WESFARMERS LIMITED
CHAIRMAN'S ADDRESS - ANNUAL GENERAL MEETING 2000

Chairman

Ladies and gentlemen and special guests – once again I would like to extend a warm welcome to you all.

I hope you enjoyed the 2000 video and that it helped to broaden your understanding of the Wesfarmers group.

Results

It is pleasing for me to report on another year in which record levels of revenue and profits were established.

In the 2000 financial year the Wesfarmers group profit topped the $200 million mark for the first time. This was after tax and before abnormal items and the amortisation of goodwill.

The profit of almost $202 million was nine per cent higher than last year’s comparative result of $185 million which was – incidentally – also a record at that time.

The activities and performances of each of our operating business units have been covered in detail in the company’s annual report and in the corporate video which we have just watched.

I don’t propose going into a lot more detail about these business activities now, other than in fairly broad terms.

Highlights of the year included another outstanding contribution from the group’s hardware retailing business, trading in all mainland States and Territories under the Bunnings name.

Equally pleasing was the significant profit turnaround by the rural/insurance and forest products operations.

Revenue and earnings from the group’s energy businesses also improved on last year with a positive first-up contribution from the new Bengalla coal mine in the Hunter Valley in New South Wales.

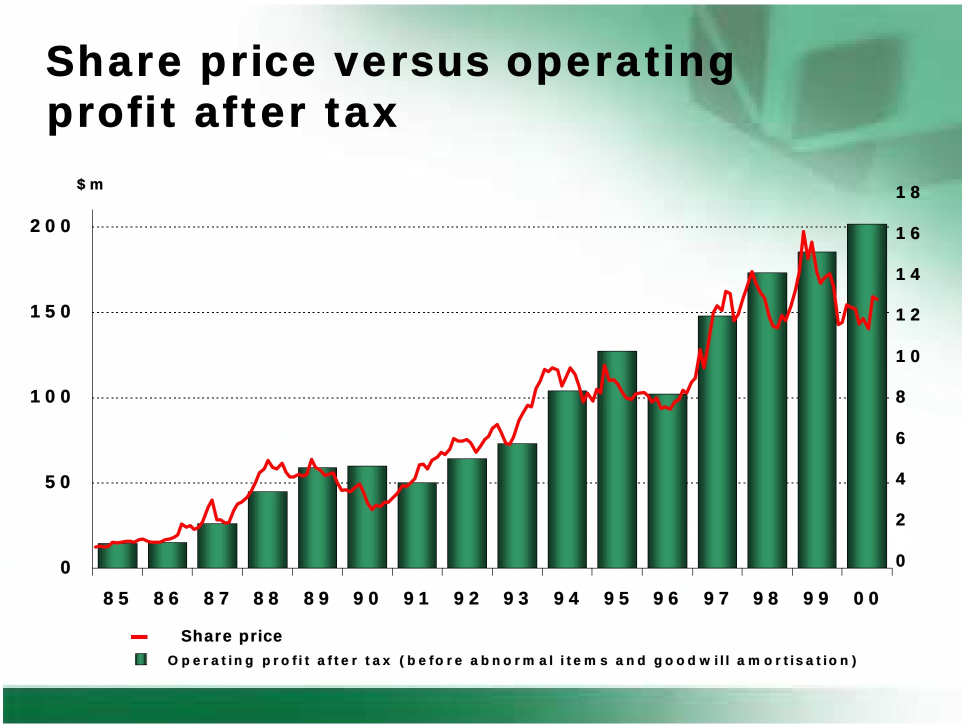
But the year was not without its disappointments and reduced contributions were recorded by fertilisers/chemicals and transport. These businesses were affected by difficult trading conditions which persisted throughout the year.

The fluctuating levels of success and difficulty experienced by our business units is a reminder to us of the value of diversification.

Our diversified portfolio of businesses exposes the group to a broad range of industry sectors and minimises the adverse affect that cyclical downturns can have on revenue and earnings.

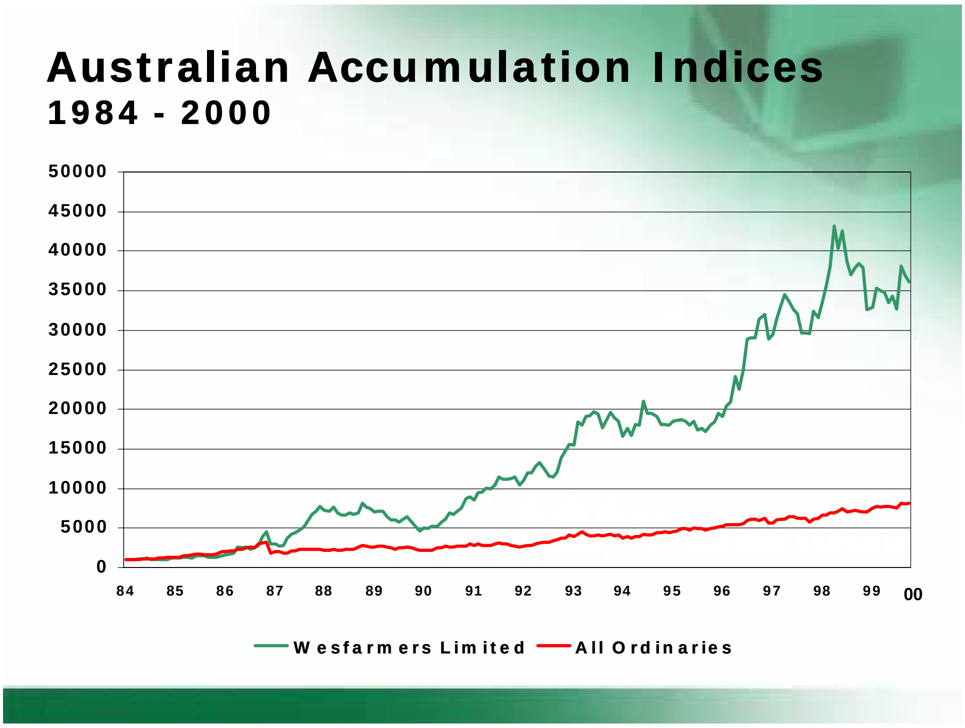
Just imagine what the company’s profits would have been over the last few years if we had not diversified.

In our annual report we published two graphs which demonstrate the growth and success of Wesfarmers and I would like to present them again today.



The first graph shows, as green bars, the Wesfarmers group operating profit after tax and before abnormal items and goodwill amortisation in the 16 years since listing on the Australian Stock Exchange in 1984.

Superimposed over this impressive record as a red line is the Wesfarmers share price which has mirrored the significant growth in profits over this period.



The second graph illustrates the substantial returns that have been made to shareholders over that same period.

An investment of $1,000 in Wesfarmers at the time of listing would be worth $36,000 today if all dividends had been reinvested.

This compares with around $8,000 for an investment of $1,000 in the basket of stocks comprised in the ASX All Ordinaries Index.

Wesfarmers has been one of the top performers amongst Australian companies for some years. For example, over the ten year period ended 30 June 1999, Wesfarmers was ranked number six in Australia's top 50 companies, as measured by total shareholder return. In the previous three ten-year periods ended 30 June 1996, 1997 and 1998, Wesfarmers was ranked number one, number two and number eight, respectively.

It is no coincidence that Wesfarmers has achieved these results while maintaining strict guidelines on how much it should be willing to pay for assets.

Wesfarmers has been a "value investor" and, as a result, its assets provide good returns.

We have never been driven by ambitions related to size. Wesfarmers has steadfastly avoided a "growth for growth's sake" approach in its investment strategy.

Our total focus has been on shareholder return – a theme taken up in this year's annual report – and illustrated by our sole corporate objective:

> "to provide a satisfactory return to shareholders"

Interestingly, when you focus on shareholder returns and you achieve your objectives you do achieve growth, as our company has demonstrated.

This leads me to Wesfarmers' latest business acquisition which was announced last week. That is – as many of you will have heard – our successful bid to acquire the Westrail Freight business in joint venture with United States based Genesee & Wyoming. The joint venture will pay $585 million to purchase the Westrail business including rolling stock, customer contracts and a 49-year lease on the rail network.

In addition the joint venture expects to outlay up to $400 million over the next five years on track upgrades and the purchase of new rolling stock to meet anticipated growing demand for rail freight services.

Another important feature of the arrangement is that the joint venture will own both Westrail Freight and the South Australian rail freight operations acquired by Genesee & Wyoming three years ago.

Your board is delighted to have been chosen as the successful bidder and to be in partnership with a world-wide rail operator, in a project that will be earnings-per-share-positive for Wesfarmers from the outset.

Now I would like to turn my attention briefly to the Wesfarmers trading results for the first quarter of the current year.

These results were released to the Australian Stock Exchange following a meeting of the Wesfarmers board earlier today.

In the three months period, the group recorded a profit after tax of $42.6 million, which was 48 per cent higher than last year's figure of $28.8 million. This result was achieved on operating revenue of $899 million which was 23 per cent higher than last year's $729 million.

These are impressive numbers.

One of the main reasons for this growth is the contribution made from our expanded coal mining interests. The Queensland Curragh coal operations, acquired from Arco just before the end of the last financial year – have made a pleasing contribution above our expectations. Likewise a useful contribution was made by the Bengalla coal operation in New South Wales now in its second full year of operation.

With regard to Curragh, I am pleased to announce today that in October the company was granted an additional mining lease known as "Curragh East". This was anticipated at the time of acquisition and the final $47 million payment to Arco was made last week. This deferred payment was part of the total purchase price of $200 million announced at the time of the acquisition. Securing the Curragh East permit significantly increases available coal reserves, enabling Curragh progressively to increase production from about 4.5 million tonnes to 5.5 million tonnes per annum. Work on the new lease area will commence in January 2001.

The Bunnings hardware retailing business has had a strong first quarter with operating revenue 16 per cent above the same period last year. This is particularly gratifying given the general expectations of slower sales activity in the post-GST period after 1 July and in the period of the Olympic Games.

The company's gas businesses continue to be affected by very high international LP gas prices. For the LP gas export business this is a positive but for Kleenheat, the national distributor, it is a significant negative.

As world LP gas prices rise, Kleenheat is unable to pass on the full cost of the increases and suffers margin reductions. Thus in the latest quarter, the company's profit was significantly below budget and only in line with last year's despite volume growth.

This is not well understood in the general community, and Kleenheat tends to be unfairly criticised when autogas and cylinder prices rise.

It is pleasing that the recent Western Australian Parliamentary inquiry into fuel prices strongly recommended increased use of LP gas as a vehicle fuel. We welcome the Government initiative that followed the committee's report and Kleenheat has launched a new incentive package to support the Premier's proposal.

All other business units have reported first quarter results which were ahead of budget.

I should point out, however, that first quarter results are not always useful in predicting full year earnings trends due to the seasonal nature of some of the group's businesses.

Nevertheless, we are encouraged by the figures and remain confident about achieving another good increase in profit for the full year.

In the annual report we described the full year prospects in some detail and at this stage we have no reason to change those views.

Before I conclude this presentation today, it is appropriate that I acknowledge the important role played by all of our employees. One of the real strengths of our group is the quality of our people at all levels. I would like to take this opportunity to thank them publicly for their untiring efforts and loyalty to Wesfarmers.

Thank you for your attention.