-mail filter from one of the world's leading manufacturers of spam prevention tools.

However, spam still slips through our defences. We estimate that 98-99% of spam received is prevented from reaching your in-box but it will reach you if the senders are new and unrecognised by the learning software. (Software is always about 1/2 day behind with fixes). There is also a balance to be kept between blocking spam and not blocking legitimate e-mail. We could tighten the settings to try to eliminate the remaining 1-2% of spam but this could then block legitimate email.

What should you do if you receive e-mail you suspect is spam?

There are simple rules to follow with spam. Try not to open them and NEVER reply to them. Just delete them. Unless your mailbox is being flooded with hundreds of spam emails there is no need to notify IT. New forms of spam are appearing every day and we will try to prevent them from entering the system. Unfortunately it is part of daily working life if you use an email client. We shouldn't have to accept it but in reality we have to.

Many thanks for your help and understanding.

By Mike McClure

Global Technical Service

The world seems to get smaller everyday. People care less and less about where a product comes from they just want to know that it works for them and that the price is right. For Scapa this can be a blessing if we are ready to give truly global support for our products. That's the goal we have in the newly formed Global Technical Service Team.

I have been with Scapa for almost 12 years now and have been lucky enough to spend almost 5 of those years working in Europe. I started with Coating Sciences in 1994 before they were a part of Scapa as the Technical Service Manager. A little over a year after joining the company, Coating Sciences was purchased by Scapa and about 6 months later I was offered a job working at the Bellegarde site. My goal was to bring the application selling approach that had been so successful for Coating Sciences to the European business. My original project team in Bellegarde included Olivier Rodary (recently departed from Scapa), Christophe Chauvin and Christine Toussaint and we were able to close some good business that Scapa Europe still enjoys today.

After a couple of years in Europe my role changed as we created the Application Engineering department and I took responsibility for that team. Finally, I was put in charge of all European Product Development for the last year I was in Europe. Upon my return to North America I have had the opportunity to have business development, sales and now once again Technical Service responsibilities. My goal now is to create a Technical Service Team that finds customers the right Scapa products for their application no matter where it is manufactured or used.

We are presently working on a few projects where this philosophy is getting very close to paying off. In one case our product 4928, a permanent/removable carpet tape manufactured in Bellegarde and presently sold to British Airways in the UK, is in the final stages of approval at Boeing Corporation for use on the new Boeing 787. Direct contact with Boeing by our US sales team has provided the application information while the Technical Service Team in France has provided all required technical information, samples, etc. required to move this effort close to fruition. Boeing has been impressed with Scapa's response and has begun presenting Scapa with other tape opportunities, such as a recent request for a lower weight alternative to their present moisture barrier tape.

In another case, James Shipp is working to find an alternative liner for Dunstable product 5669 for an application at an American company which does some intricate die-cutting with the 5669 and found the current liner too difficult to cut cleanly. We have just recently provided them with an alternative liner that could allow us to recapture this business for the US sales team and for Scapa Dunstable.

Scapa Windsor (USA) is very close to being qualified as a second manufacturing site for the product used in the production of smart cards. The ability to manufacture this product in North America will be important as the North American smart card market begins to grow. We are also starting a project with SEF (Scapa Extruded Films) in Syracuse, New York to look at alternative heat seal products to try to capture more of the smart card bonding business in Europe and the rest of the world as well.

These are just a few examples of the work that we are doing to try to work more like one worldwide company to bring solutions to our customers. Our goal is to sell something we already make or a technology that already exists whenever possible to reduce the amount of development we do that may not be necessary. Better communication is the key to this goal and we will work harder and harder to make sure our Technical Teams throughout the world know what is available from other Scapa locations. This communication will help us to be a better global supplier to our customers.

By John McGann

