WELLS FARGO & COMPANY/MN
Form 424B2
September 19, 2018
Filed Pursuant to Rule 424(b)(2)

Registration No. 333-221324

The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement and the accompanying market measure supplement, prospectus supplement and prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject To Completion, dated September 19, 2018

PRICING SUPPLEMENT No. 137 dated September , 2018

(To Market Measure Supplement dated May 18, 2018,

Prospectus Supplement dated January 24, 2018

and Prospectus dated April 27, 2018)

Wells Fargo & Company

Medium-Term Notes, Series S

ETF Linked Securities

Market Linked Securities—Auto-Callable with Contingent Downside

Principal at Risk Securities Linked to the iShares® MSCI Emerging Markets ETF due October 4, 2021

Linked to the iShares® MSCI Emerging Markets ETF

Unlike ordinary debt securities, the securities do not pay interest, do not repay a fixed amount of principal at maturity and are subject to potential automatic call upon the terms described below. Any return you receive on the securities and whether they are automatically called will depend on the performance of the Fund

Automatic Call. If the fund closing price of the Fund on any call date is greater than or equal to the starting price, we will automatically call the securities for the original offering price plus the call premium applicable to that call date

Call Date	Call Premium*
October 2, 2019	10.50% – 11.00% of the original offering price
October 2, 2020	21.00% - 22.00% of the original offering price
September 27, 2021 (the "final calculation day")	31.50% - 33.00% of the original offering price

* The actual call premium applicable to each call date will be determined on the pricing date

Maturity Payment Amount. If the securities are not automatically called prior to the final calculation day, the maturity payment amount will be based upon the fund closing price of the Fund on the final calculation day and could be greater than, equal to or less than the original offering price per security as follows:

- If the fund closing price of the Fund on the final calculation day is greater than or equal to the starting price, the securities will be automatically called for the original offering price plus the call premium applicable to the final calculation day described above
- If the fund closing price of the Fund on the final calculation day is less than the starting price, but not by more than 20%, you will receive the original offering price of your securities at maturity
- If the fund closing price of the Fund on the final calculation day is less than the starting price by more than 20%, you will have full downside exposure to the decrease in the price of the Fund from the starting price, and you will lose more than 20%, and possibly all, of the original offering price of your securities

Investors may lose some, or all, of the original offering price

Any positive return on the securities will be limited to the applicable call premium, even if the fund closing price of the Fund on the applicable call date significantly exceeds the starting price. You will not participate in any appreciation of the Fund beyond the applicable fixed call premium.

All payments on the securities are subject to the credit risk of Wells Fargo & Company, and you will have no ability to pursue the shares of the Fund or any securities held by the Fund for payment; if Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment

No periodic interest or dividends

No exchange listing; designed to be held to maturity

On the date of this preliminary pricing supplement, the estimated value of the securities is approximately $963.94 per security. While the estimated value of the securities on the pricing date may differ from the estimated value set forth above, we do not expect it to differ significantly absent a material change in market conditions or other relevant factors. In no event will the estimated value of the securities on the pricing date be less than $943.94 per security. The estimated value of the securities was determined for us by Wells Fargo Securities, LLC using its proprietary pricing models. It is not an indication of actual profit to us or to Wells Fargo Securities, LLC or any of our other affiliates, nor is it an indication of the price, if any, at which Wells Fargo Securities, LLC or any other person may be willing to buy the securities from you at any time after issuance. See "Investment Description" in this pricing supplement.

The securities have complex features and investing in the securities involves risks not associated with an investment in conventional debt securities. See "Risk Factors" herein on page PRS-11.

The securities are unsecured obligations of Wells Fargo & Company, and all payments on the securities are subject to the credit risk of Wells Fargo & Company. If Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment. The securities are not deposits or other obligations of a depository institution and are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency of the United States or any other jurisdiction.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this pricing supplement or the accompanying market measure supplement, prospectus supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Original Offering Price	**Agent Discount[1]**	**Proceeds to Wells Fargo**
Per Security	$1,000.00	$18.25	$981.75
Total			

(1) Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company, is the agent for the distribution of the securities and is acting as principal. See “Investment Description” in this pricing supplement for further information.

Wells Fargo Securities

Market Linked Securities—Auto-Callable with Contingent Downside

Principal at Risk Securities Linked to the iShares® MSCI Emerging Markets ETF due October 4, 2021

Terms of the Securities

Issuer:	Wells Fargo & Company ("Wells Fargo").
Market Measure:	iShares® MSCI Emerging Markets ETF (the "Fund").
Pricing Date:	September 27, 2018.*
Issue Date:	October 2, 2018.* (T+3)
Original Offering Price:	$1,000 per security. References in this pricing supplement to a "security" are to a security with a face amount of $1,000.
Automatic Call:	If the fund closing price of the Fund on any call date (including the final calculation day) is greater than or equal to the starting price, the securities will be automatically called, and on the related call settlement date you will be entitled to receive a cash payment per security in U.S. dollars equal to the original offering price per security plus the call premium applicable to the relevant call date. The last call date is the final calculation day, and payment upon an automatic call on the final calculation day, if applicable, will be made on the stated maturity date. Any positive return on the securities will be limited to the applicable call premium, even if the fund closing price of the Fund on the applicable call date significantly exceeds the starting price. You will not participate in any appreciation of the Fund beyond the applicable call premium. If the securities are automatically called, they will cease to be outstanding on the related call settlement date and you will have no further rights under the securities after such call settlement date. You will not receive any notice from us if the securities are automatically called.

Call Date	Call Premium	Payment per Security upon an Automatic Call
October 2, 2019*	10.50% - 11.00% of the original offering price	$1,105.00 - $1,110.00
October 2, 2020*	21.00% - 22.00% of the original offering price	$1,210.00 - $1,220.00
September 27, 2021*	31.50% - 33.00% of the original offering price	$1,315.00 - $1,330.00

Call Dates and Call Premiums:	The actual call premium and payment per security upon an automatic call that is applicable to each call date will be determined on the pricing date and will be within the ranges specified in the foregoing table. We refer to September 27, 2021* as the "final calculation day." The call dates are subject to postponement for non-trading days and the occurrence of a market disruption event. See "—Postponement of a Calculation Day" below.
Call Settlement Date:	Five business days after the applicable call date (as each such call date may be postponed pursuant to "—Postponement of a Calculation Day" below, if applicable); *provided* that the call settlement date for the last call date is the stated maturity date.
Stated Maturity Date:	October 4, 2021*. If the final calculation day is postponed, the stated maturity date will be the later of (i) October 4, 2021* and (ii) three business days after the final calculation day as postponed. See "—Postponement of a Calculation Day" below. If the stated maturity date is not a business day, the payment to be made on the stated maturity date will be made on the next succeeding business day with the same force and effect as if it had been made on the stated maturity date. The securities are not subject to repayment at the option of any holder of the

securities prior to the stated maturity date.

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*To the extent that we make any change to the expected pricing date or expected issue date, the call dates and stated maturity date may also be changed in our discretion to ensure that the term of the securities remains the same.

Market Linked Securities—Auto-Callable with Contingent Downside

Principal at Risk Securities Linked to the iShares® MSCI Emerging Markets ETF due October 4, 2021

Maturity Payment Amount:	If the securities are not automatically called prior to the final calculation day, then on the stated maturity date you will be entitled to receive a cash payment per security in U.S. dollars equal to the maturity payment amount. The "maturity payment amount" will be calculated as follows: • if the ending price is greater than or equal to the starting price: \$1,000 *plus* the call premium applicable to the final calculation day as described above under "Call Dates and Call Premiums;" • if the ending price is less than the starting price but greater than or equal to the threshold price: \$1,000; or • if the ending price is less than the threshold price: \$1,000 *minus*: $\$1,000 \times \frac{\text{starting price} - \text{ending price}}{\text{starting price}}$ If the securities are not automatically called prior to the final calculation day and the ending price is less than the threshold price, you will lose more than 20%, and possibly all, of the original offering price of your securities at maturity. All calculations with respect to any payments on the securities (whether upon automatic call or at maturity) will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward (e.g., 0.000005 would be rounded to 0.00001); and such payment will be rounded to the nearest cent, with one-half cent rounded upward.
Fund Closing Price:	The "fund closing price" with respect to the Fund on any trading day means the product of (i) the closing price of one share of the Fund (or one unit of any other security for which a fund closing price must be determined) on such

	trading day and (ii) the adjustment factor applicable to the Fund on such trading day.
Closing Price:	The "closing price" for one share of the Fund (or one unit of any other security for which a closing price must be determined) on any trading day means the official closing price on such day published by the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which the Fund (or any such other security) is listed or admitted to trading.
Adjustment Factor:	The "adjustment factor" means, with respect to a share of the Fund (or one unit of any other security for which a fund closing price must be determined), 1.0, subject to adjustment in the event of certain events affecting the shares of the Fund. See "Additional Terms of the Securities—Anti-dilution Adjustments Relating to the Fund; Alternate Calculation" below.
Starting Price:	$, which is the fund closing price of the Fund on the pricing date.
Ending Price:	The "ending price" will be the fund closing price of the Fund on the final calculation day.
Threshold Price:	$, which is equal to 80% of the starting price.
Postponement of a Calculation Day:	The call dates (including the final calculation day) are each referred to as a "calculation day." If any calculation day is not a trading day (as defined below), such calculation day will be postponed to the next succeeding trading day. A calculation day is also subject to postponement due to the occurrence of a market disruption event. See "Additional Terms of the Securities—Market Disruption Events."
Calculation Agent:	Wells Fargo Securities, LLC
No Listing:	The securities will not be listed on any securities exchange or automated quotation system.
Material Tax Consequences:	For a discussion of the material U.S. federal income and certain estate tax consequences of the ownership and disposition of the securities, see "United States Federal Tax Considerations."

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Market Linked Securities—Auto-Callable with Contingent Downside

Principal at Risk Securities Linked to the iShares® MSCI Emerging Markets ETF due October 4, 2021

Agent:	Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company. The agent may resell the securities to other securities dealers at the original offering price of the securities less a concession not in excess of $17.50 per security. Such securities dealers may include Wells Fargo Advisors ("WFA") (the trade name of the retail brokerage business of our affiliates, Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC). In addition to the concession allowed to

WFA, WFS will pay $0.75 per security of the agent's discount to WFA as a distribution expense fee for each security sold by WFA.

The agent or another affiliate of ours expects to realize hedging profits projected by its proprietary pricing models to the extent it assumes the risks inherent in hedging our obligations under the securities. If any dealer participating in the distribution of the securities or any of its affiliates conducts hedging activities for us in connection with the securities, that dealer or its affiliate will expect

	to realize a profit projected by its proprietary pricing models from such hedging activities. Any such projected profit will be in addition to any discount, concession or distribution expense fee received in connection with the sale of the securities to you.
Denominations:	$1,000 and any integral multiple of $1,000.
CUSIP:	95001B7J7

PRS-4

Market Linked Securities—Auto-Callable with Contingent Downside

Principal at Risk Securities Linked to the iShares® MSCI Emerging Markets ETF due October 4, 2021
Investment Description

The Principal at Risk Securities Linked to the iShares® MSCI Emerging Markets ETF due October 4, 2021 (the "securities") are senior unsecured debt securities of Wells Fargo that do not pay interest, do not repay a fixed amount of principal at stated maturity and are subject to potential automatic call upon the terms described in this pricing supplement. The return you receive on the securities and whether they are automatically called will depend on the performance of the Fund. The securities provide:

(i) the possibility of an automatic early call of the securities at a fixed call premium if the fund closing price of the Fund on either of the first two call dates is greater than or equal to the starting price; and

(ii) if the securities are not automatically called prior to the final calculation day:

(a) the possibility of a return equal to the call premium applicable to the final calculation day if the fund closing price of the Fund on the final calculation day is greater than or equal to the starting price;

(b) repayment of the original offering price if, **and only if**, the fund closing price of the Fund on the final calculation day is not less than the starting price by more than 20%; and

(c) full exposure to the decrease in the price of the Fund from the starting price if the fund closing price of the Fund on the final calculation day is less than the starting price by more than 20%.

If the fund closing price of the Fund is less than the starting price on each of the three call dates (including the final calculation day), you will not receive any positive return on your investment in the securities. If the fund closing price of the Fund on the final calculation day is less than the starting price by more than 20%, you will lose more than 20%, and possibly all, of the original offering price of your securities at maturity.

Any positive return on the securities will be limited to the applicable call premium, even if the fund closing price of the Fund on the applicable call date exceeds the starting price by more than percentage represented by that call premium. You will not participate in any appreciation of the Fund beyond the applicable fixed call premium.

All payments on the securities are subject to the credit risk of Wells Fargo.

The Fund is an exchange traded fund that seeks to track the MSCI Emerging Markets Index, an equity index that is designed to measure equity market performance in global emerging markets.

You should read this pricing supplement together with the market measure supplement dated May 18, 2018, the prospectus supplement dated January 24, 2018 and the prospectus dated April 27, 2018 for additional information about the securities. When you read the accompanying prospectus supplement, please note that all references in such supplement to the prospectus dated November 3, 2017, or to any sections therein, should refer instead to the accompanying prospectus dated April 27, 2018 or to the corresponding sections of such prospectus, as applicable. Information included in this pricing supplement supersedes information in the market measure supplement, prospectus supplement and prospectus to the extent it is different from that information. Certain defined terms used but not defined herein have the meanings set forth in the prospectus supplement.

You may access the market measure supplement, prospectus supplement and prospectus on the SEC website www.sec.gov as follows (or if such address has changed, by reviewing our filing for the relevant date on the SEC website):

- Market Measure Supplement dated May 18, 2018: https://www.sec.gov/Archives/edgar/data/72971/000119312518167616/d593569d424b2.htm
- Prospectus Supplement dated January 24, 2018: https://www.sec.gov/Archives/edgar/data/72971/000119312518018256/d466041d424b2.htm
- Prospectus dated April 27, 2018: https://www.sec.gov/Archives/edgar/data/72971/000119312518136909/d557983d424b2.htm

iShares® is a registered mark of BlackRock Institutional Trust Company, N.A. ("BTC"). The securities are not sponsored, endorsed, sold or promoted by BTC, its affiliate, BlackRock Fund Advisors ("BFA") or iShares, Inc. None of BTC, BFA or iShares, Inc. makes any representations or warranties to the holders of the securities or any member of the public regarding the advisability of investing in the securities. None of BTC, BFA or iShares, Inc. will have any obligation or liability in connection with the registration, operation, marketing, trading or sale of the securities or in connection with Wells Fargo & Company's use of information about the iShares® MSCI Emerging Markets ETF.

Market Linked Securities—Auto-Callable with Contingent Downside

Principal at Risk Securities Linked to the iShares® MSCI Emerging Markets ETF due October 4, 2021
The original offering price of each security of $1,000 includes certain costs that are borne by you. Because of these costs, the estimated value of the securities on the pricing date will be less than the original offering price. The costs included in the original offering price relate to selling, structuring, hedging and issuing the securities, as well as to our funding considerations for debt of this type.

The costs related to selling, structuring, hedging and issuing the securities include (i) the agent discount (if any), (ii) the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize for assuming risks inherent in hedging our obligations under the securities and (iii) hedging and other costs relating to the offering of the securities.

Our funding considerations take into account the higher issuance, operational and ongoing management costs of market-linked debt such as the securities as compared to our conventional debt of the same maturity, as well as our liquidity needs and preferences. Our funding considerations are reflected in the fact that we determine the economic terms of the securities based on an assumed funding rate that is generally lower than the interest rates implied by secondary market prices for our debt obligations and/or by other traded instruments referencing our debt obligations, which we refer to as our "secondary market rates." As discussed below, our secondary market rates are used in determining the estimated value of the securities.

If the costs relating to selling, structuring, hedging and issuing the securities were lower, or if the assumed funding rate we use to determine the economic terms of the securities were higher, the economic terms of the securities would be more favorable to you and the estimated value would be higher. The estimated value of the securities as of the pricing date will be set forth in the final pricing supplement.

Determining the estimated value

Our affiliate, Wells Fargo Securities, LLC ("WFS"), calculated the estimated value of the securities set forth on the cover page of this pricing supplement based on its proprietary pricing models. Based on these pricing models and related market inputs and assumptions referred to in this section below, WFS determined an estimated value for the securities by estimating the value of the combination of hypothetical financial instruments that would replicate the payout on the securities, which combination consists of a non-interest bearing, fixed-income bond (the "debt component") and one or more derivative instruments underlying the economic terms of the securities (the "derivative component").

The estimated value of the debt component is based on a reference interest rate, determined by WFS as of a recent date, that generally tracks our secondary market rates. Because WFS does not continuously calculate our reference interest rate, the reference interest rate used in the calculation of the estimated value of the debt component may be higher or lower than our secondary market rates at the time of that calculation. As noted above, we determine the economic terms of the securities based upon an assumed funding rate that is generally lower than our secondary market rates. In contrast, in determining the estimated value of the securities, we value the debt component using a reference interest rate that generally tracks our secondary market rates. Because the reference interest rate is generally higher than the assumed funding rate, using the reference interest rate to value the debt component generally results in a lower estimated value for the debt component, which we believe more closely approximates a market valuation of the debt component than if we had used the assumed funding rate.

WFS calculated the estimated value of the derivative component based on a proprietary derivative-pricing model, which generated a theoretical price for the derivative instruments that constitute the derivative component based on various inputs, including the "derivative component factors" identified in "Risk Factors—The Value Of The Securities Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways." These inputs may be market-observable or may be based on assumptions made by WFS in its discretion.

The estimated value of the securities determined by WFS is subject to important limitations. See “Risk Factors—The Estimated Value Of The Securities Is Determined By Our Affiliate’s Pricing Models, Which May Differ From Those Of Other Dealers” and “—Our Economic Interests And Those Of Any Dealer Participating In The Offering Are Potentially Adverse To Your Interests.”

Valuation of the securities after issuance

The estimated value of the securities is not an indication of the price, if any, at which WFS or any other person may be willing to buy the securities from you in the secondary market. The price, if any, at which WFS or any of its affiliates may purchase the securities in the secondary market will be based upon WFS’s proprietary pricing models and will fluctuate over the term of the securities due to changes in market conditions and other relevant factors. However, absent changes in these market conditions and other relevant factors, except as otherwise described in the following paragraph, any secondary market price will be lower than the estimated value on the pricing date because the secondary market price will be reduced by a bid-offer spread, which may vary depending on the aggregate face amount of the securities to be purchased in the secondary market transaction, and the expected cost of unwinding any related hedging transactions. Accordingly, unless market conditions and other relevant factors change significantly in your favor, any secondary market price for the securities is likely to be less than the original offering price.

If WFS or any of its affiliates makes a secondary market in the securities at any time up to the issue date or during the 3-month period following the issue date, the secondary market price offered by WFS or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the securities that are included in the original offering price. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by WFS or any of its affiliates during this period will be higher than it would be if it were based solely on WFS’s proprietary pricing models less the bid-offer spread and hedging unwind costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this 3-month period. If you hold the securities through an account at WFS or any of its affiliates, we expect that this increase will also be reflected in the value indicated for the securities on your brokerage account statement.

If WFS or any of its affiliates makes a secondary market in the securities, WFS expects to provide those secondary market prices to any unaffiliated broker-dealers through which the securities are held and to commercial pricing vendors. If you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, that broker-dealer may obtain market prices for the securities from WFS (directly or indirectly), but could also obtain such market prices from other sources, and may be willing to purchase the securities at any given time at a price that differs from the price at which WFS or any of its affiliates is willing to purchase the securities. As a result, if you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, the value of the securities on your brokerage account statement may be different than if you held your securities at WFS or any of its affiliates.

The securities will not be listed or displayed on any securities exchange or any automated quotation system. Although WFS and/or its affiliates may buy the securities from investors, they are not obligated to do so and are not required to make a market for the securities. There can be no assurance that a secondary market will develop.

Market Linked Securities—Auto-Callable with Contingent Downside

Principal at Risk Securities Linked to the iShares® MSCI Emerging Markets ETF due October 4, 2021
Investor Considerations

We have designed the securities for investors who:

believe that the fund closing price of the Fund will be greater than or equal to the starting price on one of the three call dates;
seek the potential for a fixed return if the Fund has appreciated at all as of any of the three call dates in lieu of full participation in any potential appreciation of the Fund;
understand that if the fund closing price of the Fund is less than the starting price on each of the three call dates (including the final calculation day), they will not receive any positive return on their investment in the securities, and that if the fund closing price of the Fund on the final calculation day is less than the starting price by more than 20%, they will be fully exposed to the decrease in the Fund from the starting price, and will lose more than 20%, and possibly all, of the original offering price per security at maturity;
understand that the term of the securities may be as short as approximately one year and that they will not receive a higher call premium payable with respect to a later call date if the securities are called on an earlier call date;
are willing to forgo interest payments on the securities and dividends on shares of the Fund; and
are willing to hold the securities until maturity.

The securities are not designed for, and may not be a suitable investment for, investors who:

seek a liquid investment or are unable or unwilling to hold the securities to maturity;
require full payment of the original offering price of the securities at stated maturity;
believe that the fund closing price of the Fund will be less than the starting price on each of the three call dates;
seek a security with a fixed term;
are unwilling to accept the risk that, if the fund closing price of the Fund is less than the starting price on each of the three call dates (including the final calculation day), they will not receive any positive return on their investment in the securities;
are unwilling to accept the risk that the fund closing price of the Fund may decrease by more than 20% from the starting price to the ending price;
are unwilling to purchase securities with an estimated value as of the pricing date that is lower than the original offering price and that may be as low as the lower estimated value set forth on the cover page;
seek current income;
are unwilling to accept the risk of exposure to foreign emerging equity markets;
seek exposure to the upside performance of the Fund beyond the applicable call premiums;
are unwilling to accept the credit risk of Wells Fargo; or
prefer the lower risk of fixed income investments with comparable maturities issued by companies with comparable credit ratings.

Market Linked Securities—Auto-Callable with Contingent Downside

Principal at Risk Securities Linked to the iShares® MSCI Emerging Markets ETF due October 4, 2021
Determining Timing and Amount of Payment on the Securities

The timing and amount of the payment you will receive will be determined as follows:

Market Linked Securities—Auto-Callable with Contingent Downside

Principal at Risk Securities Linked to the iShares® MSCI Emerging Markets ETF due October 4, 2021
Hypothetical Payout Profile

The following profile illustrates the potential payment on the securities for a range of hypothetical percentage changes in the fund closing price of the Fund from the pricing date to the applicable call date (including the final calculation day). The profile is based on a hypothetical call premium of 10.75% for the first call date, 21.50% for the second call date and 32.25% for the final call date (based on the midpoint of the ranges specified for the call premiums) and a threshold price equal to 80% of the starting price. This profile has been prepared for purposes of illustration only. Your actual return will depend on (i) whether the securities are automatically called; (ii) if the securities are automatically called, the actual call premium and the actual call date on which the securities are called; (iii) if the securities are not automatically called, the actual ending price of the Fund; and (iv) whether you hold your securities to maturity or earlier automatic call.

Market Linked Securities—Auto-Callable with Contingent Downside

Principal at Risk Securities Linked to the iShares® MSCI Emerging Markets ETF due October 4, 2021

Risk Factors

The securities have complex features and investing in the securities will involve risks not associated with an investment in conventional debt securities. You should carefully consider the risk factors set forth below as well as the other information contained in this pricing supplement and the accompanying market measure supplement, prospectus supplement and prospectus, including the documents they incorporate by reference. As described in more detail below, the value of the securities may vary considerably before the stated maturity date due to events that are difficult to predict and are beyond our control. You should reach an investment decision only after you have carefully considered with your advisors the suitability of an investment in the securities in light of your particular circumstances. The index underlying the Fund is sometimes referred to as the "underlying index."

If The Securities Are Not Automatically Called And The Ending Price Is Less Than The Threshold Price, You Will Lose More Than 20%, And Possibly All, Of The Original Offering Price Of Your Securities At Maturity.

We will not repay you a fixed amount on the securities at stated maturity. If the fund closing price of the Fund is less than the starting price on each of the three call dates, the securities will not be automatically called, and you will receive a maturity payment amount that will be equal to or less than the original offering price per security, depending on the ending price (i.e., the fund closing price of the Fund on the final calculation day).

If the ending price is less than the threshold price, the maturity payment amount will be reduced by an amount equal to the decline in the price of the Fund to the extent it is below the starting price (expressed as a percentage of the starting price). The threshold price is 80% of the starting price. For example, if the securities are not automatically called and the Fund has declined by 20.1% from the starting price to the ending price, you will not receive any benefit of the contingent downside protection feature and you will lose 20.1% of the original offering price per security. As a result, you will not receive any protection if the price of the Fund declines significantly and you may lose more than 20%, and possibly all, of the original offering price per security at stated maturity, even if the price of the Fund is greater than or equal to the starting price or the threshold price at certain times during the term of the securities.

If the securities are not automatically called, your return on the securities will be zero or negative, and therefore will be less than the return you would earn if you bought a traditional interest-bearing debt security of Wells Fargo or another issuer with a similar credit rating with the same stated maturity date.

No Periodic Interest Will Be Paid On The Securities.

No periodic payments of interest will be made on the securities. However, if the agreed-upon tax treatment is successfully challenged by the Internal Revenue Service (the "IRS"), you may be required to recognize taxable income over the term of the securities. You should review the section of this pricing supplement entitled "United States Federal Tax Considerations."

The Potential Return On The Securities Is Limited To The Call Premium.

The potential return on the securities is limited to the applicable call premium, regardless of the performance of the Fund. The Fund may appreciate by significantly more than the percentage represented by the applicable call premium from the pricing date through the applicable call date, in which case an investment in the securities will underperform a hypothetical alternative investment providing a 1-to-1 return based on the performance of the Fund. In addition, you will not receive the value of dividends or other distributions paid with respect to the Fund. Furthermore, if the securities are called on an earlier call date, you will receive a lower call premium than if the securities were called on a later call date, and accordingly, if the securities are called on one of the two earlier call dates, you will not receive the highest potential call premium.

You Will Be Subject To Reinvestment Risk.

If your securities are automatically called early, the term of the securities may be reduced to as short as approximately one year. There is no guarantee that you would be able to reinvest the proceeds from an investment in the securities at a comparable return for a similar level of risk in the event the securities are automatically called prior to maturity.

The Securities Are Subject To The Credit Risk Of Wells Fargo.

The securities are our obligations and are not, either directly or indirectly, an obligation of any third party. Any amounts payable under the securities are subject to our creditworthiness, and you will have no ability to pursue the shares of the Fund or any securities held by the Fund for payment. As a result, our actual and perceived creditworthiness may affect the value of the securities and, in the event we were to default on our obligations, you may not receive any amounts owed to you under the terms of the securities.

Holders Of The Securities Have Limited Rights Of Acceleration.

Payment of principal on the securities may be accelerated only in the case of payment defaults that continue for a period of 30 days or certain events of bankruptcy or insolvency, whether voluntary or involuntary. If you purchase the securities, you will have no right to accelerate the payment of principal on the securities if we fail in the performance of any of our obligations under the securities, other than the obligations to pay principal and interest on the securities. See "Description of Notes—Events of Default and Covenant Breaches" in the accompanying prospectus supplement.

Market Linked Securities—Auto-Callable with Contingent Downside

Principal at Risk Securities Linked to the iShares® MSCI Emerging Markets ETF due October 4, 2021
Holders Of The Securities Could Be At Greater Risk For Being Structurally Subordinated If We Convey, Transfer Or Lease All Or Substantially All Of Our Assets To One Or More Of Our Subsidiaries.

Under the indenture, we may convey, transfer or lease all or substantially all of our assets to one or more of our subsidiaries. In that event, third-party creditors of our subsidiaries would have additional assets from which to recover on their claims while holders of the securities would be structurally subordinated to creditors of our subsidiaries with respect to such assets. See "Description of Notes—Consolidation, Merger or Sale" in the accompanying prospectus supplement.

The Estimated Value Of The Securities On The Pricing Date, Based On WFS's Proprietary Pricing Models, Will Be Less Than The Original Offering Price.

The original offering price of the securities includes certain costs that are borne by you. Because of these costs, the estimated value of the securities on the pricing date will be less than the original offering price. The costs included in the original offering price relate to selling, structuring, hedging and issuing the securities, as well as to our funding considerations for debt of this type. The costs related to selling, structuring, hedging and issuing the securities include (i) the agent discount (if any), (ii) the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize for assuming risks inherent in hedging our obligations under the securities and (iii) hedging and other costs relating to the offering of the securities. Our funding considerations are reflected in the fact that we determine the economic terms of the securities based on an assumed funding rate that is generally lower than our secondary market rates. If the costs relating to selling, structuring, hedging and issuing the securities were lower, or if the assumed funding rate we use to determine the economic terms of the securities were higher, the economic terms of the securities would be more favorable to you and the estimated value would be higher.

The Estimated Value Of The Securities Is Determined By Our Affiliate's Pricing Models, Which May Differ From Those Of Other Dealers.

The estimated value of the securities was determined for us by WFS using its proprietary pricing models and related market inputs and assumptions referred to above under "Investment Description—Determining the estimated value." Certain inputs to these models may be determined by WFS in its discretion. WFS's views on these inputs may differ from other dealers' views, and WFS's estimated value of the securities may be higher, and perhaps materially higher, than the estimated value of the securities that would be determined by other dealers in the market. WFS's models and its inputs and related assumptions may prove to be wrong and therefore not an accurate reflection of the value of the securities.

The Estimated Value Of The Securities Is Not An Indication Of The Price, If Any, At Which WFS Or Any Other Person May Be Willing To Buy The Securities From You In The Secondary Market.

The price, if any, at which WFS or any of its affiliates may purchase the securities in the secondary market will be based on WFS's proprietary pricing models and will fluctuate over the term of the securities as a result of changes in the market and other factors described in the next risk factor. Any such secondary market price for the securities will also be reduced by a bid-offer spread, which may vary depending on the aggregate face amount of the securities to be purchased in the secondary market transaction, and the expected cost of unwinding any related hedging transactions. Unless the factors described in the next risk factor change significantly in your favor, any such secondary market price for the securities is likely to be less than the original offering price.

If WFS or any of its affiliates makes a secondary market in the securities at any time up to the issue date or during the 3-month period following the issue date, the secondary market price offered by WFS or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the securities that are included in the original offering price. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by WFS or any of its affiliates during this period will be higher than it would be if it were based solely on WFS's proprietary pricing models less the bid-offer spread and hedging unwind costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this 3-month period. If you hold the securities through an account at WFS or any of its affiliates, we expect that this increase will also be reflected in the value indicated for the securities on your brokerage account statement. If you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, the value of the securities on your brokerage account statement may be different than if you held your securities at WFS or any of its affiliates, as discussed above under "Investment Description—Valuation of the securities after issuance."

The Value Of The Securities Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.

The value of the securities prior to stated maturity will be affected by the then-current price of the Fund, interest rates at that time and a number of other factors, some of which are interrelated in complex ways. The effect of any one factor may be offset or magnified by the effect of another factor. The following factors, which we refer to as the "derivative component factors," are expected to affect the value of the securities. When we refer to the "value" of your security, we mean the value you could receive for your security if you are able to sell it in the open market before the stated maturity date.

Fund Performance. The value of the securities prior to maturity will depend substantially on the then-current price of the Fund. The price at which you may be able to sell the securities before stated maturity may be at a discount, which could be substantial, from their original offering price, if the price of the Fund at such time is less than, equal to or not sufficiently above the starting price or threshold price.

Interest Rates. The value of the securities may be affected by changes in the interest rates in the U.S. markets.

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Volatility Of The Fund. Volatility is the term used to describe the size and frequency of market fluctuations. The value of the securities may be affected if the volatility of the Fund changes.

Time Remaining To Maturity. The value of the securities at any given time prior to maturity will likely be different from that which would be expected based on the then-current price of the Fund. This difference will most likely reflect a discount due to expectations and uncertainty concerning the price of the Fund during the period of time still remaining to the stated maturity date. In general, as the time remaining to maturity decreases, the value of the securities will approach the amount that would be payable at maturity based on the then-current price of the Fund.

Dividend Yields On Securities Included In The Fund. The value of the securities may be affected by the dividend yields on securities held by the Fund (the amount of such dividends may influence the closing price of the shares of the Fund).

Currency Exchange Rates. Since the Fund includes securities quoted in one or more foreign currencies and the closing value of the Fund is based on the U.S. dollar value of such securities, the value of the securities may be affected if the exchange rate between the U.S. dollar and any such foreign currency changes.

In addition to the derivative component factors, the value of the securities will be affected by actual or anticipated changes in our creditworthiness, as reflected in our secondary market rates. The value of the securities will also be limited by the automatic call feature because if the securities are automatically called, the return will not be greater than the applicable call premium. You should understand that the impact of one of the factors specified above, such as a change in interest rates, may offset some or all of any change in the value of the securities attributable to another factor, such as a change in the price of the Fund. Because numerous factors are expected to affect the value of the securities, changes in the price of the Fund may not result in a comparable change in the value of the securities.

The Securities Will Not Be Listed On Any Securities Exchange And We Do Not Expect A Trading Market For The Securities To Develop.

The securities will not be listed or displayed on any securities exchange or any automated quotation system. Although the agent and/or its affiliates may purchase the securities from holders, they are not obligated to do so and are not required to make a market for the securities. There can be no assurance that a secondary market will develop. Because we do not expect that any market makers will participate in a secondary market for the securities, the price at which you may be able to sell your securities is likely to depend on the price, if any, at which the agent is willing to buy your securities.

If a secondary market does exist, it may be limited. Accordingly, there may be a limited number of buyers if you decide to sell your securities prior to stated maturity. This may affect the price you receive upon such sale. Consequently, you should be willing to hold the securities to stated maturity.

Historical Prices Of The Fund Or The Securities Included In The Fund Should Not Be Taken As An Indication Of The Future Performance Of The Fund During The Term Of The Securities.

The trading price of the shares of the Fund will determine the closing price of the Fund and, therefore, whether the securities will be automatically called on any of the call dates (including the final calculation day) or the amount payable to you at maturity. As a result, it is impossible to predict whether the fund closing price of the Fund will fall or rise compared to the starting price. The trading price of the shares of the Fund will be influenced by complex and interrelated political, economic, financial and other factors that can affect the markets in which the Fund and the securities comprising the Fund are traded and the values of the Fund and such securities. Accordingly, any historical prices of the Fund do not provide an indication of the future performance of the Fund.

An Investment In The Securities Is Subject To Risks Associated With Foreign Securities Markets.

The Fund includes the stocks of foreign companies and you should be aware that investments in securities linked to the value of foreign equity securities involve particular risks. Foreign securities markets may have less liquidity and may be more volatile than the U.S. securities markets, and market developments may affect foreign markets differently than U.S. securities markets. Direct or indirect government intervention to stabilize a foreign securities market, as well as cross-shareholdings in foreign companies, may affect trading prices and volumes in those markets. Also, there is generally less publicly available information about non-U.S. companies that are not subject to the reporting requirements of the Securities and Exchange Commission, and non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

The prices and performance of securities of non-U.S. companies are subject to political, economic, financial, military and social factors which could negatively affect foreign securities markets, including the possibility of recent or future changes in a foreign government's economic, monetary and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to foreign companies or investments in foreign equity securities, the possibility of imposition of withholding taxes on dividend income, the possibility of fluctuations in the rate of exchange between currencies, the possibility of outbreaks of hostility or political instability and the possibility of natural disaster or adverse public health developments. Moreover, the relevant non-U.S. economies may differ favorably or unfavorably from the U.S. economy in important respects, such as growth of gross national product, rate of inflation, trade surpluses or deficits, capital reinvestment, resources and self-sufficiency.

In addition, the Fund includes companies in countries with emerging markets. Countries with emerging markets may have relatively unstable governments, may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and may have less protection of property rights than more developed countries. The economies of countries with emerging markets may be based on only a few industries, may be highly vulnerable to changes in local or global trade conditions (due to economic dependence upon commodity prices and international trade), and may suffer from extreme and volatile debt burdens, currency devaluations or inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times.

The securities included in the Fund may be listed on a foreign stock exchange. A foreign stock exchange may impose trading limitations intended to prevent extreme fluctuations in individual security prices and may suspend trading in certain circumstances. These actions could limit variations in the closing price of the Fund which could, in turn, adversely affect the value of the securities.

Exchange Rate Movements May Impact The Value Of The Securities.

The securities will be denominated in U.S. dollars. Since the value of securities included in the Fund is quoted in a currency other than U.S. dollars and, as per the Fund, is converted into U.S. dollars, the amount payable on the securities on the maturity date will depend in part on the relevant exchange rates.

Changes That Affect The Fund Or The Underlying Index May Adversely Affect The Value Of The Securities And The Amount You Will Receive At Stated Maturity.

The policies of the sponsor of the Fund (the "fund sponsor") concerning the calculation of the Fund's net asset value, additions, deletions or substitutions of securities in the Fund and the manner in which changes in the underlying index are reflected in the Fund, and changes in those policies, could affect the closing price of the shares of the Fund and, therefore, may affect the value of the securities, the likelihood of the occurrence of an automatic call and the amount payable at stated maturity. Similarly, the policies of the sponsor of the underlying index (the "underlying index sponsor") concerning the calculation of the underlying index and the addition, deletion or substitution of securities comprising the underlying index and the manner in which the underlying index sponsor takes account of certain changes affecting such securities may affect the level of the underlying index and the closing price of the shares of the Fund and, therefore, may affect the value of the securities, the likelihood of the occurrence of an automatic call and the amount payable at stated maturity. The underlying index sponsor could also discontinue or suspend calculation or dissemination of the underlying index or materially alter the methodology by which it calculates the underlying index. Any such actions could adversely affect the value of the securities.

We Cannot Control Actions By Any Of The Unaffiliated Companies Whose Securities Are Included In The Fund Or The Underlying Index.

Actions by any company whose securities are included in the Fund or in the underlying index may have an adverse effect on the price of its security, the closing price of the Fund on any call date (including the final calculation day) and the value of the securities. We are not affiliated with any company whose security is represented in the Fund or the underlying index. These companies will not be involved in the offering of the securities and will have no obligations with respect to the securities, including any obligation to take our or your interests into consideration for any reason. These companies will not receive any of the proceeds of the offering of the securities and will not be responsible for, and will not have participated in, the determination of the timing of, prices for, or quantities of, the securities to be issued. These companies will not be involved with the administration, marketing or trading of the securities and will have no obligations with respect to any amounts to be paid to you on the securities.

We And Our Affiliates Have No Affiliation With The Fund Sponsor Or The Underlying Index Sponsor And Have Not Independently Verified Their Public Disclosure Of Information.

We and our affiliates are not affiliated in any way with the fund sponsor or the underlying index sponsor (collectively, the "sponsors") and have no ability to control or predict their actions, including any errors in or discontinuation of disclosure regarding their methods or policies relating to the management or calculation of the Fund or the underlying index. We have derived the information about the sponsors, the Fund and the underlying index contained in this pricing supplement and the accompanying market measure supplement from publicly available information, without independent verification. You, as an investor in the securities, should make your own investigation into the Fund, the underlying index and the sponsors. The sponsors are not involved in the offering of the securities made hereby in any way and have no obligation to consider your interests as an owner of the securities in taking any actions that might affect the value of the securities.

An Investment Linked To The Shares Of The Fund Is Different From An Investment Linked To The Underlying Index.

The performance of the shares of the Fund may not exactly replicate the performance of the underlying index because the Fund may not invest in all of the securities included in the underlying index and because the Fund will reflect transaction costs and fees that are not included in the calculation of the underlying index. The Fund may also hold securities or derivative financial instruments not included in the underlying index. It is also possible that the Fund may not fully replicate the performance of the underlying index due to the temporary unavailability of certain securities in the secondary market or due to other extraordinary circumstances. In addition, because the shares of the Fund are traded on a securities exchange and are subject to market supply and investor demand, the value of a share of the Fund may differ from the net asset value per share of the Fund. As a result, the performance of the Fund may not correlate perfectly with the performance of the underlying index, and the return on the securities based on the performance of the Fund will not be the same as the return on securities based on the performance of the underlying index.

There Are Risks Associated With The Fund.

Although the shares of the Fund are listed for trading on NYSE Arca, Inc. (the "NYSE Arca") and a number of similar products have been traded on the NYSE Arca or other securities exchanges for varying periods of time, there is no assurance that an active trading market will continue for the shares of the Fund or that there will be liquidity in the trading market.

In addition, the Fund is subject to management risk, which is the risk that the fund sponsor's investment strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. For example, the fund sponsor may elect to invest

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certain Fund assets in shares of equity securities that are not included in the underlying index. The Fund is also not actively managed and may be affected by a general decline in market segments relating to the underlying index. Further, the fund sponsor invests in securities included in, or representative of, the underlying index regardless of their investment merits, and the fund sponsor does not attempt to take defensive positions in declining markets.

Further, under continuous listing standards adopted by the NYSE Arca, the Fun $ $ --- Forward foreign exchange contracts gains/(losses) 130,010 (30,986) Futures commodity contracts - (193,646) ---------------------- 130,010 (224,632) ---------------------- 23. COMMITMENTS Consolidated Partnership 2001 2000 2001 2000 $ $ $ $ -- Capital expenditure commitments Plant Contracted but not provided for and payable within one year 3,443,409 2,924,713 3,443,409 2,924,713 -- 3,443,409 2,924,713 3,443,409 2,924,713 == Lease commitments Operating lease expense commitments Future operating lease commitments not provided for in the financial statements and payable: Within one year 24,943,656 23,145,222 45,803 277,940 One year or later and no later than five years 52,461,006 45,346,408 - 20,995 Later than 5 years 11,994,208 10,091,396 - - -- 89,398,870 78,583,026 45,803 298,935 == South Pacific Tyres leases property under non-cancellable operating leases expiring from one to ten years. Leases generally provide the company with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria. SPT Statutory Accounts 30/06/2001 Page 26 Notes to the Financial Statements -- 24. Contingent liabilities There were no contingent liabilities as at 30 June 2001 and 30 June 2000 25. Related party transactions The partnership from time to time has dealings with Pacific Dunlop Limited Group Companies and Goodyear Tire & Rubber Co. Group Companies. Under the partnership agreement, South Pacific Tyres leases certain properties from Pacific Dunlop Limited and Goodyear Australia Limited (a wholly owned subsidiary of Goodyear Tire & Rubber Co.) on the basis of equitable rentals between the partners. The amounts of these transactions are detailed below: Consolidated 2001 2000 Lease Payments $ $ -- Pacific Dunlop Limited Group Companies 238,094 259,976 Goodyear Tire & Rubber Co. Group Companies 82,254 89,814 On 20/12/2000, the partnership sold fixed assets to Goodyear and the proceeds from the sale of $31.3m are payable in two years from the date of sale. Interest on the outstanding amount is charged at market rate and is payable quarterly in arrears. On 29/12/2000, the partnership entered into a supply agreement whereby Goodyear will be (subject to certain conditions) the exclusive supplier of certain tyres for a period of ten years commencing 01/01/2001. The partnership will receive $25.0m plus interest in consideration for this exclusivity of supply. The amount, although not receivable until 01/01/2003, has been recognised as indirect revenue in the current year. On 20/12/2000, the partnership received a loan of $56.3m from Pacific Dunlop Limited for a period of two years. Interest is charged at market rate and is payable quarterly in arrears. In addition, the partnership has assigned the receivable from Goodyear for the proceeds due on the sale of fixed assets of $31.3m noted above as partial settlement of the loan from Pacific Dunlop Limited. Consolidated 2001 2000 $ $ -- Interest brought to account by the partnership in relation to these loans during the year: Interest expense 848,630 - Interest revenue 848,630 - The amounts included in receivables and payables in relation to these loans are: Non-current receivables ---------------------- Goodyear Tire & Rubber Co. Group Companies 25,848,630 - Non-current payables ------------------- Pacific Dunlop Limited Group Companies 25,848,630 - All other dealings with the above parties are on normal commercial terms and involve the purchase and/or supply of materials from/to both parties and the provision of forward exchange cover and commodity hedging by Pacific Dunlop Limited Group Companies. SPT Statutory Accounts 30/06/2001 Page 27 Notes to the Financial Statements --- 25. Related party transactions (continued) The amounts of these transactions are detailed below: Consolidated 2001 2000 Sale of goods and services $ $ -- Pacific Dunlop Limited Group Companies 1,069,123 1,425,500 Goodyear Tire & Rubber Co. Group Companies 1,651,599 22,530,154 Purchase of goods and services Pacific Dunlop Limited Group Companies 6,341,537 18,787,973 Goodyear Tire & Rubber Co. Group Companies 97,095,319 53,790,686 Details of interest received/paid to related parties are set out in Notes 3 & 4 The amounts included in receivables and payables in relation to South Pacific Tyres are set out in the notes to the financial statements and the amounts relating to the other parties are: Current receivables ------------------ Pacific Dunlop Limited Group Companies 366,461 133,484 Goodyear Tire & Rubber Co. Group Companies 838,112 1,514,660 Current payables --------------- Pacific Dunlop Limited Group Companies 1,032,402 942,111 Goodyear Tire & Rubber Co. Group Companies 22,124,586 10,620,245 The names of each person holding the position of director of the company during the year were: Mr S Gibara Mr E Rodia Mr R Tieken Mr H Pace Mr P Gay Mr R Chadwick Mr J Rennie Mr I Veal At the time of holding the office of director of the company each director was an executive of the South Pacific Tyres partnership, and held the office of director of the company in order to discharge, in whole or in part, the duties as an executive officer of the partnership. 26. Superannuation commitments Employer Plans The partnership and its controlled entities participate in a number of superannuation funds for employees. Date of last actuarial Fund Benefit Type Basis of Contribution valuation Actuary Pacific Dunlop Defined Balance of cost/Defined Superannuation Fund benefit/accumulation contribution 1/07/1999 William M Mercer Pty Ltd Pacific Dunlop Executive Superannuation Fund Defined Benefit Balance of cost 1/07/1999 William M Mercer Pty Ltd The liabilities of all superannuation funds are covered by the assets in the funds or by specific provisions created by the partnership or its controlled entities. The partnership and its controlled entities are obliged to contribute to the superannuation funds as a consequence of Legislation or Trust Deeds. Legal enforceability is dependent on the terms of the Legislation and the Trust Deed. SPT Statutory Accounts 30/06/2001 Page 28 Notes to the Financial Statements -- 26 Superannuation commitments (continued) Definitions Balance of cost The Group's contribution is assessed by the Actuary after taking into account the member's contribution and the value of assets. Defined contribution The Group's contribution is set out in the appropriate fund rules, usually as a fixed percentage of salary. Industry/Union plans The partnership participates in industry and union plans on behalf of certain employees. These plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement or death. The partnership has a legally enforceable obligation to contribute at varying rates to the plans. 27. Segment reporting The principal activity of the group during the year was the manufacture and sale of motor vehicle and aircraft tyres in Australia and Papua New Guinea. 28. Particulars relating to controlled entities Details of controlled entities, including the extent that each contributed to the period's result are given below: Tyre South South Marketers Sacrt Pacific Pacific (Australia) Trading Tyres (PNG) Dunlop PNG Consolidated Tyres Limited Pty Ltd Pty Ltd Pty Ltd adjustments Totals Place of Incorporation Vic Vic PNG PNG Beneficial Interest held by Partnership 100% 100% 80% 80% Class of shares Ordinary Ordinary Ordinary Ordinary Book value of partnership's investment 2001 21,496,245 21,496,245 2000 21,496,245 21,496,245 Dividends received or receivable by partnership: 2001 2000 Dividends credited to investment account 2001 2000 Contribution to the consolidated profit after tax inclusive of abnormal items and after deducting the amount attributable to Outside Equity Interest: 2001 (77,401,617) (17,107,153) 217,544 12,315 (11,172) 2,233,689 (92,056,394) 2000 (19,452,389) 3,363,501 411,212 24,720 128,488 (115,000) (15,639,468) 29. Events subsequent to balance date Since the end of the financial year, the following matters or circumstances have arisen that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the consolidated entity. A memorandum of understanding has been signed by the partners on issues regarding the future of the South Pacific Tyres Joint Venture, including the basis of future funding and opportunities for continuance or dissolvement of the partnership. Agreement to give effect to the understandings in the memorandum is subject to completion of a definitive agreement and the approval of the boards of the partners. Further on the 28/th/ September 2001, South Pacific Tyres announced details of major restructuring plans for its Australian tyre manufacturing operations. The restructure is aimed at turning around its recent poor performance to ensure its survival as a profitable competitive business. The key elements include: .. Closure of the Footscray factory over the period December 2001 through to March 2002, with a total of 440 redundancies; SPT Statutory Accounts 30/06/2001 Page 29 Notes to the Financial Statements -- 29 Events subsequent to balance date (continued) .. Reconfiguration of passenger tyre production to consolidate all current Somerton and Thomastown production of this category at the Somerton site by July 2002, with 380 redundancies and the closure of the Thomastown factory. .. Streamlining of some related corporate and executive level administration with the redundancy of 70 staff. 30. Notes to the statements of cash flows (a) Reconciliation of cash For the purposes of the statement of cash flows, cash includes cash on hand and at bank and investments in money market instruments net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows: Consolidated Partnership 2001 2000 2001 2000 $ $ $ $ -- Cash assets 9,531,203 13,764,042 7,000 7,895 Cash on deposit 9,500,000 3,000,000 9,500,000 3,000,000 Bank overdrafts (4,860,501) (6,932,945) (2,496,277) (5,115,583) -- 14,170,702 9,831,097 7,010,723 (2,107,688) == (b) Acquisition/disposal of businesses and entities During both the 2000 and 2001 financial years the partnership purchased no businesses. During the year the consolidated entity purchased 100% of businesses of which the details are as follows: Consolidated 2001 2000 Acquisitions of businesses $ $ -- Net assets acquired/disposed Property, plant and equipment 25,000 1,202,541 Inventories 7,000 632,584 Other assets - 1,105 Prepayments - 30,178 Creditors (9,077) (307,276) Other liabilities and provisions - (121,573) ------------------------ Goodwill 22,923 1,437,559 Consideration 62,277 7,544,176 ------------------------ Cash paid/(received) 85,200 8,981,735 ======================== Outflow/(inflow) of cash ------------------------ Cash consideration 85,200 8,981,735 ======================== SPT Statutory Accounts 30/06/2001 Page 30 Notes to the Financial Statements -- 30. Notes to the statements of cash flows (continued) (c) Reconciliation of profit/(loss) from ordinary activities after income tax to net cash provided by operating activities Consolidated Partnership 2001 2000 2001 2000 $ $ $ $ -- Loss from ordinary activities after income tax (92,056,109) (15,601,165) (77,401,617) (19,452,389) Add /(less) items classified as investing/financing activities: (Profit)/loss on sale of non-current assets 4,151,257 (380,928) 4,583,063 (208,658) Add(less) non-cash items: Amortisation 2,757,849 3,898,175 1,630,789 2,201,238 Depreciation 33,841,512 36,590,547 24,298,918 26,878,412 Amounts set aside to provisions 43,862,097 37,464,342 4,482,597 15,998,352 (Decrease)/increase in income taxes payable (169,879) (3,503,294) - - Decrease/(increase) in future income tax benefit (5,723,401) 2,146,950 - - Write-off bad trade debts 2,639,365 1,880,845 259,858 - -- Net cash provided by operating activities before change in assets and liabilities (10,697,309) 62,495,472 (32,146,392) 25,416,955 -- Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year: (Increase)/decrease in receivables (36,514,319) (1,782,612) (25,893,987) 16,071,003 (Increase)/decrease in inventories (3,729,448) (17,398,112) (292,656) (12,459,775) (Increase)/decrease in prepayments 4,960,263 (3,708,002) 1,029,887 (83,947) (Decrease)/increase in accounts payable 33,917,471 18,283,443 33,496,399 2,653,427 (Decrease)/increase in provisions (16,330,296) (26,735,090) (4,672,165) (14,532,894) (Decrease)/increase in reserves (496,747) 550,843 - - -- (18,193,076) (30,789,530) 3,667,478 (8,352,186) -- Net cash provided by / (used in) operating activities (28,890,385) 31,705,942 (28,478,914) 17,064,769 == SPT Statutory Accounts 30/06/2001 Page 31 Directors Declaration In the opinion of the directors of South Pacific Tyres ("the partnership"): (a) the partnership is not a reporting entity; (b) the financial statements and notes, set out on pages 1 to 33 are in accordance with the Corporations Act 2001, as required by Section 11 of the Partnership Agreement, including: (i) giving a true and fair view of the financial position of the partnership as at 30 June 2001 and of their performance, as represented by the results of its operations and their cash flows, for the year ended on that date, in accordance with the basis of accounting described in Note 1; and (ii) complying with Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001; and (c) there are reasonable grounds to believe that the partnership will be able to pay its debts as and when they become due and payable. Signed in accordance with a resolution of the directors: /s/ Robert W. Tieken --------------------------------------- Director /s/ Philip R. Gay --------------------------------------- Director SPT Statutory Accounts 30/06/2001 Page 32 Independent Audit Report To the partners of South Pacific Tyres Scope We have audited the financial report of South Pacific Tyres for the financial year end June 30, 2001, being a special purpose financial report consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes and the directors' declaration set out on pages 1 - 34. The financial report includes the consolidated financial statements of the consolidated entity, comprising the South Pacific Tyres Partnership (the "Partnership") and the entities it controlled at the end of the year or from time to time during the financial year. The Partnership's directors are responsible for the financial report. In accordance with Section 11 of the Partnership agreement, the Partnership is required to prepare a financial report as if it were a public company under the provisions of the Corporations Act 2001. The directors have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the requirements of the Corporations Act 2001 and the needs of the partners of the Partnership. We have conducted an independent audit of the financial report in order to express an opinion on it to the partners. No opinion is expressed whether the accounting policies used, and described in Note 1 to the financial statements, are appropriate to the needs of the partners. The financial report has been prepared for distribution to the partners for the purpose of fulfilling the requirements of the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report, or on the financial report to which it relates, to any person other than the partners, or for any purpose other than that for which it was prepared. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 1 to the financial statements, so as to present a view which is consistent with our understanding of the Partnership's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows. These policies do not require the application of all accounting standards nor other mandatory professional reporting requirements in Australia. The audit opinion expressed in this report has been formed on the above basis. Audit Opinion In our opinion, the financial report of South Pacific Tyres is in accordance with: (a) the Australian Corporations Act 2001, including: (i) giving a true and fair view of the Partnership's and consolidated entity's financial position as at June 30, 2001 and of their performance for the financial year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and (ii) complying with AASB 1025 "Application of the Reporting Entity Concept and Other Amendments", AASB 1034 "Information to be Disclosed in the Financial Reports" other Accounting Standards to the extent described in Note 1 to the financial statements and the Corporations Regulations 2001; and (b) mandatory professional reporting requirements to the extent described in Note 1 to the financial statements. /s/ KPMG KPMG P A Jovic Partner Melbourne this 31 October 2001 SPT Statutory Accounts 30/06/2001 Page 33