

# NEWS

22 January 2009

## **WESFARMERS ANNOUNCES EQUITY RAISING, DEBT REDUCTIONS AND EXTENSIONS, AND DIVIDEND GUIDANCE**

### **KEY POINTS**

- Wesfarmers launches an equity raising to raise a minimum of \$2.8 billion, comprising:
  - A 3 for 7 accelerated pro-rata non-renounceable entitlement offer, at an offer price of \$13.50 per share.
  - The institutional component of this entitlement offer is fully underwritten to raise approximately \$1.9 billion.<sup>1</sup>
  - Additional proceeds of \$900 million will be raised via placements to mutual funds managed by Capital Research Global Investors (\$500 million) and Colonial First State (\$400 million), each at \$14.25 per share.
- Wesfarmers intends to use the proceeds of the equity raising to repay bank debt and has commitments to extend a substantial proportion of facilities maturing in 2009 and 2010.
- In relation to the \$5 billion Facility B which matures in October 2010, Wesfarmers will repay \$1 billion and has secured extensions for \$3.4 billion of the remaining \$4 billion, through to December 2011 and to December 2012 in equal instalments.
- As a result, Wesfarmers has reduced its term refinancing requirements over the next two calendar years from \$6.4 billion to \$1.6 billion<sup>2</sup> and as at 31 December 2008 has increased its undrawn debt capacity from approximately \$1.2 billion to approximately \$2.5 billion.
- These measures provide Wesfarmers with increased flexibility to repay, refinance or roll-over all remaining debt facilities.

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<sup>1</sup> The underwriting agreement includes a number of termination events, including material disruptions in financial conditions or markets.

<sup>2</sup> Additional working capital and renewable bill facilities of \$2.4 billion held with senior relationship banks due for refinance in 2009 and 2010 are expected to be either repaid or rolled over at maturity and are not included in the refinancing requirements.

- The Wesfarmers interim FY2009 dividend is expected to be \$0.50 per share (fully franked), based on preliminary results for the half year ended 31 December 2008. This remains subject to finalisation of the review process currently underway by the company's auditors, including impairment testing.
- The total dividend for FY2009 is not expected to be greater than \$1.00 per share (fully franked).

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## ENTITLEMENT OFFER

Wesfarmers has commenced an accelerated pro-rata non-renounceable entitlement offer ("Entitlement Offer") at an offer price of \$13.50 per share. The Entitlement Offer will be conducted on the basis of three new Wesfarmers ordinary shares ("New Shares") for every seven existing Wesfarmers ordinary shares ("Shares") or Wesfarmers Partially Protected Shares ("WPPS") held ("Entitlement") at 7.00pm AEDT on Wednesday, 28 January 2009 ("Record Date").<sup>3</sup>

The offer price of \$13.50 per New Share represents a 17.3 per cent discount to the closing price of Shares on 21 January 2009 (after adjusting for the expected FY2009 interim dividend). **New Shares issued under the Entitlement Offer will not be entitled to the interim dividend for FY2009.**

The Entitlement Offer is comprised of an institutional component of approximately \$1.9 billion ("Institutional Entitlement Offer") and an offer to retail shareholders to participate on the same terms ("Retail Entitlement Offer"). The Institutional Entitlement Offer is fully-underwritten. The Retail Entitlement Offer is not underwritten. By way of example, based on the assumption of a 15 per cent take-up from retail shareholders, the Retail Entitlement Offer would raise approximately \$0.4 billion.

For the Institutional Entitlement Offer, New Shares equal in number to those not taken up by Wesfarmers' eligible institutional shareholders and those which would otherwise have been offered to ineligible institutional shareholders will be sold to eligible institutional investors through an institutional bookbuild with a floor price of \$13.50 per New Share. Wesfarmers will be entitled to the excess proceeds of the bookbuild over the floor price.

Wesfarmers expects to announce the outcome of the Institutional Entitlement Offer to the market prior to the start of trading on 27 January 2009, with trading expected to recommence at commencement of trading on ASX on 27 January 2009.

ABN AMRO, Deutsche Bank, Goldman Sachs JBWere, J.P. Morgan, Macquarie Capital Advisers and UBS have been appointed joint lead managers and have fully underwritten the Institutional Entitlement Offer. Wesfarmers is being advised by Gresham Advisory Partners and Allens Arthur Robinson.

Further details of the Entitlement Offer and the timetable are included in Annexure A to this announcement.

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<sup>3</sup> For the purposes of determining entitlements under the Entitlement Offer, Wesfarmers will disregard transactions in Shares or Wesfarmers Partially Protected Shares occurring after implementation of the trading halt in Wesfarmers shares on 22 January 2009, except for settlement of on-market transactions that occurred prior to the implementation of the trading halt.

## **INVESTMENT BY FUNDS MANAGED BY CAPITAL RESEARCH GLOBAL INVESTORS AND COLONIAL FIRST STATE**

In conjunction with the Entitlement Offer, Wesfarmers is pleased to announce the following investments by way of placement:

- a \$500 million investment from mutual funds managed by Capital Research Global Investors (“CRGI”); and
- a \$400 million investment by Colonial First State (“Colonial”).

The price at which CRGI and Colonial will subscribe for Wesfarmers ordinary shares is \$14.25 per share. Shares issued to CRGI and Colonial are also not entitled to the interim dividend for FY2009.

The subscription agreements with both CRGI and Colonial are due to settle on 5 February 2009, conditional on the settlement of the Institutional Entitlement Offer.

### **DEBT REDUCTION**

The proceeds of the equity raising will be used to retire debt. On the basis that \$2.8 billion is raised, this would reduce Wesfarmers’ total debt on a pro forma basis at 31 December 2008 from \$9.7 billion to \$6.9 billion. This excludes cash on deposit at 31 December 2008 of approximately \$0.4 billion.

This equity raising, and the associated debt reductions and extensions, will achieve what the Board believes to be a conservative gearing level and debt maturity profile appropriate for the current uncertain economic times.

### **DEBT EXTENSIONS AND MATURITY PROFILE**

As previously foreshadowed, Wesfarmers has been reviewing alternatives to refinance or extend the bilateral facilities maturing in December 2009, and the syndicated facility maturing in October 2010. The following extensions and repayments have now been agreed:

- \$0.3 billion of the \$1.1 billion drawn bilateral facilities currently maturing in December 2009 is to be permanently retired from proceeds of the equity raising by 30 June 2009. A further \$0.4 billion of the bilateral facilities will be extended to December 2011. It is expected that the remaining bilateral facilities of \$0.4 billion will either be refinanced in the normal course, or repaid out of existing facilities or operating cash flows;
- \$0.5 billion of the \$1.0 billion syndicated Facility C revolver currently maturing in October 2009 is to be permanently retired from proceeds of the equity raising. This facility was only drawn to \$0.5 billion as at 31 December 2008. Following the equity raising, Wesfarmers intends to keep the undrawn facility amount for working capital purposes;
- \$1.0 billion of other working capital and bill facilities maturing over 2009 and 2010 will be repaid from proceeds of the equity raising. Wesfarmers intends to keep the undrawn facility amounts for working capital purposes; and

- \$1.0 billion of the \$5.0 billion syndicated Facility B currently maturing in October 2010 is to be permanently retired from proceeds of the equity raising. In relation to the remaining \$4.0 billion:
  - \$1.7 billion will mature in December 2011;
  - \$1.7 billion will mature in December 2012; and
  - \$0.6 billion will mature in October 2010.

Syndicate lenders that have not yet been approached to extend debt currently maturing in October 2010 will be offered extension terms on the same basis as those lenders that have already agreed extensions. All syndicate banks that have been approached to-date have agreed to participate in the extension of maturities of this facility.

Wesfarmers may incur up to approximately \$200 million in costs for the close out of interest rate hedges and fees relating to the debt repayments and the cost of the Entitlement Offer. Interest rate hedges may be closed out through up front cash payments or the implementation of offset hedges. The actual timing of cash and profit impact will ultimately depend on the close out method adopted.

As a consequence of the equity raising, permanent debt reductions and extensions, Wesfarmers will have increased flexibility to repay, refinance or roll-over all remaining debt facilities.

Wesfarmers' debt position at 31 December 2008 and pro forma debt position at 31 December 2008 after the equity raising, debt repayments and extensions is set out below.

Facility	Position 31 December 2008			Pro Forma 31 December 2008		
	Due	Drawn (A\$bn)	Undrawn (A\$bn)	Due	Drawn (A\$bn)	Undrawn (A\$bn)
Working Capital and Bill Facilities <sup>1</sup>	2009-2010	1.8	0.6	2009-2010	0.5	1.9
Facility C (Revolver)	Oct-09	0.5	0.5	Oct-09	0.0	0.5
Bilateral Facilities <sup>1</sup>	Dec-09	1.1	0.1	Dec-09	0.7	0.1
				Dec-11	0.4	0.0
				Oct-10	0.6	0.0
				Dec-11	1.7	0.0
Facility B	Oct-10	5.0	0.0	Dec-12	1.7	0.0
Bonds:						
Coles Fixed Rate Notes	Jul-12	0.4	0.0	Jul-12	0.4	0.0
WES Fixed Rate Notes	Mar-09	0.2	0.0	Mar-09	0.2	0.0
WES US 5 Year Fixed Bonds	Apr-13	0.7	0.0	Apr-13	0.7	0.0
<b>Total</b>		<b>9.7</b>	<b>1.2</b>		<b>6.9</b>	<b>2.5</b>

<sup>1</sup>\$0.3 billion from proceeds of the equity raising will initially be used to repay working capital and bill facilities but will be redrawn by 30 June 2009 to permanently retire \$0.3 billion of the \$1.1 billion drawn bilateral facilities currently maturing in December 2009.

## COST OF DEBT

As a result of the above extensions and repayments and Wesfarmers' hedging profile, the weighted average cash cost of all debt over the next three years is in the range of 8.0 to 8.5 per cent, including interest and fees, based on current short and medium term market rates.

## **DIVIDEND GUIDANCE**

Based on preliminary results for the half year to 31 December 2008, it is expected that the interim dividend will be \$0.50 per share (fully franked). This is subject to finalisation of the half year review by the company's auditors, including the impairment testing process for the half year which is still underway.

The Wesfarmers market update on 14 January 2009 referred to the possibility that previous dividend guidance of \$2.00 per share for the FY2009 full year dividend would not be met. The FY2009 final dividend is not expected to be greater than \$0.50 per share (fully franked), meaning that the full year dividend is not expected to be greater than \$1.00 per share (fully franked). The amount of the final FY2009 dividend remains subject to audited full year results, including the results of impairment testing, and Board consideration of the Company's circumstances at that time.

Wesfarmers recognises the desire of shareholders to receive stable and growing dividends. The key factors influencing the Board's decision to revise its expectations for the full year dividend are:

- the Board's determination that it is in the best interests of Wesfarmers' shareholders to build balance sheet strength as a measure of financial prudence in very uncertain conditions;
- input from existing and potential investors about the appropriate dividend policy in the current environment;
- current equity market conditions making underwriting of the dividend investment plan difficult; and
- the fact that New Shares to be issued pursuant to the equity raising will be participating in the FY2009 final dividend.

Wesfarmers will keep its dividend investment plan in place for the FY2009 interim and final dividends. However, Wesfarmers does not expect to seek any underwriting in respect of the FY2009 dividends.

Given the current economic conditions, it is not prudent to give dividend guidance post FY2009. The Board has decided to alter its dividend policy. Dividends will be paid based on the company's current and projected cash position, having regard to capital expenditure requirements, retained earnings, franking credits, debt levels and business and economic conditions generally. This change in policy, which will be regularly reviewed, is to ensure that the company is able to vigorously pursue growth opportunities in each of its businesses, including the turnarounds of Coles, Kmart and Officeworks. Within these parameters, Wesfarmers will strive to deliver stable and growing dividends.

## **OUTLOOK AND BUSINESS PERFORMANCE**

Wesfarmers reconfirms the preliminary results outlined in the market update on 14 January 2009. The guidance is preliminary in nature, subject to finalisation within Wesfarmers as well as to review by the company's external auditors. As such, the actual results for the six months to 31 December 2008 may differ from the guidance given in this update. As noted in the market update, Wesfarmers is conducting impairment testing in respect of the carrying value of certain of its businesses as at 31 December 2008. At this stage, nothing has come to the company's attention that would cause it to believe an impairment charge will result from that process.

In the current climate of fragmented financial markets and economic uncertainty on a global level, market conditions are likely to continue to be volatile for the remainder of 2009. However, Wesfarmers remains confident in the medium to long term outlook for its businesses.

Managing Director Richard Goyder said that the equity raising announced today, together with the debt reduction and debt extensions mentioned above, places the group in a strong position.

“Following a review of the range of options available to complete the refinancing programme, the Board believes that this equity raising achieves the most equitable outcome for all shareholders in the current market circumstances, and is in their best interests. All eligible shareholders will be able to participate in the offer to subscribe for New Shares, at a discount to yesterday’s market price.”

“The offer, combined with the debt repayments and extensions will provide the balance sheet strength and financial flexibility going forward which will allow us to focus on the growth opportunities available in our diversified portfolio of high quality businesses.”

### **WESFARMERS PARTIALLY PROTECTED SHARES**

Under the terms of the WPPS, the Wesfarmers Board may exercise its discretion to determine whether the WPPS terms, including the cap and floor price, should be adjusted to maintain the relative values of the WPPS and Wesfarmers ordinary shares.

In exercising its discretion, the Wesfarmers Board will have regard to the interests of all shareholders, the benefit to WPPS holders through their participation in the Entitlement Offer and the effect of the equity raising on the relative values of the WPPS and Wesfarmers ordinary shares.

The amount of this adjustment will depend on the number of New Shares issued under the Entitlement Offer. Wesfarmers will not know this adjustment until the completion of the Retail Entitlement Offer. However, the following revisions are likely to be made in certain retail participation scenarios:

<b>Retail Participation</b>	<b>New Cap (\$)</b>	<b>New Floor Price (\$)</b>
15 per cent	43.27	34.62
20 per cent	43.24	34.60
25 per cent	43.22	34.58

The outcomes above compare to the current cap of \$43.92 and floor price of \$35.14.

Grant Samuel has advised Wesfarmers that, in its view, under the retail acceptance scenarios shown, the proposed revisions would be fair, reasonable and appropriate in the context of the Entitlements being offered to holders of WPPS.

An announcement on the revised WPPS cap and floor price will be made on completion of the Retail Entitlement Offer.

## SHAREHOLDER ENQUIRIES

Retail shareholders who have questions regarding the Retail Entitlement Offer should call the Wesfarmers Limited Shareholder Information Line on 1300 558 062 (local call cost within Australia) or +61 3 9415 4631 (from outside Australia) at any time from 8.30 am to 7.30 pm (AEDT) Monday to Friday or go to our website at [www.wesfarmers.com.au](http://www.wesfarmers.com.au).

Institutional shareholders and nominee companies should contact their account manager at one of the Joint Lead Managers.

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This press release includes “forward-looking statements” within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “continue”, “objectives”, “outlook”, “guidance” or other similar words, and include statements regarding certain plans, strategies and objectives of management and expected financial performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Wesfarmers Limited, and its officers, employees, agents or associates, including risks associated with the ability of Wesfarmers Limited to raise equity in the Retail Entitlement Offer and the ability of Wesfarmers Limited to pay the expected dividend. Actual results, performance or achievements may vary materially from any projections and forward looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and Wesfarmers Limited assumes no obligation to update such information.

## ANNEXURE A – ENTITLEMENT OFFER DETAILS

### OFFER SUMMARY AND TIMETABLE

Wesfarmers has requested that its shares not trade on ASX pending the outcome of the Institutional Entitlement Offer. Wesfarmers shares are expected to re-commence trading on Tuesday, 27 January 2009.

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<b>Entitlement ratio</b>	<ul style="list-style-type: none"><li>• 3 New Shares for every 7 existing Wesfarmers ordinary shares or WPPS</li></ul>
Offer Price	<ul style="list-style-type: none"><li>• \$13.50 per New Share</li></ul>
Record Date	<ul style="list-style-type: none"><li>• Wednesday, 28 January 2009 (7:00pm, AEDT)<sup>4</sup></li></ul>
Joint Lead Managers and Underwriters for the Institutional Entitlement Offer	<ul style="list-style-type: none"><li>• ABN AMRO Equity Capital Markets Australia Ltd</li><li>• Deutsche Bank AG – Sydney Branch</li><li>• Goldman Sachs JBWere Pty Ltd</li><li>• J.P Morgan Australia Limited</li><li>• Macquarie Capital Advisers Ltd</li><li>• UBS AG, Australia Branch</li></ul>

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<sup>4</sup> Notwithstanding that Record Date, Wesfarmers has been granted a waiver by ASX so that in determining shareholder entitlements it may ignore any changes in security holdings that occur after the trading halt announcement made on Thursday, 22 January 2009 (other than registrations of transactions that were effected through ITS before the trading halt announcement on Thursday, 22 January 2009).



## OFFER TIMETABLE

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Event	Date
Institutional Entitlement Offer opened	9:30am (AEDT) on 22 January 2009
Institutional Entitlement Offer closed	9.00am (AEDT) on 23 January 2009
Institutional Entitlement Bookbuild	23 January 2009
Record Date for the Entitlement Offer	7:00pm (AEDT) on 28 January 2009
Retail Entitlement Offer opens	29 January 2009
Mailing of Entitlement and Acceptance Form to Retail Shareholders	Completed by 3 February 2009
Settlement of the Institutional Entitlement Offer and Institutional Entitlement Bookbuild	5 February 2009
Issue of New Shares under the Institutional Entitlement Offer and Institutional Entitlement Bookbuild, and normal trading of those shares expected to commence on ASX. These New Shares will trade under a separate ASX code until after the Interim Dividend Record Date	6 February 2009
Retail Entitlement Offer closes	5:00pm (AEDT) on 23 February 2009
FY2009 Interim Dividend Record Date	2 March 2009
Settlement of the Retail Entitlement Offer	2 March 2009
Issue of New Shares under the Retail Entitlement Offer	3 March 2009
Normal trading of New Shares issued under the Retail Entitlement Offer expected to commence on ASX	4 March 2009
Dispatch of holding statements	5 March 2009

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Dates and times are indicative only and subject to change. All times and dates refer to AEDT.

## **OFFER STRUCTURE**

The Entitlement Offer is structured as an accelerated pro-rata non-renounceable entitlement offer consisting of an Institutional Entitlement Offer and a Retail Entitlement Offer. Entitlements cannot be traded on the ASX nor otherwise transferred.

### **Institutional Entitlement Offer**

Eligible Institutional Shareholders will be invited to participate in the Institutional Entitlement Offer on 22 January 2009 and 23 January 2009.

Eligible Institutional Shareholders can choose to take up or not take up all or part of their Entitlements. Elections in regard to Entitlements need to be advised prior to 9.00am (AEDT) on 23 January 2009. New Shares equal in number to those not taken up by Eligible Institutional Shareholders and those which would otherwise have been offered to Ineligible Institutional Shareholders will be offered for subscription to selected Institutional Investors through the Institutional Entitlement Bookbuild process. If the bookbuild process price clears above the floor price of \$13.50 per New Share, Wesfarmers will be entitled to the excess proceeds. It is anticipated that the bookbuild will occur between 11.00am (AEDT) and 12.30pm (AEDT) on 23 January 2009.

### **Retail Entitlement Offer**

Eligible Retail Shareholders will be invited to participate in the Retail Entitlement Offer on the same terms as the Institutional Entitlement Offer. The Retail Entitlement Offer will open at 9:00am (AEDT) on 29 January 2009 and close at 5:00pm (AEDT) on 23 February 2009.

The Entitlement Offer is non-renounceable. This means that Wesfarmers shareholders who do not take up their entitlement to participate in the offer will not receive any value for those entitlements, and their equity interest in Wesfarmers will be diluted. This feature is different to the Accelerated Renounceable Entitlement Offer that Wesfarmers completed in May 2008.

## **ELIGIBLE RETAIL SHAREHOLDERS**

Eligible Retail Shareholders are those holders of Shares or WPPS who:

- are registered as a holder of Shares or WPPS as at 7:00pm AEDT on Wednesday 28 January 2009 (the "Record Date");
- have a registered address in Australia or New Zealand;
- are not in the United States and is not, and is not acting for the account or benefit of, any U.S Person;
- are not an Institutional Shareholder or Ineligible Retail Shareholder; and
- are eligible under all applicable securities laws to receive an offer under the Retail Offer.

The Retail Entitlement Offer is not being extended to any Shareholder outside Australia and New Zealand, other than to trustees who hold Shares on behalf of employees under Wesfarmers' UK employee share schemes.

## **STOCK LENDING**

Eligible shareholders (including holders of WPPS) will be entitled to apply for 3 New Shares for every 7 Shares or WPPS held as at 7.00pm (AEDT) on the Record Date, 28 January 2009. In the event a Wesfarmers shareholder has Wesfarmers ordinary shares or WPPS out on loan, the borrower will be regarded as the shareholder for the purposes of determining the Entitlement (provided that those borrowed shares have not been on-sold).

## **ANNEXURE B – RISK DISCLOSURE**

### **1.1 Introduction**

A number of risks and uncertainties, which are both specific to Wesfarmers and of a more general nature, may affect the future operating and financial performance of Wesfarmers and the value of Wesfarmers shares. You should carefully consider the following risk factors, as well as the other information provided to you by Wesfarmers in connection with the Entitlement Offer, and consult your financial and legal advisers before deciding whether to invest in the New Shares. The risks and uncertainties described below are not the only ones facing Wesfarmers. Additional risks and uncertainties that Wesfarmers is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Wesfarmers' operating and financial performance.

### **1.2 Operational Risks**

#### **a) Turnaround of the Coles division**

Wesfarmers is seeking to achieve meaningful and sustainable improvements in the performance of the Coles division. The success of these improvements depends on the ability of Wesfarmers to continue implementation of a new operating model for the businesses, and Coles Supermarkets in particular.

Coles Supermarkets need to successfully complete implementation of strategies to improve customer service, value, fresh food offers, in-store communication and environment, and the supply chain. This will require substantial cultural change within the Coles division, as well as capital expenditure, and will in some cases take several years. There is a risk that these strategies may not be executed according to plan and a risk of unanticipated additional costs being incurred in implementing these strategies.

#### **b) Risks related to Wesfarmers' other retail businesses and the Industrial and Safety division**

Retail businesses comprise a significant portion of Wesfarmers's assets and earnings. Possible factors that may adversely affect the performance or growth of these retail businesses include:

- general economic conditions affecting retail markets in which Wesfarmers operates, including the consequences of a prolonged downturn in economic conditions and credit and financial markets;
- various actions by competitors;
- adverse movements in exchange rates which affect the price at which inventory is imported;
- inability to: locate appropriate store sites; improve existing stores; address underperforming stores; effectively manage inventory; or successfully gauge and satisfy consumer preferences;
- the loss of key personnel;
- interruptions in an IT network or system;
- disruption to the supply chain or any damage to its integrity; and

- other events or factors such as product liability claims, public liability claims and adverse publicity causing damage to or dilution of the reputation of Wesfarmers' retail brands.

c) Resources operations

Wesfarmers' Resources division is subject to the risks associated with the mining sector in Australia including:

- significant fluctuations in prices realised for product and quantities of product sold due to supply and demand factors, including reductions in demand and commodity prices as a result of recent adverse global economic conditions;
- contract price negotiations with customers;
- breakdowns and damage to major plant;
- bottlenecks caused by infrastructure limitations (such as constraints of rail and port capacity);
- any residual effects of the strong commodity cycle over recent years that persist; this period was characterised by increased demand and competition for, and increases to the costs of obtaining, skilled personnel, contractors, materials and supplies;
- compliance with environmental, health and safety laws and regulations, including the proposed Carbon Pollution Reduction Scheme, the extended Mandatory Renewable Energy Target and any other measures adopted to address climate change, which could require material expenditures, changes in operations or additional site remediation;
- the quality of its mineral reserve and resource estimates, and its minerals may be of lower quantity or quality than indicated by testing and drilling;
- production disruptions due to weather conditions; and
- unavailability of critical inputs such as utilities due to events outside Wesfarmers' control.

d) Insurance operations

Wesfarmers currently operates insurance underwriting and insurance broking businesses in Australia and New Zealand and an insurance broking business in the United Kingdom and is exposed to risks generally associated with the insurance industry.

e) Chemical and fertiliser manufacturing operations and Energy operations

Wesfarmers' Chemicals & Fertilisers and Energy divisions manufacture, store and transport materials. Some of these processes and materials are potentially dangerous or involve risks such as personal injury or loss of life, damage to property, contamination of the environment or malicious attack, which may result in suspension of operations and the imposition of civil or criminal penalties and claims brought by governmental entities or third parties. In addition, there is a risk of mechanical failure or the unavailability of critical inputs such as natural gas due to events outside Wesfarmers' control. Not all of these risks are covered by insurance policies maintained by Wesfarmers.

f) Industrial disputes, work stoppages and accidents

Interruptions arising from industrial disputes, work stoppages and accidents may result in production losses and delays. Renegotiation of collective agreements may increase costs and may involve disputes.

g) Acquisition and divestment activities

From time to time Wesfarmers evaluates acquisition and divestment opportunities. Any acquisitions and disposals would lead to a change in the sources of Wesfarmers' earnings and result in variability in earnings over time, and may give rise to liabilities. Integration of new businesses into the group may be costly and may occupy a large amount of management's time

h) Growth strategy execution

Wesfarmers may not be able to execute effectively the strategies for its current and future acquired businesses. Planned growth through expansion of existing businesses could expose Wesfarmers to additional and unforeseen costs, including regulatory and other costs associated with operation in industries in which it previously has not operated, and may strain financial and management resources.

### 1.3 Credit and Market Risks

a) Risk associated with Wesfarmers' debt

Market conditions and the operating performance of Wesfarmers will affect Wesfarmers' borrowing costs and capacity to repay its debt, to refinance its debt facilities or raise further debt. A downgrade of Wesfarmers' credit rating will increase Wesfarmers' borrowing costs.

b) Counterparty / credit risk

Wesfarmers is exposed to credit-related losses in the event of non-performance by counterparties to contracts, including by counterparties to derivative instruments which Wesfarmers uses to manage financial and commodity price risks.

c) Exchange rate risk

Wesfarmers is subject to some exchange rate risk, which may affect the costs of imports or the proceeds from exports and negatively affect its financial performance.

d) Commodity price risk

Wesfarmers' profitability depends, in part, on commodity prices in a variety of industries including coal, gas, chemicals and fertilisers, all of which produce or utilise commodities which are traded on international markets or are affected by international commodity pricing, including the price of metallurgical and thermal coal, diesel fuel, oil, natural gas and LPG. These prices may fluctuate significantly.

e) Hedging risk

Hedging arrangements expose Wesfarmers to the risk of financial loss in situations where the other party to the hedging contract defaults on its contract or, in the case of exchange-traded or over-the-counter futures or options contracts, where there is a change in the expected differential between the underlying price in the hedging agreement and the actual prices paid or received by Wesfarmers. Hedging activities can themselves result in losses when a position is purchased in a declining market or a position is sold in a rising market. Certain events, such as significant debt reductions or large movements in foreign currency rates, may result in a situation where Wesfarmers is over hedged on a particular risk. This over hedged position could be closed out or offset through an equal and opposite position, which could crystallise a loss on the hedging instrument.

f) Other general market risks

Wesfarmers' operations are conducted almost entirely in Australia and New Zealand and are affected by general economic conditions affecting these markets, including changes in: levels of economic activity; the rates of inflation, interest rates and foreign currency exchange rates; fiscal or monetary policy by central banks; commodity prices; climatic conditions (such as major floods and droughts); general consumer sentiment; the availability and cost of credit; employment levels and labour costs; aggregate investment and economic output; asset values; and changes resulting from movements in local and international equity markets.

#### **1.4 Regulatory Risk**

Wesfarmers operates in various highly regulated industries and is subject to a range of industry specific and general legal and other regulatory controls (including licensing requirements and operating permits) which may change over time. Wesfarmers' businesses may also be subject to regulatory investigations from time to time (such as investigation of market pricing by the Australian Competition and Consumer Commission).

#### **1.5 Environmental Risk**

Wesfarmers is subject to extensive environmental, health and safety laws and regulations relating to maintenance of certain emissions and effluent standards and site remediation. Wesfarmers is exposed to the risk of liability and reputational damage. Wesfarmers may incur substantial costs or experience operational interruptions for breaches of these regulatory requirements. These extend to new legislation such as the proposed Carbon Pollution Reduction Scheme.

#### **1.6 Taxation implications**

Future changes in taxation law in Australia, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect taxation treatment of an investment in Wesfarmers securities, or the holding or disposal of those securities. Further, changes in taxation law, or to the way taxation law is interpreted in the various jurisdictions in which Wesfarmers operates, may impact Wesfarmers' future tax liabilities.

## **1.7 Risks relating to equity investments and markets**

Investors should be aware that there are risks associated with any investment listed on ASX. The value of Wesfarmers shares may rise above or fall below the Offer Price, depending on the financial condition and operating performance of Wesfarmers. Further, the price at which Wesfarmers shares trade on ASX may be affected by a number of factors unrelated to the financial and operating performance of Wesfarmers and over which Wesfarmers and its directors have no control. These external factors include:

- economic conditions in Australia and overseas;
- investor sentiment in the local and international stock markets;
- changes in fiscal, monetary, regulatory and other government policies; and
- geo-political conditions such as acts or threats of terrorism or military conflicts.

Wesfarmers' future dividend levels will be determined by the Board having regard to the operating results and financial position of Wesfarmers and there is no guarantee that any dividend will be paid or, if paid that they will be paid at previous levels.

Investors should note that the historic share price performance of Wesfarmers shares provides no guidance as to its future share price performance.



## **ANNEXURE C – IMPORTANT INFORMATION**

This press release and the accompanying information (“Information“) have been prepared by Wesfarmers.

### **FOREIGN JURISDICTIONS**

#### **United States**

This Information does not constitute an offer to sell, or the solicitation of an offer to buy New Shares, in the United States ("US") or to a US Person (or to any person acting for the account or benefit of a US Person), or in any other place in which, or to any person to whom, it would not be lawful to make such an offer.

Neither the Entitlements nor the New Shares (as applicable) have been or will be registered under the Securities Act or the securities laws of any state of the US and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons, except in transactions exempt from the registration requirements of the Securities Act and applicable state securities laws.

#### **New Zealand**

This Information has not been registered, filed with or approved by any New Zealand regulatory authority under or in connection with the Securities Act 1978 (New Zealand).

#### **United Kingdom**

This Information is issued by the Wesfarmers on a confidential basis to qualified investors (within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom). This Information should not be distributed, published or reproduced, in whole or in part, nor should its contents be disclosed by recipients to any other person.

This Information is being distributed only to, and is directed at: (a) persons outside the United Kingdom; or (b) persons who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 or (c) persons to whom it may otherwise be lawfully communicated (together “relevant persons”). The investments to which this Information relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Information or any of its contents.

#### **Hong Kong**

This Information has not been, and will not be, registered as a prospectus in Hong Kong under the Companies Ordinance (Cap 32)("CO") nor has it been authorized by the Securities and Futures Commission ("SFC") in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) of the Laws of Hong Kong (the "SFO"). Accordingly, this Information must not be issued, circulated or distributed in Hong Kong other than:

- a) to "professional investors" within the meaning of SFO and any rules made under that ordinance ("Professional Investors"); or
- b) in other circumstances which do not result in this Information being a "prospectus" as defined in the CO nor constitute an offer to the public which requires authorisation by the SFC under the SFO.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the shares, which is directed at, or the content of which is likely to be accessed or read by, the public of Hong Kong other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors. No person allotted New Shares may sell, or offer to sell, such Shares to the public in Hong Kong within six months following the date of issue of such Shares.

## **Japan**

The New Shares and Entitlements offered have not been and will not be registered under Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended (the "FIEL") pursuant to the exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors as set forth in Article 2, paragraph 3, item 2(a) of the FIEL. The term Qualified Institutional Investors is defined in Article 2, paragraph 3, item 1 of the FIEL and the regulations promulgated thereunder. Any Qualified Institutional Investor who acquired the New Shares or the Entitlements may not resell them to any person that is not a Qualified Institutional Investor.

## **Singapore**

This Information and any other materials in connection with the Entitlement Offer relating to Singapore have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of New Shares may not be circulated or distributed, nor may New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than as described below and/or otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA").

This Information has been given to you on the basis that you fall within one of the categories of investors described below. In the event that you are not an investor falling within one of the categories set out below, please return this Information to Wesfarmers immediately. Please do not forward or circulate this Information to any other person.

## Norway

This Information has not been approved by, or registered with, any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, neither this Information nor any other offering material relating to the New Shares constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The New Shares may or may not be offered or sold, directly or indirectly, in Norway except;

- a) to “professional investors” as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876, being;
  - legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
  - any legal entity which is registered as a professional investor with the Oslo Stock Exchange (in Norwegian: Oslo Børs) and which has two or more of
    - an average of at least 250 employees during the last financial year;
    - a total balance sheet of more than €13,000,000; and
    - an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- b) any natural person which is registered as a professional investor with the Oslo Stock Exchange (No. Oslo Børs) and which has two or more of
  - an average execution of at least ten – 10 – transactions in securities of significant volume per quarter for the last four quarters;
  - a portfolio of securities with a market value of at least €500,000 and
  - worked or works, for at least one year, within the financial markets in a position which presupposes knowledge of investing in securities;
- c) to fewer than 100 natural or legal persons (other than “professional investors” as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876) subject to obtaining the prior consent of the Joint Lead Managers for any such offer;

in any other circumstances provided that no such offer of New Shares shall result in a requirement for the registration, or the publication by Wesfarmers, the Joint Lead Managers or Underwriters, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.