

WESFARMERS LIMITED
ANNUAL GENERAL MEETING - 8 NOVEMBER 2005
CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS

Good afternoon ladies and gentlemen.

I am delighted to welcome you to the 24th annual general meeting of our shareholders.

This is my 3rd Annual General Meeting as Wesfarmers' Chairman after, of course, attending many such gatherings as a director and previous to that as an employee. It's wonderful to see so many familiar faces and to welcome those of you who are attending for the first time.

In the lead up to these meetings there's contact with a lot of people. We hear from investors and advisers to investors and a range of others who these days take an interest in how a company is managing its affairs. This is quite understandable and something we welcome. The occasion of an Annual General Meeting presents as one of the few opportunities when those of us with either board or management responsibilities come face to face with shareholders.

In all the too-ing and fro-ing to which I've just referred there are often phone calls and letters from those who I like to think of as our grass roots shareholders. They are the private individuals the likes of which were the founders of the company. If you'll indulge me I'd like to refer to one such example that came to hand this year.

Our Company Secretary, Linda Kenyon, received a letter from Gordon and Marilyn Petersen who hail from Mudgeeraba (and I hope I've pronounced that correctly) in Queensland. Gordon and Marilyn said that because they didn't know either me or my fellow directors up for re-election – Dick Lester and Gene Tilbrook – they'd decided to, and I quote, "hook up the caravan and make the trip to the west coast so we can see if these directors will get our vote". Apart from noting they hoped the promised free parking would accommodate the van, the Petersens asked us to "have a cuppa ready".

The letter from Gordon and Marilyn concluded in this way:

"If we do not contact you before the meeting starts it means we did not make it, the old Dodge has been overheating a bit lately. So we have put in our voting paper and will have to take a risk. We have also voted for the directors to get remuneration, we don't think it fair that they do it for nothing."

Well, as it turned out, they didn't make it. The Dodge played up around Lismore and the Petersens' turned back. Never mind maybe Gordon and Marilyn will join us for a cuppa next year.

I've taken the time to mention that letter because it's a good reminder that as directors and managers we have one overriding reason for doing our jobs – that is, to serve as best we can the interests of shareholders.

I also want to make special mention of those people around Australia and indeed around the world who are tuning into today's meeting through the wonders of modern technology via the Wesfarmers website. This is the first time we have web cast the meeting and we very much hope that our audience out there in cyberspace enjoys and benefits from this new feature.

Prior to providing you with an overview of the company for the 2004/05 year, I would firstly like to screen a short video covering some of the activities and achievements of the Wesfarmers group during the last financial year. I am pleased to say the video will also be available to those watching and listening on the website.

After the video has finished, I will return to give the Chairman's address.

This will be followed by an update on the current operational and financial performance of the group's businesses by our Managing Director, Mr Richard Goyder.

Finally, I'll open the formal part of the meeting to consider, discuss and vote on the resolutions set out in the Notice of Meeting.

I now invite you to watch the corporate video.

CHAIRMAN'S ADDRESS

Ladies and gentlemen I hope you found the video informative and that it helped to broaden your understanding of the Wesfarmers group.

As you would have seen in the video presentation and read in this year's annual report, it was another very good year for Wesfarmers with higher earnings recorded by most of the company's main business divisions.

Net profit of \$618 million was achieved, representing an increase of 9 per cent on the prior year, excluding profit from the sale of Landmark in the 2003/04 year. On the same basis, operating revenue of \$8.2 billion was up 6 per cent on last year's.

Earnings per share (before goodwill amortisation) increased by 8 per cent to \$1.88 per share and the full year dividend increased by over 29 per cent to \$1.80 per share.

The Board was especially pleased to be able to also make a capital return to shareholders of \$1.00 per share amounting in total to \$378 million, in March this year.

The group's activities and the performance of each operating division have been well covered in the company's annual report and in the corporate video.

I therefore don't propose going into detail and will confine my remarks to a few general comments.

The contribution made by the Bunnings hardware division for the 2004/05 year was pleasing given the subdued retail sales environment, particularly in the second half of the year.

Revenue was up 6 per cent on the comparative period, earnings were 9 per cent higher and store-on-store growth for cash sales was 5.6 per cent. Richard will have something to say about how things have been going since 30 June in his operational update to which I referred earlier.

The energy division made an outstanding contribution to the group's result with revenue up 18 per cent and earnings up 33 per cent.

The uplift in earnings was mainly due to strong global demand for coking coal and the achievement of record prices.

As you saw on the video, a key milestone during the year was the commencement of mining at the new Curragh North coal development.

The insurance division had an excellent year with profit substantially above expectations despite a more competitive environment.

The industrial and safety division with its maintenance, repair and operating supplies businesses achieved a result marginally down on the prior year.

CSBP's chemicals and fertilisers businesses recorded increased profits.

Mention was made in the video of consideration being given to increasing production of ammonium nitrate. I am pleased to say that today the Board approved a major expansion project, at a cost of about \$200 million which, when completed in 2007, will double the production capacity at CSBP's ammonium nitrate plant.

The 50 per cent-owned Australian Railroad Group achieved improved revenues for the year but earnings were down and the 50 per cent-owned Wespine plantation sawmill made an improved contribution.

No significant divestments were made by the Gresham Private Equity Funds in the 2004/05 year which contributed \$51.4 million after-tax in the prior year. Sale of these Funds' assets are expected over the coming years.

Management changes

A number of significant senior company management changes have taken place since the year end.

As I'm sure you all know, Richard Goyder became Managing Director and Chief Executive Officer in July this year.

Richard would be known to many of you. He joined the company in 1993 and held a number of commercial positions in Wesfarmers Business Development Department, including General Manager. In 1999, Richard was appointed Managing Director of Wesfarmers Dalgety Limited which subsequently became Wesfarmers Landmark Limited, a position he retained until his appointment as Finance Director of Wesfarmers Limited in 2002. In May 2004, he was appointed Deputy Managing Director and Chief Financial Officer.

Richard has demonstrated that he is well equipped to take over the leadership of our company. We were delighted to have been able to select a new Chief Executive Officer from within our strong senior management ranks and look forward to working with Richard and his senior management team in continuing the success Wesfarmers has achieved since listing on the ASX in 1984.

As this is Richard's first AGM in his new capacity I'd ask you to join me in congratulating him on his appointment and welcoming him here today.

Richard of course took over from Michael Chaney who retired four months ago after 13 years as the company's most senior executive.

A tribute to Michael detailing his outstanding achievements, is included in this year's annual report. I would like to take this opportunity to again acknowledge the enormous contribution Michael made to the standing of Wesfarmers Limited as one of the most successful and respected companies in Australia - and to welcome him here today as a shareholder.

Following Richard's appointment as Managing Director, Mr Gene Tilbrook was appointed Finance Director while retaining responsibility for the company's Business Development team. From July this year, Mr David Robb assumed broader responsibilities in the group while continuing in his role as Managing Director of the Energy division. David is now a director on most of the main divisional boards.

Both Gene and David are directors on the Wesfarmers Board.

At the end of the financial year, the managing director of the Industrial and Safety division, Mr Bob Denby, advised of his decision to resign. We extend our appreciation to Bob for his efforts over the last four years in integrating the various businesses in that sector which were acquired as part of the Howard Smith takeover in 2001.

Mr Terry Bowen, a former senior executive with Wesfarmers Landmark, took over from Bob a few weeks ago. Welcome Terry.

Corporate governance

The Board is committed to ensuring the group's governance practices support the company's key objective of "providing a satisfactory return to shareholders".

The Board and management recognise that an integral part of good corporate governance is the existence of a culture of openness, ethical behaviour and strong values. We see this as one of Wesfarmers' great strengths and will continue to foster it throughout the group.

During the year, a number of Wesfarmers' policies and practices were updated to reflect changes in the law and best practice.

A new market disclosure policy was approved by the Board in February.

Enhancements were made to our continuous disclosure processes and practices and senior management have undergone training to reinforce the importance of timely disclosure of price sensitive information to the market.

Improvements have also been made to the approval processes to monitor auditor independence. The Board's Audit Committee has been very diligent in this regard.

Full details of the company's corporate governance policies and practices are included in our annual report and have been posted to the website.

Overall, in governance terms, I think Wesfarmers is in good shape.

Remuneration Report

At this meeting, shareholders will be given the opportunity of voting on the company's remuneration report. This is a new development and follows changes to the Corporations Law. As noted in the Notice of Meeting, the vote is of a non-binding nature.

Full details of Wesfarmers' approach to remuneration for directors and senior executives are included in the report and additional information has been posted to our website. If any matters are not clear we encourage you to ask questions when we come to that item on the agenda.

We had two aims when we designed our remuneration policy.

The first, and it should be no surprise, was that the performance related part of our senior managers' remuneration packages should be directly related to ensuring a satisfactory return to shareholders. This is the prime objective of the company and is the basis of all our planning, budgeting, project appraisals, performance measurements and remuneration strategy.

We have a highly developed sophisticated set of systems which are fully integrated and linked to our objective. All these systems are interrelated to create a single focus for all our people across the group. This is the major reason we use our internal measures for the performance linked parts of senior executive remuneration rather than say Total Shareholder Return, a market favourite.

The second aim of our remuneration policy is ensuring that the overall levels of remuneration are fair and competitive so that we are able to attract, motivate and retain quality people. We believe we have been successful in this and that the quality of our people and systems has been the major contributor to the company's success in creating shareholder value.

Corporate Social Responsibility

Ladies and gentlemen, as was the case last year, we have placed on each of your seats a copy of the 2005 Social Responsibility Report. This report is hot off the press having been received from the printer and released to the ASX only yesterday and continues our now well established practice of providing a very detailed account of what is often described as non-financial performance.

As you know, public companies are required by law to report on their financial activities and you would have received this year's splendid annual report in the mail about a month ago. But there is no compulsion to be publicly accountable on matters that fall outside the mainstream of financial and governance issues – by that I mean things like safety, environmental impacts and community interaction.

The fact that we have been doing this voluntarily since 1998 I think sends a really positive signal to the community that we place a lot of importance on these aspects of our performance. We are still, by the way, in a relatively small minority by reporting in this way – probably about 30 per cent of Australian public companies produce similar sorts of documents.

The front cover this year highlights our community involvement. The photograph shows one of our leading citizens, Professor Fiona Stanley, with students from the Clontarf Football Academy. Fiona's work in delivering better outcomes for young people is well known and out at Clontarf Gerard Neesham and his team are doing a terrific job with the same objective. Wesfarmers is proud to be associated with their efforts.

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 Mr Chairman and good afternoon ladies and gentlemen.

It is a pleasure to report to you in my first year as Managing Director of Wesfarmers. I am honoured to have been given the opportunity to lead such a great company and am grateful for the support I have received from our Chairman, the Board, senior management and all employees.

A month ago I brought together the top 70 managers in the Group for a discussion focused on the future of the company – in fact the theme of the meeting was “The Keys To Our Future”. From where I sit there are three such keys.

First there's direction – and that is perfectly summarized in our corporate objective – to provide a satisfactory return to shareholders.

The second key is the standards we apply in striving to achieve that objective – all the things that guide us as we progress down that path.

And third, but of absolutely equal standing, is the quality of the people we employ. It is simply impossible to over emphasise the importance of attracting and retaining good people in pursuit of sustainable success for Wesfarmers.

You may recall that we no longer report on a quarterly basis but as was the case last year we are taking this opportunity to provide an update to shareholders and the broader market on some aspects of our operations and developments since our full year profit results announcement in August.

We're living in some particularly interesting times.

The economies of Western Australia and Queensland are flat out coping with a boom in resources fuelled by the incredible economic progress of China – and with India set to play an increasingly important part.

At the same time, consumers all over Australia are feeling the impact of high fuel prices and there are concerning signs about the effect of a skills shortage and a higher cost base driven by the pressures of the boom to which I referred.

It's in the context of a booming export economy and a tightening domestic environment that I report on the state of our company.

Hardware

At the time of the full year results we announced that the Bunnings hardware operations had experienced a slowdown in sales growth in the second half of the 2005 financial year, continuing into July.

Falling house prices this calendar year, particularly in eastern Australia, have affected consumer confidence which coupled with high household debt levels has affected discretionary spending. The increased fuel prices of the past months have also clearly had an impact on consumer sentiment.

Normalised cash store-on-store sales growth for the second half of the last financial year was 4.4 per cent. For the July to October period, that figure was just over 1 per cent. Australian trading conditions were subdued in the September quarter.

Despite the less buoyant trading conditions, assessing Bunnings performance against external benchmarks indicates that market share is being gained.

The vigorous expansion of the Bunnings Warehouse network continues, with four new warehouse stores opening in the July to October period and another seven stores currently under construction. It is likely that store openings for the 2006 financial year will exceed last year's.

We believe that Bunnings has never been in better shape. Our confidence in the state of the business and its future is demonstrated by continuing an aggressive roll-out of new warehouse stores and acceleration of the refurbishment of existing stores. The exciting new product range at the Vermont South warehouse in Melbourne is a great example of Bunnings' commitment to constantly innovate and improve its offer.

Energy

The Energy division, continues to perform well and remains focused on improving its existing operations while completing the Curragh North coal development in Queensland.

Continued global steel industry growth will benefit our Curragh coal operations and we expect exports of metallurgical coal in the range of 6.4 to 6.8 million tonnes this financial year, subject to satisfactory mine, rail and shipment performance. This is slightly below our previous target of around seven million tonnes, due to operational and logistical issues, but a very big increase on the 2004/2005 export total of 4.6 million tonnes.

The \$360 million Curragh North mine development remains on track and the team at Curragh continues to do a magnificent job in managing this very important project.

On the steaming coal side, Wesfarmers' 40 per cent investment in the Bengalla coal mine should provide solid returns this year despite continuing port constraints and lower spot export thermal coal prices.

Performance at the Premier coal mine at Collie in Western Australia has returned to normal following industrial disruption earlier this calendar year.

We were delighted when Premier was selected in August this year to supply Western Power Corporation's ongoing coal requirements from 2010 for its existing coal-fired power stations. Providing we continue to improve mine productivity, this agreement should underpin the long-term value of the Premier mine for our shareholders and the Collie community.

Energy's gas and power businesses are operating in challenging times characterised by margin pressures due to continued high LPG and diesel prices and by lower LPG production due to lower content in the gas flows to our plant at Kwinana which will lead to lower export volumes this year.

The Energy group's focus on sustainability continues and in September Premier Coal was successful in winning the prestigious Western Australian Department of Industry and Resources 'Golden Gecko Award' for Environmental Excellence in the Minerals and Petroleum Industries.

Industrial and safety

The performance of the industrial and safety division is similar for the same period last year. Continuing strong demand from the mining sector in Queensland and Western Australia has offset weaknesses in the manufacturing sector and in parts of the New Zealand business.

Insurance

In the first quarter of trading for the Insurance division, all businesses performed very well although competition for quality business is increasing.

We are expecting another strong performance from this division this year.

Chemicals and fertilisers

In CSBP, demand for mining chemicals in Western Australia remains very strong on the back of the strength of the resources sector. Fertiliser sales are traditionally low at this time of year. Demand in early 2006 will be dependent on a reasonable seasonal and price outlook, but volumes for the first quarter are in line with last year.

As the Chairman mentioned briefly earlier, the Board has today approved the expansion of CSBP's ammonium nitrate manufacturing capacity at Kwinana. When this \$200 million project is complete in mid-2007, CSBP will double its output from the current 235,000 tonnes to 470,000 tonnes.

Other

First quarter results for our rail joint venture, the Australian Railroad Group, were lower than for the comparable period due to lower grain revenues and the impact of higher fuel prices. With a favourable harvest outlook in Western Australia and South Australia, the ongoing growth in commodity export volumes and new contracts, the outlook for the remainder of the 2005/06 year is positive.

The Gresham Private Equity Fund is expected to achieve some asset realisation this year. This should provide a useful contribution to the Group's results.

Balance Sheet

The company's balance sheet remains in very good shape and we have strong cashflows.

All this means that we are in a very good position to take advantage of opportunities as they arise.

And we are, as always, actively assessing many growth initiatives. The evaluation of these opportunities is framed against the cast-in-stone principle of acting with a strong shareholder focus.

This financial year we have budgeted record capital expenditure of around \$900 million. This is a major programme by any measure and I think it is a very good reminder of our commitment to strong, organic growth in areas which we believe will be to the benefit of our shareholders.

Ladies and gentlemen, there are times in the life of a company when people take a positive view on the outlook and then there are times when a more negative mindset prevails. We've been through both periods at Wesfarmers and I have no doubt the cycles will repeat.

Our job, and our focus, is to run our business as well as we can in the prevailing environment; to look for opportunities to grow in ways that benefit shareholders; to manage the portfolio of assets and to do all this with a view to the longer term.

So all in all, ladies and gentlemen, we feel that the outlook for the group remains very positive given our terrific assets, the wonderful people who work for us and our very healthy balance sheet.

I look forward very much to taking questions on any aspects of the company's activities later in today's proceedings.

Chairman's address (continued)

Before I conclude this presentation today, I would like to acknowledge all of our employees. One of the underlying strengths of the group is the quality of its people. Their commitment to Wesfarmers underpins the excellent results achieved this year. On behalf of the Board, I would like to thank all employees for their great efforts.