WESFARMERS LIMITED
ANNUAL GENERAL MEETING – 15 NOVEMBER 2007
CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS

CHAIRMAN'S ADDRESS

Thank you very much ladies and gentlemen. It is my great pleasure to welcome you all to an Annual General Meeting occurring at a truly historic point in the development of our great company.

Before turning to the formal business of the meeting, Richard Goyder and I will provide an overview of Wesfarmers' performance in 2006/07 and Richard will comment on aspects of the Coles acquisition and the year ahead.

Following the presentations, I will then open the meeting and proceed to the formal business set out in the notice of meeting.

Coles Acquisition

I doubt that anyone here today would dispute my opening assertion about the significance of this time in terms of the past and future of Wesfarmers.

A week ago, Coles shareholders voted overwhelmingly in favour of our proposal to acquire that iconic Australian company.

From the close of business tomorrow week, we will assume control of all the Coles Group businesses, our employee base will increase from a bit over 30,000 to close to 200,000 and around 44 per cent of Wesfarmers will be owned by former Coles shareholders.

As you would be aware, this transaction is the biggest takeover in this country's history and Wesfarmers will become an even more significant Australian corporation. It is a huge step for our company but one which your Board and management have taken in absolute confidence that it is in the best interests of our shareholders.

Interestingly, and this has been remarked on in the course of the seven months since we first announced our intention to acquire Coles, Wesfarmers can also lay claim to an earlier "biggest-ever" takeover. Many may not realise it but when we did the acquisition of CSBP in the late 1970's/early 80's the transaction represented the largest acquisition at that particular point in time.

Another historical point, to which Richard Goyder referred at the Coles shareholder meeting last week, is that the year of our formation – 1914 – was also the year in which the first Coles store opened – in the Melbourne suburb of Collingwood.

But today is not an occasion to dwell on the past nor to over-indulge in self-congratulatory rhetoric about our success in winning Coles. It is very much about the future and Richard will be talking to you very shortly about some aspects of what that future will look like for the new, greatly expanded Wesfarmers.

We will, of course, be very happy to take questions on the transaction when we reach that stage in today's meeting.

But before I leave Coles I do want to thank the very large number of Wesfarmers people who put such an enormous effort into getting us where we are today. That certainly includes my Board colleagues for all the extra attention and diligence this transaction has required on their part.

But my thanks today are particularly directed to the management and other employees of our company who have worked seven days a week - in some cases since Coles initiated its ownership review process in late February – to arrive at this very satisfying outcome. That team has, of course, been led by Richard, but includes many others in this room today and elsewhere in Australia. I was humbled to see so many people put in such an effort in the interests of our company.

Please join me in showing the company's appreciation for this tremendous achievement.

Let me now briefly touch on the past year – and it will be brief given that most of you would have received either the Annual Report or the Shareholder Review which we produced for the first time this year as a condensed version of the Report and the video report which have dealt with the year's major developments.

Looking back over the year it is clear that Wesfarmers' success remains attributable to a number of pretty unexceptional and fundamental actions and philosophies, namely:

- running our businesses more efficiently;
- hiring the best people and rewarding them appropriately;
- developing management systems with a common shareholder value focus;
- developing valuation principles and sticking to them;
- keeping the company well positioned to take advantage of opportunities as they emerge; and
- using management systems and processes to improve the performance of newly acquired businesses.

As we look to the future, it is these same principles which will continue to guide the company to achieve its primary objective of providing a satisfactory return to our shareholders.

Results

A profit of $786.3 million was recorded for the year, a decrease of 9.6 per cent on the previous year's result when you exclude the sale of the Australian Railroad Group. The reduction in earnings as forecast in August 2006, was mainly attributable to the impact of lower coal prices in the Coal Division - and that's something we foreshadowed more than a year ago.

Revenue was $9.8 billion, an increase of 10 per cent on last year's.

Earnings per share decreased by 11 per cent to $2.10 per share; operating cash flow per share increased by 14 per cent to $3.41 per share and the full year dividend increased by 4.7 per cent to $2.25 per share.

As previously announced, the final dividend will be paid on the 29th of this month. The timing of the payment has been affected by conditions associated with the Coles Scheme of Arrangement. It is our current intention that the date of payment of the final dividend in 2008 will be in line with previous years.

I do not intend to canvass in any detail at all here the operational aspects of the past year. They are extensively covered in the Annual Report and for those here today summarised in the video that's just been shown.

I just want to mention very briefly the highlights of the past 12 months.

The Home Improvement Division achieved an outstanding result, increasing earnings by 26 per cent to $528 million.

Pleasing results were recorded in all States of Australia and New Zealand with growth being achieved across all merchandising categories.

The reduced contribution from the Coal Division because of lower export prices and rail and port infrastructure constraints was expected, but at the Curragh mine in Queensland we saw the completion of the 20 kilometre conveyor and coal handling system, the last major component in the $360 million Curragh North Project.

The Insurance Division increased its contribution to group earnings despite strong competition and a higher than expected level of claims. It successfully acquired OAMPS Limited, the largest publicly owned insurance broking group in Australia, followed by Crombie Lockwood, the largest privately-owned New Zealand insurance broking group.

The Industrial and Safety Division recorded earnings 18 per cent higher than the previous year.

In addition to completing a restructure of its businesses, the division acquired Bullivants in December 2006, Australia's leading material handling, lifting and rigging specialist.

Earnings from CSBP's chemicals and fertilisers businesses were 24 per cent higher than the previous year.

Construction continued on new ammonium nitrate facilities at Kwinana and in September this year, CSBP acquired Australian Vinyls Corporation.

The Energy Division's earnings were up 53 per cent on last year, in part due to the improved performance from the existing businesses and the five month contribution from Coregas which was acquired in February 2007.

Construction of a 175 tonne-per day liquefied natural gas plant at Kwinana is on schedule for completion in March 2008.

The company's investments in other businesses including the 23 per cent holding in the Bunnings Warehouse Property Trust; 50 per cent interest in the Wespine plantation operation and the investments in the Gresham Private Equity Funds also made useful contributions to Group earnings.

As mentioned earlier, Richard Goyder will provide an update on current trading of each of the Group's divisions and on the company's strategic direction later in the meeting.

Corporate Governance

In support of our growth strategies, the Board is a strong advocate of good corporate governance and is committed to fulfilling its corporate governance responsibilities in the best interests of the company and its stakeholders.

Wesfarmers complies with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

A comprehensive overview of our corporate governance practices and policies are set out in the Corporate Governance Statement at pages 44 to 52 of the Annual Report. You can also access corporate governance information from our website.

Board Appointment

As part of the Board's renewal process and to ensure that the Board is made up of directors with an appropriate range of skills and experience, Tony Howarth was appointed to the Board in July 2007. Tony has more than 30 years experience in the banking and finance industry and his appointment has further strengthened the Board's level of commercial expertise.

I'd like to take this opportunity to thank my fellow directors for their hard work and commitment during the year. I mentioned earlier the extra work associated with the Coles acquisition. Predominantly as a consequence of that transaction, your directors have been called upon to attend 26 board meetings since July 2006. Some of these have required the directors to be present at short notice, others have required them to devote significant time to reading and considering comprehensive board papers. It has been a wonderful team effort by all concerned.

Remuneration Report

Shareholders will again be given the opportunity of voting on the company's remuneration report. The Remuneration Report is set out on pages 125 to 135 of the Annual Report.

Shareholders will also be given the opportunity to vote on an increase in the remuneration pool of the non-executive directors.

Details of Wesfarmers' approach to remuneration for both directors and senior executives is included in the report. If any matters are not clear, we encourage you to ask questions when we come to that item on the agenda.

I take this opportunity to mention that in the coming months we will be seeking to secure world class skills for the Coles businesses, predominantly to help us in the task of improving the performance of the Food, Liquor and Convenience businesses.

These are the businesses in Coles which require most work and we believe it is essential that we bring into the Group world-class executives with proven experience in this sector.

We are currently working with global recruitment and remuneration consultants to identify the “top players” in this highly competitive market. It is clear that to attract the right candidates to leave their current employment and relocate to Australia, significant remuneration must be offered and we need to be innovative in our approach to remuneration which may be heavily weighted to the payment of incentives.

It is the Board’s intention to create a structure similar to that applying in private equity models. We envisage that an incentive pool would be built in relation to performance meeting or exceeding expectations we set for this division. The key will be to ensure that the structure incentivises performance which is in our shareholders’ interests while making it clear to these executives what hurdles they need to clear.

We will keep you informed on progress that we make in this important area.

Sustainability

Also supporting the company’s strategy to provide a satisfactory return to shareholders is our commitment to ensure sustainability through responsible long term management.

The 2007 Sustainability Report, which provides a very detailed account of our health and safety, environmental and community practices and performance was released to the ASX this morning and a copy has been provided to each of you attending today. The report is also available on the company’s website and I encourage shareholders to take the time to have a look at what we’re doing in this increasingly important field of corporate endeavour.

I will now invite Richard Goyder to provide an update on the current trading of the Group’s businesses.

MANAGING DIRECTOR’S REVIEW OF CURRENT TRADING

Thank you Chairman and good afternoon ladies and gentlemen.

It is my pleasure to give you an update on how the company has performed over the last few months.

I will deal firstly with what’s happened in our existing businesses and then make some general comments about what lies ahead in the exciting new era linked to the just completed Coles acquisition.

Home Improvement

Retail trading for Bunnings was strong in the first four months, with all regions in Australia delivering good growth on last year’s result. New Zealand also traded well ahead of last year, but results were impacted by the effect of recent interest rate rises.

Cash store-on-store sales growth for the four months from July through to October was more than 11 per cent. Positive external trading conditions, enhanced product ranges and well presented stores all contributed to the strong result. We are very pleased with Bunnings’ ongoing performance improvements, particularly as trading conditions were strong in the same period last year.

The new housing market continued to decline in Australia in the first four months, particularly in New South Wales and Victoria, which has had some impact on trade sales. This was offset in part by solid trading conditions in Queensland. However, the additions and alterations market is strong, largely attributable to the level of renovations taking place.

At this point, the retail trading outlook remains favourable in the lead up to the Christmas trading period, although volatility concerns remain, particularly in the lead up to the federal election and following last week's interest rate increase.

Coal

The Coal Division performed generally in line with our expectations in the first quarter of 2007/08.

Ongoing rail and port infrastructure constraints continue to impact export sales from the Curragh and Bengalla mines.

We expect exports of metallurgical coal from the Curragh mine to be in the range of 6.5 to 6.9 million tonnes this financial year; subject to satisfactory mine, rail and port performance.

At Bengalla we continue to see large shipping queues at the Port of Newcastle which are limiting sales.

The export market place remains tight with demand from customers strong and spot prices for export coal continuing to rise. At the same time we are seeing a strengthening in the Australian dollar. Initial discussions on next year's pricing have commenced with key customers.

A feasibility study to expand the Curragh mine to achieve annual export volumes of between 8.0 and 8.5 million tonnes of metallurgical coal is expected to be completed by mid-2008.

Insurance

The first quarter performance of the Insurance Division was adversely affected by a number of weather related catastrophes in New Zealand and Australia and some large commercial claims in Australia. Lower rates in commercial classes in recent years are also affecting underwriting profits.

After a positive start to the season, the lack of subsequent rain has reduced crop revenue for Wesfarmers Federation Insurance. This has been offset to some extent by good retentions and growth in small business insurance.

Broking activities in all geographies, through our acquisitions of OAMPS and Crombie Lockwood, performed well notwithstanding rate pressure.

A new management structure has been implemented in OAMPS with greater autonomy and accountability being devolved to regional and branch managers.

A number of bolt-on acquisitions of broking businesses have been completed and more are expected this year.

I want to extend my personal thanks and those of the company to Bob Buckley who retired as head of the Insurance Division earlier this year. Bob did a great job for Wesfarmers and I have no doubt that his replacement, Rob Scott, will have a similarly successful career with the company.

Industrial and Safety

The Industrial and Safety Division is currently ahead of performance at the same time last year, following sales growth due to the inclusion of Bullivants' profits and the increased success in large tender win rates, particularly in the resources sector.

The division is continuing to build on its strengthened competitive position by increasing customer service through improvements in delivery performance, product procurement and extending its service offering.

Chemicals and Fertilisers

In CSBP, continued strong demand for mining chemicals has driven significantly improved earnings in the chemicals business compared to the same time last year. Earnings now include Australian Vinyls which became part of the Group in September. These higher earnings are despite some operational performance glitches at the Kwinana ammonia plant.

Difficult trading conditions in fertilisers continue due to the unfavourable seasonal conditions over the last six months, primarily in the northern agricultural region of Western Australia. However, fertiliser sales and earnings for the first quarter are higher than the corresponding period last year.

Progress continues on the expansion of CSBP's ammonium nitrate manufacturing facility at Kwinana estimated now to cost in the order of $340 million. Commissioning of certain parts of the facility are currently underway, with full production expected in the first quarter of calendar year 2008.

While I'm on CSBP, I want particularly to welcome to today's meeting the new Managing Director of that business, Ian Hansen.

Energy

The Energy Division has grown through the successful acquisition and integration of Coregas and the development of several new capital projects. The first quarter operating performance is broadly in line with our expectations and is pleasing given the high LPG price environment.

Coregas' performance has been impacted by a subdued New South Wales market, but continues to make good progress on liquid nitrogen and acetylene expansion projects. Both projects remain on target to commence operations in the second half of 2007/08.

High LPG prices have created pressure in Kleenheat's traditional markets causing a decrease in sales volume compared to last year's. Offsetting this is an increase in sales in the Kwik-Gas and autogas sectors.

Wesfarmers LPG continues to perform well although results are lower than those achieved in the corresponding period last year due to reduced export volumes and slightly lower domestic sales.

While we are pleased with the first quarter, the outlook continues to be dependent on LPG production levels and international energy prices going forward.

It is particularly pleasing to see Energy's $138 million vertically integrated LNG project continuing to progress on schedule with plant commissioning due in March 2008. Whilst some time and budgetary pressures have been experienced this large scale construction project remains on target with our original expectations.

We see LNG as an alternative to diesel fuel in the remote power generation and heavy duty vehicle markets and will continue to evaluate the potential to expand our LNG network elsewhere in Australia.

Other Businesses

In terms of progress in our other businesses, I'm pleased to report that the two Gresham Private Equity Funds continue to do well. In Fund number two, the Witchery and Noel Leeming businesses are delivering good results, GEON continues its consolidation in the print business and the Fund has made a new investment in the Barminco mining services business.

Wespine (in which we hold a 50 per cent interest) has recently completed its greenmill expansion project, allowing it to meet increasing demand.

Coles

I want now to take a few minutes to say something about the Coles acquisition.

While certainly not getting carried away by the moment, I am equally in full agreement with the Chairman's remarks about this being an historic time for our company.

The past nine months – taking as my starting point the 23rd of February when the Coles directors began the ownership review process – has been the busiest time in the working life of a lot of Wesfarmers people – and I imagine many of those associated with us.

The sheer size of the transaction, the seemingly never-ending strategic tussles with other interested parties and the debt market crisis and its impact on global markets resulted in an amazing roller-coaster ride.

The great thing through all these ups and downs was that we held firm and true to the only thing that really mattered – if we were to do this deal it would have to be on our terms alone.

And doing it on our terms always meant doing it in a way that would benefit our shareholders.

I have said many times but it bears repeating here today:

In evaluating and pursuing this proposal we have applied exactly the same rigorous financial discipline criteria for which Wesfarmers has – rightly in my view - become highly regarded.

All our actions have been guided by a single, overriding consideration – to create value for you, our shareholders, and all other stakeholders, in particular our employees – current and prospective – and very importantly the huge customer base of the businesses we are about to take over.

And in everything we've said during this long and occasionally testing journey, we've always made it clear that we're not talking about some magical, overnight quick fix. As people here today would know better than most, Wesfarmers is a company that always takes a long term view of delivering value.

We are patient investors but we're also investors who demand a constant and continual improvement in the way all our businesses perform.

The necessary turnaround in the food, liquor and convenience businesses will require excellent people and it will take time. As I've previously said, we're looking at short and medium term gains in the broad context of a five year timeframe.

As I told senior managers at Coles last week, we have not made this acquisition to stand still. For us, the status quo is not acceptable.

Rest assured, our competitors won't be standing still and there'll be no let up in the standards demanded and requirements set by customers and regulators.

The only way we're going to make a real success of these great businesses we're on the verge of acquiring is to do what we always aim to do with any of our businesses – to get our efficiency to best practice levels, to be innovative and to grow and expand by embracing change.

It's these principles, these philosophies that we'll be applying to the operations we take control of on the 23rd of this month.

Let me briefly outline how we plan to manage and operate those businesses.

They will be treated in exactly the same way as all our existing assets.

That is, the businesses will be given a very high degree of operational autonomy in return for which we will require a very high level of accountability.

Three new divisions will be created – and we'll be adding to one of our current divisions.

The biggest group of Coles' businesses – the supermarkets and the liquor, fuel and convenience outlets – will come together to form the Food, Liquor and Convenience division of Wesfarmers. I will chair the subsidiary Board that oversees these operations. I am delighted to confirm that one of Britain's leading retailers, Archie Norman, has been engaged as a key adviser. Archie is already actively involved working with me on recruitment and strategy planning.

The division will be run by a person who will bring world-class skills to the task of improving the performance of the supermarkets and other parts of Food, Liquor and Convenience. I am currently in detailed discussions to finalise that appointment.

The Target and Kmart businesses will be stand-alone entities under our ownership. Kmart is to be reviewed but as I made clear last week it is our strong preference to retain and strengthen it as part of the Wesfarmers Group.

And we are adding Officeworks, which includes Harris Technology, to the Home Improvement Division – better known as Bunnings – in a new grouping to be called Home Improvement and Office Supplies.

In coming weeks, as I made clear to the Coles Group employees in a letter last Thursday, we want everyone to remain very focused on making the most of the very, very important Christmas trading period. We will not be doing anything to divert their attention from that critical task.

Our business integration team moved into the Coles head office at the start of this week and over the next few weeks and months we will decide how best to bring the Coles Group businesses into the Wesfarmers fold. As an indication of how committed we are to achieving the outcomes we need, we've already appointed two very senior Wesfarmers managers to significant roles and more will follow.

Keith Gordon is the Business Integration Director and he comes to that role after a very successful tenure as Managing Director of CSBP.

Terry Bowen's has significantly improved the performance of the Industrial and Safety division in his two years as Managing Director and I have appointed him to the crucially important position of Finance Director of Food, Liquor and Convenience.

Keith has been replaced by Ian Hansen, whom I mentioned earlier, and Terry by Olivier Chretien on an acting basis. I congratulate both on their new roles.

I have no doubt that the combination of existing expertise within Coles and that which we can draw on from within Wesfarmers and externally, will enable us, over time, to achieve the results on which we've predicated this proposal.

Naturally a transaction of this size has required us to make appropriate financing arrangements.

We have put in place a $10 billion syndicated debt facility with a consortium of national and international banks.

While obviously our level of debt has increased, we remain committed to maintaining a strong investment-grade credit rating, outcomes we've achieved with both Standard & Poor's and Moody's.

The continuing strong performance from our existing businesses, combined with the turnaround in the acquired Coles assets to which I've referred, supplemented by proceeds from the Dividend Investment Plan, will provide cash flows that keep debt levels within the range expected by the ratings agencies.

As well as that, if necessary, we have options we could exercise to reduce our debt levels, including the issue of hybrid securities and the continued underwriting of the Dividend Investment Plan.

Obviously we could also use asset sales to reduce debt. I have said many times during the past months we have no need to sell any existing assets to fund this transaction and that remains the case. However, as always, we would consider asset sales if we thought that was in the best interests of our shareholders.

Ladies and gentlemen that's all I want to say at this stage about Coles. As the Chairman has said, we'd welcome questions later in today's proceedings.

Before I sit down I want to thank Trevor Eastwood and the other members of our Board for their support through this process. By support I mean their commitment to the most diligent assessment of all aspects of this transaction, their insightful questioning of all aspects of what's been put before them and their vigilance on behalf of shareholder interest.

And I want to add my heartfelt thanks to what Trevor's already said about the efforts of all those working within the company – and as advisers – on this mammoth deal.

As some said the other day, a good book could be written about this transaction.

But no book could ever record the extraordinary contribution of so many people who've put in so many hours and who've made in many cases great personal sacrifices to bring us to this point. To all of them I simply say thank you for the support I've received and for what you've done to advance the interests of the shareholders of Wesfarmers Limited.

Oh, and one last thing.

We will from next Friday own a wonderful stable of retail businesses – Bunnings, Officeworks, Harris Technology, Target, Kmart, Coles supermarkets, Bi Lo, Coles Express, Liquorland, First Choice and Vintage Cellars.

And as the video noted we'll have more than 400,000 shareholders.

So my request to all shareholders is to try these businesses out and give us your feedback. We really look forward to your support in getting behind these new Wesfarmers' businesses.