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Prime Minister

CDP

14/7.

COURTAULDS

Private Secretary to the Prime Minister
10 Downing Street
London SWIA 2AA

14 July 1988

Dear Private Secretary,

Courtaulds is announcing tomorrow morning the sale of its pulp interests, the bulk of which are in South Africa. I know of the Prime Minister's personal interest and I thought that you should have a copy of the announcement, which I have also sent to Sir Geoffrey Howe and Lord Young.

I should add that the rationale for the deal is a commercial one, not a political one. We shall continue to have close and important links with the purchaser and there is no present intention to dispose of our other operations in South Africa employing hundreds of people.

Yours sincerely,

Chris Hogg

Sir Christopher Hogg

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COURTAULDS

15 July 1988

EMBARGOED 9am, 15 July 1988

COURTAULDS SELLS WOODPULP INTERESTS

Courtaulds, the international chemicals, textiles and industrial products group, today announced that it has signed unconditional agreements to sell its dissolving pulp interests to a consortium represented by Sappi Ltd, South Africa's largest pulp and paper company. The agreements will be completed on 31 August 1988. Courtaulds has also agreed in principle to sell its shareholding in The Usutu Pulp Company Ltd to the same consortium, subject to the approval of the Government of Swaziland, whose consent is required for any change in the ownership of Usutu. The total consideration amounts to £207 million.

Commenting this morning, Courtaulds Chairman, Sir Christopher Hogg, said:

"This sale marks an important step in the evolution of Courtaulds into a more focused, management intensive, growth company. Our woodpulp business, although very strong, is different in kind from the rest of the Group and requires an ongoing commitment to spend considerable amounts of capital. Given the competing demands for investment from our other Business Sectors we decided some time ago that this business, despite its strength, could not offer Courtaulds a long-term growth opportunity. We were familiar with Sappi as South Africa's largest pulp and paper producer and a responsible employer and were therefore able to respond positively when they approached us last November. Seven months' work has converted the offer in principle which we then received into a full sale agreement."

Courtaulds Finance Director, Richard Lapthorne, added:

"We expect earnings per share to fall by around 1p in a full year, but this deal will open opportunities for growth in other areas by liberating resources hitherto committed to Woodpulp. The consideration received, together with the removal of the existing Saiccor debt, will reduce our net borrowings by some £240 million; furthermore, the extraordinary profit on the sale will almost completely compensate for the net extraordinary losses which were incurred in bringing about the restructuring and recovery of the Group in the first half of the 1980s."

The dissolving pulp operations being sold comprise two elements:

- The two-thirds interest in Saiccor (Proprietary) Ltd, Natal, South Africa, the balance of which is held by the Industrial Development Corporation of South Africa. Saiccor produces dissolving pulp for use in viscose fibres and in Cellophane. Its mill - the largest of its kind in the world - is supplied by its own extensive eucalyptus forests. Saiccor employs some 10,000 people.

- Supporting trading and investment companies, the principal of which is Speciality Pulp Trading Ltd, a wholly-owned subsidiary based in Hong Kong.

Courtaulds has a 50% interest in The Usutu Pulp Company Ltd, Swaziland, the balance being held by the Commonwealth Development Corporation. Usutu produces unbleached kraft pulp for paper packaging. It employs 2,700 people.

These businesses produced an operating profit in 1987/88 of £33 million on a turnover of £103 million. After allowing for interest charges, the share of related company profits, tax and minorities, the contribution to earnings was £23 million. The net assets to be disposed of amount to £34 million.

Courtaulds viscose fibre and Cellophane film operations consume together just under half of Saiccor's output. A long-term supply agreement has been signed ensuring the continuity of this supply. This agreement is of particular importance to Courtaulds North America, whose viscose plant in Mobile, Alabama, is technically dependent on a grade of dissolving woodpulp available only from Saiccor.

In 1987/88 Courtaulds had sales of £2.4 billion and employed 68,500 people, 46,000 of them in the UK. It has operations in some 35 countries and is a major UK exporter. Some 52% of its sales in 1987/88 were to markets outside the UK. Founded in 1816 to weave silk, Courtaulds later pioneered the world man-made fibres industry. In the early 1980s, the company was extensively restructured. Now with a world presence in fibres, textiles, coatings, films and packaging, and significant operations in fine chemicals and advanced materials, Courtaulds is one of the United Kingdom's principal manufacturers. In 1988 Courtaulds celebrates its 75th anniversary as a public company.

In accordance with Stock Exchange requirements, a circular will be sent to all Courtaulds shareholders in due course.

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