



# EURO LINK

## The European Quarterly Brief from the Regional Management Team

### A great result for September!

A great result in September, it is clear to us based on the sales number (which was above both budget and last year) that everyone in the business has worked very hard to make this happen.

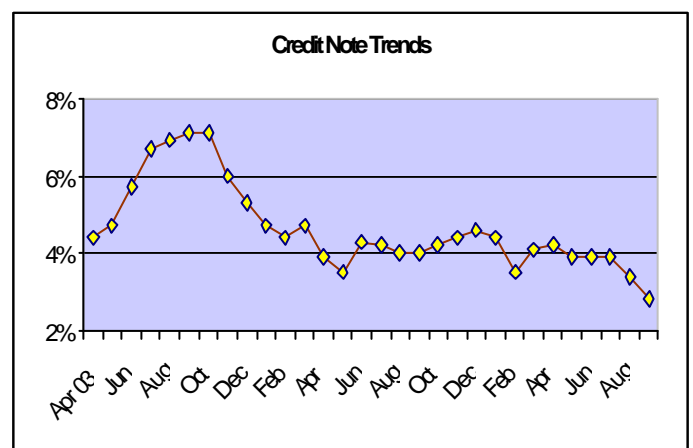
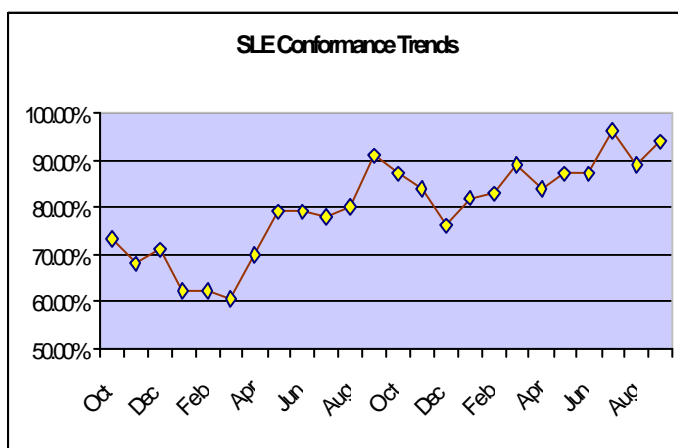
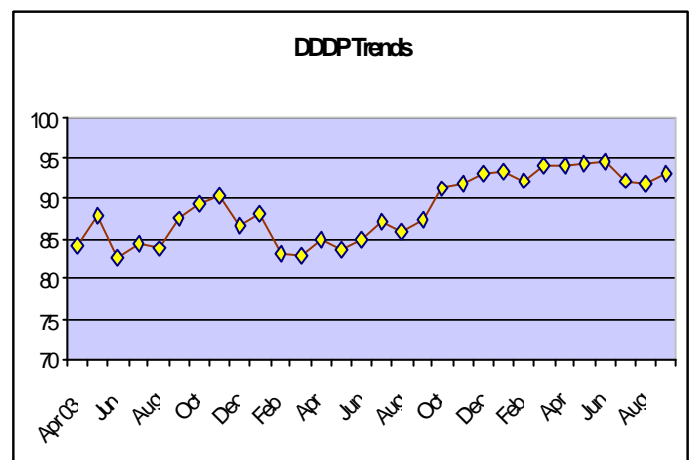
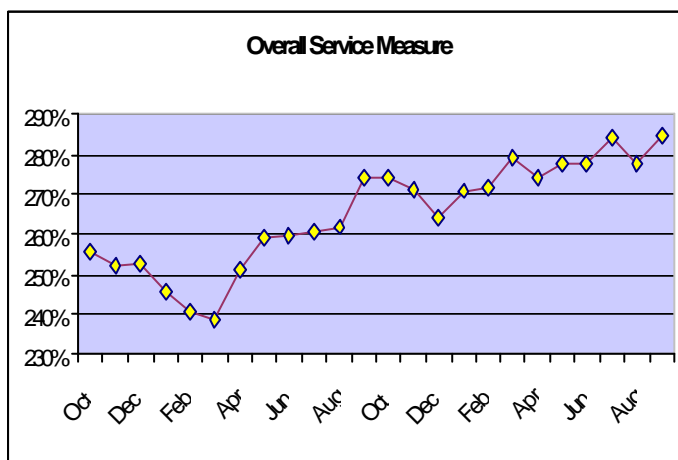
Most areas of the business showed improvement (site and BU) and this trend is very exciting. Hard work, focus towards the customer's needs and a 'team' effort have made this happen.

Keep up the good work, as one month does not make a year, but enjoy the moment! Well done and THANKS!

### Sales Targets

	April	May	June	July	August	September
% to budget	-4.0%	-9.9%	-1.4%	-10.6%	-11.9%	+1.5%
Qtr to date	-4.0%	-7.1%	-4.9%	-10.6%	-11.1%	-5.8%

### Service Measures



## CUSTOMER NOW!

In mid November in Mannheim, Germany, we plan to hold the third CUSTOMER NOW! Meeting.

We have made great progress since the second meeting at the end of 2003, where we focussed on the improvement of DDDP and SLE compliance, and we now wish to build upon this success.

The 'Theme' of the forthcoming meeting will be 'How can we improve the flexibility and responsiveness of Scapa Europe, to meet and exceed the needs and expectations of our customers?'

If you have ideas and suggestions that could be considered at this meeting, please notify any of the CUSTOMER NOW! participants whose names are detailed overleaf.

Specific questions to ask in preparation are:

- How could you personally help to allow our customers and fellow team members to become more aware that Scapa and all those within the company are changing our culture to become more responsive and more flexible?
- What tools or changes in policy or procedures would you need specifically to help Scapa become more flexible in your area of expertise?
- What tools or changes in policy or procedures would you need specifically to help Scapa become more responsive to the customers needs?
- What are the areas of the business that continue to slow our progress to be more customer focused? (Sales, Marketing, Technical, Customer Care, Senior Management, Operations, Planning, Sampling, Lack of Strategy, Cash flow constraints, lack of profitability, lack of training, finance, Co-ordination of team effort, others )

We will use all of your ideas as the initial input to the meeting, and intend to provide some feedback of the output via 'Eurolink' later this year.

Please take the time to pass your ideas to the participants.

Thank you in advance for your help and contribution.

## CUSTOMER NOW! Participants

Participant	Location
Adolfo Giubileo	Ghislarengo
Andy Davies	Ashton
Andy Woodward	Ashton
Bambos Antoniou	Dunstable
Céline de Oliveira	Bellegarde
Chris Smith	Ashton
Damien Personeni	Bellegarde
Daniel Ephgrave	Dunstable
David Grapotte	Valence
Derek Sherwin	Valence
Harald Sponagel	Mannheim
Ingo Rauh	Rorschach
Jack Taylor	Ashton
Janice Lea	Ashton
Jayne Jamieson	Ashton
Jean Paul Liaud	Valence

Participant	Location
Jeff Kane	Ashton
Julian Greenhalgh	Ashton
Ken Heywood	Ashton
Maurizio Bollea	Ghislarengo
Neil Radcliffe	Ashton
Olivier Rodary	Valence
Paul Dakin	Dunstable
Raffaello Carnio	Ghislarengo
Richard Symes	Ashton
Sergio Colonnelli	Ghislarengo
Steve Dell	Ashton
Stewart Hendry	Dunstable
Susan Counsell-Phillips	Ashton
Wendy Chasney	Dunstable/Lymington
Wim Van Gelderen	Netherlands
Yves Malmenade	Valence

## COMMERCIAL REPORT by Andy Woodward

We have all just passed the halfway mark in our fiscal year. I wanted to say a few words on the commercial side of the business and emphasize to you some of the points we need to focus on towards the second half of our year so we can all start to feel good about our progress.

As you know, despite our having a great September result, we were unable to hit our first half year budget target and achieved lower sales than the same period in the previous year. This bad news has been tempered due to the fact we have made excellent progress as the Scapa team improves our focus and our structure to allow us to exceed our targets in H2.

Some key points that have happened or will happen;

1. Our third CUSTOMER NOW meeting will be held in Germany in November with 33 managers attending armed with new ideas on how we can get more in tune with the customers we have and how we can change our normal business practices to support growth with our customers and prospects. We had made great progress (remember that our focus toward DDDP, CLIP and RLIP came from previous meetings) in past meetings and expect that we will move to the next level in service that will allow our growth to occur more rapidly. More to come on this initiative.
2. Focus on 'minimizing attrition' has been a message I have been speaking of for some months. This awareness within the sales team and the sites will help to bring forward to all of us our problems and allow us to learn from the bad experiences our customers deal with when they deal with Scapa. This constant pressure will only make us a better company and allow us to be 'easier to do business with'. We cannot lose any more accounts and we should do all possible to save any account that is about to move to a competitor. The cost to get that business back is way too high and it is in all our best interest to keep all the business we currently have where possible.
3. Communication to our customers has to be paramount in all our day to day dealings. Late delivery, changes to orders, response to complaints, new product development progress, etc have to be communicated regularly and it is each of our responsibility to make that happen. Pick up the phone and call, practice using less e-mail call a customer even when there is no problem. All of these ideas and any more you might have will really start to impress these customers and they will believe that we have turned a big corner in improvement.
4. We cannot settle for average performance from anyone in our business, average performance will not allow us to return to healthy profitable numbers. Keep pushing your peers, your boss, your bosses boss and yourself. We all have to step up to new levels and create new solutions for our customers and ourselves.

I personally welcome anyone coming forward who wants to talk about new ideas for our business. I am here to listen and to find new ways to progress our business.

*Good Luck in H2!*  
*Andy*

## Plc Board visit to Valence

Jean Paul Liaud, Site GM for France and the local team, welcomed the Scapa Plc Board Members to the Valence site on September 27<sup>th</sup>.

The Board held their bi-monthly Board Meeting at the Valence offices and as part of the trip, met the local site and Commercial Teams and saw at first hand the Branly location at full production, making 6095 Building PVC for the Autumn promotion. Additionally, the Board was able to see the work in progress on the extensive environmental compliance improvements at the Branly site. The Board Meeting included a presentation on current European business performance and outlook given by Chris Smith, Andy Woodward and Derek Sherwin.



6095 Building PVC

## Quality

We had our routine audit at Rorschach in July that unfortunately resulted in the loss of our ISO 9001 and ISO TS 16949 accreditation. This was a big blow for the site and we immediately set up a programme to correct the non-conformities that were reported. The site was re-audited to ISO 9001 on the 30th September and I am pleased to say that we regained our approval along with praise from the Auditor about the improvements that had been made in a short period of time. Well done to all the Rorschach Team but special thanks to Maurizio Bolea who became Integrated Systems Manager for both Rorschach and Ghislarengo in July. The rules say that we are not allowed to reapply for the ISO TS 16949 for one year but we are confident that with the improvements that we are making we will regain our approval by the end of 2006.

We are continuing to reduce the number and value of Credit Notes that we are issuing. For the first 6 months of 2005/6 compared to the same period last year the value of credits fell from 1.25% of invoices to 1.12% while the credit note ratio (the number of credits compared to the number of invoices) fell from 3.95% to 3.60%.

## Customer Care

The first stage of the consolidation of the UK Customer Care Team in Ashton is complete. UK Industrial and Building & Construction sectors continue to be serviced out of Dunstable under Jenny Comerford with UK Automotive and Printing & Graphics, Benelux, Scandinavia, Cable (except France) and some Export territories serviced from Ashton under Jayne Jamieson. Five new team members have been recruited in Ashton and the final stage of the move will commence in April 2006.

The consolidation of Customer Care for the German speaking countries in Mannheim is underway and will be complete by the end of December. Stefan Lietmann will lead this team and the account contacts for Switzerland and Austria will move from Rorschach and Ghislarengo.

I'm sure a lot of you will have heard about the sudden death last month of Pilar Pirez, the Customer Care Co-ordinator in Barcelona. The Company and her colleagues were represented at her funeral and all our condolences were passed on to her family along with those of many of our customers who were saddened to hear of her death.

## Cable News

### CT50/113 To Be Used In World's Longest High Voltage Submarine Cable



The cable wrapping tape, Megotape CT50/113 (1044 to our friends in production at Ashton) has been chosen by Nexans Halden, Norway, to be used in the high-voltage direct current transmission link connecting Norway and the Netherlands.

At 580km the NorNed will be the world's longest submarine high voltage project and will consist of two 450kV HVDC cables running between Kvinesdal, Norway and Eemshaven in the Netherlands. The total cost of the project will be around 600 million Euros. As part of this project Nexans will manufacture two 156km deep water cables which will be laid in the Norwegian Trench to a depth of 410m. These cables will weigh 90kg/m. The NorNed link will have a maximum power capacity of 700 MW.

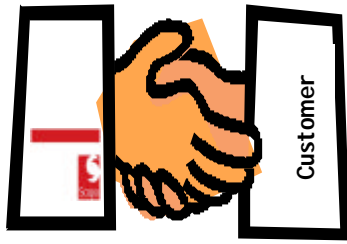
The principal reasons for building the NorNed link are to improve electric power supply reliability in both countries and to reduce price fluctuations. Since Norwegian generation is almost entirely hydropower, below-normal precipitation can affect its power system. On the other hand, power production in the Netherlands is based on fossil-fuel-fired thermal generation.

The NorNed interconnector will boost the reliability of the power system in both countries as well as operating to ensure that power is always delivered from a lower-cost area to a higher-cost area. So in 'dry' years in Norway, the cable will be mainly used to import power. But in years with higher than average precipitation, surplus power will be exported to the Netherlands. In years of normal precipitation, Norway will export power during the daytime and import power at night.

Megotape CT50/113 has been chosen as a binding and bedding tape with good extrudate penetration resistance. The first order for 200,000 sqm has been placed and we will begin supplying in December. Nexans have selected Scapa following previous successful subsea cable projects, although none as large as the NorNed. Strict adherence to the requested delivery date is absolutely vital on a project of this size, since any delays are enormously costly.

There remain other large opportunities associated with the NorNed and these are being pursued aggressively.

## Technical Group interaction with customers by Steve Dell



In the early stages of any new opportunity, responsiveness, adaptability and creativity are all highly valued by existing and prospective customers. We need to be eager, but professional; excited but effective; fast but accurate.

To delight our customers, this approach needs to be adopted by all parts of Scapa, but no more so than in Technical Service and R&D. The Technical Group within Scapa are often an early point of contact for customers. We are called upon for product information, application support, installation expertise and new product innovation ideas. This can take many forms from site visits, written advice, sample preparation and timely design and development.

We will offer, as much support as we can to all customers, but with the resource constraints we have to prioritise our efforts. Therefore clear guidance from the Business Units is essential so we can optimise our Technical support in line with the company's commercial agenda. Within this, it becomes clear that Scapa's largest customers will inevitably benefit from the best we have to offer.

For the Technical Group, this approach can be both rewarding and frustrating. By the nature of innovation we are extending the boundaries of our current technology platforms and exploring new areas of research. For a Technologist, this is where their education, experience and intuition pay off with a fascinating voyage of discovery. On the flip-side, large customers can be very demanding, throwing all of their ideas (some good, but many flawed) at Scapa. Every time we aim to respond with our best efforts in formulation and process design to provide prototypes of their concept. Of these many ideas, the may find only a small proportion of these concepts work first-time or are realistically market competitive. Many prototypes will "fall by the wayside", but a few will be successful, become commercialised and generate sales and profit for our customer and so for Scapa too. For those that fail, we have expended hundreds of hours of effort and significant financial commitment to get to the prototype stage. However disappointing this is to the Technologist, it is not wasted effort, but an investment in the relationship with that key customer.

It is our joint challenge to make the success rate as high as possible, but regardless of this ratio, it is essential to keep the customer ideas coming. This is our "life-line" to a successful future and demands that Scapa make themselves the customer development partner of choice. When a customer thinks about a new product incorporating pressure sensitive adhesives or specialised compounds and components, we want them to think of Scapa first. They should feel secure and confident that time spent in joint development with Scapa is a good investment and likely to pay dividends.

Our wide product range and varied technology platforms make Scapa unique in the markets we serve. Few competitors can better any of our processes and materials, but none has the same potential of such wide and deep capabilities to meet customer's needs. Our comparatively modest size can also work in our favour. We rarely compete in the same markets as our Customers or present a threat to them, so there are fewer barriers to open collaboration to develop new products.

In recent months we have started Technical Seminars with strategic customers. A broad cross-section of our Technical and Commercial Teams have come together with their opposite numbers in the customer's organisation. We have described our process capabilities and material portfolio and they have described their market goals and development direction. From this highly creative environment an "avalanche" of ideas and collaboration opportunities can be generated.

Even though many of these ideas may not make it to commercialisation, we have become almost an extension of the customer's Development Group. Faces and characters that are now known to them, whose opinion and support are valued. Scapa has become their 1<sup>st</sup> choice development partner!

We certainly intend to extend this approach throughout the European market.

## Jack Taylor becomes President of FROCC

Scapa is one of the founding members of 'The European Association of Flame Retardant Olefinic Cable Compound Manufacturers', a trade association whose purpose is to promote the use of halogen free, low smoke, fire retardant cables in Europe. The name of the Association is quite long and is normally abbreviated to FROCC (see [www.frocc.org](http://www.frocc.org)).

The European Union is seeking to apply common standards across all of the member countries, to facilitate trade. Wires and Cables fall under something called the 'Construction Products Directive' or CPD and part of this directive is to develop a common standard governing the classification of the fire performance of cables. It is this area that FROCC has been particularly active, sponsoring research projects, conferences, web sites and other promotional and lobbying activities.

The development of new European performance standards for cables is very challenging, from a scientific, technical and political viewpoint. FROCC is working with a number of like-minded associations and industry groups to lobby the

European Commission and to promote the use of zero halogen, low smoke, fire retardant compounds. These new standards could have a significant impact on our Megolon business, so it is vital that Scapa have a strong voice in FROCC.



Scapa is represented at FROCC by Jack Taylor, Business Unit Director - Cable BU, and Jack has just been voted President of FROCC by the other members.

## **STOP PRESS !**

### **Our new Chief Executive - Calvin O'Connor**

Just a quick message to introduce myself as I'm sure that all of you will have seen by now my appointment as Group Chief Executive from the 10th of October. I'm a chemistry graduate with a financial qualification and have spent nearly 30 years in the Industry working for a variety of public companies including Courtaulds and most recently British Vita. My last role was as Managing Director of Vita's £400m Industrial Polymers business, which consisted of 34 operations in 12 countries.

My first priority at Scapa will be to visit all of our businesses over the next 2-3 months to meet with local management teams and to see at first hand all our operations. I have already made a start to the visit schedule with a tour of Ashton earlier this week and will be continuing this next week with a trip to North America.



I look forward to meeting the people of Scapa in due course.

## **CUSTOMER NOW!**

Please don't forget to contact the CUSTOMER NOW! Participants soon with your ideas to answer: -

**“How can we improve the flexibility and responsiveness of Scapa Europe, to meet and exceed the needs and expectancies of our customers?”**

Many thanks in advance!