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## **IAMA AND WESFARMERS DALGETY TO MERGE**

IAMA Limited and Wesfarmers Limited today announced their intention to merge the IAMA and Wesfarmers Dalgety businesses.

Under the proposal, IAMA will acquire Wesfarmers Dalgety, the rural services arm of Wesfarmers, in return for the issue of 116 million ordinary shares in IAMA, giving Wesfarmers a holding of approximately 60 per cent in IAMA. At the time of settlement, Wesfarmers Dalgety expects to have net borrowings in the range of \$45-70 million, responsibility for the repayment of which will be assumed by the IAMA Group.

In addition, following the merger, existing IAMA shareholders will be provided with an opportunity to dispose of their shares for a cash consideration of \$1.65 per share. IAMA and Wesfarmers are considering several mechanisms to achieve this cash exit option, including a buy-back offer for all the shares not held by Wesfarmers.

The IAMA board will be restructured into a five member board, three of whom will be nominated by Wesfarmers.

The merger proposal and cash exit are conditional on a number of matters, including IAMA shareholder approval and Futuris Corporation ceasing all legal action against IAMA and Wesfarmers within the next two weeks.

IAMA Chairman, Mr Neil Roberts, said the proposal had the unanimous support of the IAMA board.

“The merger will create one of the largest, most cost-efficient agribusiness retailers in Australia.

“It provides IAMA shareholders with an opportunity to benefit from industry rationalisation through a stronger, more competitive business.

“The merger will also offer a mechanism for shareholders to realise their investment at an attractive price.

”The board has considered a number of proposals recently and believes this proposal offers the greatest value for all IAMA shareholders.”

Mr Roberts said an independent expert had been engaged to report to IAMA shareholders on the proposal which will be considered at a shareholder meeting on 9 February 2001.

Managing Director of Wesfarmers Limited, Mr Michael Chaney, who will be Chairman of the expanded IAMA, said the merger would bring together two complementary businesses in the rural sector.

“This merger will provide the foundation for the development of a major Australian-owned agribusiness able to take advantage of emerging opportunities and international strategic alliances in the sector, including biotechnology.

“IAMA is strong in providing inputs to the cotton, sugar, broadacre grains and horticulture sectors. Wesfarmers Dalgety is strong in wool, livestock, rural finance, insurance and real estate. There is a sound geographical fit between the two networks.”

Mr Chaney said the merger proposal demonstrated Wesfarmers’ commitment to Australia’s rural sector.

“Despite the difficult circumstances which prevail from time to time with respect to seasonal or commodity price conditions, primary production is one of Australia’s most efficient industry sectors. Wesfarmers believes it can play an important and profitable role in the industry’s future.

“The proposed merger will bring about much-needed rationalisation of the rural service business which will enhance the competitiveness of Australian agriculture.”

Managing Director of Wesfarmers Dalgety, Mr Richard Goyder, who will be Managing Director of the expanded IAMA, said there was a real advantage in the companies combining their highly developed understanding of the local market and acquiring the critical mass and scale to position themselves for possible partnerships with participants in the global rural services industry.

“The new business will be strongly committed to expanding its traditional areas of activity. It will also have enhanced capacity to be a major player in supply chain networks for agricultural products ranging from wool and livestock to grains and horticultural produce.”

The current Managing Director of IAMA, Mr Selwyn Snell, will work closely with Mr Goyder in the transition to the new business.

Since becoming a national public company in 1994, IAMA has developed a national retail network of 130 wholly-owned branches and 150 member outlets and employs some 1,200 people.

Wesfarmers Dalgety was formed in 1993 following Wesfarmers’ acquisition of the Dalgety pastoral company established in the early 1840s and employs some 1,200 people.

Mr Roberts said that the extended distribution network and staff expertise would make the merged company an attractive alliance partner to international and domestic suppliers of rural services.

“This is particularly relevant in a period when biotechnology is beginning to drive change in Australian agriculture,” he said.

“Substantial synergies and cost savings will also be derived from the merger, bringing positive benefits to IAMA and Wesfarmers shareholders.

There would be some rationalisation of existing branches and agencies. Details of the management and network structure of the new business would be determined following the meeting of IAMA shareholders to approve the transaction in February.

Mr Chaney said that Wesfarmers Federation Insurance was not included in the sale and would continue to operate as a specialist rural insurer in the Wesfarmers group, providing its products to the merged entity's customers.

He said preliminary discussions had been held with the Australian Competition and Consumer Commission. It was not expected that competition issues would pose an obstacle to the successful completion of the merger.

Further information:

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