

What are Wesfarmers PPS?

Wesfarmers PPS are a class of Wesfarmers Ordinary Shares issued to former shareholders of Coles Group Limited under the Scheme of Arrangement approved by Coles Group Limited shareholders on 7 November 2007. Wesfarmers PPS trade on the ASX.

The key terms of Wesfarmers PPS are summarised below. This summary should be read in conjunction with and subject to the terms of issue of Wesfarmers PPS.

Basic rights Each Wesfarmers PPS confers rights on a Wesfarmers PPS Holder that are the same in all respects to those conferred by a Wesfarmers Ordinary Share on holders of Wesfarmers Ordinary Shares, including in relation to:

- voting rights;
- dividends;
- participation in surplus assets and profits on winding up; and
- returns of capital.

Reclassification following Lapse Date Within six months after the Lapse Date (which is four years from the date of issue, unless extended (see “Extension of Lapse Date” below)), Wesfarmers must issue a Lapse Notice. Within 20 Business Days of issuing the Lapse Notice, each Wesfarmers PPS will be reclassified into one Wesfarmers Ordinary Share and additional Wesfarmers Ordinary Shares may be issued as described below.

Partial price protection Wesfarmers PPS provide a level of downside price protection in certain circumstances in the sense that holders may receive a bonus issue of additional Wesfarmers Ordinary Shares depending on the two month VWAP for Wesfarmers Ordinary Shares at the date of the Lapse Notice.

They are *not* “capital guaranteed” securities which would entitle holders to at least a minimum amount on maturity, nor do they guarantee a price in all circumstances.

Here’s how they work:

- If the two month VWAP for Wesfarmers Ordinary Shares is greater than \$34.32 but less than \$43.11 at the date of the Lapse Notice, holders of Wesfarmers PPS will receive a bonus issue of Wesfarmers Ordinary Shares (up to 0.256 Wesfarmers Ordinary Shares per Wesfarmers PPS) such that the total value of Wesfarmers Ordinary Shares received will be \$43.11. If the two month VWAP for Wesfarmers Ordinary Shares is greater than \$43.11, holders of Wesfarmers PPS will not receive any bonus issue.
- However, if the two month VWAP for Wesfarmers Ordinary Shares is equal to or below \$34.32 on the date of the Lapse Notice there is no additional price protection and holders of Wesfarmers PPS will receive the maximum bonus issue of 0.256 Wesfarmers Ordinary Shares per Wesfarmers PPS.

The following examples illustrate this effect. If the two month VWAP for Wesfarmers Ordinary Shares at the date of the Lapse Notice is:

- \$46.00, your Wesfarmers PPS will reclassify into one Wesfarmers Ordinary Share per Wesfarmers PPS and you will not receive any additional Wesfarmers Ordinary Shares;
- \$43.11, your Wesfarmers PPS will reclassify into one Wesfarmers Ordinary Share per Wesfarmers PPS and you will not receive any additional Wesfarmers Ordinary Shares;
- \$40.00, your Wesfarmers PPS will reclassify into one Wesfarmers Ordinary Share per Wesfarmers PPS and you will receive an additional 0.0778 Wesfarmers Ordinary Share per Wesfarmers PPS;
- \$34.32, your Wesfarmers PPS will reclassify into one Wesfarmers Ordinary Share per Wesfarmers PPS and you will receive an additional 0.256 Wesfarmers Ordinary Share per Wesfarmers PPS; and
- \$30.00, your Wesfarmers PPS will reclassify into one Wesfarmers Ordinary Share per Wesfarmers PPS and you will receive an additional 0.256 Wesfarmers Ordinary Share per Wesfarmers PPS.

Dilutive effect

If Wesfarmers PPS are reclassified for holders of Wesfarmers PPS on a basis of greater than one Wesfarmers Ordinary Share for each Wesfarmers PPS, this will dilute the EPS attributable to all Wesfarmers Ordinary Shares and may impact the value of Wesfarmers Ordinary Shares.

In the event that additional shares are issued in respect of Wesfarmers PPS, the total number of additional shares to be issued will be up to approximately 38.5 million Wesfarmers Ordinary Shares.

To the extent that holders of Wesfarmers PPS exercise their entitlement to reclassify their Wesfarmers PPS in advance of the Lapse Date, the number of additional Wesfarmers Ordinary Shares to be issued will be reduced.

Extension of Lapse Date

If the S&P/ASX 200 Industrials Index averages less than 6,500 for the two months immediately prior to the Lapse Date, Wesfarmers can extend the Lapse Date by 12 months. Wesfarmers can extend the Lapse Date on each of the next three anniversaries (for 12 months each time) if the index averages below 6,500 for the two month period immediately prior to each anniversary so that the Lapse Date can be up to a maximum of eight years from the date of issue. For the avoidance of doubt, the S&P/ASX 200 Industrials Index is ASX Code XNJ.

Other reclassification events

Automatic reclassification

If the VWAP of Wesfarmers Ordinary Shares exceeds \$43.11 over a period of 20 consecutive Business Days, Wesfarmers PPS will be automatically reclassified into Wesfarmers Ordinary Shares on a one-for-one basis (and holders of Wesfarmers PPS will not receive any additional Wesfarmers Ordinary Shares).

Early reclassification at election of Wesfarmers

Wesfarmers can require reclassification of Wesfarmers PPS into Wesfarmers Ordinary Shares at any time, but only on the basis that holders of Wesfarmers PPS receive such number of Wesfarmers Ordinary Shares which have a value (based on a two month VWAP) of \$43.11 for each Wesfarmers PPS held.

Reclassification at election of holder

Any holder of Wesfarmers PPS can require Reclassification of that holder's Wesfarmers PPS into Wesfarmers Ordinary Shares on a one-for-one basis at any time (but the holder will not receive any additional Wesfarmers Ordinary Shares).

Discretion to adjust certain terms

Where Wesfarmers undertakes a reconstruction, consolidation, bonus or rights issue, buy-back, return of capital or any other corporate action that may have a dilutive or concentrative effect on the relative value of Wesfarmers PPS and Wesfarmers Ordinary Shares, the Wesfarmers Directors may:

- make such alterations to these terms as considered appropriate or necessary; and/or
- extend an entitlement to the holders of Wesfarmers PPS to participate in such distribution or pro rata offer,

in order to maintain the relative values of the Wesfarmers Ordinary Shares and the Wesfarmers PPS.

The terms of the Wesfarmers PPS may be altered without the approval of holders of Wesfarmers PPS in certain circumstances, including where:

- the amendments are of a minor or technical nature or are made to cure any ambiguity or correct any manifest error; or
- the amendments are considered by Wesfarmers not to be materially prejudicial to the interests of holders of Wesfarmers PPS.

Obligation to issue additional Wesfarmers Ordinary Shares

The obligation to issue additional Wesfarmers Ordinary Shares in the circumstances described above is subject to the discretion of the Wesfarmers Board. However, if the Wesfarmers Board exercises its discretion not to issue the additional Wesfarmers Ordinary Shares, Wesfarmers is prohibited from paying dividends on Wesfarmers Ordinary Shares until the additional shares are issued.

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