



**CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS
TO ANNUAL GENERAL MEETING
THURSDAY, 20 NOVEMBER 2014, 1:00 PM PERTH TIME**

CHAIRMAN'S ADDRESS

Good afternoon ladies and gentlemen.

I'm Bob Every, Chairman of Wesfarmers Limited and, on behalf of the company's Board, I would like to welcome you to our Annual General Meeting in this our Centenary year. It's a special day, and an amazing turn-out. Thank you all for coming along in such great numbers – I think it says something quite profound about this company of ours. I truly hope you are enjoying the experience.

I would particularly like to welcome shareholders attending their first Wesfarmers AGM today and those shareholders who join us via our webcast.

May I thank Gina Williams and Guy Ghose for their beautiful Noongar songs, and Mr Barry McGuire for his Welcome to Country on behalf of the Noongar people, the traditional owners of this part of Western Australia. Thank you Barry, that was wonderful.

I would also like to acknowledge indigenous people of all the regions of Australia. Wesfarmers has grown to be a top 10 ASX company operating in all parts of this great nation, so I acknowledge those indigenous people in all regions where we operate and express the ambition that we share this future together and aligned.

Ladies and gentlemen, I'm more than satisfied a quorum is present today and so I declare the meeting open.

Ladies and gentlemen, on 27 June this year, we celebrated 100 years to the day since this great company began life as a tiny farmers' cooperative here in Western Australia. It is a great milestone.

They didn't know it, of course, but 27 June 1914, was the day before Crown Prince Franz Ferdinand, heir to the Austro-Hungarian Empire was assassinated in Sarajevo, setting off a chain of events which would see Europe plunged into war within months.

Three weeks ago, Richard Goyder and I represented Wesfarmers at the opening of the Anzac memorial in Albany. Wesfarmers contributed \$1.5 million to the project and we did so because we wanted to recognise in some way the immeasurable sacrifice so many young Australians and New Zealanders and their families made at that time. Thousands of young West Australians – many from farming and rural communities – went to war. It was an extremely difficult period for everyone.

That was the cauldron into which Wesfarmers was born. In 1914, the total population of Western Australia was only 300,000.

Today, we've grown into one of Australia's largest companies, employing more than 200,000 people in every part of Australia and several thousand more in New Zealand and Asia.

And we've done it with a succession of strong leaders, good people, and a preparedness to undertake, from time to time, bold growth initiatives.

I take this opportunity to pay tribute to everyone who has contributed to the company's tremendous growth and success over our history, and I include in that our many, many shareholders, past and present.

Thank you all very much.

I'd now like to introduce my fellow directors.

As Chairman, I'm pleased to be able to report to you there continues to be a strong, collegiate spirit among Wesfarmers' Board members and they continue to work very well as a team.

There are four retirements by rotation this year. A little later in the meeting we will be asking you to support the re-election of two of them, Finance Director Terry Bowen and myself.

You'll be hearing from the two of us shortly, but for the time being I'll ask my fellow directors to be upstanding as a group and face the audience while I introduce them.

On the stage here with myself and our Company Secretary Linda Kenyon is, of course, Wesfarmers' Managing Director, Richard Goyder.

As I mentioned, Terry Bowen, is our Finance Director since 2009 who we will be hearing from shortly.

Now, I'd like to introduce James Graham. James is our longest serving Board member having been on the Board since 1998.

Next, Tony Howarth, who joined the Board in 2007 and is Chairman of our Audit Committee.

Next, Diane Smith-Gander, a Board member since 2009.

Wayne Osborn joined the Board in 2010 and is Chairman of our Remuneration Committee.

Vanessa Wallace, a Board member since 2010.

Next, Paul Bassat who joined the Board in 2012.

And, Jennifer Westacott, who was appointed as a director last year.

Next, we have one of our long-serving Board members, who retires at today's meeting, Charles Macek. Charles has been on the Board since 2001.

Our other long-serving Board member, who retires today is, Colin Carter. Colin joined the team the following year, in 2002. Unfortunately Colin is unwell and couldn't travel from Melbourne to be with us today.

Both of these men have given the company absolutely brilliant service and on your behalf I would like to thank them most sincerely.

I would also like to put on the record the appreciation of the entire Board, past and present, for the great contributions Charles and Colin have made to Wesfarmers.

Thank you, gentlemen. Your experience, knowledge, insights, humour and wisdom will be missed. On behalf of everyone here today, thank you very, very much and we wish you both well for the future.

Also with us today, of course, are the Group's current senior executives, including the Managing Directors of the divisions and, on your behalf, I welcome them and thank them for their efforts during the year.

As you would have seen coming into the meeting, all of our businesses are well and truly represented here today.

So if you do have particular matters you wish to raise that go to the detail of any of those operations, and which neither I nor Richard Goyder would be able to answer during Question Time, please do make contact with those people after the formal meeting.

As you'd be aware from the Notice of Meeting, there are seven items of business to be discussed when we move into the formal part of the meeting.

But before that I'll make some general observations about the last 12 months or so and what lies ahead. Then Richard Goyder will comment in more specific terms on the company's business activities and after that I will return to open the formal proceedings.

Wesfarmers again performed well in the last financial year and I believe we have good reason to continue to be confident about the future.

While our operating revenue grew by 4.2 per cent, we were able to report an 18.9 per cent increase in net profit after tax of \$2,689 million for the full-year.

Excluding non-trading items, net profit after tax increased 6.1 per cent and earnings per share rose 6.8 per cent.

The divestment of our Insurance division and our 40 per cent interest in Air Liquide WA (ALWA) has meant that, in addition to the special 'Centenary' dividend of \$0.10 per share that was paid in October, the directors have also been able to recommend further capital management via a distribution to shareholders of an additional \$1.00 per share. This is subject to shareholder approval at today's meeting.

Wesfarmers' stated objective since listing as a public company 30 years ago has been to provide a satisfactory return to shareholders. That remains, and will continue to remain, the central focus of our financial efforts.

This year, the directors were pleased to declare an increase in the final dividend to \$1.05 per share fully-franked, taking the full-year dividend to \$1.90 per share, an increase of 5.6 per cent on the previous year.

In addition, at end-of-year results time, a special Centenary dividend of ten cents per share was declared taking the total dividend to \$2.00 for the 2014 financial year.

I mentioned earlier that 2014 is our Centenary year. It is also the Centenary year of another great Australian business icon, Coles, which began life as a family-owned variety store in Melbourne in April 1914.

It is a remarkable coincidence that the two centenaries occur in the same year, but even more remarkable has been the turnaround in Coles since Wesfarmers acquired the business in 2007.

Coles was a business in deep trouble and it was the strength and innovation of Wesfarmers that turned it around. It could have gone another way. Another purchaser might have stripped off assets and put off staff. Instead, Wesfarmers brought in world class talent, increased employee numbers and invested in Coles' infrastructure and suppliers.

We can all take pride in the fact that Coles is once more a thriving, dynamic Australian business delivering significant benefit to Australian consumers and wider economy.

In 2014, Coles delivered earnings growth of 9.1 per cent to \$1,672 million, building on the strong earnings growth in the years since our acquisition of the business. It's an outstanding result.

Ian McLeod has moved on to a new executive role in the company, but he and new Managing Director John Durkan, and the entire turnaround team at Coles deserve tremendous credit for the transformation they have delivered in that business.

Of course, we have other great businesses in the Wesfarmers Group and without them we would not have had the financial strength to endure the Global Financial Crisis and provide cash for the Coles turnaround.

In Home Improvement and Office Supplies, led by John Gillam, we have the amazing Bunnings, where earnings in 2014 increased 8.3 per cent to \$979 million, another very strong result with growth across all key business segments as customers responded to improved value, range and service.

Officeworks' earnings increased 10.8 per cent to \$103 million – a truly outstanding result in a challenging sector, and a great tribute to the innovative work by Mark Ward and his team.

At Kmart, a business that was in deep trouble making hardly any money six years ago, the team under Guy Russo's leadership had earnings growth of 6.4 per cent to \$366 million this year, building further on the stellar growth of recent years.

Kmart today really has become a great story in Australian discount department store retailing – a sector facing some major challenges.

Finding the right settings to navigate those challenges for Target has been difficult and performance there still disappoints.

Following the non-cash impairment made to the carrying value of Target as part of the 2014 result, Stuart Machin and his new team are progressing their transformation plan, implementing a raft of changes to fix the basics.

Earnings fell 36.8 per cent in the year to \$86 million following challenging trading conditions and increased clearance activity needed to clear high levels of excess inventory. We do expect earnings to recover but we recognise this will take time.

The performance of our industrial businesses reflects global factors which have had an impact on Australian commodity prices and subsequent knock-on effects for the domestic economy.

A significant fall in export coal prices meant our Resources division's earnings fell 12.2 per cent to \$130 million in 2014. Managing Director Stewart Butel's strong focus on cost management at the Curragh mine has meant continued improvement in operational performance with better unit mine-cash-cost results. The business is performing extremely well in difficult circumstances.

The Chemicals, Energy and Fertilisers division, led so well by Tom O'Leary, reported earnings of \$221 million, which does not include the \$90 million gain on the sale of our 40 per cent interest in Air Liquide WA. That underlying earnings figure is about 11.2 per cent down on last year.

A major expansion of the ammonium nitrate plant capacity at Kwinana was completed within time and budget.

Kleenheat Gas was negatively affected by lower gas content in the Dampier to Bunbury natural gas pipeline, but a record grain harvest and strong pricing meant fertiliser sales improved in the second half of 2014.

The Industrial and Safety division, excellently led by Olivier Chretien, contributed earnings of \$131 million, compared with \$165 million the previous year, a fall of 20.6 per cent. This was a solid result given challenging conditions as customers in resource industry-related businesses reduced activity and focused on cost reduction.

The Insurance division businesses were divested during 2014. The underwriting operations in Australia and New Zealand were sold to Insurance Australia Group, IAG, and the broking and premium funding operations were sold to Arthur J. Gallagher and Co.

But, for the year ended 30 June, Insurance recorded earnings of \$220 million, a record, up 7.3 per cent on the previous year.

Special thanks goes to Anthony Gianotti and those in the Insurance division who continued to perform so well during the divestment period. It would be impossible to overstate how well they did under the circumstances. It is a great testament to their professionalism.

In summary, 2014 was another year of solid performance. Our focus, as always, has been to provide satisfactory returns to our shareholders, and to do it in a sustainable way. Our performance over time is there to be judged.

Since listing, and at yesterday's market close, Wesfarmers has delivered compound annual growth in total shareholder returns (TSR) of 21 per cent, 89 per cent more than the rate of TSR growth achieved by the market as represented by the All Ordinaries Index.

Over the past 10 years, Wesfarmers has delivered compound annual growth in total shareholder returns of 10 per cent, 13 per cent more than the rate of TSR growth achieved by the ASX 200.

Throughout our 100 year history, Wesfarmers has had a reputation for the highest ethical standards and of contributing strongly to the communities in which we operate.

We want to be a company which creates value for all our stakeholders and, in doing that, we know we have to guard our reputation fiercely.

Many of you will have seen recent reports of the ACCC's Federal Court actions against Coles for alleged unconscionable conduct. As the matters are now before the Court, I am not able to comment on specific issues or allegations made until the matter has been finally determined.

However, let me make these points.

The ACCC commenced its investigation in June 2012 and the Board has had strong oversight of the matter since it began and continues to monitor it closely.

There is no doubt Coles has made some mistakes in the past. Since the investigation started Coles has taken many steps to seek to avoid similar problems in the future.

These steps include significantly strengthening its codes of conduct; additional training of buyers on competition laws; the development of an internal 'supplier charter'; negotiation with the Australian Food and Grocery Council and Federal Government of a binding grocery industry code of conduct; and the establishment of an informal and low cost dispute resolution process for suppliers administered by former Victorian Premier Jeff Kennett.

We believe Coles' current relationships with its suppliers are now much improved and generally very good.

Ladies and gentlemen, the founders of this company were not simply individuals endeavouring to enrich themselves, but people who truly wanted to build the resilience of their community and thereby enjoy sustainable success for themselves and their families. That focus on sustainability hasn't changed.

Wesfarmers will only be sustainable as a corporation if, in addition to continued financial success, we adequately address a range of other issues which are both significant in their own right and which contribute to financial outcomes.

Yesterday we launched our 17th Sustainability Report. For the first time, this year the report is a purely on-line document – we're cutting back on paper use!

Ten sustainability principles have been identified as being the most 'material' to us as a Group. Each of our divisions is applying these principles to its business, taking into account the specific circumstances of its operating environment and is encouraged to set its own internal targets in relation to these principles.

These ten principles, which we will report against annually, are:

Our people

- We will maintain a relentless focus on providing safe workplaces.
- We strive to create an inclusive work environment, with particular attention to gender diversity and the inclusion of Aboriginal and Torres Strait Islander peoples.

Sourcing

- We are committed to strong and respectful relationships with our suppliers.
- We will strive to source products in a responsible manner while working with suppliers to improve their social and environmental practices.

Community

- We will make a positive contribution to the communities in which we operate.
- We will work constructively with governments and their agencies in relation to issues in the national interest.

Environment

- We will strive to improve the emissions intensity of our businesses and improve their resilience to climate change.
- We will strive to reduce our waste to landfill and water use where possible.

Governance

- We will maintain robust corporate governance policies in all our businesses.
- We will regularly and openly listen to our stakeholders.

Sustainable success has always been our objective. In reality, there is no other kind. The ability to achieve that sustainable success, in turn, depends upon us providing a safe, rewarding and satisfying working environment.

Two years ago, the leadership team took on the challenge of reinvesting in and reinvigorating our safety effort. It is pleasing to report 2014 saw a significant improvement in our total recordable injury frequency rate across all divisions. That's good for everyone.

Last year I said we wanted to see a step change in our safety culture. It's a long journey but we have made a good start.

I want to thank and congratulate all the tens of thousands of Wesfarmers employees who have been part of that magnificent effort.

Ladies and gentlemen, I'd like to return now to where I began. This year is our Centenary year.

To help us mark the occasion we've had a series of events which kicked off in February with the launch of our official history written by renowned Australian author Peter Thompson.

Peter has come all the way from London to be with us here today. He will be signing some books after the meeting, and I just want to thank him for what is a magnificent record of the company.

The culmination of all the many things we have done this year, from the community concert in Northam to gala dinners in the Sydney and Melbourne Town Halls, is today's meeting and the festivities surrounding it. To everyone who has played a part in organising, attending or supporting in any way, shape or form, I express my deepest gratitude.

Ladies and gentlemen, that's enough from me for the time being. I would now like to introduce our Managing Director Richard Goyder who will provide an update on the current trading of each of the Group's divisions and on the company's strategic direction as we look forward.

After Richard has spoken and we've worked through the meeting agenda there'll be time for questions, followed by, I hope, many of you staying to enjoy some refreshments in the foyer.

Please now welcome, the Managing Director and Chief Executive of Wesfarmers Limited, Mr Richard Goyder.

MANAGING DIRECTOR'S ADDRESS

Thank you Chairman.

Good afternoon and welcome to the 2014 Wesfarmers AGM, in this our Centenary year.

I want to echo the Chairman's thanks to Barry McGuire for his Welcome to Country and I would also like to acknowledge the traditional owners of the land on which we meet, the Noongar people, and pay my respects to their elders past and present.

This year marks five years since Wesfarmers first implemented a reconciliation action plan and I am pleased with the progress that has been made across the Group in areas such as Aboriginal employment, investment in Aboriginal education and increased purchasing from Aboriginal owned businesses.

We now employ over 1,700 Aboriginal team members and continue to support reconciliation through education, secondments and commerce.

There is still much work to be done, and through 2015 we will remain committed to our goal of achieving a workforce that reflects the communities that we serve.

2014 has been a special year for Wesfarmers with the celebration of our Centenary allowing us to reflect on the rich history of our company and the many stories of its people.

It has also been a successful year, with increases in the Group's reported and underlying profit and strong performances in many of our businesses.

Today I am going to give a brief update on how each of the businesses is performing, and then make some comments about how we are positioning the company for sustainable long-term success, reflecting on some of the stories that have come through during the Centenary celebrations.

Trading update

We provided a detailed update to the market on the performance of our retail businesses through the first quarter sales announcement at the end of October.

The release is available via our website so I am not going to double up on the comments that we have made earlier but will give a general overview of how each of the businesses is going.

Sales across our retail portfolio have been generally pleasing as the businesses continue to invest in productivity initiatives, lower pricing, enhanced merchandise offers and improvements to our store networks.

Coles has made a strong start to Financial Year 2015, with growth in the supermarkets business supported by further value investments resulting in continued improvements in sales density, transactions, basket size and fresh participation.

Through the important Christmas period and the balance of the financial year, Coles will continue to look for opportunities to drive value for Australian consumers through lower prices and increasingly targeted offers through its flybuys program.

We are doing a lot of work to improve the Coles liquor businesses including boosting management, a restructuring of the store support centre and the development of plans to accelerate store closures and reset the range.

In the Home Improvement and Office Supplies division, Bunnings has continued to perform strongly across all key trading regions, all product categories and in both consumer and commercial areas.

Bunnings' strong trading momentum has stemmed from good contributions from all growth drivers in Bunnings' strategic agenda. In particular there is an ongoing focus on creating more value and investing to further enhance experiences for both consumer and commercial customers.

Customers are responding favourably to Officeworks' 'every channel' strategy and the year to date performance of the business has been particularly pleasing – building on the positive results achieved during the past 24 months.

Kmart remains committed to providing everyday items at the lowest prices for Australian families. Kmart's sales growth for the year to date has been driven by growth in the core ranges of Kids and Home, together with good results from seasonal and sporting apparel. Kmart is well placed going into the Christmas period and will again be running the Kmart Wishing Tree appeal with the Salvation Army this year. The appeal is now in its 27th year and is aiming to collect 500,000 gifts for people in need. Any support you can give will be welcomed.

Target's sales performance continues to reflect the transformation that is underway within the business.

Following the non-cash impairment made to the carrying value of Target as part of the 2014 result, the business has implemented a number of the significant changes required to improve the business. Although there remains much to do, better ranges are already being delivered for summer, with improvements in fashion, style and quality at lower prices.

In relation to outlook, all of our retail businesses are now focused on delivering a strong result over the important Christmas period and preparations are well progressed.

In our industrial businesses, low export coal prices are continuing to make for difficult trading conditions in the Resources division. The teams at Curragh and Bengalla remained focused on productivity and cost control and the results that have been achieved in reducing mine costs have been pleasing.

The acquisition of Mineral Development Licence 162 in January of this year and investments in improving operating efficiency at Curragh reflect Wesfarmers' confidence in the long-term outlook of our coking coal business.

As the Chairman has mentioned, the Chemicals, Energy and Fertilisers division completed a significant ammonium nitrate expansion during the year. This project was completed on time and within budget and, most pleasingly, without any injuries.

The plant is now fully operational and the division is expected to benefit from a full-year of expanded ammonium nitrate capacity.

Market conditions for our Industrial and Safety division remain subdued, as customers continue to look to reduce costs. Within this environment, the division is focused on opportunities to operate more efficiently and to expand its addressable market.

The agreement to acquire Pacific Brands' Workwear Group for \$180 million, which was announced in August, received ACCC clearance today and is now expected to complete at the beginning of next month. This transaction will enable the division to deliver an expanded offer to its customers and presents development opportunities in new markets.

I would also like to take this opportunity to acknowledge the contribution that has been made by the Wesfarmers Insurance division over many years. My thanks to all the employees, many of whom had significant tenure with the Group, and who contributed to the growth of this business.

In particular, thanks to Anthony Gianotti and the team involved in the sale process, which was completed successfully, while the business also delivered a very pleasing earnings contribution in its final year of Wesfarmers ownership.

At a Group level, our balance sheet and cash flow generation remain strong, enabling the continued investment in our businesses and positioning us well to take advantage of growth opportunities, as they arise.

We were pleased to increase the annual dividend again in 2014 and later today we will be asking shareholders to vote on the proposed capital management initiative, which we believe would enable Wesfarmers to equitably return a portion of surplus capital to shareholders and ensure that an efficient capital structure is maintained.

As a company that is now over 100 years old it is amazing to consider Wesfarmers started out in 1914 with an annual budget of 1,000 pounds and just three staff members in offices at 13 Howard Street in Perth, a mere 50 metres from our current head office today.

From these humble beginnings, Wesfarmers has grown to now have:

- A market capitalisation of around 50 billion dollars;
- Annual turnover in excess of 60 billion dollars;
- Over half a million shareholders, who, if they had invested when Wesfarmers listed over 30 years ago would have enjoyed total shareholder returns of 21 per cent per annum. Meaning that \$1,000 invested in 1984 would be worth around \$305,000 today;
- And proudly, nearly 210,000 employees.

As a large company, and Australia's largest private employer, Wesfarmers' recognises the important role that we have to play in the communities in which we operate. I believe that as shareholders we can be proud to be involved with a company that:

- Supports the arts, education, medical research and a variety of community projects;
- Pays its fair share of tax in Australia;
- Is committed to providing a safe and inclusive workplace for our employees;
- Strives to source products in a responsible manner while also working with suppliers to improve their social and environmental practices; and
- Is focused on reducing greenhouse gas emissions and energy use.

The celebration of our Centenary has provided a wonderful opportunity to reflect on the stories of the many people that have contributed to Wesfarmers' development and some of the challenges that the company has overcome during the last 100 years. There are many here today.

The Chairman mentioned the book that has been printed to mark the company's Centenary milestone, and I would encourage shareholders to pick up their complimentary copy outside.

I have often said that the only competitive advantage that Wesfarmers can sustain over the long run is the quality of our people and this is certainly something that comes through strongly from reading the Centenary book, *Wesfarmers 100: The People's Story 1914-2014*.

One of the many personal stories recognised in the book is that of Colin Philpott.

Colin was one of Wesfarmers' longest serving employees and would be known to many of you in the room today.

Sadly, Colin passed away in August this year.

Colin's Wesfarmers story started in 1950 when, despite no positions being open at the time, the managers recognised his talent and created a job for him working in the Midland sales yards. In the 45 year career that followed, Colin went on to work right across WA as one of the Wesfarmers' stock agents and branch managers that were the face of the company for so many years.

In many ways, Colin exemplified the values that still underpin the culture of Wesfarmers today. He was commercially disciplined and always acted with the long-term interests of shareholders in mind. He had a strong sense of community, he was a legend in country football circles - coaching his son Peter against me in under 12s football in Katanning, and made many contributions to sport and education outside of his work with Wesfarmers.

Over his career Colin witnessed significant changes in the Western Australian agricultural industry and at times he and his colleagues had the boldness to make the important decisions that enabled Wesfarmers to grow and prosper in this dynamic market.

The purpose of sharing this story is not only to acknowledge the contributions of a true Wesfarmers person, but also, to remind us that it will be the quality of our people and our ability to take a long-term view that will underpin the sustainable success of Wesfarmers.

It is these qualities that Colin embodied that we must ensure the organisation never loses.

As I consider the issues we face in modern markets with:

- rising competition from international operators;
- increasingly disruptive technological changes; and
- the constant (and in my view misplaced) call for more regulation and protectionism.

I am confident that it is the integrity and boldness of our teams – thousands of true Wesfarmers' people, people like Colin – that will support us as we face into the opportunities and risks that these challenges provide.

In looking to the future, and as we position Wesfarmers for sustainable long-term success, we will continue to:

- Strengthen our existing retail businesses through ongoing investment in value for customers and initiatives that will support operational efficiencies;
- Drive innovation across our product ranges and categories, extending brand and channel reach;
- Maintain a focus on cost control and productivity improvements across our industrial businesses, considering incremental expansion opportunities where it makes sense to do so;
- Manage the Group's portfolio in a disciplined manner, ensuring that we maintain the capability to evaluate opportunities where long-term shareholder value can be created, and move on these opportunities at the right time;
- Look after the safety of our people and the environment; and
- Continue to make positive contributions to the communities in which we operate.

We have strong leadership teams across our businesses and an amazing depth of talent through the nearly 210,000 Wesfarmers employees. I would particularly like to thank the Wesfarmers Leadership Team and Board for the support they give me. My sincere thanks and gratitude goes to Charles Macek and Colin Carter for their support, wisdom and ideas as directors, we will miss them. I am very confident that through our people we will be able to ensure that Wesfarmers continues to deliver sustainable success.

I consider it a privilege to lead Wesfarmers and thank you for your ongoing support as shareholders.

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