



Wesfarmers Limited
ABN 28 008 984 048

NEWS

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WESFARMERS WELCOMES COLES' RECOMMENDATION

Wesfarmers has reached agreement with the Board of Coles Group Limited to put a recommended cash and share offer from Wesfarmers to Coles shareholders by way of a scheme of arrangement, valuing Coles at approximately \$22 billion.

The consideration for each Coles share is:

- \$4.00 cash
- 0.2843 Wesfarmers shares for each Coles share

Coles Shareholders will also be entitled to a final dividend of 25 cents.

Based on the closing price of \$45.73 on Friday 29 June the offer values each Coles share at \$17.25 per share inclusive of a final dividend of 25 cents per share. Based on the 10 day adjusted volume weighted average share price (VWAP) of \$44.14 it values each Coles share at \$16.55, or \$16.80 including the final dividend of 25 cents per share.

Wesfarmers' and Coles' shareholders will:

- participate in the substantial benefits and uplift in earnings expected to flow as the planned Coles simplification, transformation and revitalisation programmes take effect; and
- benefit from the growth in the greatly expanded retail operations and Wesfarmers' other businesses involved in coal mining; insurance; industrial and safety products; chemicals and fertiliser manufacture; and gas and power generation.

The Coles Board has unanimously recommended the transaction and agreed to vote their shares in favour of the scheme, in the absence of a superior proposal and subject to an independent expert determining that the proposal is in the best interests of Coles shareholders.

As a result of this acquisition, Coles shareholders will receive a premium for their shares, an anticipated increase in annual dividend income and the prospect of capital gains tax rollover relief for a substantial portion of their shareholding.

Managing Director Richard Goyder said Wesfarmers looked forward to completing the sale process as quickly as possible.

"The recommendation from the Coles Board is a big step towards helping end the uncertainty for shareholders, employees, suppliers and customers surrounding the company's ownership review," he said.

“This is an important transaction not only for the shareholders of both companies but for Australia.

“It is an opportunity for current shareholders to retain an ongoing interest in this important Australian company, for Coles to remain an Australian-owned company and for employees and consumers to benefit from a revitalised major force in the national retail sector.

“With the resolution of the ownership issue now in prospect, employees will be better able to focus on their key task of improving business performance in a very competitive marketplace.”

Mr Goyder said Wesfarmers was particularly pleased that the proposal being recommended by the Board would see Wesfarmers own and operate all of Coles’ businesses.

“Our business model is well suited to managing the significant increase in the size of our operational base and we welcome the great number of new employees who will be joining the Wesfarmers group,” he said.

“There is a lot of work to be done to restore Coles to its rightful position in Australian retail but, from the outset, our interest in this opportunity has never waived from the view that this is a very substantial and attractive addition to the Wesfarmers business.”

This acquisition will provide an opportunity for Coles shareholders, employees and suppliers to be part of the future success of Wesfarmers. It is a major step in the ongoing growth and development of Wesfarmers since it listed as a public company in 1984. It will result in Wesfarmers becoming the largest retailer in Australia and make it the largest private sector employer.

Wesfarmers looks forward to constructive engagement with Coles in preparing the necessary documentation for consideration by Coles’ shareholders. It expects the acquisition to be completed in October 2007.

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Summary of conditions of Scheme Implementation Agreement

Implementation of the scheme of arrangement is subject to a number of conditions, which may be summarised as follows:

- Approvals being obtained under the Overseas Investment Act 2005 (New Zealand) and the Insurance Act (Cap. 142) 2002 (Singapore);
- No Coles “Prescribed Occurrence” (which is defined in the agreement to cover standard takeover prescribed occurrence events, such as changes to capital structure, share issues and insolvency events);
- No Wesfarmers “Prescribed Occurrence” (which has a similar definition);
- The representations and warranties of Coles in the agreement (which cover standard matters, such as corporate authority, accuracy of information to be provided in the scheme booklet and compliance with continuous disclosure obligations) are, and remain, materially true and correct;
- The representations and warranties of the Bidder and of Wesfarmers in the agreement (which cover similar matters as above and that financing is in place for the transaction) are, and remain, materially true and correct;
- The new Wesfarmers shares to be issued to Coles shareholders under the scheme have been approved for official quotation on the ASX;
- For each trading day until the Second Court Date if the average of the S&P/ASX 200 Industrials Index at the close of trading for the 20 trading days prior to the date of the calculation :
 1. is no less than 7,149.3, the Wesfarmers VWAP (over 20 consecutive trading days) is no less than \$41.16; or
 2. is less than 7,149.3, the Wesfarmers VWAP (over 20 consecutive trading days) is no less than \$41.16 multiplied by (A) where (A) equals:

the average of S&P/ASX200 Industrials Index at the close of trading for the 20 trading days prior to the date of the calculation divided by 7,149.3;
- Coles shareholders approve the scheme at the scheme meeting by the requisite majorities under the Corporations Act;
- The Court approves the scheme in accordance with section 411(4)(b) of the Corporations Act;
- No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or government agency or other legal restraint or prohibition preventing the scheme is in effect; and
- In the absence of a superior proposal and subject to an independent expert determining that the proposal is in the best interests of Coles shareholders.

Other provisions include a non-solicit and a break fee:

- no-talk provision: until the earlier of termination of the agreement and the implementation date (restricted period) and subject to an exception for what may constitute a superior proposal, Coles must ensure that neither it or its related persons negotiates or enters into any negotiations or discussions with any person regarding a competing proposal or provides any information to a third party that may lead to a competing proposal;
- no-shop provision: during the restricted period, Coles must ensure that neither it nor its related parties take any actions that could reasonably be expected to lead to a competing proposal; and
- notice of approach: during the restricted period, Coles must notify Wesfarmers if it is approached by another person to engage in any activity with respect to a competing transaction or of any request for information which may lead to a competing transaction.

The scheme implementation agreement provides for a break fee of \$30m if:

- a competing transaction is successful;
- a majority of Coles directors either:
 - withdraw their recommendation of the Scheme, prior to termination of the agreement or implementation, other than where the Independent Expert concludes that the Scheme is not in the best interests of the Coles shareholders; or
 - recommend a competing transaction; or
- there is a material breach of the scheme implementation agreement by Coles and the agreement is subsequently terminated.