



EURO LINK

The European Quarterly Brief from the Regional Management Team

WHAT IS EURO LINK?

The Regional Management Team (RMT) desires to improve communication around Scapa Europe, about issues that are being faced and successes that we have achieved. We have brought together a number of news items that we feel are of interest to the whole of Scapa Europe and present them in this first edition of 'Euro-Link'.

We intend this to be issued every three months and we hope you will find the articles that are contained within Euro-Link to be interesting and informative.

Who are the RMT?

Given the number of organisational changes that have occurred in Scapa over the past year, we believe it would be useful to indicate the members of the Regional Management team. This team aim to communicate Scapa's vision, provide the direction of our European activities and promote actions to deliver the success that all of Scapa Europe deserve. Part of our role is supporting the site and departmental managers throughout the whole of Scapa Europe, conducting necessary performance monitoring against our budget, but most importantly taking decisions to maximise our customer sales and site productivity opportunities to enhance our fiscal performance. We have planned site review and communication meetings each month at a different Scapa site in Europe. Together we will be able to see for ourselves the issues and successes that each site presents. Consequently the whole RMT will visit each site as the year unfolds.

The currently planned programme is: -

Site	Date
Ashton	20 & 21 April 2005
Dunstable	18 & 19 May, 2005
Rorschach	22 & 23 June, 2005
Ghislarengo	September: Date to be decided
Valence	19 & 20 October, 2005
Mannheim	15 & 16 November, 2005
Openshaw (Columbine Street)	18 & 19 January, 2006
Lymington	15 & 16 February, 2006
Bellegarde	15 & 16 March, 2006

In alphabetical order, the members of the RMT are: -



Steve Dell, European Regional Technical Manager, Europe. Steve joined Scapa in 1990 working in the Cable BU. Since then Steve has held a number of positions, including Sales Director for Scapa Polymers and European Business Unit Director for the Medical BU.



Ken Heywood, European Customer Care & Quality Manager. Ken has been with the company since 1972 before Scapa purchased Rotunda in UK. Ken has held a number of roles in Scapa, including a member of the GMET team, and a period working in Scapa North America Automotive BU.



Stephen Robinson, Scapa Group Human Resources Manager. Steve joined Scapa in 2002 and has global responsibility for Human Resources within the group Scapa. Steve is also a member of the Scapa Executive Team (SET).



Derek Sherwin, European Operations Director. Derek joined Scapa in 1997 gaining his MBA in 2000. Derek was site manager of Lymington, and European Quality Manager before taking up his current position and re-locating his family to Valence.



Chris Smith, European Finance & IT Director. A Chartered Accountant, who joined Scapa in 2000, Chris is responsible for the European Finance teams around Europe. With the IT function, Chris is responsible for the Scapa IT teams and the CSC outsource team.



Jack Taylor, Global Cable Business Unit Director. Jack, who has a Ph.D. in Chemistry, has been with the company since 1983 prior to the acquisition of Lindsay and Williams by Scapa. Jack has held a number of positions, including Managing Director of Scapa Polymers.



Andy Woodward, European Commercial & Technical Director. Andy joined Renfrew in 1992 before the acquisition of Renfrew & CSI in USA. Andy has had a wide experience in the adhesives tapes industry in North America and is in the process of re-locating his family to UK.

The RMT is chaired by Chris Smith and Chris, Derek and Andy represent Europe on the new global executive of Scapa (Scapa Executive Team – SET) which replaces the Executive Management Team – EMT.

STRATEGIES BEING FOLLOWED BY RMT

SALES AND MARKETING

- Re-examination of stocking policy around Scapa Europe
- Improve the technical knowledge of the sales force
- Focus on our routes to market and interaction with the end-users of our products
- Create 'Customer Care' teams

OPERATIONS & SUPPLY CHAIN

- Continue to focus on H&S and environmental compliance for the benefit of all our employees
- Continue to improve DDDP, SLE compliance through better responsiveness, training and efficiency of the processes
- Recover increases in raw materials through a combination of selling price increases, value engineering, product changes and better purchasing capabilities
- Increased focus on best material/labour utilisation (by reducing scrap, process waste, disposal waste and high control on stock accuracy)
- Develop and engineer our production processes to improve significantly overall efficiencies
- To keep costs in line with demand activity

TECHNICAL

- Improve the 'Time to Market' for new products
- Improve the identification of new product development opportunities having improved margins
- Improve the interface with Commercial and Operations

CUSTOMER NOW!

The RMT remain committed to the **Customer NOW!** programme.

This concept was born at a time when Scapa was in the middle of a major reorganisation and with service and quality levels dropping well below the standards required by our clients. In the months since the first two **Customer NOW!** meetings, we have made significant improvements in both service and quality BUT, we do not want to lose the impetus that has been generated.

The RMT will be inviting a number of senior managers from around Europe to participate in the third **Customer NOW!** meeting which will be held sometime between October and December 2005. The emphasis on this meeting will be to acknowledge the improvements we have made, but more importantly, to set targets for the future to ensure we continue to work towards providing our clients with a 'World Class' supply performance.

SCAPA GROUP RESULTS 2004/5 AND SCAPA BOARD CHANGES

Scapa Group plc announced the financial results on 2 June 2005. These showed that the Group had produced a flat sales performance with global sales of £188m. Operating Profit before tax had fallen from £6m in 2003/4 to £3.6m in 2004/5. Key issues affecting profitability identified by the Group were market softness in some areas, adverse currency exchange rates and acute rises in the cost of raw materials.

Looking forward to 2005/6 Dr Keith Hopkins stated

"Trading in the first part of the 2005/06 financial year has been significantly below budget. Our main aim is to recover our trading margins by increasing selling prices and reducing costs, and the management changes implemented will provide important momentum in achieving this. Looking further ahead the Board is committed to reviewing all options to provide future value to shareholders and is consequently undertaking a strategic review of our business."

The Chief Executive, Tony Watson, has resigned his position. Dr Keith Hopkins will assume the position of Executive Chairman and Mr. Steve Lennon is confirmed as the Chief Operating Officer.

NEW PRODUCT DEVELOPMENT

CROSS-LINKED MEGOLON™ INSULATION COMPOUNDS

Significant advances have been made with the latest cross-linked Megolon™ insulation compounds.

These compounds, produced at both Megolon™ manufacturing sites are added value compounds aimed to position us in a new market area and deliver higher earning capability for Scapa. We are already in commercial scale manufacturing and are close to approval for very large volume consumers.



STATIONERY TAPES AT RORSCHACH

A major success story where design and manufacturing have been difficult to master, but we now have the opportunity to deliver new volume stationery tapes from our Rorschach site. This is a very good example of how various departments have worked together to present Scapa with a huge opportunity for the future.

JOE PRESTON BECOMES ASHTON TECHNICAL MANAGER

Congratulations to Joe for being appointed Technical Manager for the whole of the Ashton Technical Group, reporting to Steve Dell. Joe will bring together the new product development, process development, technical service and intellectual property management of all product groups over Ashton and Columbine Street manufacturing sites: Hot Melt, Self Amalgamating, Adhesive Cloth, Megotape™ and megolon™.

RAW MATERIAL COSTS

One of the major issues affecting the business at the moment is the spiralling cost of raw materials and energy. These increases are affecting every Scapa site in Europe and are being caused by a combination of a high oil price, huge demand from China and capacity. We need to continue to work hard to reduce scrap and waste within all areas of the business and to make best use of the materials we purchase. The commercial teams are trying to push through price increases for Scapa products, but this is always difficult in what is a competitive market. Additionally the purchasing and technical teams are working hard to identify alternative materials and suppliers to support the profit recovery urgently needed.

QUALITY

The European Intranet based complaint system has been operating for over a year now and has enabled us to deal with customer complaints in a more effective manner. Over the last year we have reduced both the number complaints/credit notes (the ratio of credit notes to invoices has fallen from 5.6 to 4.1%) and the time taken to deal with the various stages of the complaints system (3D – fallen from 4.9 to 3.8 days, 5D, and 8D).

During 2005/6, our target is to further reduce the time we take to deal with complaints and the number and value of complaints and credit notes. Over the last year 2004/5, a large proportion of the complaints/credit problems that we had, related to products involved in the GMET projects for example, Waterproof Cloths and Meg 6 products from Ashton and Silicone products transferred to Carlstadt. These issues should not occur this year.

Our customers do not want to have complaints about our products so by reducing the number of credits/complaints and increasing the speed in which we deal with them, will enable us to improve our customer satisfaction.

CUSTOMER CARE

Our objective is to have one Customer Care team for Europe and where practical, to have a single point of contact for each customer. This means we will bring together the Order Processing and Internal Sales functions into one team over the next few months. This change has already taken place in Ghislarengo for our Italian and Eastern European customers and we are now working to create a single team in Ashton to cover UK, Benelux, Scandinavia and some “Deep Sea” customers.

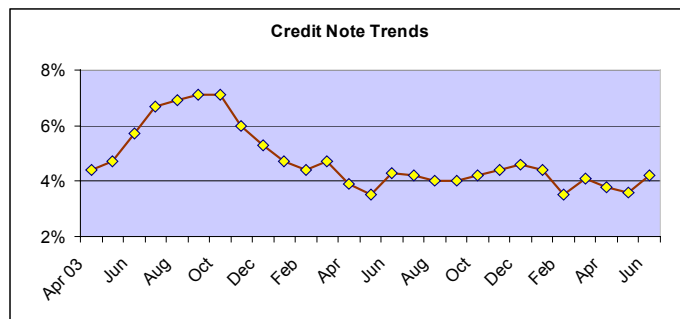
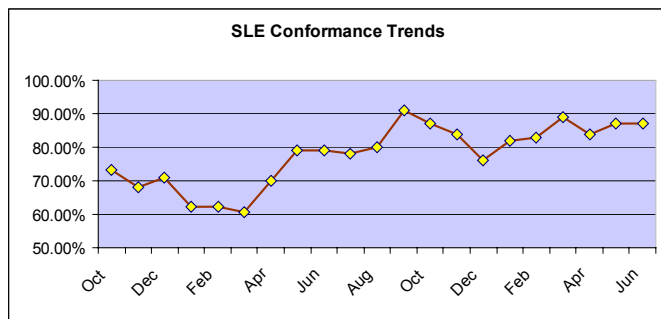
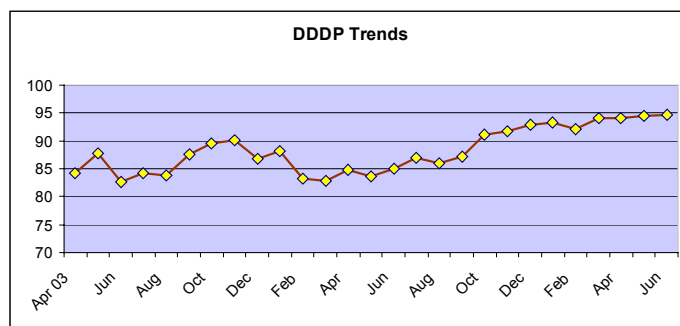
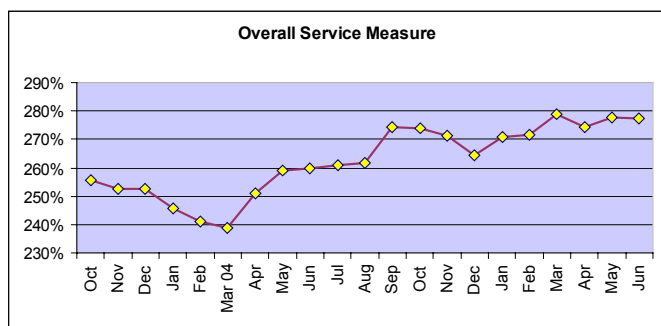
The consolidation in Ashton will take place over the next two years, as we need to ensure that the effect of this change on our customers is a positive one.

CUSTOMER NOW TRENDS

Sales Targets

	Apr	May	Jun
% to budget	-4.0%	-9.9%	-1.4%
Qtr to date	-4.0%	-7.1%	-4.9%

SERVICE MEASURES



A strong performance in June compensated for a weak April and May but overall sales finished the quarter 5% down on the budget. We saw cable deliveries stronger than expected after the price increases in May and Industrial France delivered a strong quarter following an excellent June. The outlook for Q2 is uncertain although order coverage in July is reasonably strong.

The overall service measure has shown a steady positive trend since reaching a low point in March 2004. Our overall Due Date Delivery Performance (DDDP) has shown a positive trend, but we still have some work to do if we are to achieve our target of 98% for the whole of Europe. The Service Level Expectation (SLE – this is a measure of the service that our customers expect Scapa to be able to satisfy) has also shown a positive trend, but again we still have some more work to do to achieve our target of 100% compliance with SLE.

EXPLOSION IN GHISLARENGO

At 10.30 Thursday 10th March CET an explosion in coating line number 2 (SP2) occurred in the drying chamber in section 4. Fortunately, only one person was slightly injured in the incident, and the damage to the machine has been repaired. We believe the cause of the explosion is now identified, and modifications will be made to the machine to prevent a further incident of this type. Other solvent coating plant around Scapa will also be inspected and any necessary precautionary work will also be undertaken.

The whole of the Ghislarengo site rallied around to ensure that this incident caused no disruption to customers. This included swift action by the site fire brigade to ensure there was no fire, and once the plant had been declared safe, the operations teams works additional shifts on another coating line. Customer Care department worked hard to ensure customers were aware of any issues and to manage orders.

The Whole of Ghislarengo site is to be congratulated on their very professional reaction to this major event. **WELL DONE!**

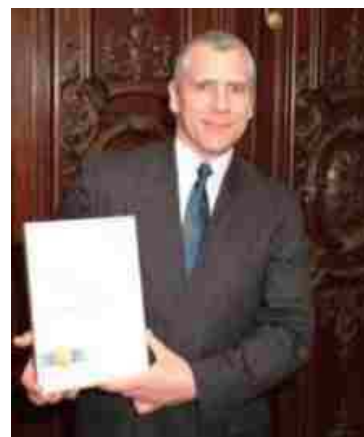
TOP MARKS IN LYMINGTON

Roger Stanton, Project Engineer and Lymington site Engineering Co-ordinator has been selected from a pool of more than 7000 delegates to win the Chartered Management Institutes annual "National Merit Award".

The accolade is one of only three awards given by the Institute and recognises outstanding performance in a management qualification by students who have completed an Institute-accredited course.

Roger won the 'John Ellis Award' after completing the Institutes Level 4 Diploma in Management at Bournemouth & Poole College. His success comes after achieving top marks across 7 modules and a major project submission.

Roger, a father of three has worked at the Lymington site for 18 years. Our congratulations go to you Roger!



SCAPA FRANCE AWARDED ANACT TROPHY 2005

Congratulations go to Scapa France for winning the ANACT Trophy "Quality of Life at Work".

Over 50 companies from all over France took part in the competition that judges companies on the quality of skills profiling and for communication throughout this process with employees and Trade Unions.

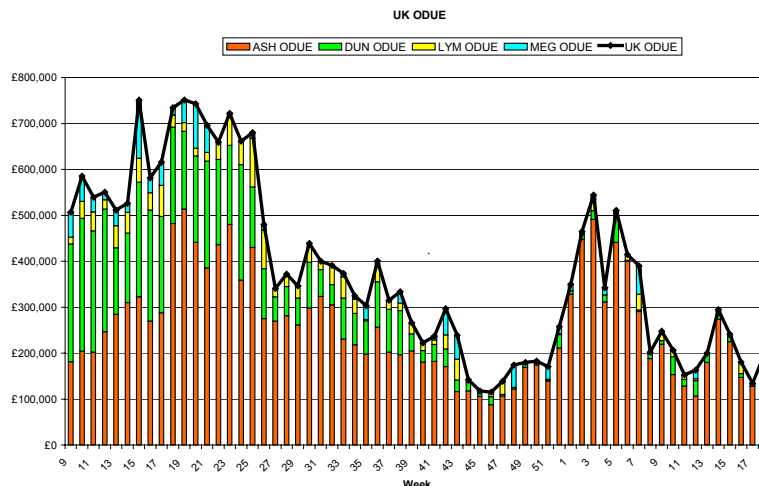
Other companies who took part included Tate & Lyle, Dunlop Goodyear and Calor – Seb.

ORGANISATIONAL CHANGES – UK

Part of the overall improvements necessary in the UK was the reorganisation of Supervision within the Manufacturing area at Ashton. This project has now been successfully completed with the recruitment of Manufacturing Team Leaders, Manufacturing Managers and a Site General Manager. We are confident that with their skills, together with those working with them, we are capable of turning Ashton site into a success. In addition, we have also recruited a new Site General Manager in the UK South. With his strong background and experience in Lean Manufacturing, we will be able to "scan" every possible process and as a result, improve efficiency and costs.

SERVICE LEVEL FOR UK

In the past, the service level from UK sites didn't inspire confidence in the market place to enable our business to grow. We have therefore, undertaken a lot of improvements in Supply Chain processes and Production to get the service back under control, mainly in Ashton and Dunstable. As a result, the overduees were reduced from £751k in April 04 to ~ £130k in May 05. CLIP has improved from 72% in April 04 to 88% in May 05. All sites except Ashton sustained high CLIP and very low overdue levels. We predict that by the end of May 05, we will have the lowest overduees (~ £75k) within the UK than ever before. Further process improvements that we are currently working on will enable us to achieve CLIP of 95% for Ashton by September 05.



OUTSTANDING ACHIEVEMENT - GLOBAL AUTOMOTIVE TEAM

At the annual Global Automotive Team Meeting held in Windsor USA during April, we were pleased to congratulate 5 new members of the Scapa team for outstanding achievement with rewards and recognition.

The award winners are: -

- Patrick Loison for the "Sales Growth of the Year" with 51% growth exceeded during fiscal year from previous years results within his region: France, North Africa and Romania in Harnessing.
- Mauro Dagna for the "Sales Person of the Year" with a significant sales growth of over 35%.
- Penny Cardaropoli & Céline De Oliveira both non-automotive employees, for "Life Saver of the Year". Penny and Céline have supported many actions above and beyond normal expectations not only once but countless times.
- Damien Personeni for "Team Member of the Year" for an exceptional performance through out all of the fiscal year with dedication and support to the Automotive Team.



GLOBAL CABLE BU COMMERCIAL MEETING

The Cable BU held a Commercial Conference in Ashton in the early part of April. The team included visitors from Scapa Malaysia (Jesse Oh, Clement Lee), Scapa China (Ada Deng), Scapa USA (Marvin Hickman, Cameron Gallamore, Rich Malaspina, Andy Woodward) and Scapa Canada (Simon Terry) in addition to the European team members who are based in Ghislarengo, Valence and Ashton. The meeting heard about significant new developments in Cable Compounds and was able to share information on the activity of competitors around the world. A key focus for the meeting was the need to increase prices across the business following unprecedented rises in the cost of raw materials. Please join us in wishing 'Good Luck' to the cable team during this difficult period.