

24 September 2007

The Manager  
Company Announcements Office  
Australian Securities Exchange Limited  
Level 4  
20 Bridge Street  
**SYDNEY NSW 2000**

Dear Sir,

**COLES ACQUISITION UPDATE**

Wesfarmers Limited advises that the “Coles Acquisition Update” presentation released to the market on 16 August 2007 has now been revised to incorporate Wesfarmers' enhanced proposal (announced separately to the market on 5 September 2007). These changes are incorporated in Section 7 of the attached presentation.

Yours faithfully,



L J KENYON  
COMPANY SECRETARY

# Coles Acquisition Update: Wesfarmers' Plans for a Reinvigorated Coles

(updated 5 September 2007)



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# Agenda

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1. Executive Summary

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  2. Wesfarmers' Strategic Rationale

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  3. Management

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  4. Value Creation Opportunities

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  5. Plans for the Businesses

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  6. Financial Outcomes

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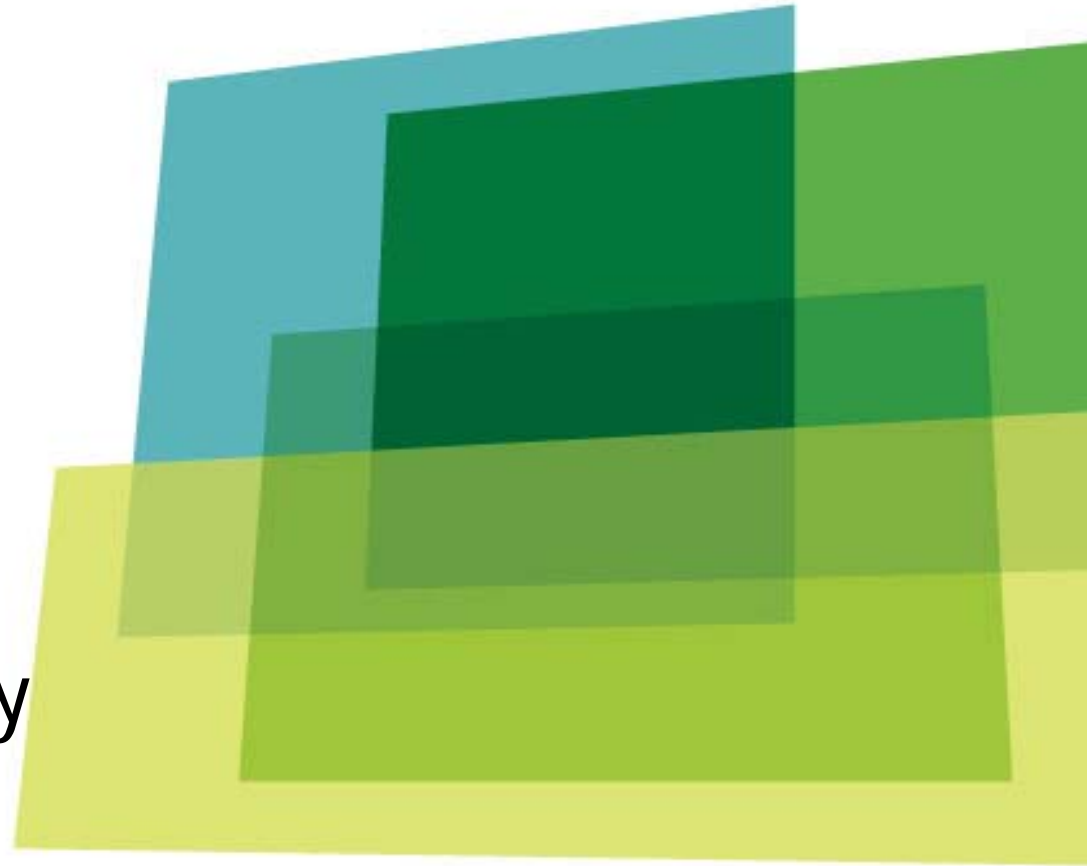
  7. Offer Details and Funding

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  8. Questions

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# 1. Executive Summary

# 1. Executive Summary

## A unique opportunity

1. Leading market positions in a highly attractive industry
2. Irreplaceable portfolio of retail businesses
3. Wesfarmers' retail sector know-how
4. Outstanding opportunity to create value for Coles' and Wesfarmers' shareholders
5. Wesfarmers has a three part plan to extract that value

All businesses meet  
Wesfarmers' key  
investment criterion:  
**POSITIVE NPV**

- ✓ Substantial value creation opportunity in Food, Liquor and Convenience
- ✓ Target and Officeworks will be value accretive from the date of acquisition





## 2. Wesfarmers' Strategic Rationale

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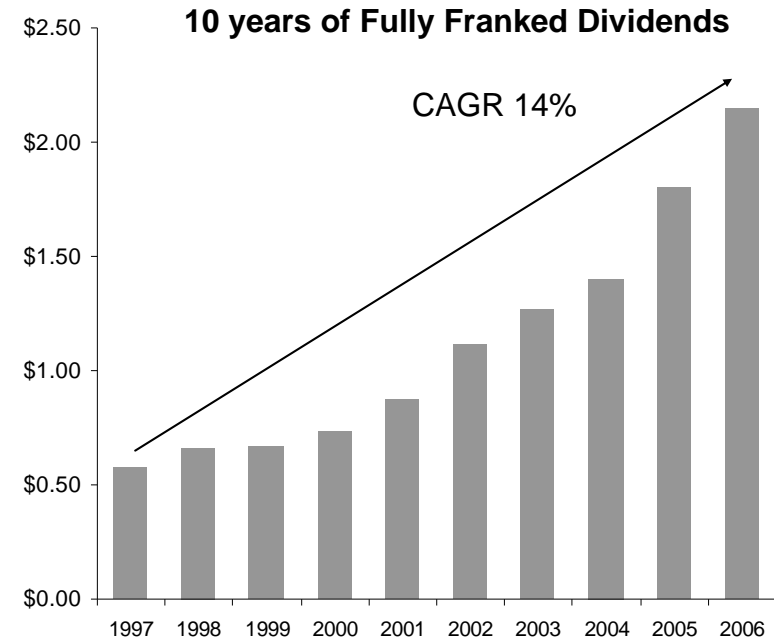
### Strategic setting for acquisitions

- Wesfarmers has generated significant returns by actively managing our asset portfolio through acquisition, divestment and capital management initiatives

#### 10 year share price appreciation



#### 10 year dividend per share growth

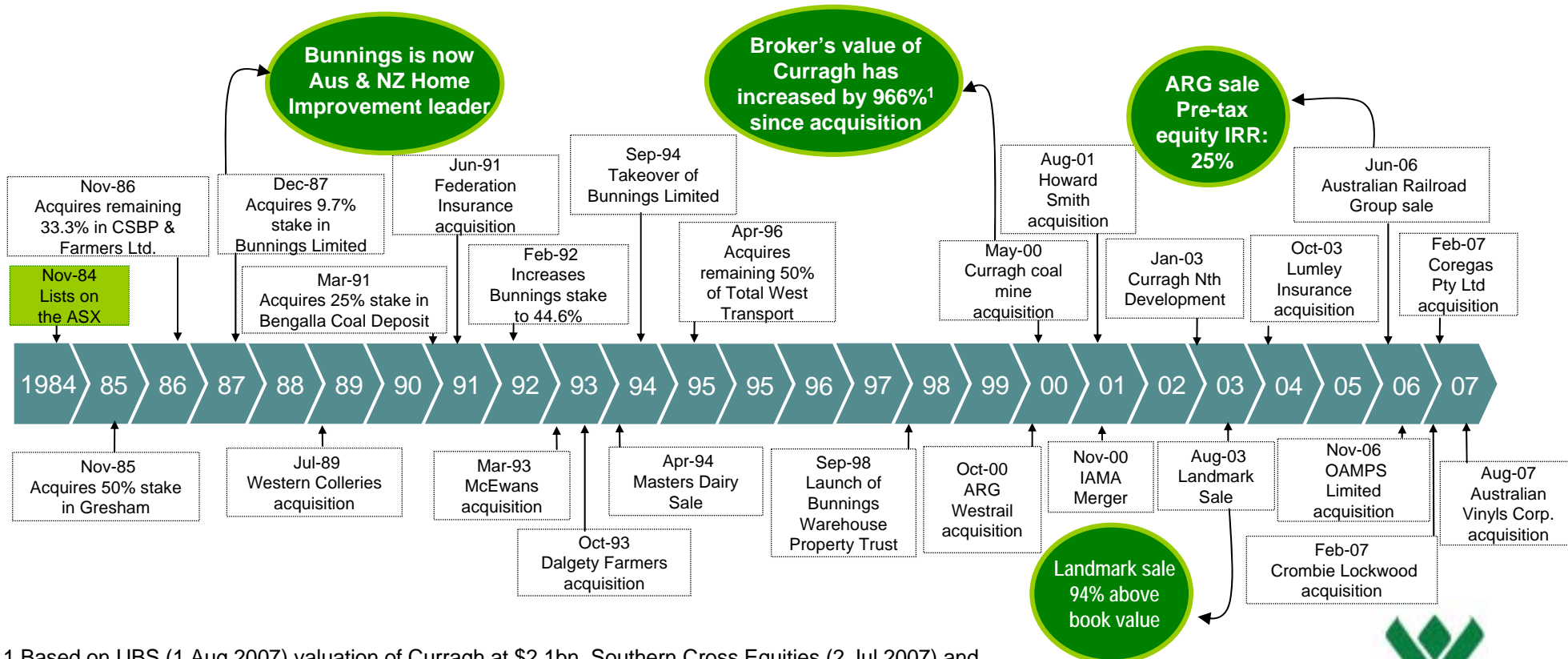




## 2. Wesfarmers' Strategic Rationale

### Strategic setting for acquisitions

- Wesfarmers reviews a range of acquisition opportunities each year
- Acquisition hurdle for investment is a positive NPV based on an ungeared discounted cash flow at appropriate risk weighted discount rates



1. Based on UBS (1 Aug 2007) valuation of Curragh at \$2.1bn. Southern Cross Equities (2 Jul 2007) and CommSec (30 Jul 2007) value Coal division at \$2.9 bn to \$4.3 bn.

## 2. Wesfarmers' Strategic Rationale

### Coles is an attractive opportunity

**Coles** is a very attractive acquisition for Wesfarmers

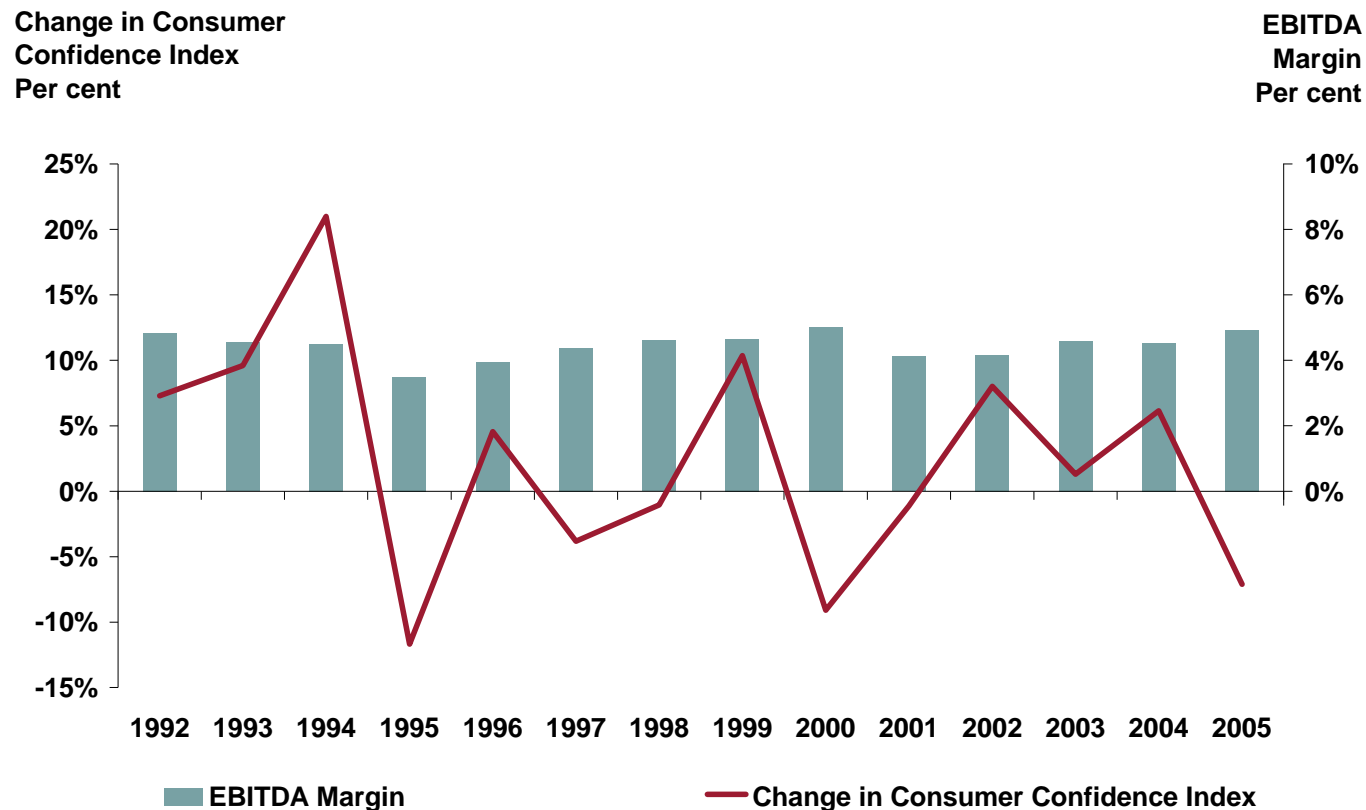
1. Leading positions in a highly attractive industry structure
2. Unique retail platform with an irreplaceable store network
3. Wesfarmers' retail sector know-how
4. Substantial opportunity to create value from the Coles businesses by improved execution



## 2. Wesfarmers' Strategic Rationale

### Attractive Industry Structure

- Food and liquor retailers are extremely resilient, with profit margins remaining steady throughout economic cycles



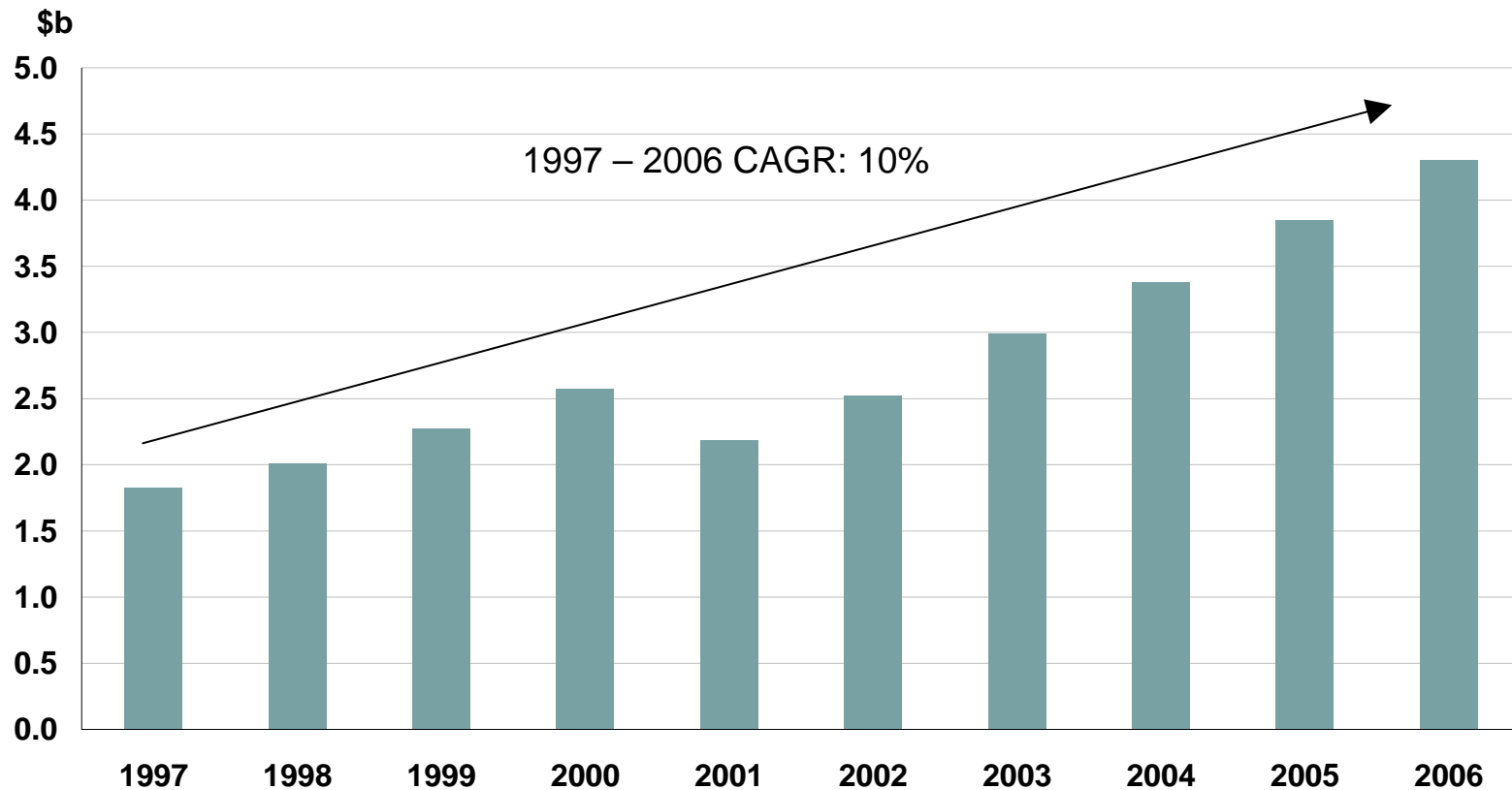
Source: RBA, Bloomberg, Profitability shown is a composite of Coles Group, Woolworths and Foodland. Change in the Consumer Confidence Index based on annual averages



## 2. Wesfarmers' Strategic Rationale

### Attractive Industry Structure

#### EBITDA of Australian Listed Retailers



Source: Bloomberg. Total annual reported EBITDA of ASX listed companies within the Industry Groups of Retailing and Food & Staples Retailing that have reported earnings since 1997 and have current market capitalisation over \$200m. Sample excludes ABB, AWB and ARP, which are not considered comparable for these purposes.



## 2. Wesfarmers' Strategic Rationale

### Unique Platform and Asset Base

- Coles has an irreplaceable store portfolio with a national footprint

Coles Store Footprint by Business						
	Supermarkets	Liquor	Fuel	Kmart	Target	Officeworks
VIC	185	150	151	41	65	34
NSW	230	246	187	48	86	32
QLD	148	299	112	37	52	19
WA	79	97	66	20	30	10
SA	73	26	44	13	25	8
TAS	14	0	16	5	5	2
NT	8	9	11	2	2	2
ACT	8	9	15	2	3	0
<b>Total</b>	<b>745</b>	<b>836</b>	<b>602</b>	<b>168</b>	<b>268</b>	<b>107</b>

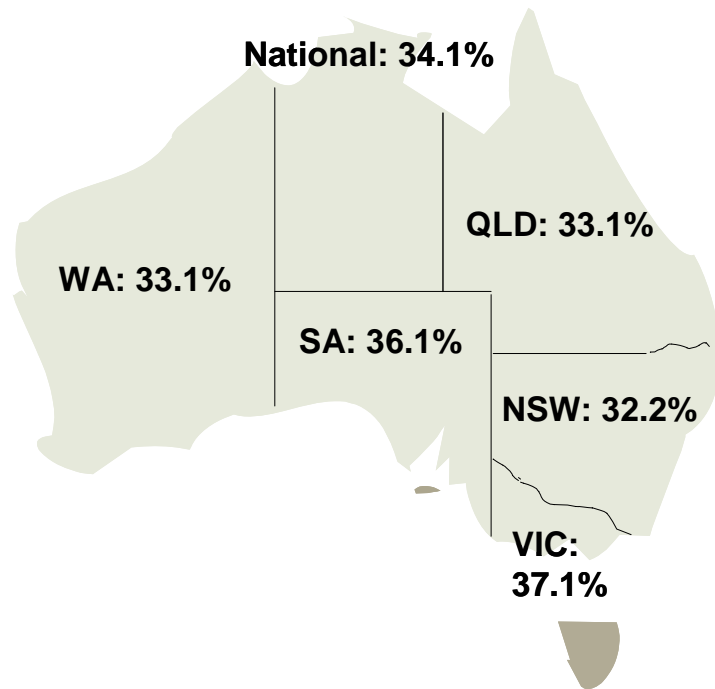
Note: CGJ store numbers as at 29/07/2007, Kmart store numbers exclude Kmart Tyre and Auto



## 2. Wesfarmers' Strategic Rationale Unique Platform and Asset Base

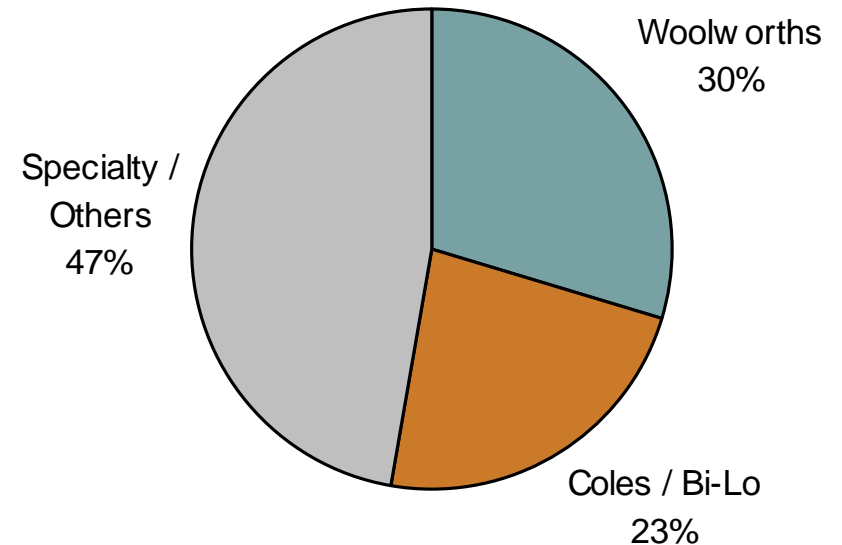
- Coles is one of two national leaders in supermarkets

### Coles Packaged Grocery Market Share by State



Source: ACNielsen ScanTrak - Total packaged grocery MAT to 24/04/07

### Food and Liquor National Market Share

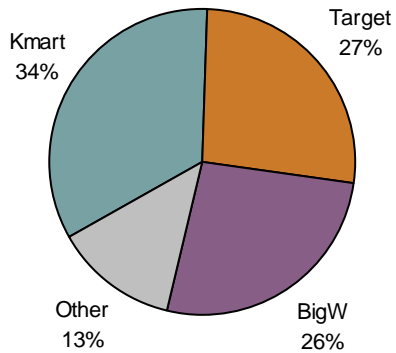


Source: CGJ, WOW FY06 Australian Food & Liquor Sales (excludes fuel)  
ABS total food retailing

# 2. Wesfarmers' Strategic Rationale

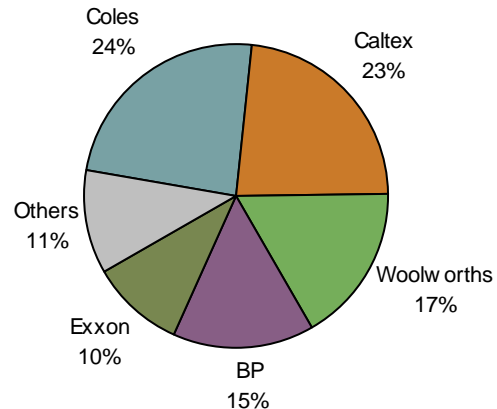
## Unique Platform and Asset Base

### Discount DS Market Shares



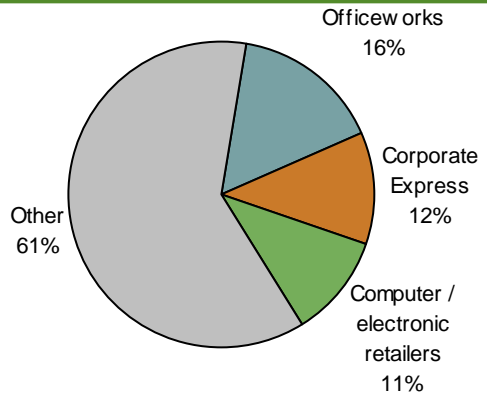
Source: Bain & Company

### Fuel Market Shares



Source: CGJ, IBIS World 2005 and 2006

### Office Products Market Shares



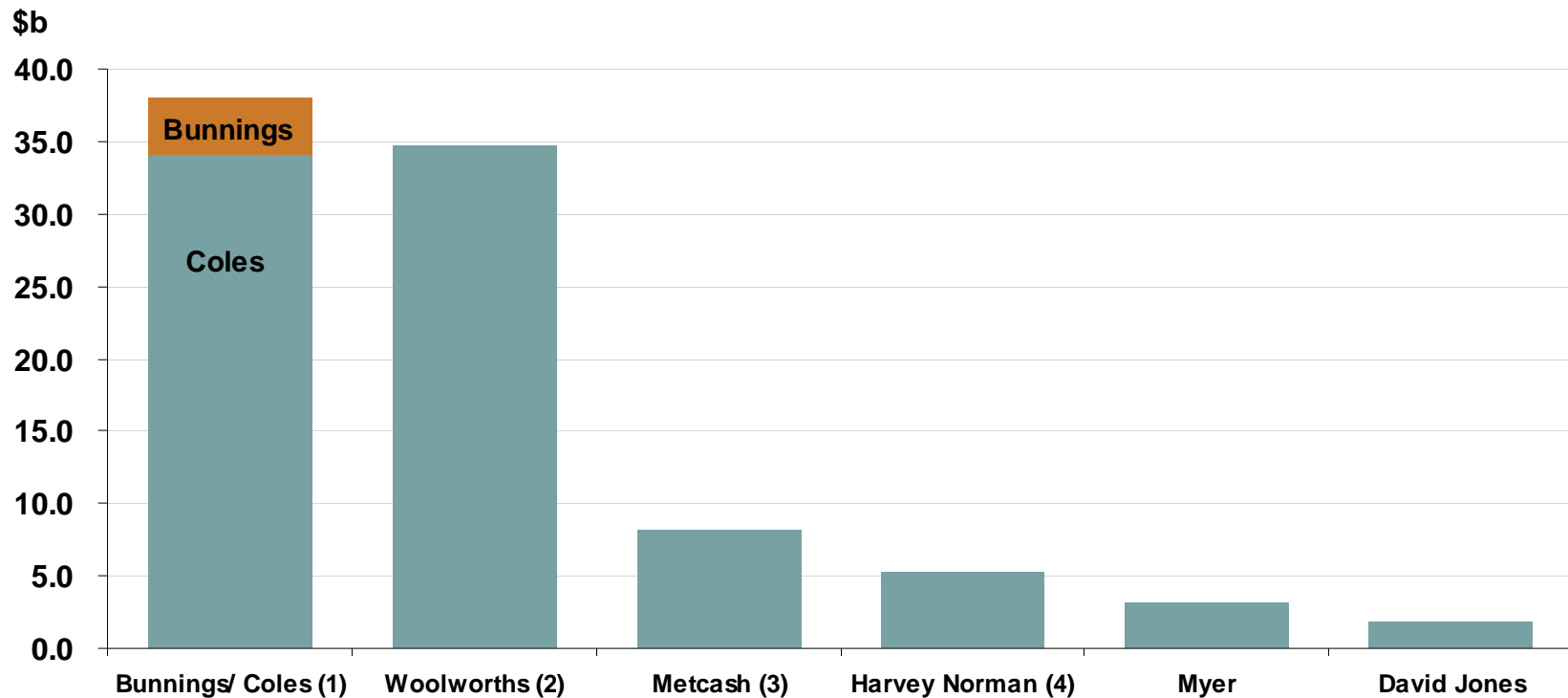
Source: Bis Shrapnel, The Australian Office Products Market 2006 - 2008



## 2. Wesfarmers' Strategic Rationale

### Wesfarmers' Presence in the Retail Sector

Australia's Leading Retailers, based on FY06 Sales



(1) Coles Australian sales (excluding Myer and Megamart) including hotel sales, Bunnings and HouseWorks Australian sales (2) Woolworths Australian sales minus wholesale including hotel sales, (3) Metcash wholesale sales – includes New Zealand sales representing less than 5% of total sales, (4) Harvey Norman Australian sales plus franchise and company sales.

Source: IBISWorld, BRW, Company Reports

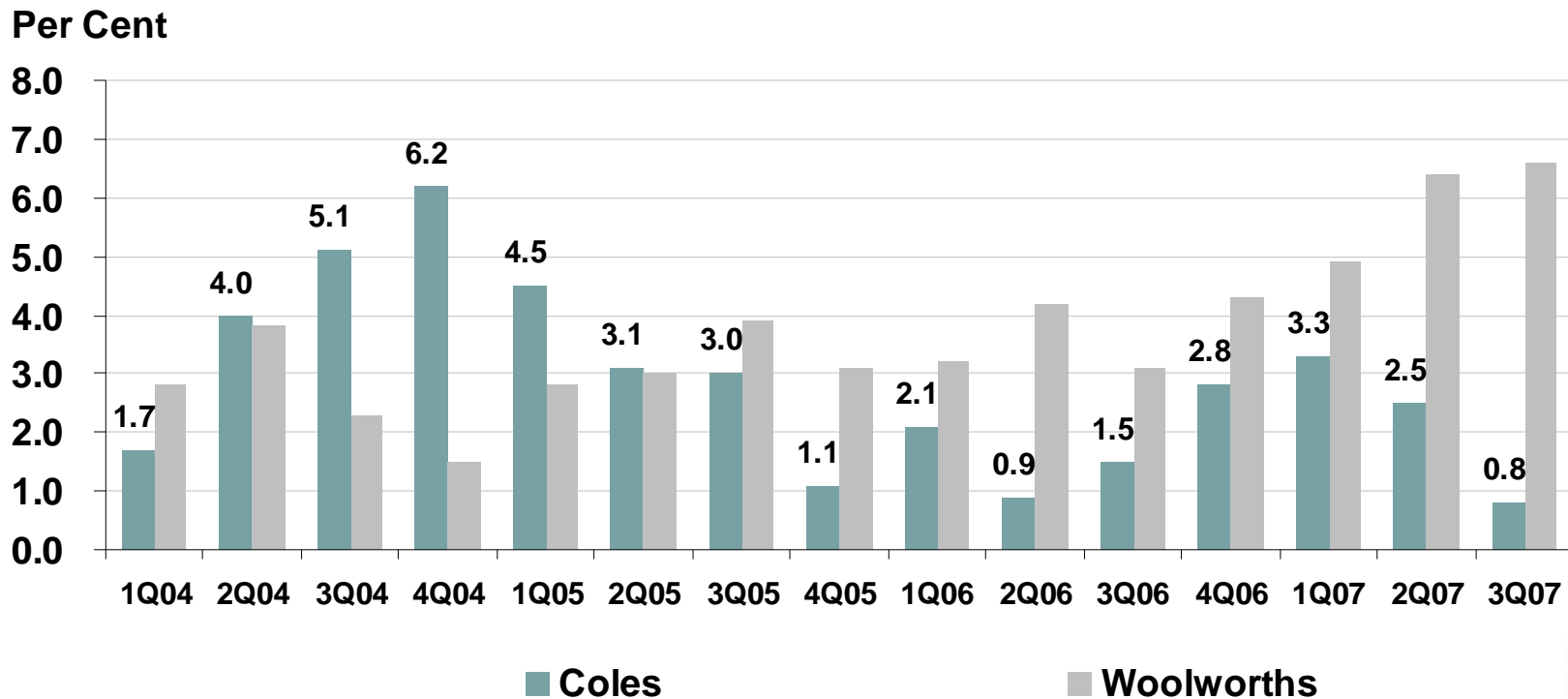




## 2. Wesfarmers' Strategic Rationale Potential for Growth

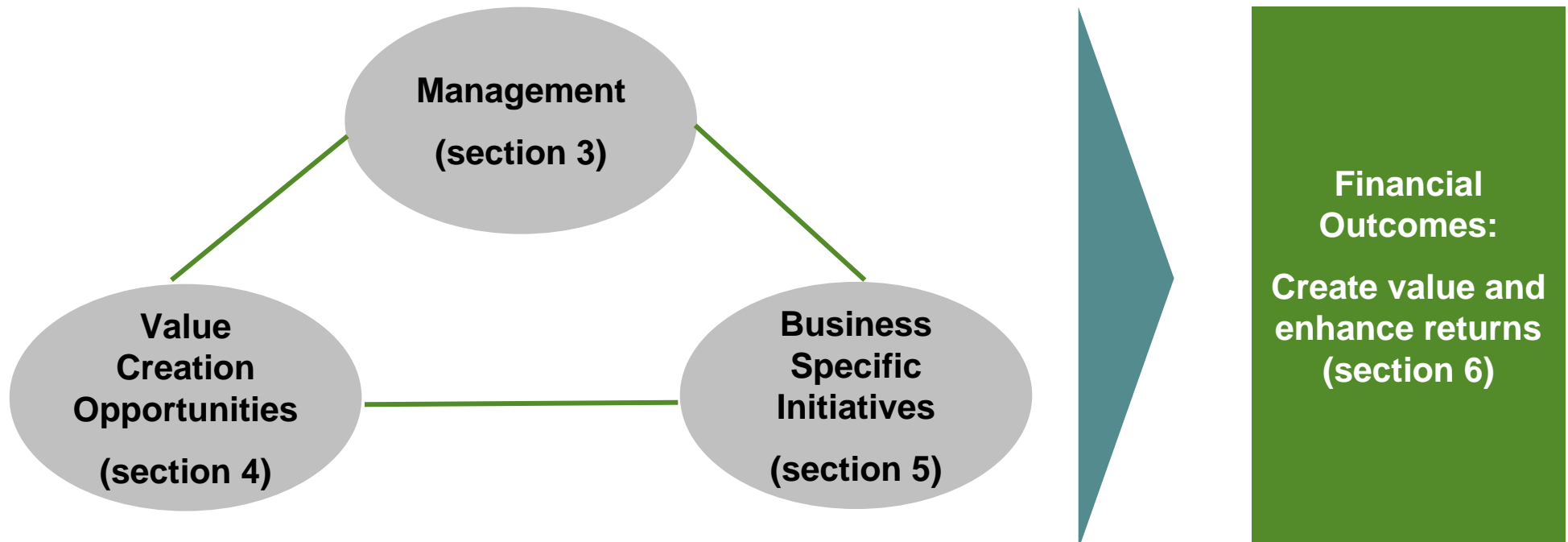
- Ability to generate value and restore Coles' profit and growth potential

Food and Liquor Comparable Store Sales Growth



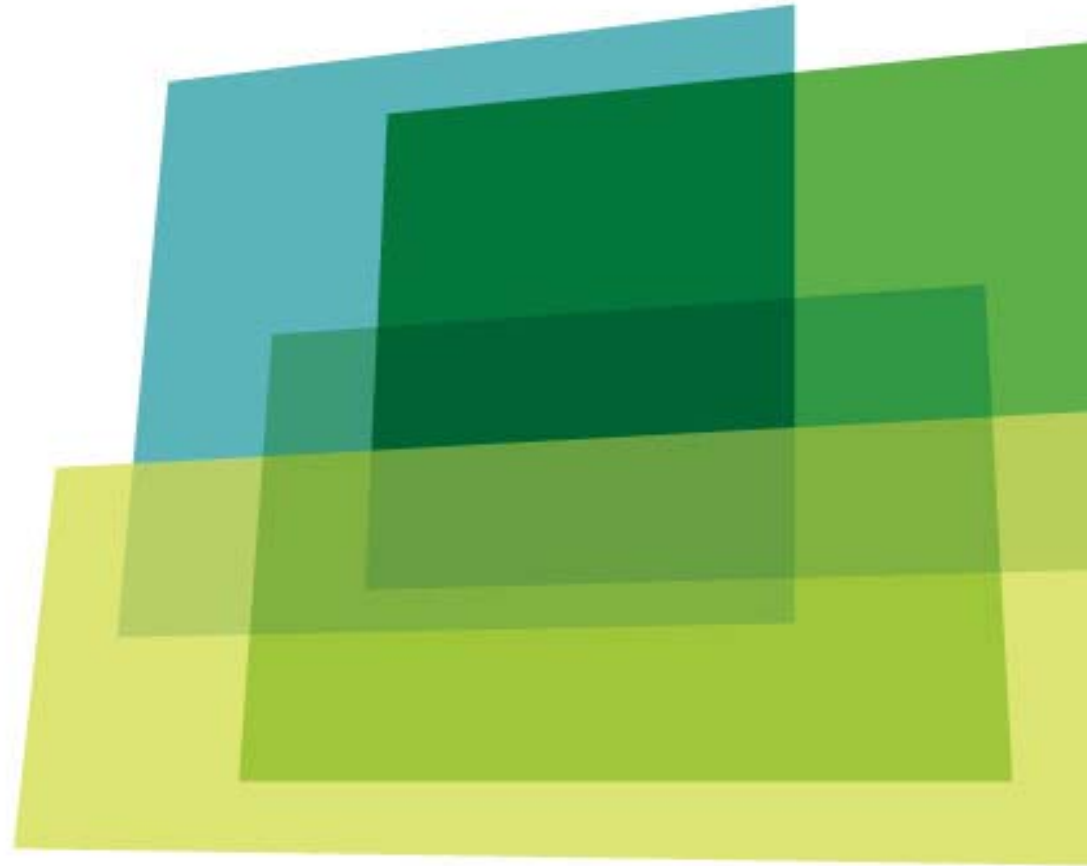
## 2. Wesfarmers' Strategic Rationale Creating Value - Three-Part Plan

- Wesfarmers has a three-part plan to deliver significantly improved returns from the Coles businesses





### 3. Management



# 3. Management Business Restructure

- Wesfarmers will restructure the Coles businesses into the following reporting structure



# 3. Management Overview and Culture

- Change of ownership creates an environment for management to realise the full potential of the Coles businesses

## Bringing about Cultural Change

- Put the uncertainty and distraction of ownership review in the past
- Engender positive culture and attitudes to drive positive customer experiences
- Wesfarmers acquisition is viewed positively by Coles staff
- Dedicated integration function led by senior Wesfarmers executives
- Drive responsibility and accountability

## Specific Plans for Management

- Lean head and divisional offices
  - Closure of Toorong as head office<sup>1</sup>
- Introduce real accountability and direction by moving to divisional autonomy
- Strengthen existing team with specialist local and international retailers
- Senior Wesfarmers commercial executives will join the leadership teams of all divisions

1. Subject to lease arrangement

**Focus on long-term value creation**

# 3. Management

## Food, Liquor and Convenience

- Wesfarmers intends to implement a tailored approach to the management of the Food, Liquor and Convenience Division

### Management Structure Initiatives

- Divisional Board and Management <sup>1</sup>
- Addition of international retail expertise to Divisional Board
- Rigorous financial controls and commercial discipline
  - Appointment of senior Wesfarmers commercial executives
- Strong incentives to drive management performance

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1. External and internal candidates not able to be named at this point to minimise disruption to Coles and Wesfarmers' businesses



# 3. Management Food, Liquor and Convenience

- Wesfarmers' management plan is progressing well, with candidates being identified for key positions

Phase	Progress
<b>1. Global Search</b> <i>(Apr – Sep)</i>	<ul style="list-style-type: none"><li>• Identify high calibre domestic and international retailers to fill key roles</li></ul>
<b>2. Short-Listing</b> <i>(Sep – Oct)</i>	<ul style="list-style-type: none"><li>• Short-list of internal and external candidates being developed. The candidates being considered include world class retailers with relevant experience</li><li>• Incentive package tailored to attract the right people</li></ul>
<b>3. Announcement</b> <i>(Nov)</i>	<ul style="list-style-type: none"><li>• Finalise selection process</li><li>• Announce appointments</li></ul>



# 3. Management Implementation of Management Plan



**Food, Liquor and Convenience**

- Management plan progressing well
- High calibre candidates being short-listed for key senior positions

**Big Box Retailing**

- The Officeworks and Bunnings businesses will report as one division under the leadership of John Gillam

**Target**

- Target is performing strongly under the existing management team
- Addition of a senior Wesfarmers commercial executive

**Kmart**

- Management plan part of the strategic review

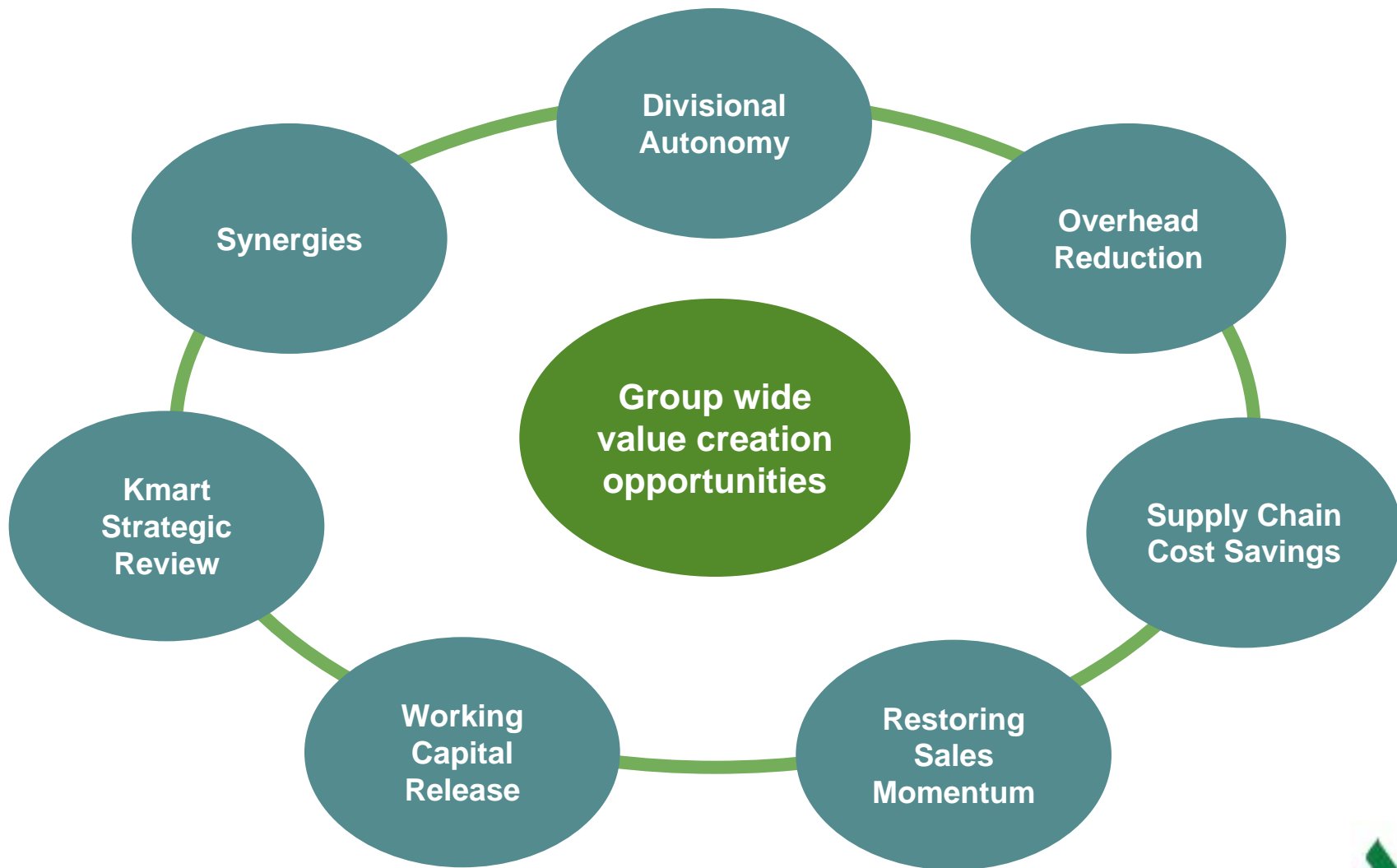






## 4. Value Creation Opportunities


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# 4. Value Creation Opportunities

## Divisional Autonomy

- Coles' shared service support functions will be restructured to replicate Wesfarmers' model of divisional autonomy to create a more accountable business model

Wesfarmers' Divisional Autonomy Business Model	
 <p><b>Wesfarmers Head Office</b></p>	<ul style="list-style-type: none"> <li>• Specialist support from small central support office</li> </ul>
<p><b>Divisional Management</b></p>	<ul style="list-style-type: none"> <li>• <b>Responsible</b> for key support functions</li> <li>• <b>Accountable</b> for division's success</li> <li>• <b>Rewarded</b> by reference to division's success</li> </ul>
<p><b>Divisional Support Functions</b></p>	<ul style="list-style-type: none"> <li>• Report to divisional management</li> <li>• Sized and structured by divisional management to optimise the success of the division</li> </ul>

### Key Benefits

- ✓ Cultural shift of focus from head office process to business operational and financial outcomes
- ✓ Support functions 100% focused on divisional success
- ✓ Opportunity to generate further reductions in corporate overhead



## 4. Value Creation Opportunities

### Overhead Reduction

- Wesfarmers is targeting corporate overhead reductions in the order of \$385 million per annum
- These reductions include savings achieved to date in the Coles Simplification programme and should be achieved by late FY09
- Wesfarmers believes an additional \$10 million in costs will be incurred, over the amount already provided for by Coles, to deliver these benefits

Net Benefits (\$m per annum)	Coles View	WES View
Achieved to date	100	100
Remaining benefits	263	285
Total Overhead Reduction	363	385



## 4. Value Creation Opportunities

### Supply Chain Cost Savings

- Targeted supply chain cost savings of **\$540 million** per annum by FY13
- This includes benefits achieved to date of \$90m per annum
- Some of the benefits will be reinvested
- Food, Liquor and Convenience senior management will be responsible for delivering these savings

Net Benefits (\$m per annum)	Coles View	WES View
Benefits achieved to date	90	90
Remaining benefits	340	450
<b>Supply chain net benefits</b>	<b>430<sup>1</sup></b>	<b>540</b>
Remaining Costs (\$m)	Coles View	WES View
Remaining one-off operating expenditure	250	250
Remaining capital expenditure <sup>2</sup>	300	320

1 Expected by FY10 (CGJ September 2006 announcement) although delays are anticipated

2 C. 60% of total capex required for the supply chain programme has already been spent

# 4. Value Creation Opportunities

## Supply Chain Cost Savings

Coles' cost saving programme has been thoroughly reviewed by Wesfarmers and its supply chain consultants and the key findings are:

- The programme replicates global retail peers' best practice
- Benefits adversely impacted at present by poor end-to-end implementation, slower roll-out and lower volumes
- Some business interruption from the strategy is likely to continue in the short term

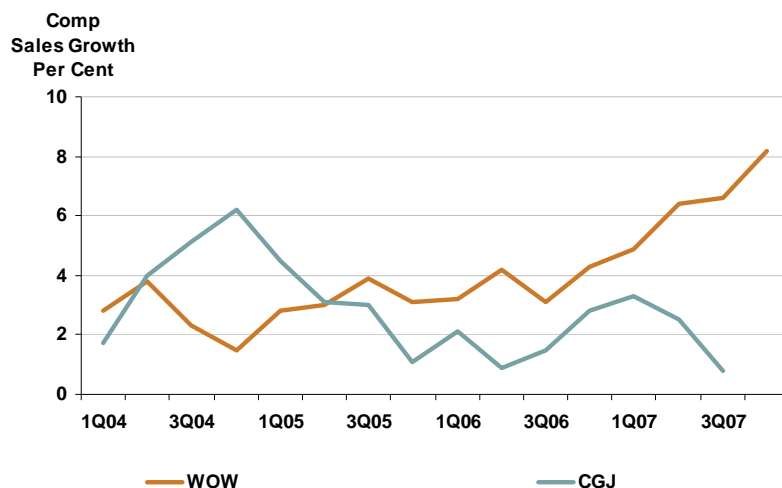
Key Remaining Milestones			
	DC Development	Centrally Managed Range	In-Store Auto-Replenishment
Benefit to Business	<ul style="list-style-type: none"> <li>• Reduced DC costs</li> <li>• Platform to facilitate supply chain efficiencies including store auto-replenishment and supplier centralisation</li> </ul>	<ul style="list-style-type: none"> <li>• Range rationalisation and mix optimisation</li> <li>• Reduced store labour cost</li> <li>• Reduced inventory days</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced out-of-stock positions</li> <li>• Reduced store labour cost and human error</li> <li>• Reduced stock obsolescence and wastage</li> </ul>
Benefit to Customers	<ul style="list-style-type: none"> <li>• Increase quality of fresh offer</li> <li>• Reduced age and better availability</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of key SKUs</li> </ul>	<ul style="list-style-type: none"> <li>• Increased on-shelf availability</li> </ul>

## 4. Value Creation Opportunities

### Restoring Sales Momentum

- Re-establishing sales momentum is critical to driving the turnaround
  - Short term: reverse the current comparable store sales momentum and move towards market comparable store sales growth
  - Medium term: comparable store sales growth of 3.0% to 3.5% would be consistent with market comparable store sales growth
- Wesfarmers estimates each 1% per annum increase in comparable store sales growth has the potential to generate a c.\$150m EBIT benefit in year five (before the benefit of new store rollouts)<sup>1</sup>

#### Food and Liquor Comp Sales Growth



Wesfarmers believes Coles' underperformance is not structural but an issue of execution:

- Bi-Lo conversions
- Unclear price positioning due to both high-low promotion and everyday low pricing
- Supply chain improvement programme

1. Assumes market consensus Food & Liquor revenue and EBIT in FY07, with 0.5% margin improvement over the 5 year period through leverage of the fixed cost base.



## 4. Value Creation Opportunities

### Working Capital Release

- Goal: release more than \$300m in Coles working capital over next five years
- Divisional management will be accountable for improvements in working capital under Wesfarmers' plans

#### Sources of Working Capital Improvements

The Coles logo is displayed in red lowercase letters on a white background, which is centered within a light green rectangular box.

- Centrally managed range and SKU reduction
- Factory gate pricing
- Auto-replenishment
- In-store and promotional process efficiencies





# 4. Value Creation Opportunities

## Kmart Strategic Review

- Wesfarmers is confident that one or a combination of these options will deliver value in excess of that assumed in Wesfarmers' valuation
- While Wesfarmers' preference is to retain the businesses, all options to maximise shareholder value will be considered

### Options

- 1. Improving the trading performance of the existing business**
  - Recent trading outcomes have been more encouraging
- 2. Converting some Kmart stores to other group formats**
- 3. A sale of all or part of the business**



# 4. Value Creation Opportunities

## Synergies

- In addition to the other opportunities, Wesfarmers has identified potential head office and retail brand synergies

### Head Office Synergies

- ✓ Coles listing and related public company costs
- ✓ Economies of scale in Wesfarmers' support functions
- ✓ Move to divisional autonomy model

### Retail Brands Synergies

- ✓ Leverage Coles' global sourcing
- ✓ Use of Coles merchant acquiring arrangements
- ✓ Improvement in supplier arrangements through Wesfarmers' relationship approach
- ✓ Optimisation of brand utilisation of properties





## 5. Plans for the Businesses

# 5. Plans for the Businesses Overview



## Medium Term Value Creation - NPV Positive

	<p><b>Food, Liquor and Convenience</b></p> <ul style="list-style-type: none"> <li>• Stabilise the business</li> <li>• Focus on retail basics</li> <li>• Deliver supply chain cost savings and overhead reductions</li> <li>• Restore sales momentum</li> <li>• Selective network expansions</li> </ul>
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	<p><b>Kmart</b></p> <ul style="list-style-type: none"> <li>• Undertake strategic review</li> <li>• Wesfarmers' preference is to retain the Kmart business, however all options to optimise value will be considered</li> </ul>
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## Value Accretive from Date of Acquisition

<p><b>Target</b></p> <ul style="list-style-type: none"> <li>• Continuation of strong performance</li> <li>• Support current margin mix initiatives</li> <li>• Aggressive store roll-out programme</li> </ul>	
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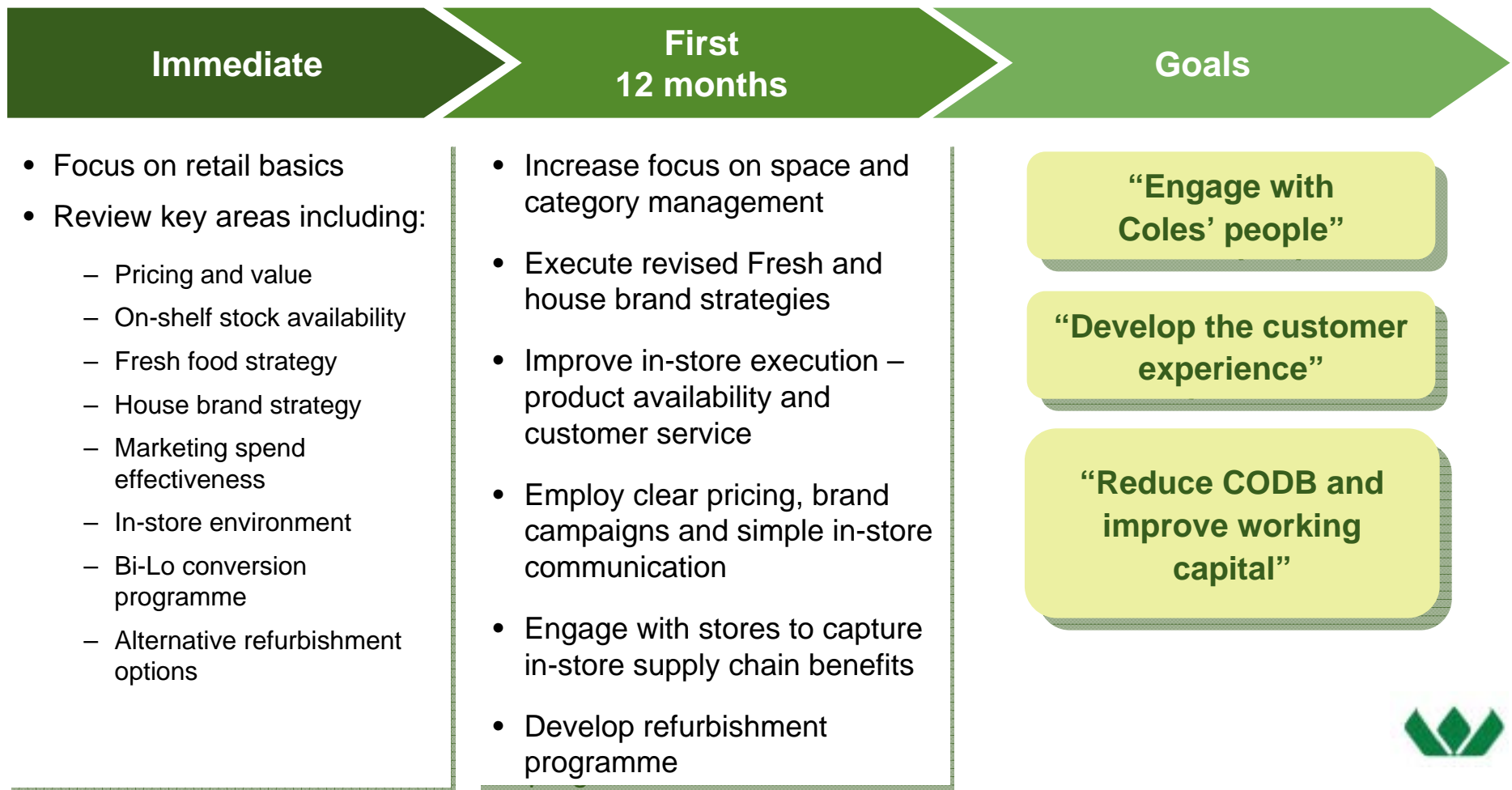
<p><b>Officeworks</b></p> <ul style="list-style-type: none"> <li>• Optimise performance through alignment with Bunnings</li> <li>• Accelerate store roll-out program to target category leadership</li> </ul>	
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# 5. Plans for the Businesses Food



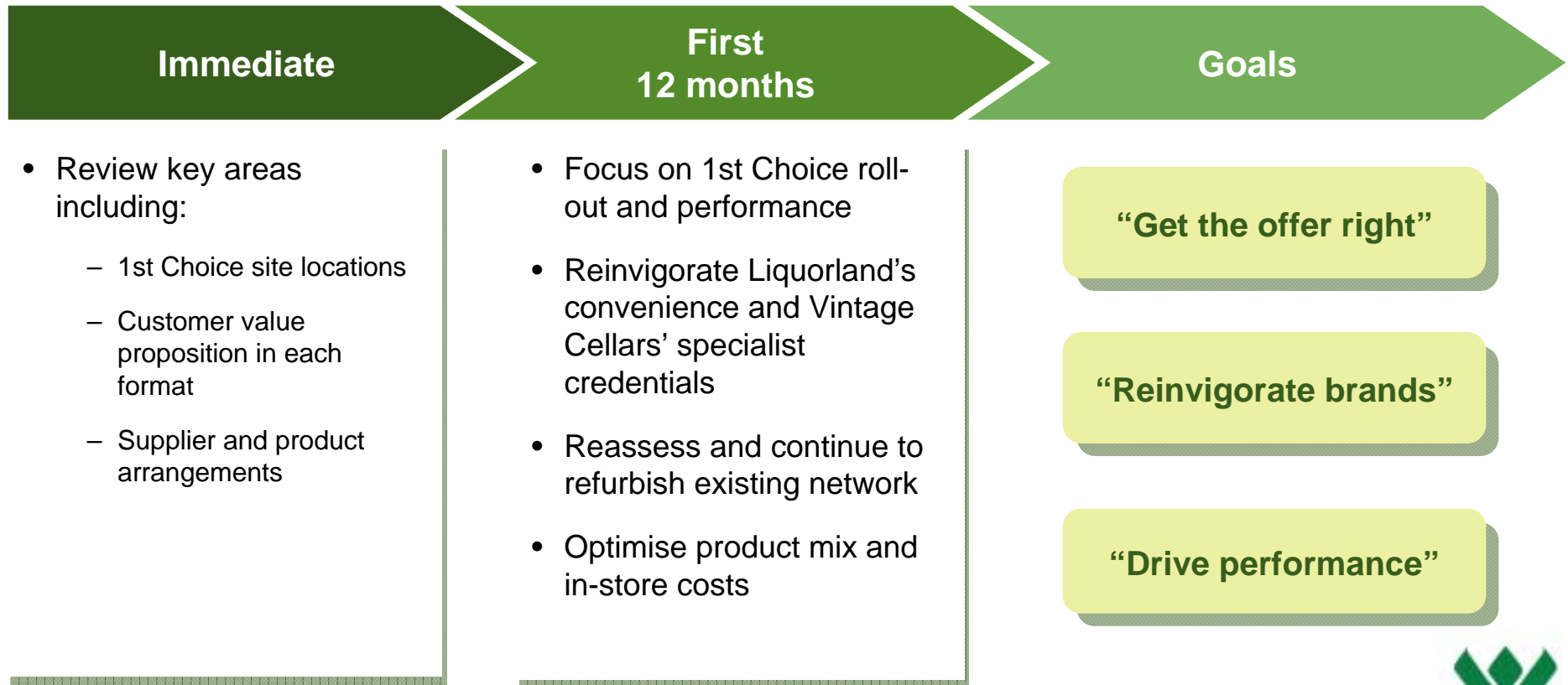
- Focus operational strategies to create medium term growth



# 5. Plans for the Businesses Liquor



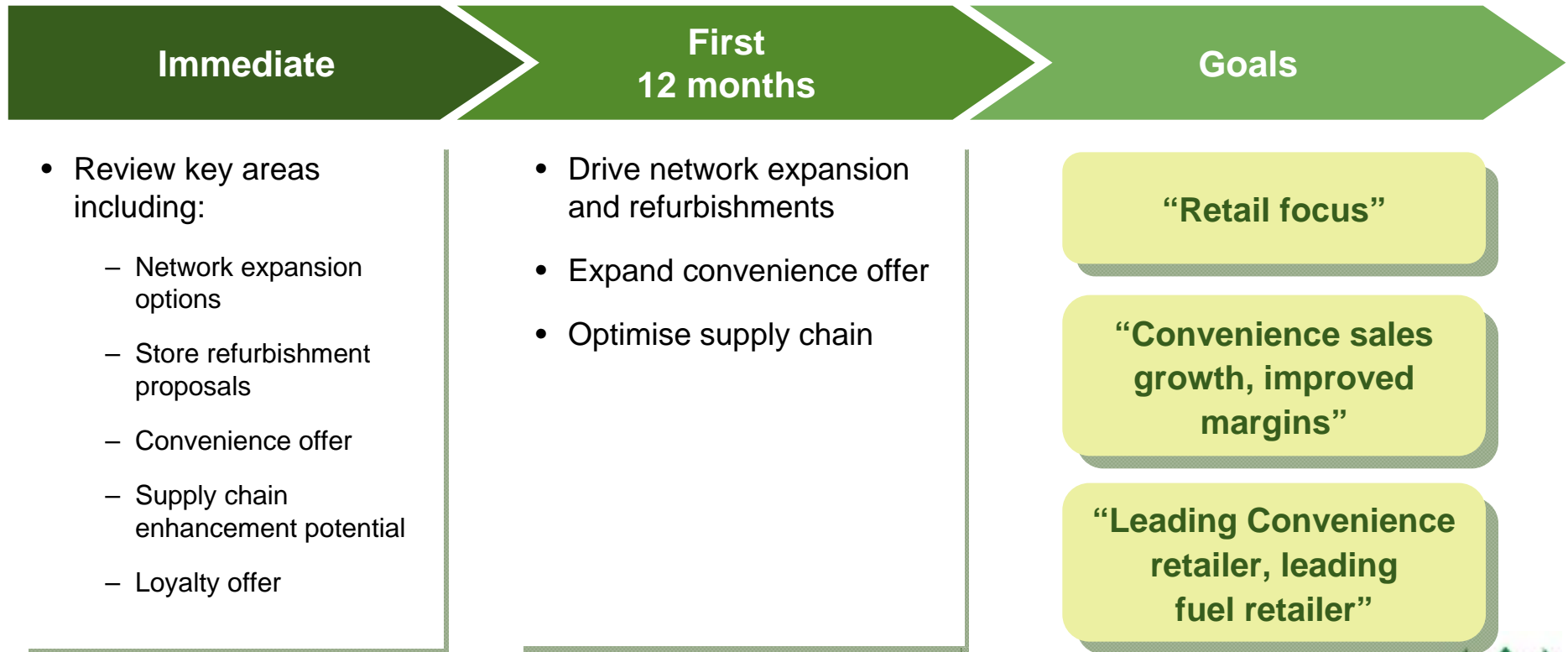
- Focus operational strategies to maximise brand potential



# 5. Plans for the Businesses Convenience



- Focus operational strategies to drive improved performance through convenience offering



# 5. Plans for the Businesses Kmart

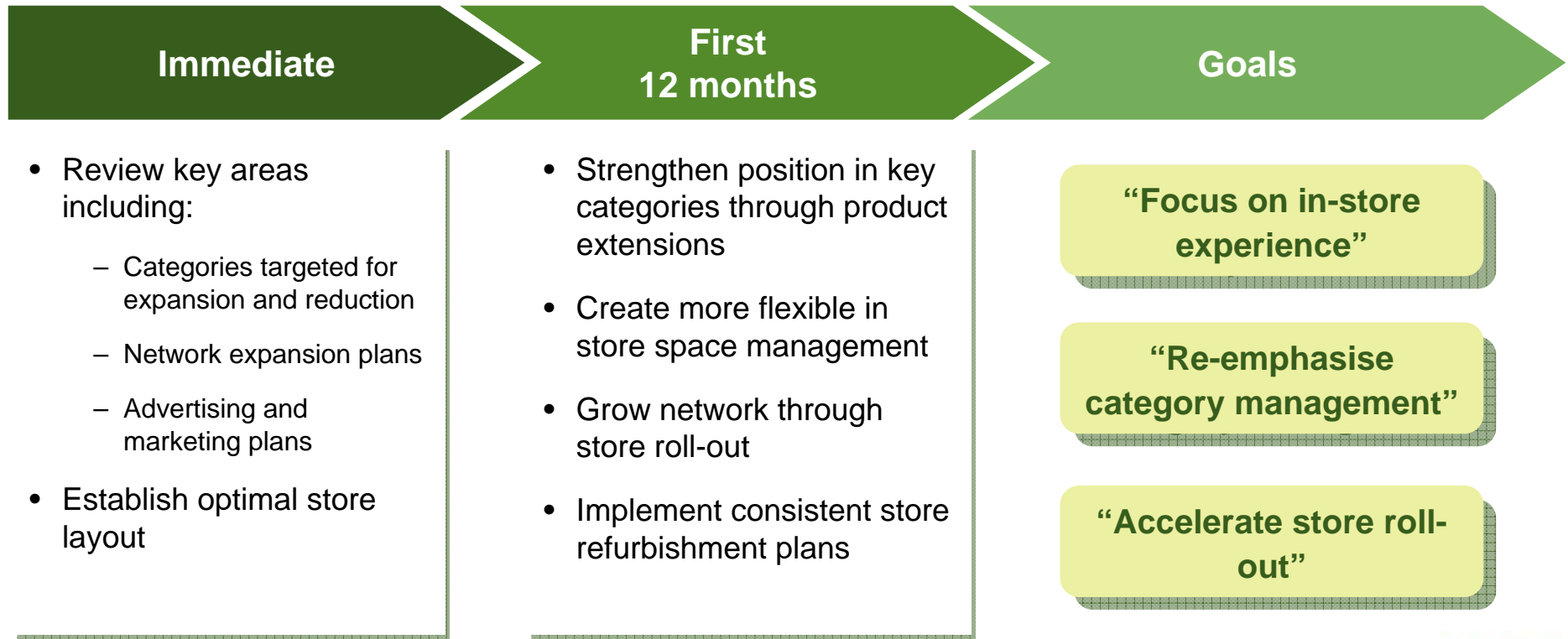
- Focus operational strategies on maximising value





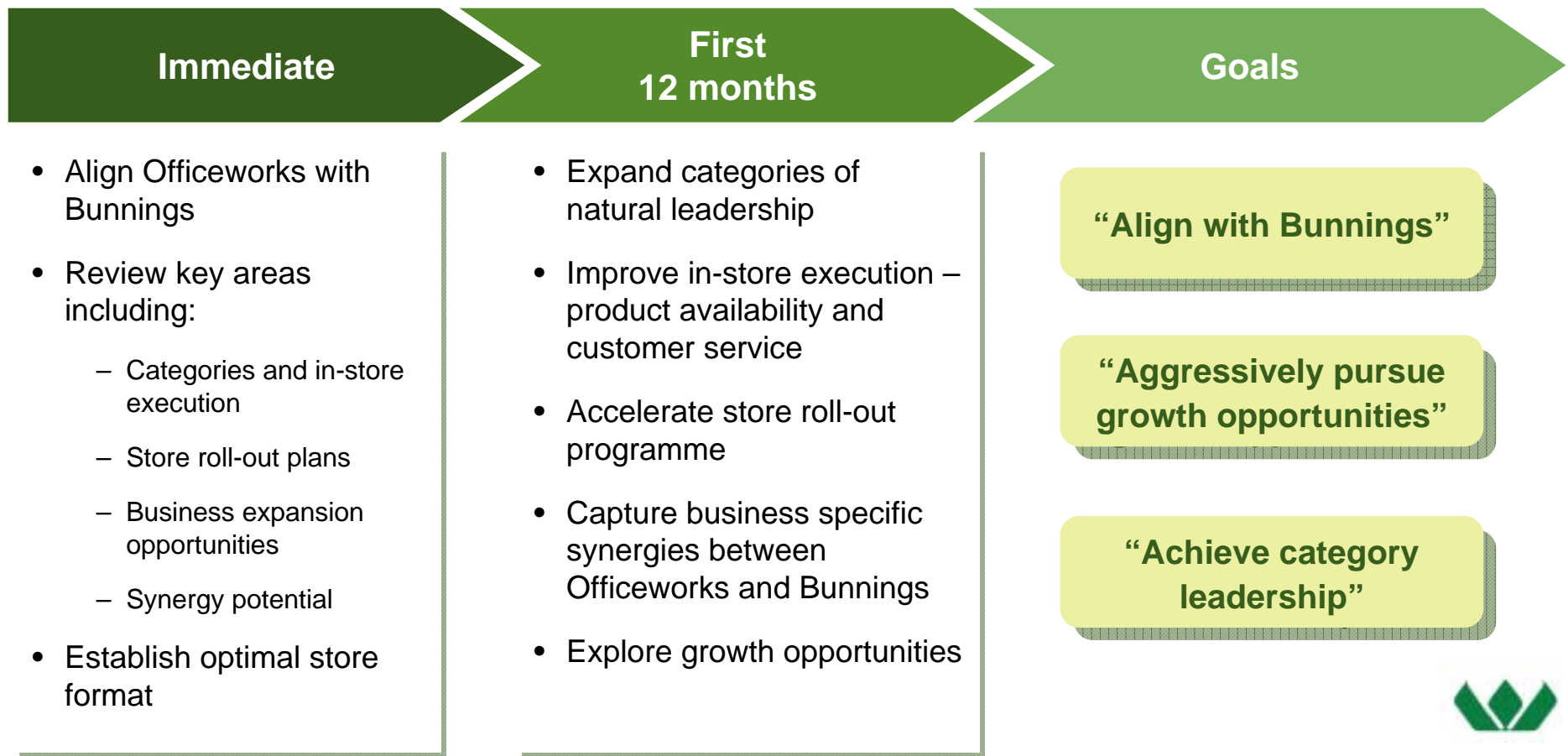
# 5. Plans for the Businesses Target

- Focus operational strategies to continue current strong performance



# 5. Plans for the Businesses Officeworks

- Focus operational strategies to achieve category leadership

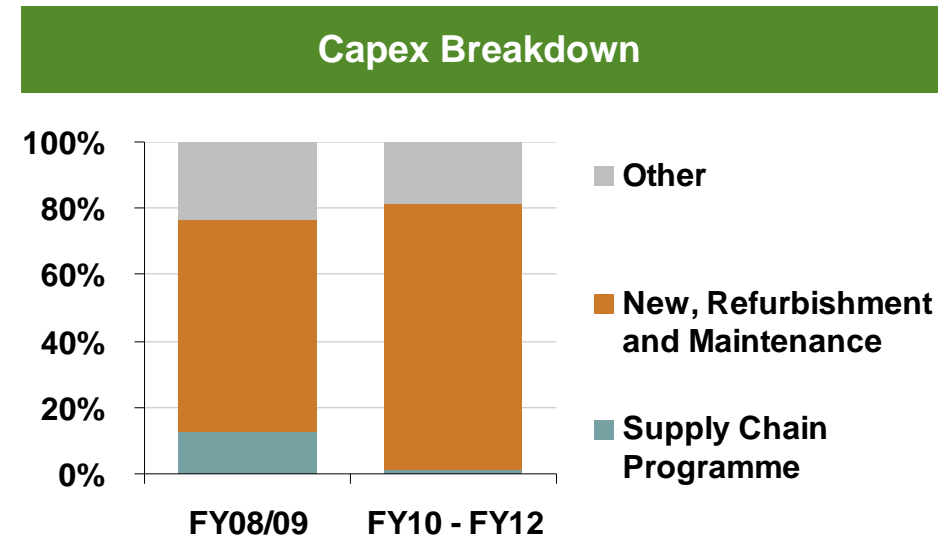


# 5. Plans for the Businesses

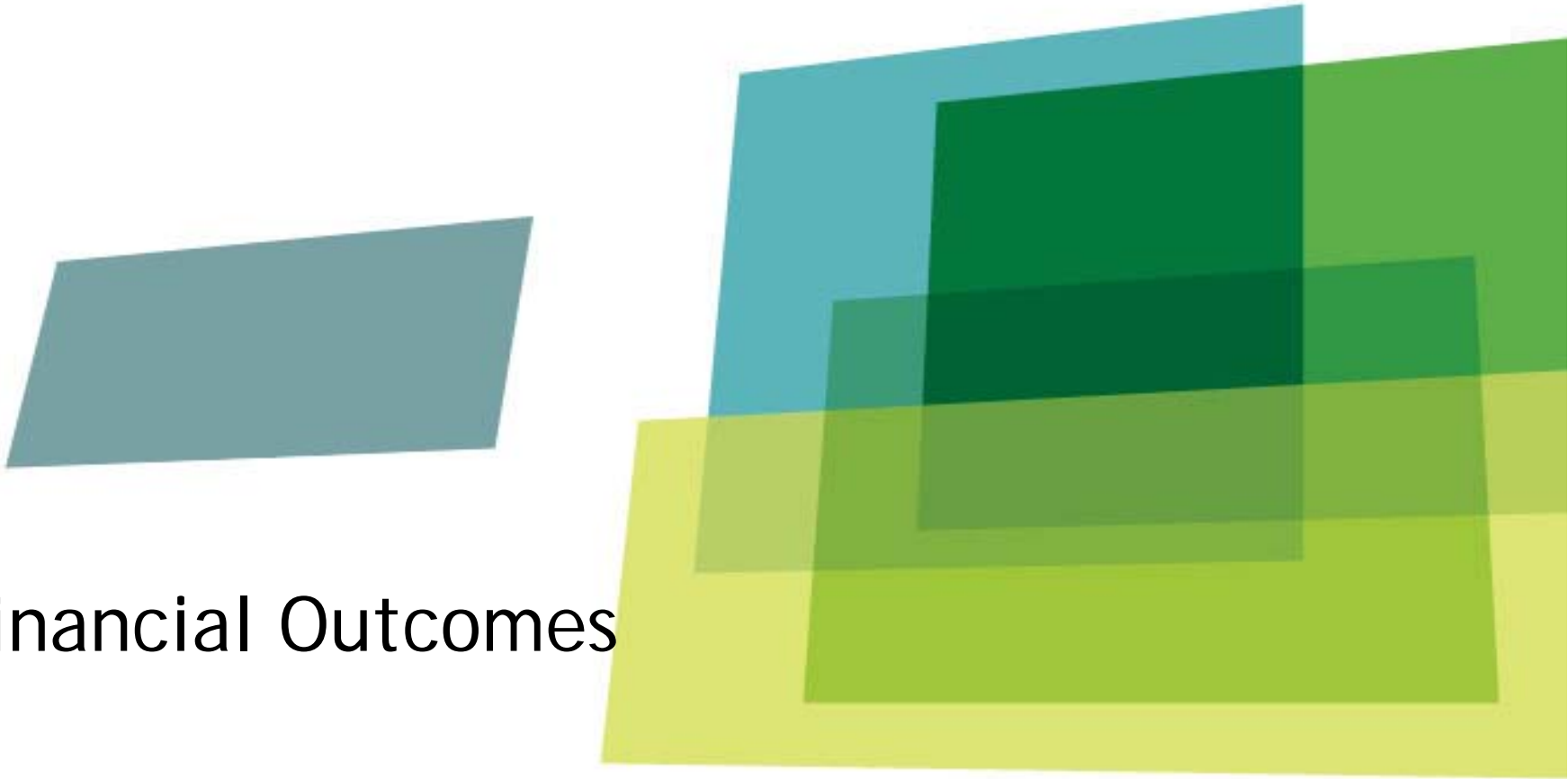
## Investing for Growth - Capital Expenditure

- Wesfarmers has a history of ongoing investment in its businesses to deliver shareholder value
- Approximately 70% of capex will be invested in the network (across brands) through new store roll out, increased refurbishments and maintenance
- Approx \$5bn to be spent in the Coles businesses over the next 5 years, with \$1.0 - \$1.2bn per annum during FY08 and FY09; stabilising between \$0.9 - \$1.0bn per annum thereafter

Capex p.a. FY08/FY09 (\$m)	
Food, Liquor and Convenience	~ 800 – 930
Kmart	~ 80 – 100
Target	~ 110 – 120
Officeworks	~ 40 – 60
<b>Total</b>	<b>~ 1,000 – 1,200</b>



c. 60% of total capex required for the supply chain programme has already been spent.



## 6. Financial Outcomes

## 6. Financial Outcomes

- Acquisition of Coles provides a platform to generate substantial value for Wesfarmers' and Coles' shareholders

✓	NPV Positive	<ul style="list-style-type: none"><li>Acquisition meets Wesfarmers investment criteria of delivering a positive NPV</li></ul>
✓	Growth Profile	<ul style="list-style-type: none"><li>Food / Liquor / Convenience a major vehicle for medium-term earnings growth</li><li>Target and Officeworks will be value accretive from the date of acquisition with consistent earnings growth and upside potential</li></ul>
✓	Attractive Dividend Yield	<ul style="list-style-type: none"><li>Fully franked annual dividend &gt; \$2.00 per share in FY2008 and FY2009 <sup>1</sup></li><li>Reflects a 73%<sup>2</sup> increase in annual dividend income for Coles shareholders in FY08</li></ul>

1. Subject to availability of sufficient retained earnings and franking credits

2. Based on a Wesfarmers full year dividend in excess of \$2 per share, Coles shareholders receiving Wesfarmers' offer consideration of 0.2843 Wesfarmers shares and \$4 cash for each Coles share and investing the \$4 in Wesfarmers shares at \$39.50 per share, being the closing price on 15 August 2007

## 6. Financial Outcomes

### Value Creation Opportunities

- Substantial value creation opportunities are readily identifiable

Opportunity	Initiatives	Potential Financial Outcomes <sup>1</sup>
<b>Overhead Reduction</b>	Ensuring overhead reduction savings are sustainable	\$385m <sup>2</sup> pa cost savings by FY09
<b>Supply Chain</b>	Driving through the supply chain cost savings	\$540m <sup>3</sup> pa cost savings by FY13
<b>Working Capital</b>	Optimising working capital investment	\$300m plus by FY12
<b>Restoring Supermarket Sales Momentum</b>	Repositioning the supermarkets business for sales growth	c. \$150m earnings potential in year five from each 1% pa increase in comparable sales growth over a five year period
<b>Investing for growth</b>	Continue to invest in network growth and refurbishments	\$1.0 - \$1.2bn pa FY08/FY09 \$0.9 - \$1.0bn pa FY10/FY12

(1) The extent to which these benefits will represent incremental earnings is dependent on the level of reinvestment to improve the customer offer/ drive sales growth, (2) Includes c.\$100m in cost savings achieved by Coles to date, (3) Includes c.\$90m in cost savings achieved by Coles to date,

## 6. Financial Outcomes Timing

- We expect the benefits of Wesfarmers' strategies to begin flowing in FY09
- In terms of reported returns, FY08 and FY09 will be impacted by:
  - The acquisition occurring part way through FY08
  - Transaction costs
  - The remaining one-off costs associated with supply chain cost savings and overhead reduction initiatives

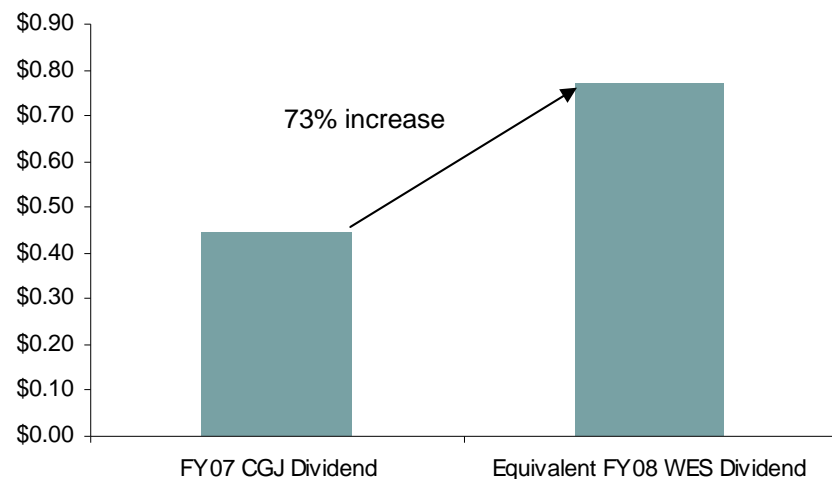


## 6. Financial Outcomes

### Dividends

- Wesfarmers expects to pay fully franked dividends in excess of \$2.00 per share in FY2008 and FY2009 if the Coles transaction proceeds, subject to the availability of retained earnings and franking credits
- Represents an estimated 73% increase in dividend income for Coles shareholders

#### CGJ Shareholder Dividend Income (DPS)<sup>1</sup>



#### FY08 Dividend Yield <sup>2</sup>

	Cash Yield	Fully Franked Yield
<b>WES</b>	<b>&gt;5.1%</b>	<b>&gt;7.2%</b>
<b>CGJ</b>	<b>3.8%</b>	<b>5.4%</b>

1. Based on a Wesfarmers full year dividend in excess of \$2 per share, Coles shareholders receiving Wesfarmers' offer consideration of 0.2843 Wesfarmers shares and \$4 cash for each Coles share and investing the \$4 in Wesfarmers shares at \$39.50 per share, being the closing price on 15 August 2007
2. Based on a Wesfarmers full year dividend in excess of \$2 per share and share prices as at close 15 August





## 6. Financial Outcomes

### How we will measure our success - short term

Short Term Initiatives	Objective	Measure
<b>Stabilisation of Supermarkets</b>	✓ Reverse current comparable store sales momentum by FY08/09 and move towards market comparable store sales growth	<ul style="list-style-type: none"> <li>• Comparable store sales growth</li> <li>• Total sales</li> </ul>
<b>New divisional structure for Bunnings and Officeworks established during FY08</b>	✓ Creation of a single division, led by John Gillam, during FY08	<ul style="list-style-type: none"> <li>• Report as a single division for FYE08</li> <li>• Store rollout</li> <li>• Comparable store sales growth</li> </ul>
<b>Overhead reduction savings</b>	✓ Delivery of \$385m pa in EBIT benefits by the end of FY09	<ul style="list-style-type: none"> <li>• Report savings programme against targets</li> <li>• Retail support functions assigned to divisions and incentives aligned to divisional performance</li> </ul>
<b>Restructure to divisional autonomy</b>	✓ Realignment of Coles' retail support function completed in FY09	<ul style="list-style-type: none"> <li>• Announce divisional management in place</li> <li>• FY09 divisional and Wesfarmers overhead reporting only, no Coles overhead</li> <li>• Qualitative measures</li> </ul>



## 6. Financial Outcomes

How we will measure our success - medium term

Medium Term Initiatives	Objective	Measure
<b>Restoring sales momentum in Supermarkets</b>	✓ Comparable store sales growth in line with market comparable store sales growth by FY10	<ul style="list-style-type: none"><li>• Comparable store sales growth</li><li>• New store openings</li><li>• Total sales</li></ul>
<b>Supply chain cost savings</b>	<ul style="list-style-type: none"><li>✓ Timely delivery of incremental benefits</li><li>✓ Delivery of full benefits - \$540m pa in EBIT by FY13</li></ul>	<ul style="list-style-type: none"><li>• Report on delivery of key milestones</li></ul>





## 7. Offer Details and Funding

## 7. Offer Details and Funding

### Key Offer Terms

- Wesfarmers' proposal gives Coles shareholders the flexibility of three forms of consideration

Wesfarmers Offer	
<b>Base Offer</b>	<ul style="list-style-type: none"> <li>0.14215 Wesfarmers shares</li> <li>0.14215 Wesfarmers Price Protected Shares ("WPPS") (see following page)</li> <li>\$4 cash</li> </ul>
<b>Maximum Scrip<sup>1</sup></b>	<ul style="list-style-type: none"> <li>Maximum proportion of scrip available (based on the level of demand from other Coles shareholders for maximum cash)</li> <li>Potential to receive 100% CGT rollover relief</li> </ul>
<b>Maximum Cash<sup>1</sup></b>	<ul style="list-style-type: none"> <li>Maximum proportion of cash available (based on the level of demand from other Coles shareholders for maximum scrip)</li> </ul>

- Coles shareholders will also receive a FY07 fully franked final dividend of 25c
  - For the purpose of the transfer of interests between Coles shareholders electing Maximum Scrip and those electing Maximum Cash, Wesfarmers shares would be valued at a volume weighted average price for a period between the scheme meeting and implementation date. The Wesfarmers VWAP would be calculated ex the FY2007 Wesfarmers final dividend. Wesfarmers Price Protected Shares will not participate in the Mix and Match facility.

## 7. Offer Details and Funding WPPS

- WPPS introduced on 5 September as a response to volatility on world markets
  - Price protection if Wesfarmers share price is below \$45 after 4yrs (unless extended)

Summary of WPPS Terms	
<b>Form</b>	<ul style="list-style-type: none"> <li>• Class A Wesfarmers ordinary shares, ranking alongside ordinary shares on winding up</li> </ul>
<b>Dividends</b>	<ul style="list-style-type: none"> <li>• Dividends equal to those on ordinary shares (including franking)</li> </ul>
<b>Conversion</b>	<ul style="list-style-type: none"> <li>• At maturity, WPPS convert into Wesfarmers ordinary shares and may be entitled to receive bonus shares on the following terms               <ul style="list-style-type: none"> <li>– No bonus shares if Wesfarmers 2 month VWAP is above \$45</li> <li>– 0.25 bonus shares if the Wesfarmers 2 month VWAP is below \$36</li> <li>– Between 0 and 0.25 bonus shares for VWAPs between \$45 and \$36</li> </ul> </li> <li>• WPPS may convert to Wesfarmers ordinary shares prior to maturity upon a holder election, or if the Wesfarmers VWAP exceeds \$45 for 20 consecutive days, or at Wesfarmers election at the ratio of \$45/VWAP</li> </ul>
<b>Maturity</b>	<ul style="list-style-type: none"> <li>• 4 year initial term</li> <li>• Extendable for up to 4 additional 1 year periods if the ASX-200 Industrials Index is below 6,500 points</li> </ul>

- Full terms of WPPS will be disclosed in the Scheme Booklet



## 7. Offer Details and Funding

### Offer Conditions

Implementation of the scheme is subject only to a number of limited conditions

- Coles shareholder and Court approval and associated mechanical conditions
- No Coles or Wesfarmers “Prescribed Occurrences”

The scheme is not subject to any material adverse change condition



## 7. Offer Details and Funding Debt and Funding

- Committed corporate debt facilities in place to fund cash portion of offer
- Discussions underway with S&P
- Insurance underwriting activities can be ring-fenced to retain A- rating if required
- Maintains Wesfarmers' flexibility in funding capex and potential acquisitions
- Balance of funding from ordinary equity and WPPS

Acquisition Debt	\$bn
Cash component of bid	4.3
Coles net debt <sup>1</sup>	1.3
Refinanced bridge facility	2.1
Transaction costs <sup>2</sup>	0.4
<b>Total acquisition debt</b>	<b>8.1</b>
WES net debt at 30 June 2007 <sup>3</sup>	2.9
Average working capital	0.5
<b>WES indicative net debt</b>	<b>11.5</b>

1. Estimate based on consensus net debt, adjusted for payment of 25c dividend.

2. Includes Coles defence costs

3. WES reported net debt of \$5.0b less refinanced bridge facility of \$2.1b (drawn to finance Wesfarmers' 10.6% shareholding in CGJ)



## 7. Offer Details and Funding Scheme Implementation

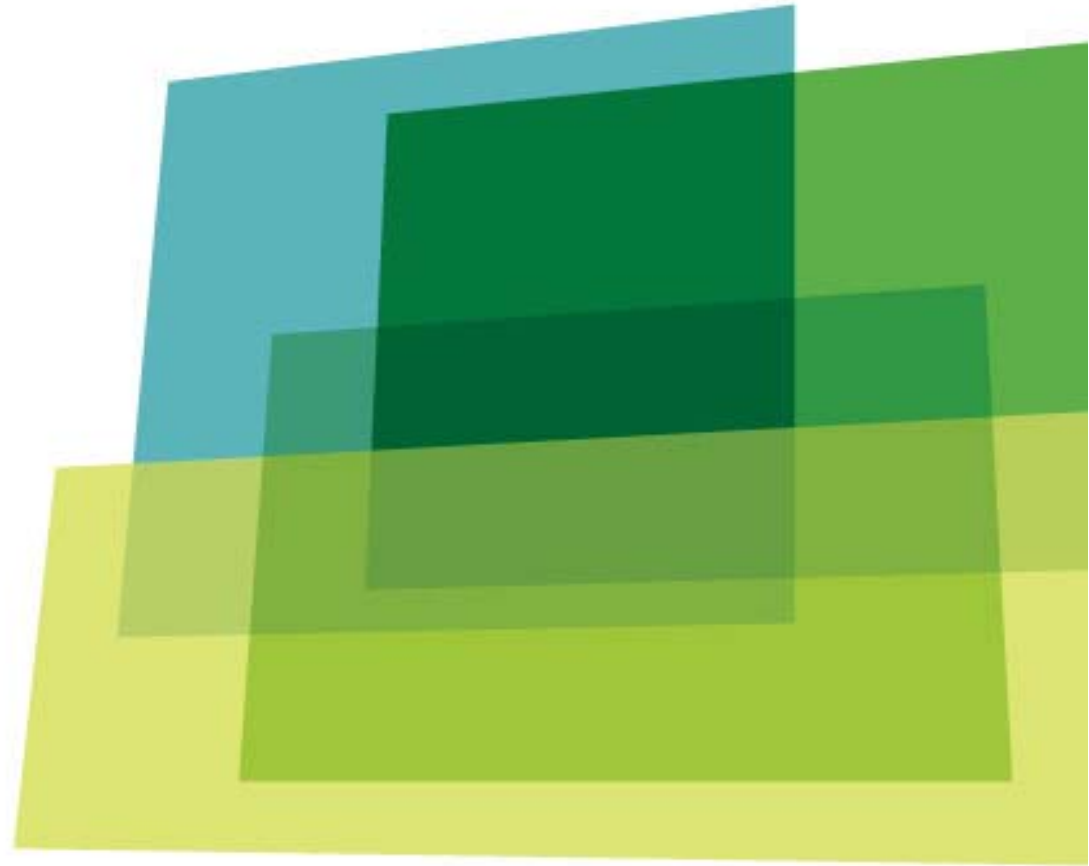
- Wesfarmers is expecting to complete the acquisition of Coles late November

### Indicative Timetable

Scheme book lodged with ASIC	14 September 2007
Scheme book available to Coles Shareholders	early October 2007
Coles Shareholder Meeting	early November 2007
Implementation Date	late November 2007







## 8. Questions



**Wesfarmers**

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