



Employee News

Message from the new CEO, Heejae Chae

“Scapa is Changing” was the phrase that confronted me as I walked through the reception at Ashton on my first day at Scapa. What was not clear reading the big sign was Why? and To What? The Why became obvious as I reviewed the basic metrics for any publicly listed company and the metrics by which I will be measured. Firstly, is Scapa growing and is it profitable? Scapa is not growing and is not profitable. Secondly, how is the stock price doing? Not good.

Less obvious was To What is Scapa changing? Change for sake of change is never the answer. Clear understanding of the issues that cause under-performance is the hardest part of change. During my first 60 days at Scapa, I have had the opportunity to visit most of the sites and meet some of you. It is evident that the people at Scapa are very good at selling and making tapes. It is also evident that the people are committed and dedicated to their work. Many people have tremendous knowledge and experience that are invaluable. The people are not the problem.

There have been many changes at Scapa in recent years. And with every change, it has brought more bureaucracy and layers that hinder instead of help the organisation. Instead of providing the tools to help you succeed, the changes added roadblocks. Scapa is built on a culture of entrepreneurialism and service to customers; a culture of agility and responsiveness that allows us to recognise a dynamic market environment and stay ahead of the competition. We must return to the entrepreneurial and customer-focused culture. Equally important will be to act as a single global company. The real value proposition of Scapa is the collection of each piece. Collectively, we are the fifth largest player in the \$25 billion market. Singularity, we are no different than thousands of small companies out there.

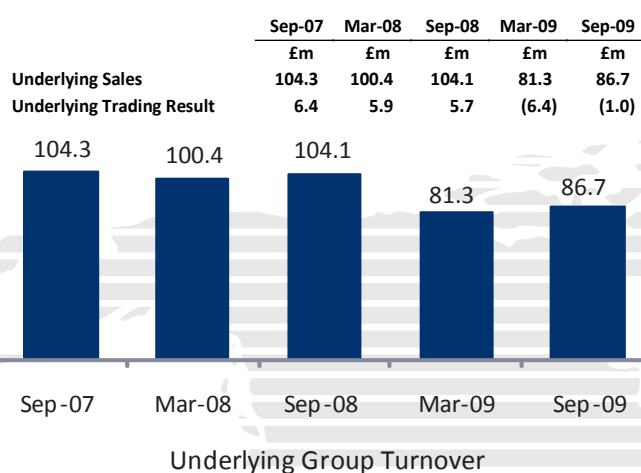
During the coming months, I will implement a series of adjustments. Many of them will be to undo some of the changes of the past. Some of them will be to minimise bureaucracy and layers. Some will be to restore entrepreneurialism that means transparency and accountability. And much will be about pulling us together as a single global company with common goals and purpose. Most importantly, everything will be to help you do your job better, make Scapa successful and achieve our Vision.



Financial Highlights

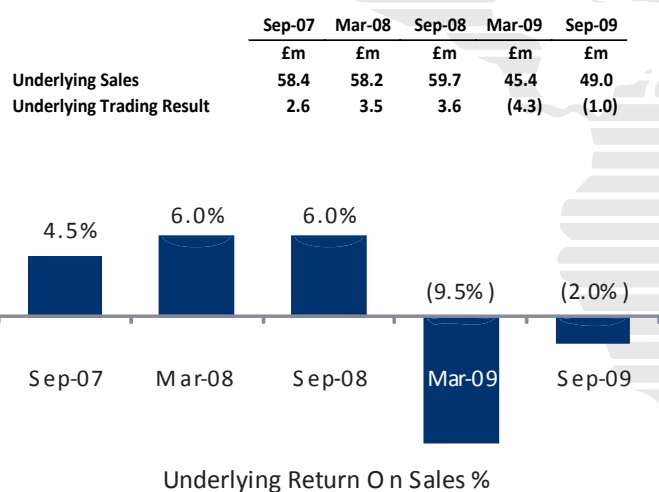
	Half year ended 30 Sept 2009	Half year ended 30 Sept 2008	Year ended 31 March 2008
Revenue £m	86.7	92.1	174.0
Operating (loss)/profit £m	(1.4)	3.7	(6.9)
Trading (loss)/profit £m	(1.0)	4.8	(1.0)
(Loss)/Earnings per share (p)	(1.8)	1.2	7.5

Group Results



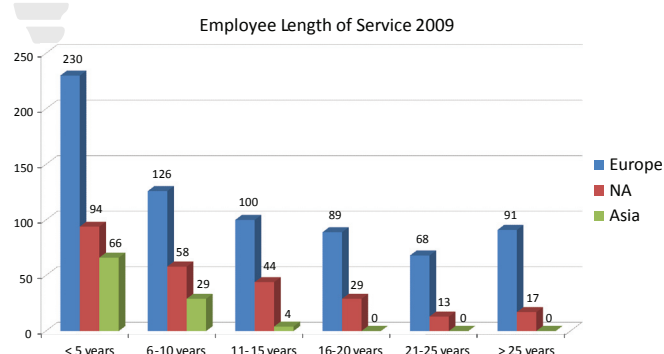
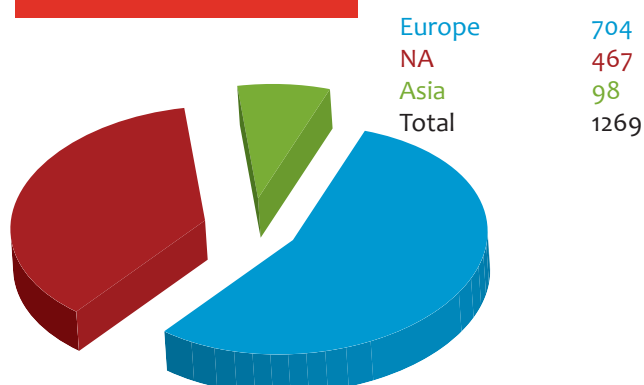
- Sales stabilised 20% below pre-credit crunch
- Significantly improved trading loss of £1.0m compares to £6.4m loss in H2 of last year
- Restructuring activity largely completed to benefit H2, particularly with respect to the closure of our Bellegarde site in France
- Net cash £2.9m after £3.5m reorganisation spend
- Pension savings up to £1.2m p.a. in next three years
- Business now returned to underlying trading profit and cash generation

Europe Results



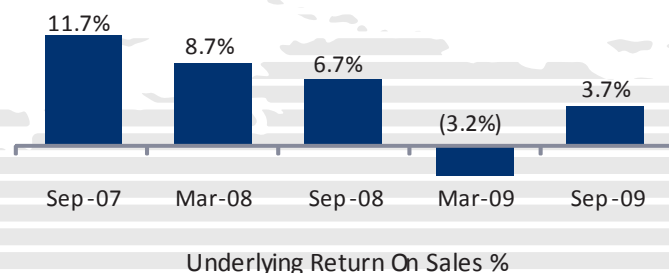
- Underlying sales down 18% on comparable period: Medical 3% and Infrastructure 12% down. Industrial Assembly down 20%
- £1.0m trading loss primarily due to lower sales, a £3.3m improvement on H2 of last year
- Bellegarde site closed in July. Benefit in H2 2009/10 of £0.9m
- Excess operating costs in H1 over £1.0m:
 - automotive demand recovered from 50% down in prior year Q3 to 27% down
 - spike in demand occurred just as we closed Bellegarde plant
 - led to over £1.0m of excess labour and air freight costs (should not recur)
- Automotive labour and freight issues now resolved so over £1.0m benefit to H2
- On-time delivery performance suffered in Q2, falling below 90%

Employees



NA Results

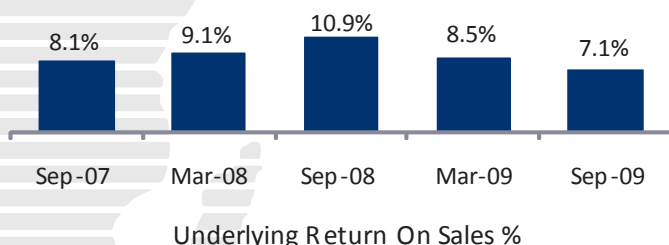
	Sep-07	Mar-08	Sep-08	Mar-09	Sep-09
	£m	£m	£m	£m	£m
Underlying Sales	41.0	37.8	38.9	31.2	32.1
Underlying Trading Result	4.8	3.3	2.6	(1.0)	1.2



- Underlying sales down 18% on comparable period
- Medical down 7% (mainly consumer), Industrial Assembly shows signs of levelling off with a fall of 12%, Construction is still 60% down
- Underlying trading profit restored at £1.2m but down on comparable period due to lower volumes
- Trading profit is a £2.2m improvement on H2 2008/09, largely due to cost reduction aided by 3% higher sales (£0.9m)
- On-time delivery performance also suffered with performance below 90%
- Capital investment of US\$1.5m begun last year completed in Renfrew (Canada)

Asia Results

	Sep-07	Mar-08	Sep-08	Mar-09	Sep-09
	£m	£m	£m	£m	£m
Underlying Sales	4.9	4.4	5.5	4.7	5.6
Underlying Trading Result	0.4	0.4	0.6	0.4	0.4



- Reasonable result given tough market conditions
- Underlying revenue effectively flat (1.1% up on comparable period)
- Reduction in trading profit due to:-
 - Excess labour costs in Korea
 - Increase in low margin business mix
- New sales personnel now in place (China and India)
- Local conversion capability (low cost capital projects) now installed in China
- Market looking better for the second half although growth will be limited by the loss of a key customer account in recurring annual tender

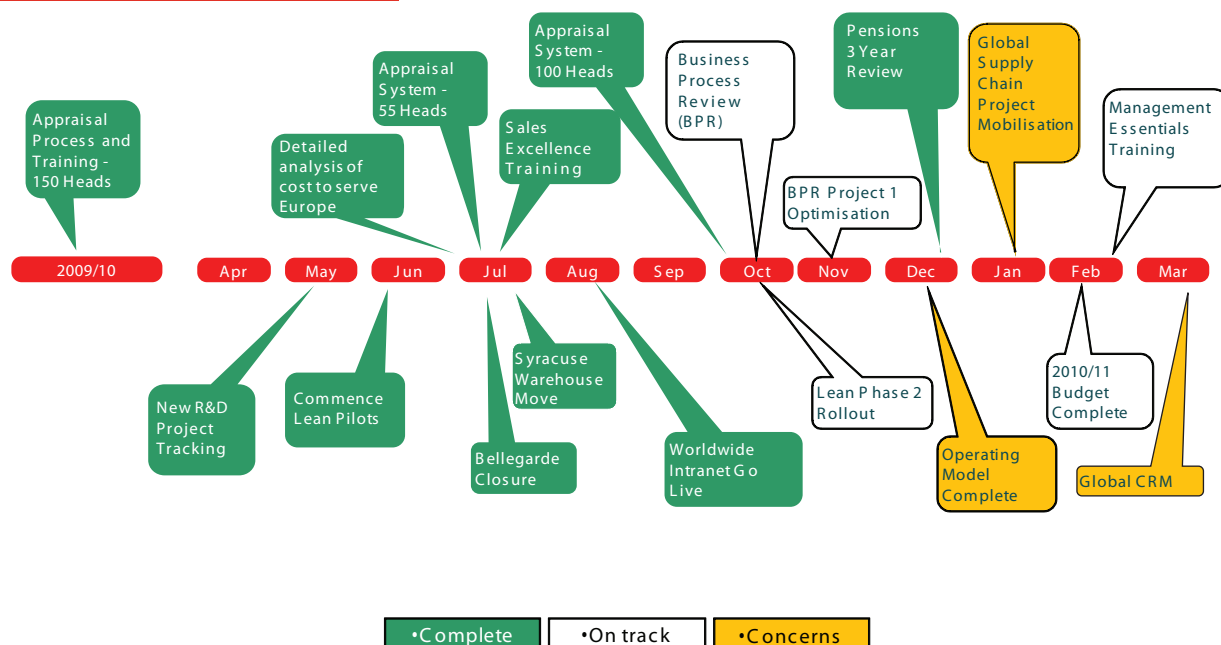
Shareholders

Shareholder	Holding
Cazenove Capital Management	14.59%
Silchester International Investors	12.61%
Tranquil Insurance Company	8.02%
Rights & Issues Investment Trust	7.20%
Investec Asset Management	6.58%
River & Mercantile Asset Management	6.23%
Mackenzie Financial Corporation	5.95%
Deutsche Bank AG	4.10%
M & G Investment Management	3.57%

Share Price Chart



One Scapa Update



People Update

My Performance

As some of you may be aware we have recently launched a new on line Performance Management System – My Performance. The system is designed to drive us towards the achievement of our Vision and support all Scapa Managers and staff with establishing, recording and tracking annual Performance and Development Objectives.

Phases 1 and 2 have been successfully launched for the Executive team and Managers across all our locations. Following an evaluation of Phases 1 and 2 it is hoped to launch the system for all employees within Scapa in the future.

My Views – All Staff Employee Survey

The results of the recent Employee Attitude survey are now available on the intranet – so if you haven't already, please do take some time to review the results. There was a fantastic overall response rate of 68% across the group. Some Managers have held briefing sessions with their teams already and more are planned in the coming weeks.

However, the most important part of the process is that we implement appropriate actions that make improvements in employee engagement and satisfaction. Actions will be focussed in the following areas:

- Line Management Communications
- Employee Pay and Recognition
- Company Wide Communications
- Training & Development

Some initiatives are well underway but you will be seeing more outputs in the coming months. Many thanks for taking the time to contribute to the survey.

