

D R A F T

Guidelines for Wiggins Teape : July 1987

General

1. The overall objective for Wiggins Teape should be to build on existing Group strengths in order to develop and maintain strong positions in the UK and Europe in Carbonless, Fine Papers, Distribution and the manufacture of Eucalyptus Pulp that will provide profitable sustained growth over the longer term.
2. Wiggins Teape should aim to position its businesses in leadership positions in growth markets and ensure that each business is operating efficiently and achieving returns sufficient to give a cash flow that will either fund real sales growth of at least 6 per cent a year or produce an equivalent cash surplus for investment in other activities. Where it is not feasible to achieve the required position or performance, action plans should be developed for the divestment of the businesses concerned.

Financial Guidelines

3. The Wiggins Teape Group as a whole should aim to achieve a RONA of at least 22 per cent on an historic cost basis of accounting and there ~~should be a similar target for each of the individual businesses.~~ *Wiggins should aim to improve the performance of its lower performance divisions with the target*
4. The following dividends are expected from Wiggins Teape:- *Wiggins Teape target*

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
£m	24	31	35	39	44	49

5. Wiggins Teape should aim to maintain a debt:equity ratio of 50 per cent or below.

Specific Priorities

6. For Carbonless, the main emphasis should continue to be on developing and maintaining a strong market position in the higher-quality, premium-priced sector in the UK and Europe. However, the first priority should be to review the potential for improving on the projected profit performance. In particular, action should be taken to improve productivity and efficiency in order to achieve the position of lowest-cost producer and, as far as is possible, selling prices should be increased in line with increases in pulp prices.
7. Plans should be developed and agreed with the CPC concerning the most appropriate option for meeting the expected incremental base and CF requirements.
8. Wiggins Teape should continue to evaluate opportunities to strengthen the Group's position in France, Spain and Italy, including the monitoring of possible acquisition candidates.
9. The strategy of concentrating on high-value products in Fine Papers should be continued, with consideration being given to the most appropriate ways in which this activity can be developed and extended, particularly in Europe.
10. However, Wiggins Teape should also seek to improve performance in the Fine Papers division, both through implementing price increases whenever possible and by improving productivity.

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11. Wiggins Teape should continue to participate as a manufacturer of copier and other business papers and plans should be developed to set up an integrated plant for producing copier paper.
12. The priority function of the Wiggins Teape Distribution business should be to support the growth of the Group's manufacturing operations, though each merchant should be efficient and financially sound in its own right.
13. Special emphasis should be given to the need to improve performance in the Distribution businesses. In particular, the performance of the individual European merchanting businesses should be improved before consideration is given to expansion through acquisition.
14. Action plans should be established for the proposed divestments of the overseas merchants in Japan, Singapore and Malaysia.
15. Suitable distribution arrangements should be developed in Spain to support the Soporcel and CEASA investments.
16. Wiggins Teape should continue to develop, and monitor the efficiency of, the Soporcel and CEASA operations in order to ensure continued access to low-cost Eucalyptus pulp over the medium term. In addition, the forestry development programmes being undertaken by Soporcel and CEASA should be monitored and supported by Wiggins Teape.
17. Wiggins Teape should develop plans for reducing the Group's commitment to non-core businesses.
18. Plans should be established for developing a central organisation appropriate to the proposed longer-term shape of the Wiggins Teape Group. In addition, further consideration should be given to decentralising services currently provided by the Group.

GJB/DJA  
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