



Health and Safety

In 2005 we have identified through performance measurement that we are making progress in protecting both our employees and our internal and external environments. This year our capital expenditure (capex) has been predominantly focused on improving site safety. Projects in most sites such as the Coating Head improvements to line 10 in Bellegarde, extensive work on the HSBC (Insurance) risk assessments at all sites, and the excellent work completed on the Polymerisation process in Rorschach, have improved our confidence in safety but we cannot afford to be complacent.

The improvements in the audit process known as TrendTracker are showing better control, as is the commitment to safety from the Board of Directors, the European SET and RMT. At each of the SET and RMT meetings we review methods of improving safety. We are committed to ensuring this is top of our agenda and committed to improving everybody's safety.

The focus moving forward will be reducing the number of accidents, a lot of which are minor but still of concern to us. The accident reports demonstrate that we have a long way to go and a lot of this is down to basic process improvements and especially manual handling and housekeeping. Risk assessments are driving a lot of the manual handling improvements and the capex requests with H&S improvements are always the first ones to get approval. An area we all need to focus on that is simple to improve is our housekeeping. Working on the principle that "there is a place for everything, and everything in its place" will lead to less minor injuries and improved process safety. Housekeeping plays a major part in improving safety as it drives better working practices and allows us to work in a clean and uncluttered environment which reduces risks of injury and actually improves our efficiency.

Keep your workplace clean and tidy. We all have something to benefit from with good housekeeping and not just on the factory floor. All of our safety is the priority and it's not just Operations who should be focused on safety so please help us to help you.

Business Performance

Sales for January and December showed encouraging trends on prior year (approximately 6% up) and the outlook for the next 2 months is showing sales close to our internal forecast, which would continue to show growth on the prior year.

Our cost control continues to operate well, but we have seen much higher than expected utilities costs. Our factory manufacturing variances, having improved well in the first half of the year have been higher than expected in the last few months and site teams are working hard to improve this situation.

We are very encouraged by the overall profitability improvement we are starting to see but we also recognise there is still a way to go. To achieve our 05/06 internal targets we need everyone to push hard in the last 5 weeks of this year to allow us to demonstrate the improvement in performance to our Board for the full year and hopefully going forward.

Human Resources Manager Europe

With our continued commitment to improve our people strategy the European SET team have appointed John Bertone as HR Manager Europe.

John started in this new role from Monday 6th February 2006 while maintaining the function of Head of Finance in the Ghislarengo site, where he will continue to be based. John will report directly into Derek Sherwin European Operations Director for his HR responsibilities and Chris Smith European Finance Director for Italian finance. The European Finance managers in France and Switzerland that currently report to John will now report directly into Chris Smith.

While John has limited direct HR experience he has an extensive knowledge of business processes and a strong background in systems and people management. John has demonstrated to the SET team that he has the business awareness and practical approach to add value to the business and RMT which he will now join as a team member.

John will have several objectives but will focus his attentions this year on bonus plans, succession planning and a European and Global HR database working closely with our North American colleagues.



Technical Management Changes

David Grapotte – Technical Manager Switzerland

We are very pleased to announce our intention to move David Grapotte to Switzerland to directly lead the Rorschach based Technical team and to reinforce the Technical resource on the site. The technology platform in Rorschach gives us significant opportunities to grow our business through new product and new process development. We firmly believe that by investing David's experience, effort and focus on Rorschach, he will add significant value to the continued success of the site.



Robert Mayan – Technical Manager France and Italy

We are also very pleased to announce our intention for Robert Mayan to move to France to lead the French and Italian based Technical teams. In his new role, Robert will combine his previous technical management experience with a good appreciation of Scapa's technology platforms, gained while managing key technical projects throughout Scapa's European sites.

Christophe Chauvin – Customer NOW project coordinator for Technical Service

From the Customer NOW program, the Technical Group committed to improve the responsiveness and flexibility of our Technical Service for standard products.

We targeted improvements for internal Customers by 31st March 2006 and then evolving our service to external Customers by 30th September 2006

A project team was set up of members of the Technical Service team and Product Management. Like the other five Customer NOW projects, this team was to have a project coordinator and a SET/RMT sponsor. At the start of the project Steve Dell carried both of the roles. Now the team has developed, we are pleased to announce that Christophe Chauvin has agreed to take over responsibility for coordinating the Technical Service project (Steve will remain the SET/RMT sponsor).



Purchasing Europe

Most of us are aware that material prices have escalated dramatically over the last 9 months mainly due to rising oil and feedstock prices that affect most of our raw materials. The European Purchasing team has been working very hard on trying to contain these increases which were not predictable a year ago.

Last year the RMT initiated a project working with a consultancy company to focus on improving our purchasing process and assist the purchasing team in improving our ability to contain and reduce prices. This used a different approach to this very important part of our business. Almost all manufacturing companies are in a difficult situation along with our competitors so we were not alone but have done better than expected.

Our materials represent almost half of our product cost and any improvements we make have a dramatic effect on our operating profit. We measure purchasing efficiency by using RMPI (Raw Material Price Indexes). This gives us a good indication of movements in cost that enable us to manage our margins, product cost, and the price for our customers. Each site purchasing team works on an index set at 100% at the start of the year and tries to maintain a constant index throughout the year to enable us to manage our costs. During October when the oil price started to increase we predicted our index getting to 107% however the team worked very hard to reduce this by containing and managing down material costs. The result is better than expected and a tribute to the people directly involved with the support from other departments who have assisted in the containment of the price increases. We have had some very difficult discussions and negotiations with most of our suppliers who have tried hard to pass on their costs to Scapa but not all have been successful. A lot of people need to be credited for this including Technical, Process Engineering and Production and there is still more to do. Material prices are still a concern but thanks to a good team effort we are making progress and the hard work and commitment is paying off, well done to all involved

Commercial News – by Andy Woodward

As we start to plan for the next Scapa year I feel it is important that we communicate some key concepts and areas of focus to everyone in our business. While I certainly have a commercial and technical perspective, I do feel that if we all start to share some of these concepts and develop consistent behavior aiming for similar goals we will gain dramatically over our competition and make all our lives more rewarding.

The key framework for our new year is based on the following statements. If we all put these concepts at the center of all that we do each day we will be sure to succeed.

Flexibility and Responsiveness from all areas of our business

Focus towards higher margin, speciality and end user customers and markets

Focus towards “Opportunities for growth”, rather than on “Internal structures and systems”

The first statement applies to a culture change that we identified in Customer Now! and one that if effectively implemented will make sure we minimize any lost business. This will also ensure that Scapa becomes the first point of contact for customers with new products, new ideas and new challenges. We will show all our customers that we are “Easy to do business with” which will then bring new opportunities that will drive sales growth, margin growth, and longer-term stability for our business.

The second statement points to the fact that it is difficult to do all things well for all customers and brings the first statement into line by defining the types of customers and markets we will target. When more fully developed (**see new Product Manager changes**) we will ensure we communicate this effectively to all areas of our business and make sure we are driving for the 'best' opportunities.

The final concept emphasizes 'creativity' in customer satisfaction. We need to ensure that we respond early and accurately, thus pushing us to take down some of the barriers we have created in our systems and our business process. We accept that things like SAP, rules, policies and procedures do slow us down in relation to the customer and so we all have to seek new more efficient ways to handle customer requests, new product initiatives and other challenges that face us in all areas of the business.

With these three statements incorporated into our daily schedule we all will start to feel the momentum build. I hope you can try to focus towards these simple actions and make sure we are all driven to success which in turn encourages further gains in the marketplace and your personal life.

From a commercial perspective we have developed the following focus areas in particular that help drive the statements above. These are:

Forecast, Budget and Plan better

If we all start to better anticipate our business and understand our customers, suppliers and competitors better we will be able to service our customers better and allow our company to become more profitable.

Winning is contagious

If we have successes we need to reinforce that success and pass it through the company and customers (where possible). If we start to enjoy some wins in our business I am sure we will all want to be more a part of the Scapa team and enjoy more of what we do day to day. It feels great to be on a winning team and I am sure we can create that excitement easily if we really want to make it happen.

Never lose an existing account

While this is not always possible to achieve, we have to make sure that all of us work to find new ways to ensure our loss of business at existing customers is minimized. If we hear that a customer is unhappy and considering a change of supplier away from Scapa we must be do everything possible to show him reasons to stay. If service was the issue, we need to find ways to satisfy that account from a stock position, if price is the issue we need to suggest other lower cost solutions quickly, if personalities are the issue we need to find alternative people to help them out. Whatever the issue (other than product obsolescence) we should never lose a piece of business we currently own.

The Team is Scapa Global

We constantly have to be aware that all the team members in Scapa are working for the same result and we all want to succeed at what we do within our company. There are parts of the business whether through acquisition, language, culture or business strategy who feel they are on their own team. This is not the case as we are all working to make Scapa more successful and that has to be in the forefront of all we do. Remember, as in any team, we have to constantly improve to be better than our competition and win more often. Therefore we need to make sure that we do not allow the weak players to remain weak. Solutions are available (training, counseling, mentoring, managing) but we all have to push ourselves to make sure we continuously improve or we will get beaten by that dreaded competitor

Cash Flow and Profit are almost equally important

The old saying about profit being the most important aspect of business (or could it be "the customer is always right?") is no longer true in today's business world. There are now two key drivers ...profit and cash flow. We need to have profit to survive in today's business world but you can put a profitable company out of business if you do not manage working capital (cash) properly. Too much stock, too long debtor days (allowing customers too much credit), long overdue payments, and too short payment by us to suppliers all could drive a profitable business to serious problems. We need to understand and recognize these business principals to make sure we all make correct decisions. Take a minute to ask your manager about these important business drivers!

Key product focus this year

Exafit (double sided foam for flexographic printing plate mounting), AFT(acrylic foam tape), Cloth Automotive harness tapes, PE Foams, Medical products, transfer/double coated, and die cut products all are areas of particular focus this coming year. Dunstable and Rorschach will be the sites with the most attention to turn them to a more profitable situation but by no means are we ignoring the other sites and product ranges. Over the past year we have seen great success at Ghislarengo and Ashton in terms of profit improvement and we need to take that same approach to find ways to develop more profit at Dunstable and Rorschach.

I would like to personally thank all of you within Scapa for your efforts over the past and welcome the opportunity to listen and learn more from my fellow team members so that we can drive our business to success, together.



Andy Woodward
Commercial & Technical Director, Scapa Europe

Welcome to the new Product management team

During February an announcement was made to the business concerning the strengthening of the Product management team. Product Management is playing an increasing role in driving profitable sales growth, and the business is now seeing real benefits from the focus which it brings.

The change in organisation means that:

1. Each range of products now has the full-time attention of a Product Manager
2. The Product Manager is responsible for his/her ranges across the whole of Europe
3. As part of the role each Product manager has a primary Site responsibility, and becomes the key link between Commercial and Operations , to ensure that all parts of the business are aligned as we grow the business.
4. The main changes are to the Industrial part of the business. However, to ensure consistency across all Business units and sites, Elise Doloret, Christine Toussaint and Jonathan Forster will continue to input into ranges specific to the Medical, Automotive and Cable BU's, coordinated by Neil Radcliffe

Over the coming months the team will be working on various aspects of range management including:

- Helping to convert opportunities into sales in the quickest possible timeframe.
- Developing the content for training courses to be rolled out to the Commercial teams on a quarterly basis.
- Creation of pricing guidelines for core products.
- Development of selling tools including Intranet Product Database, Application case histories, Strengths & weaknesses v competitor products.

Some of our product ranges have already had a good deal of focus, and are largely 'complete' The focus here will be to ensure all our customer facing staff are fully acquainted with the products and able to sell them to maximum benefit with the full support of the business. Other ranges are less well developed and will need some more basic reorganisation before pushing them hard.

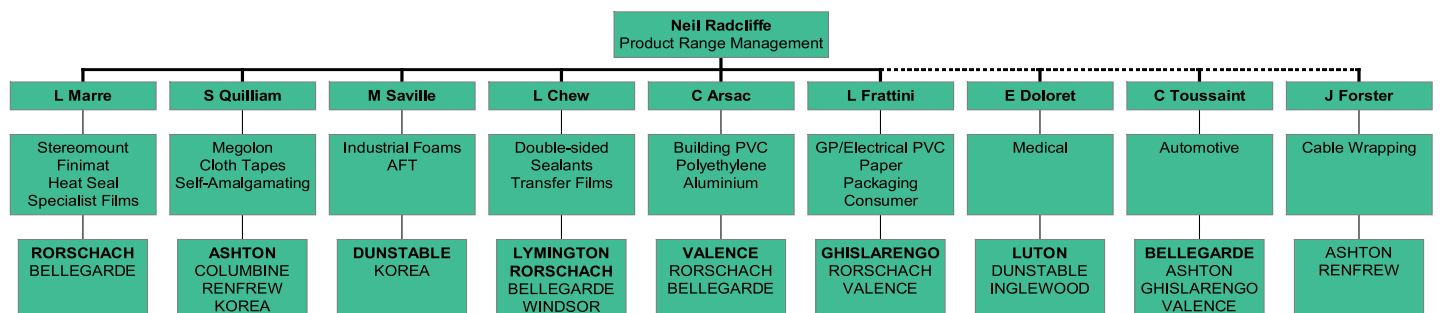
An organigram of the team is shown below. In each case the sites , with which the Product Manager will be working most closely are shown, with the primary site at the top of the list. In the case of Rorschach, where the range is wider and more complex than any other site, two Product managers will have primary site responsibility – Laurent Marre for the Printing and Graphics and Specialist Films ranges and Louise Chew for Double-sided/Transfer tapes (in addition to her Lymington role).

Successful and profitable sales growth of our product ranges involves all parts of our business, from product design right through to supplying to our Customers exactly when they specify. The product management team will be working closely with all parts of the business to ensure that customer expectations are met and exceeded. We're sure they can count on your support.

The new Industrial Product management team is shown right, following the initial team meeting in February. From left to right: Andy Woodward, Catherine Arsac, Neil Radcliffe , Louise Chew ,Martin Saville , Lorenzo Frattini , Laurent Marre , Sarah Quilliam



Product Management structure



Customer Care

During October, November and December last year we carried out the transfer of the Swiss and Austrian customers from Rorschach to the Mannheim sales office. Mannheim will now be responsible for our German speaking sales territories. The transfer was completed with no disruption to our customers and our thanks go to all the Mannheim and Rorschach people involved in making this a successful transfer. A number of customer visits took place with the Customer Care Team as part of the transfer process and to improve communications within Scapa, the Mannheim team is having English language training. One Customer Care person will remain in Rorschach looking after four key accounts and the Scapa Inter-company customers serviced out the site.

The second phase in the creation of a single UK Customer Care Team in Ashton has been announced. Between April and December this year the jobs that currently are based in Dunstable will be moved to Ashton. The Ashton team will cover the UK, Scandinavia, Benelux for Adhesive Tapes and most of the territories for the Cable Team.

South African Visit

In February we had the pleasure of a visit from Trevor Girnun, Managing Director of our Industrial Tapes distributor for South Africa, Buffalo / Executape.

(Pictured with Andy Woodward, left and Roger Warwick, right).

After a factory tour, Trevor was very impressed with the difference between Denton (which he visited in 1998) and Ashton, complimenting us on the level of investment and quality of housekeeping.

We have secured a commitment from Trevor to increase the amount of cloth that they are purchasing, and in particular, he will be looking to put a considerable amount of slit roll business through the RS310 machine.

In recent years the value of business that we have been doing with Buffalo has been steadily increasing and this is expected to continue, however he did point to a need to be more innovative with new products.

Trevor wishes to thank everybody for making his short visit a useful and pleasant experience.



CABLE BUSINESS UNIT NEWS

Product Launch of **megolon+ S800**

The market for data cables that allow computers to link to office networks and the internet has grown significantly over the past few years, and today predominantly uses for the outer jacket of the cable, low smoke, zero halogen fire retardant compounds such as megolon. As this market has grown it has attracted new competitors and prices have fallen significantly.

In order to be able to compete in this market, Scapa Polymerics have developed a new megolon compound that is based on different chemistry than earlier products. In addition to meeting the basic performance requirements for the cable, it is a much easier compound to extrude, and this allows the cable manufacturer to run their extrusion lines at much higher speeds. In addition, the compound requires less power to process, thus offering the cable maker with additional savings. In trials carried out in conjunction with various customers, increases in line speeds of over 65% have been achieved and this gives the customer added benefits in lower unit labour costs and higher capacity.

Recognising these benefits, this new product will be marketed under a new 'megolon plus' brand using a new logo (see watermark), with the first compound being megolon+ S800. This new compound is being launched to selected customers at the end of January, and initial reaction from the market is very encouraging. The compound will also be launched to the international wire and cable industry from the end of January featuring a number of advertisements in several trade magazines. Additionally, megolon+ S800 will strongly be featured at the forthcoming WIRE 2006 exhibition in Düsseldorf in April.

Cable Wrapping Tapes supplied to the Nor-Ned Project

In the last EuroLink we described the world's largest High Voltage submarine cable, the Nor-Ned project, linking Holland and Norway. This prestigious project continues to provide Scapa Polymerics with megotape opportunities. In addition to the major order for megotape CT50/113 announced in the previous EuroLink, we have now received a further large order for the same product but from a different client, who has also won a share of this prestigious project. Work on manufacturing the cable will continue until April 2007 and it is estimated that significant additional quantities of cable wrapping tape will be required.

In order to win this extra business it is absolutely essential that we meet the required delivery dates with top a quality product.



Exhibitions

WIRE 2006

The next biennial 'WIRE' exhibition will be held in Düsseldorf in April 2006. This is the worlds largest exhibition for suppliers to the international wire and cable industry, and Scapa Polymerics will be present for the eleventh time, marking over 22 years of participation at the event.

At WIRE 2006, we will present several new products, including megolon+ S800 which is currently being launched. Further details about this important exhibition will be given in the next EuroLink.

CABEX

The next CABEX show will take place in Moscow in mid February, and Scapa Polymerics will be present for the second time. We will have a stand manned by our agent 'Permanent', and the full range of Scapa Polymerics cable range will be featured.

European Works Forum update

On the 10th January we held an interim Works Forum which was called specifically to review Scapa's compliance to the European Works Forum Directive. Employee representatives at that meeting were the following: –

Phil Hadfield	UK – Ashton – Employee Chairperson
Andy Pattison	UK – Ashton – (Absent)
Tommy Rimmer	UK – Openshaw – (Absent)
Kevin Ash	UK – Dunstable
Martin Pearce	UK – Dunstable
Dave Singleton	UK – Lymington
Michael O'Neil	Ireland – Dublin
Olivier Vorms	France – Bellegarde
Fabrice Clappe	France – Valence
Francois Meloni	France – Valence (substitute)
Paola Crepaldi	Italy – Ghislarengo
Federica Veronesi	Italy – Ghislarengo
Dolores Armani	Switzerland – Rorschach
Arwed Schneider	Switzerland – Rorschach (covering Mannheim, Germany)

During this meeting the representatives discussed in detail the wording of the constitution document and specifically whether or not the document goes far enough to provide what is needed between the parties i.e dialogue between management and employees. Some minor changes to the constitution document have been made.

There was a difference of opinion as to whether the constitution document goes far enough in order to meet European Legislation. A vote was cast and from 12 Employee Reps present, 10 decided the constitution meets the needs of employees.

The general feedback from the delegates is that this Forum is a good tool for communicating changes to the business and they have been able to influence some decisions over the last few years. From a management perspective this is a good forum to discuss changes to the business in terms of financial reporting and structural changes. The Forum is an opportunity for us to continue to have consistent dialogue regarding how our business is developing. The Forum delegates are challenging and inquisitive and the process is worthwhile and will continue in the current format.

The next Forum is planned for July and will be held at Rorschach.

Some of the participants from Left to Right:

Dave Singleton, Paola Crepaldi, Derek Sherwin,
Arwed Schneider, Chris Smith, Olivier Vorms,
Dolores Armani, Andy Woodward, Francois Meloni,
Sandra Evans, Eileen Sheppard, Daniella Bollman,
Fabrice Clappe, Michael O'Neil

