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Wesfarmers to sell woodchip and plantation business

Wesfarmers today announced an agreement to sell its subsidiary Sotico Pty Ltd's woodchip, plantation services operations and plantation assets to WA Plantation Resources Pty Ltd, a wholly-owned subsidiary of international trading house Marubeni Corporation.

The sale agreement covers WA Chip & Pulp Co Pty Ltd, Sotico Treefarms Pty Ltd, South West Forest Holdings Pty Ltd and the Wesfarmers interest in Bunnings Tree Plantations Ltd.

Managing Director Michael Chaney said the sale price of \$58 million was in line with the current book value of the assets.

"We have had a long and close association with Marubeni as the trading house handling our woodchip exports and we welcome their wish to be more closely involved in the Australian forest products industry," said Mr Chaney.

"We welcome also the fact that Marubeni has offered continued employment to all staff working in Sotico's treefarming and woodchip business units."

Mr Chaney said the decision to sell flowed from the review of the Sotico business initiated 12 months ago. In March this year Wesfarmers announced an accelerated transition from native forest to plantation woodchip exports following renegotiation of sales contracts with its Japanese customers.

"While the woodchipping and plantation service businesses are well established, efficient operations we have come to the conclusion that they will deliver most long-term value in the hands of a major participant in global woodchip supply such as Marubeni," he said.

"Marubeni's direct involvement at the start of the supply chain will also strengthen the position of Western Australia as a supplier with the added incentive to source product from this State. That, in turn, will benefit employees, customers and suppliers through increased financial viability and strengthen the industry as a whole.

"Marubeni has a long-standing trading relationship with Western Australia in forestry, iron ore and salt production. It has plantation interests in eastern Australia and New Zealand, forest industry operations in Canada and is one of the world's largest paper-pulp traders."

Mr Chaney said the review of Sotico's other operations was continuing. While the recent improvement in returns from the hardwood sawmills was encouraging the challenge would be to maintain that improvement in the expected post-GST housing downturn.

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