



NEWS

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CAPITAL MANAGEMENT FOR WESFARMERS SHAREHOLDERS

Wesfarmers today announced a proposed capital management initiative for shareholders of \$1.00 per share. The distribution is subject to a ruling by the Australian Tax Office (ATO) on the taxation treatment of the payment, and approval by Wesfarmers shareholders at the Annual General Meeting (AGM) on 20 November 2014. If approved, the total amount of the distribution will be approximately \$1.1 billion.

Finance Director Terry Bowen said the capital management is being undertaken to return a portion of the Group's surplus capital equitably to shareholders, and to ensure a more efficient capital structure.

"This proposed capital management has been made possible by the Group's continued strong cash flow generation, receipt of proceeds from recent major divestments, and robust credit metrics, with the distribution not expected to affect the company's credit ratings," Mr Bowen said.

"The company's strong balance sheet and cash flow generation, together with well-established funding sources, mean Wesfarmers is able to undertake the capital management while still maintaining balance sheet capacity to take advantage of value accretive opportunities should they arise."

The form of the distribution is dependent upon a ruling from the ATO, but is likely to comprise both a capital component and a fully-franked dividend component. The capital component is expected to represent between 65 per cent and 75 per cent of the \$1.00 per share distribution, with a fully-franked dividend component to reflect the balance. It is intended that the Dividend Investment Plan will apply to the dividend component of the distribution.

The capital management will include an equal and proportionate share consolidation of the capital component. This will enable Wesfarmers to provide an earnings per share outcome on this amount similar to that which would result from a share buy-back, while ensuring that all shareholders receive an equal cash distribution per share. The share consolidation will be implemented in a manner which ensures that each shareholder's proportionate interest in Wesfarmers remains unchanged following the distribution, subject to the rounding up of fractional entitlements.

The conversion ratio applicable for the share consolidation will reflect the size of the capital component of the distribution. While the capital component of the distribution remains dependent on a ruling from the ATO, the conversion ratio to apply to the share consolidation will be based on the volume weighted average sale price of Wesfarmers shares over the consecutive 20 trading day period ending 18 August 2014 of \$43.29.

The distribution will not apply to performance rights allocated to senior executives under the Wesfarmers Long Term Incentive Plan.

An application for a Class Ruling has been lodged with the ATO in relation to the taxation treatment of the proposed distribution. If the Class Ruling is issued in line with the application, it is expected to confirm that there will be no immediate tax liability for most Wesfarmers shareholders relating to the capital component of the distribution. Instead, the cost base of shares for capital gains tax purposes will be reduced by the capital component. For shareholders with a cost base of less than the capital component, an assessable capital gain could arise. The Class Ruling is also expected to confirm that the fully-franked dividend component of the distribution will be taxed as a normal dividend.

The ATO ruling is expected to be received before shareholders consider the proposal at the AGM on 20 November 2014. A detailed explanation of the proposal and confirmation of the timetable will be included with the Notice of Meeting which will be sent to shareholders in October 2014. Should all conditions be met, shareholders are expected to receive their payments in December 2014.

For further information:

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