CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS TO ANNUAL GENERAL MEETING – WEDNESDAY, 9 NOVEMBER 2011, 1:00 pm PERTH TIME

CHAIRMAN'S ADDRESS

Good afternoon ladies and gentlemen.

My name is Bob Every, Chairman of Wesfarmers. On behalf of the Board, I'd like to welcome you to our 30th Annual General Meeting. Welcome to all those joining in by webcast, and a special welcome to all those participating in their first Wesfarmers AGM.

A quorum is present and I now declare this meeting open. I propose to take the Notice of Meeting as read.

Could I start today's proceedings by thanking Professor Colleen Hayward for her Acknowledgement of Country on behalf of the Noongar people, the traditional custodians of this part of Western Australia. Thank you Professor Hayward.

Introduction of the Board

To begin proceedings I would now like to introduce the members of the Board. As Chairman I regard it as a privilege to work with such a talented group of directors.

You'll be hearing briefly from those directors standing for re-election later today, but for the time being, I'd just like each of my colleagues to stand as I call out their names.

On the stage here with me, alongside our company secretary Linda Kenyon is, of course, Wesfarmers Managing Director, Richard Goyder.

In the front row are our other directors.

Firstly, James Graham, a member of the Board since 1998. James is a member of the Remuneration and Nomination committees.

Charles Macek, who has been with us since 2001. Charles is a member of the Audit, Remuneration and Nomination committees.

Colin Carter, who became a non-executive director of Wesfarmers in 2002. Colin is a member of the Remuneration and Nomination committees.

Next, Tony Howarth, who came on the Board in 2007. Tony is Chairman of the Audit Committee and a member of the Nomination Committee.

Diane Smith-Gander, who became a Board member in 2009 and is a member of the Audit and Nomination committees.

Next Wayne Osborn, who joined the Board in March 2010. Wayne is a member of the Remuneration and Nomination committees.

Vanessa Wallace, who joined the Board in July, 2010. Vanessa is a member of the Audit and Nomination committees.

And finally, the other executive director of the Board, and I'd ask him to stand now, is our Finance Director, Terry Bowen.

In the audience, also, today are the Group's 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 this afternoon, 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 in the foyer outside.

Could I also acknowledge in the audience today former chairman and managing director, Trevor Eastwood and his wife Judy, as well as all other former Board members and senior executives.

Meeting Format

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

But before that I'll make some general observations about the last 12 months and what lies ahead of us.

Richard Goyder will then comment in more specific terms on the company's business activities and after that I will return to open the formal proceedings.

Year in Review

Ladies and gentlemen, the objective of Wesfarmers has been and will continue to be 'to create value for our shareholders' – and, in so doing, create value for all stakeholders, our employees, customers, business partners and the communities in which we all live and work.

We endeavour to run our businesses to the highest ethical standards to be sustainable in the long-term and in a way that upholds and enhances the reputation Wesfarmers has built up over almost 100 years of existence.

There is no doubt it's been a challenging year, but it's been a year in which we have seen the best of Wesfarmers' values come to the fore.

Our divisions have been impacted by floods in Queensland and Victoria; Cyclone Yasi in Queensland's north; bushfires in Western Australia; and the devastating Christchurch earthquakes.

At the same time, the domestic economy has been feeling the aftermath of the global financial crisis, including continued volatility in global financial markets, sovereign debt issues in Europe and challenging economic conditions in the US. It's hardly surprising Australians are opting to save rather than spend at the moment, with such a collision of natural and human-induced events. Yet, as we meet here today, we can be proud of how our company has met these challenges.

We can be proud of our people right around Australia who have, in the past year, dealt with the personal pressures of natural disasters, combined with the additional and sometimes extraordinary workplace demands these events have brought.

We can be proud of the resilience and determination they have shown by helping their communities in times of need, such as the tragic Queensland floods in January.

We'll now turn to a brief presentation on some of Wesfarmers' involvement in the aftermath of those devastating floods.

Ladies and gentlemen, we are well-equipped as a company to deal with the challenges thrown at us because there has been a consistency in the way our company has operated for nearly a century.

The way we conduct our daily business is guided by four principles: integrity; openness; accountability; and boldness. Integrity in the way we conduct business. Openness in our dealings. Accountability in taking responsibility for our actions. Boldness in the pursuit of creating value for our shareholders.

These values have equipped us well to deal with the operational challenges presented by external events. And they have served us well in creating wealth, not only for our shareholders, but our employees, customers, suppliers, business partners and the communities we serve.

Board

Over the course of the year the Board reviewed the Group's governance structure and revised a number of the company's policies, charters and protocols. The Board also examined current governance issues, including the mode and timing of election of directors and tenure.

A performance review by the Board as a whole and of individual directors was also undertaken with the assistance of an external consultant. Areas for improvement were identified and follow up actions implemented, both for the Board and for individual directors. I am pleased to report that this review confirmed that the directors are working well together and, in our opinion, the Board is of the right size and has the appropriate mix of skills and experience.

Our Employees

We are today Australia's largest private sector employer, with around 200,000 employees. With this workforce comes tremendous responsibility – for the Board, the Wesfarmers executive – led by Richard Goyder – and for the management of the divisions. A responsibility to not only provide both financial and physical security for our people, but through them, generate satisfactory returns for our shareholders.

That is why the Board and Richard's management team place such emphasis on Group processes covering our workforce: to reward and develop our employees and keep them, our customers and business partners safe; to promote our company's performance culture; and to acknowledge and embrace the diversity of our people.

I stress that providing a safe workplace for our employees and contractors remains a very high priority and we acknowledge there is room for improvement.

During last year we invested more than 2.2 million hours on training and development for our employees. We spent $6.75 billion on salaries, wages and other benefits. Furthermore, I'm happy to say that today over 44,000 – nearly one quarter – of our employees are Wesfarmers shareholders – a figure that we hope will continue to rise in the future.

We pride ourselves on being an inclusive employer. Our employees represent at least 169 countries of origin, who can speak over 300 different languages. Today, 57 per cent of our workforce is female. Twenty-two per cent of Wesfarmers senior executives (general manager level or above), and 26 per cent of all management and professional employees across the Group are female. Richard and the management team are firmly focused on improving this ratio, so that the Group enjoys the benefits that will accrue with more women in senior roles.

We are now about to launch our third Wesfarmers Reconciliation Action Plan. Our focus on ensuring that Aboriginal people have access to opportunities in our businesses is stronger than ever – and our divisions are working hard on their own plans to ensure that our goal of employing more Aboriginals is achieved.

Our Customers

Of course, we are nothing without our customers, with whom we have around 25 million transactions every week. Earning and maintaining their loyalty and trust is central to the success of our divisions. I don't see this wave of increased accountability on the part of retailers as a bad development. In fact, for Wesfarmers, I see it as an overwhelming change for good in terms of customer behaviour.

Value is the core proposition across our retail divisions and I'm confident that when Australians do their research our products and services stack up. And through the commitment of our divisions to deliver value across their ranges I believe we are, in some small way, having a meaningful impact on the lives of our customers.

For example, Coles' investment in value, most notably through its "Down, Down" campaign, has reduced the price of over 6,000 items by more than 10 per cent. This has saved shoppers at Coles over $800 million last financial year and driven higher sales and increased customer transactions at the register.

And I'm pleased to say that Coles has complemented its drive for lower prices with an "Australia first" purchasing policy to improve the quality and providence of its fresh food offer. Today, more than 96 per cent of the fresh produce sold at Coles is grown in Australia, and Coles is working with its suppliers to source more local products for its customers by extending growing seasons and developing import replacement programs.

This commitment to our customers is shared across all our divisions:

- through investing in new stores – and upgrading existing stores to improve the experience of our customers or building new chemical plants and expanding our mines and insurance services;

- through collaborative product innovation with our suppliers to provide customers what they want, not what we think they want; and

- through continued focus on delivering value and quality.

Communities

It's important to note that our businesses are not just places where our customers shop or where we manufacture products or engage in mining. We are tenants, landlords and neighbours – and in some areas the primary source of employment. As such, we see ourselves as members of the communities in which we operate.

I have already spoken of our responses over the past year to the natural disasters which hit both Australia and New Zealand. We have in the past, and will continue in the future, to respond quickly and effectively to uncontrollable events which impact the communities in which we operate. Complementing this is our proud history of contributing to local communities through partnerships, programs and sponsorships. Combined last year, Wesfarmers and its divisions contributed a total of $77.6 million to Australian communities (through direct and indirect activities).

We are also conscious of, and vigilant in minimising, the environmental impact of our footprint around Australia. To that end, Wesfarmers signed its first Action Plan this year under the Australian Packaging Covenant, a voluntary program designed to reduce the impact of packaging on the environment.

We are also working hard on energy efficiency measures to reduce, where possible, our carbon footprint. Over the last year we recorded 115.8 tonnes of greenhouse emissions (CO_2e) per $1 million of revenue, a reduction on the previous year on comparative terms. This would not be possible without the determination of our divisions to adopt energy saving measures which have the dual impact of reducing costs and CO_2 emissions.

Our Business Partners

Collaboration with our business partners remains as core to business today as when Wesfarmers began operations 97 years ago.

Our success over this period can in part be attributed to our divisions forming long-term partnerships with their suppliers. I refer here to the long, constructive relationships that Bunnings, Wesfarmers Chemicals, Energy and Fertilisers, and our Industrial and Safety division have developed over decades, to name just a few.

This record stood us in good stead when we acquired Coles Group Limited in 2007, despite the challenges we knew that brought. At the time you could characterise many of the relationships between Coles, Kmart, Target, Officeworks and their suppliers as one of distrust. In fact, many supplier relationships were fundamentally broken. Much hard work over the past three years has been dedicated to developing sustainable relationships with suppliers - allowing both them and us to grow.

From time to time I manage to get out with our divisions and see first-hand some of the work they are doing with their suppliers. Just last week I spent some time down at Harvey Fresh having a look at their facilities and chatting to management about their new agreement to supply all of Coles' private label milk in Western Australia over the next three years. This is a good story – and typical of the relationships Coles is developing around the country – where Coles is engaging in long-term, sustainable contracts with local suppliers. This provides suppliers with the certainty they need to grow their business and provides Coles' customers with what they want – locally sourced products of the highest quality.

While the pricing of particular supermarket products is a management matter, what I should make clear, given the attention which Coles' milk price discounting has attracted this year, is that the Board is satisfied that the strategies and policies that Coles is pursuing with its suppliers are well considered, appropriate and in the best interests of shareholders.

I would say also that when you embark on the scale of turnaround we have with Coles, we may not get everything right, but the turnaround is on track and this is reflected in the results being delivered.

The first quarter sales results we just released represented the tenth consecutive quarter of Coles growing sales outperforming the market. This comes on top of a very strong result in 2011, where Coles delivered $2.1 billion in revenue growth to $32.1 billion, a 21.2 per cent increase in earnings before interest and tax, a 20 per cent increase on return on capital and healthy business metrics including continued improvement in customer and team member satisfaction, improved on-shelf availability and 94 new format stores.

Our Shareholders

As I said at the beginning of my remarks today, providing a satisfactory return to you, our shareholders, is at the heart of everything we do. Despite the challenges thrown at us over the past 12 months I am confident that Wesfarmers is delivering on that commitment. I am pleased to report that Wesfarmers is a strong, sustainable business for which its approximately 500,000 shareholders and 200,000 employees can be proud.

Let me now highlight some of the financial results achieved over the past year.

We saw a strong 5.9 per cent rise in operating revenue to $54.9 billion, with 22.8 per cent increase in net profit after tax to $1,922 million. This in turn resulted in a 22.8 per cent increase in earnings per share to $1.67, underscoring the company's solid performance for the year in the face of numerous challenges.

From this result, the Board was able to approve a fully-franked full-year dividend of $1.50, up 20 per cent on the previous year. In addition to this return to our shareholders, we increased capital investment by 24.5 per cent to $2.1 billion, continuing our program of building the framework for future growth.

Effective capital management from the Wesfarmers team enabled a 19.6 per cent reduction in finance costs to $526 million and a strong liquidity position. The strength of our balance sheet has seen our credit rating with Standard and Poors increased from BBB+ to A-.

Most importantly, however, these results are not one-off. They reinforce a pattern of strong financial returns for Wesfarmers since the acquisition of Coles in late 2007. In fact, since November 2007 Wesfarmers has outperformed the S&P ASX50 Accumulation Index on the basis of Total Shareholder Return by 5.3 per cent per annum.

It is on the basis of these results and the opportunities we see for growth in each of our businesses that I believe we can be optimistic about the future of our company. I would like to thank my colleagues on the Board for their continued commitment to overseeing such a diversified conglomerate. I would also like to thank the hard work of each and every one of our 200,000 employees and acknowledge their contribution to our ongoing success.

Finally, I would like to thank Richard for his continued strong leadership of Wesfarmers. Running a company of this size and nature would be a challenge at the best of times, but over the past few years when we have had to deal with the global financial crisis, continued global economic uncertainty, and difficult domestic trading conditions. Richard's job has been complex and difficult to say the least. Yet throughout his time as Managing Director, Richard has continued to strengthen Wesfarmers' financial position and create wealth for our shareholders. As a Board we are grateful for his dedication to the company and his strong and calm leadership. We look forward to working with him for many years to come.

Conclusion

As I said at the beginning of my remarks today, we seek to operate according to the values that have guided our company for the past 97 years. We aim to provide a satisfactory return to our shareholders through the values of integrity, openness, accountability and boldness.

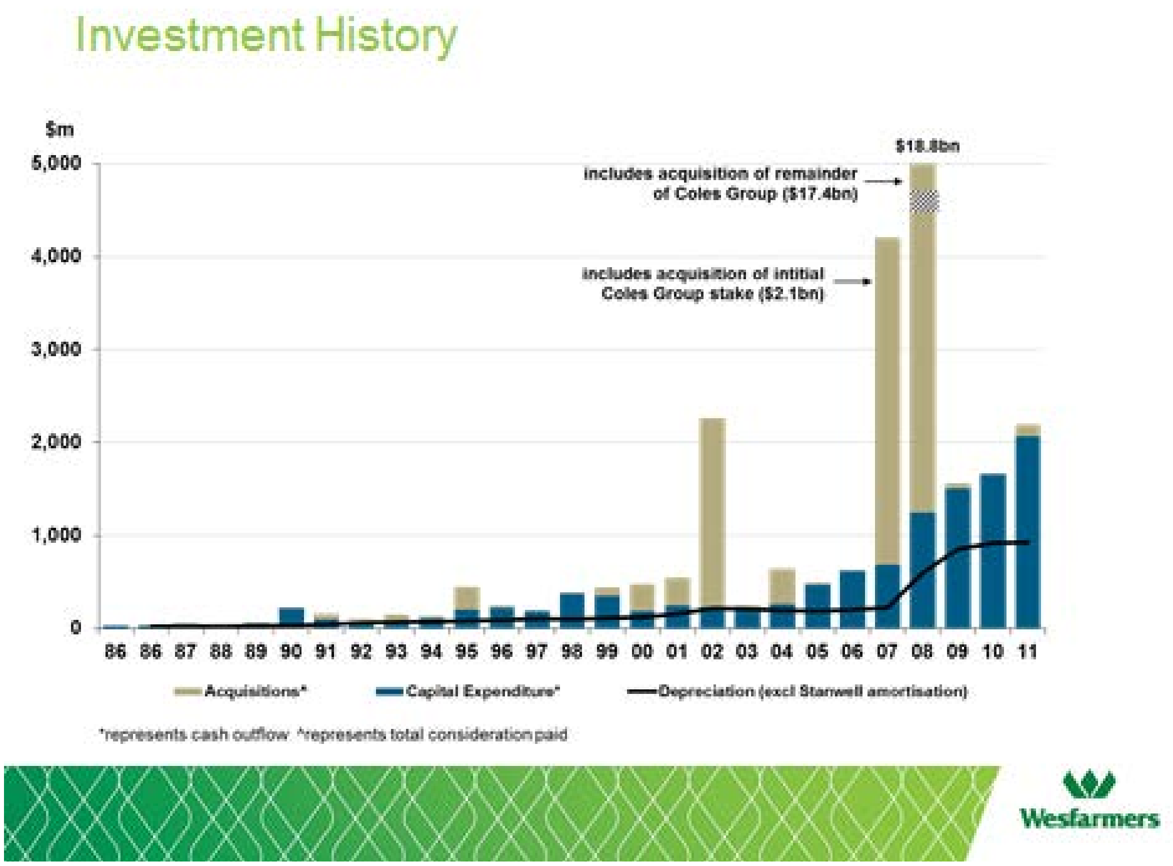
Despite everything thrown at our company and our people over the past financial year, I believe we have risen to the challenge, lived by our values, and delivered on our commitment to you, our shareholders.

I will now handover to 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.

MANAGING DIRECTOR'S ADDRESS

Thank you Chairman.

The results for the 2011 financial year reflected a strong performance in a challenging period, due to economic uncertainty and the impact of severe weather and flooding. The performance illustrates the benefit of the Group's diverse and strong portfolio of businesses, as well as the performance focused management teams in place across each of our divisions. Importantly, over the years Wesfarmers has had a long-term investment strategy and we are seeing the benefits of that investment in the current environment.



I believe that shareholders will continue to see the ongoing benefit of this strategy into the future through the Group's existing assets and the strong capital investment phase currently underway.

We recognise that there are many things in our businesses that we can improve on, continuing to lift our return on equity at a Group level, and return on capital at divisional level, is very much part of that focus.

Coles

Coles made strong progress during the third year of the turnaround, demonstrating that the division's underlying strategy of building a solid platform for future growth is working.

The business continued to increase efficiency, improve standards, invest in stores, enhance quality and re-build the Coles brand. Ongoing investment in lower prices has been well received by customers and we're encouraged by this progress, but fully recognise there is much more to do to maintain turnaround momentum.

Coles delivered revenue of over $32 billion, almost seven per cent higher than last year, and also grew earnings before interest and tax (EBIT) by over $200 million to almost $1.2 billion in total. Return on capital is now 7.8 per cent, significantly up on the 5.5 per cent return on capital of two years ago, and we expect further improvement going forward. Food and liquor revenue was up 6.3 per cent, with EBIT growth of 23 per cent.

In a competitive convenience market, Coles Express grew shop sales by 2.0 per cent and comparable fuel volumes by 2.3 per cent. Convenience earnings grew by 23 per cent through a combination of growth in fuel volumes, particularly V Power and diesel, improvements in shop sales mix, and solid cost management.

Over the last three years the team at Coles, led by Ian McLeod, has worked through a cohesive plan to address the issues inherited on acquisition of the business and set Coles on the road to recovery. Over this period we have increased customers numbers by two million more customers per week, and earnings have increased at over three times the rate of sales, significantly improving returns.

A series of programs have been instigated that target waste and mark downs which are beginning to generate significant annualised savings. Other savings programs have also been added to further lower our costs of doing business.

In the last three years, our overall store space has been relatively flat but this masks a significant change within the network. During this period we divested and closed 61 stores and opened 53 new ones. By the end of the 2011 financial year Coles had 144 stores in its renewal format. This has resulted in double digit growth in sales per square metre over the last three years across the estate, and of course we have many stores to renew in the coming years.

I believe the Coles acquisition has, and over time will be seen to have, laid the foundation for the Group's continued long-term growth and development.

Home Improvement and Office Supplies

Bunnings had another strong year during which the business' long term growth plans were well progressed, day-to-day trading outcomes were good, and execution of the strategic agenda generated continued positive momentum.

Top-line sales growth was healthy, with total sales up 5.7 per cent and earnings growth was strong, generating a 10.2 per cent lift in EBIT. Return on capital remained high at 28 per cent, a pleasing outcome given historically high levels of capital expenditure during the year.

During the year, Bunnings continued its multi-pronged growth focus with a lot of effort from John Gillam and the Bunnings team to deliver customer improvements in value, products and service.

Network expansion and reinvestment in existing stores was a key work area, as was further optimising stock flow and undertaking significant work to review merchandising throughout the store. As a result of this merchandising work, referred to in the business as ‘range reset’, customers are benefitting from increased value, and de-cluttered and easier to shop ranges. Further benefits of the changes are the space that has been created for category expansion, volume uplift benefits experienced by suppliers, and securing leading brands at a materially lower cost to Bunnings, with better training, innovation and marketing support.

The quality and depth of the Bunnings store pipeline is very exciting with 27 trading locations opened during the year, building on the 22 trading locations opened the year before. The fact that the Bunnings team continue to find, develop and open strong sites is a great capability of the business.

In summary, Bunnings is healthier today than it was a year ago, and the business is in a very good position to perform well in the market conditions that lie ahead.

Moving to Officeworks, trading revenue for the year grew to $1.47 billion, an increase of 4.4 per cent. Continued good progress on business effectiveness saw earnings lift eight per cent to $80.1 million, at a slightly improved EBIT margin of 5.4 per cent.

Headline sales growth across the Officeworks retail network of 5.2 per cent was a positive result, particularly given the deterioration in trading experienced across the second half of the year. Strong transaction growth continued to underpin the headline sales number.

During the year, 10 new Officeworks stores were opened and six stores underwent full store upgrades. A larger number of minor upgrades were also completed across the network.

Target

In common with others, Target experienced a difficult year during 2011 in which operating revenue decreased by 1.1 per cent, with a decline in comparable store sales growth for the full-year of 1.2 per cent. Target's earnings before interest and tax were $280 million, with an EBIT to sales margin of 7.4 per cent.

With customer numbers and unit sales up significantly on the previous year, sales of intimate apparel and homewares delivered positive growth for the year, as our customers responded to the quality and value of the in-house designed homewares offering as well as expanded ranges in intimate apparel.

Key categories of children's wear and baby-related products also had positive growth, while sales of electrical items declined compared to previous years, with a significant decline in demand for CDs, DVDs and interactive toys.

Investment in the store network continued with three new stores opened and 65 stores refurbished to improve the shopping experience for our customers and team members.

Kmart

On Kmart, revenue for the 2011 financial year increased by 0.4 per cent to just over $4 billion, with comparable store sales growth for the 52 weeks around 0.3 per cent. Earnings increased by $11 million to $201 million, an increase of six per cent on the previous year.

The subdued full year sales growth was characterised by two main elements. First, while customer transactions and volumes continue to grow throughout the year with customers responding very well to our everyday low prices, this was offset by reduced prices.

Earnings growth was solid and achieved through a combination of product sourcing improvements and reductions in costs of doing business. Investment in the store network continued, with basics such as floors and fitting room replacements now largely complete, and a further five store refurbishments completed during the year.

Insurance

Insurance revenue grew in the 2011 financial year by 2.4 per cent to $1.74 billion. Divisional EBIT decreased by 84 per cent to $20 million with the decrease directly attributable to the unprecedented level of natural disaster claims in Australia and New Zealand, and costs associated with reinstating reinsurance following these events.

Notable claims events for the last year included three major Christchurch earthquakes in September, February and June, the Brisbane flood, Cyclone Yasi and fierce storms in WA associated with Cyclone Bianca.

Although these events resulted in underwriting losses for the year, I am very proud of the operational response of Rob Scott and the Insurance team to help our clients in their time of need in managing claims as efficiently as possible.

Looking through these events, the business delivered underlying improvements in underwriting performance, and has achieved good traction with new growth initiatives including Coles Insurance, the acquisition of FMR risk in New Zealand, and strong growth in insurance premium funding.

Resources

Resources EBIT at $369 million was up 124 per cent on last year, due to higher export coal prices and lower Stanwell royalty expenses. This was despite lower metallurgical coal sales, down approximately 20 per cent on last year, plus higher costs, both as a result of major rainfall and flooding, particularly in the second and third quarters at our Curragh mine.

A highlight for the year was record export prices achieved in the final quarter for both metallurgical coal and steaming coal. At the same time, the Australian dollar rose to new record levels, offsetting to some extent the higher prices.

The $286 million expansion project at Curragh to increase production to 8.0 to 8.5 million tonnes of metallurgical coal is underway, with completion expected during the first quarter of calendar year 2012.

Highlights for the Bengalla mine included a 14 per cent increase in sales volume on strong export demand. Progress is continuing on the stage one expansion to 7.5 million tonnes per annum. Completion of this expansion is also expected in the first quarter of calendar year 2012.

A strategic review of the Premier mine was initiated in March to consider a range of options, including a sale process, resulting in the agreement to sell the mine to Yancoal, as announced in September 2011, subject to satisfaction of a number of conditions precedent.

Chemicals, Energy & Fertilisers

Earnings from the Chemicals, Energy and Fertilisers division were higher than last year at $283 million, which included $42 million in insurance proceeds from the Varanus Island gas disruption back in June 2008.

Excluding insurance proceeds, earnings were up 26 per cent, largely due to a return to profitability of the fertilisers business. Return on capital also increased and, excluding insurance proceeds, was 18.5 per cent. The Chemicals business continued to see solid demand for its product, particularly those associated with the resource sector with pleasing production outcomes.

Good progress has been made during the year on the proposed $550 million Ammonium Nitrate expansion, with Board approval provided for long lead-time items. In addition, the Environmental Protection Authority released its report and recommendation to the Minister in July 2011 and, subject to Board approval, the business is still targeting commissioning in the first quarter of calendar 2014.

Turning to Kleenheat, earnings were in line with the previous year as production was reduced due to lower LPG content in the Dampier to Bunbury Gas Pipeline, resulting in lower export sales.

We also announced the sale of the enGen business in July 2011, following an approach from an interested party. We expect to record a pre-tax profit on sale of approximately $40 million and believe that the sale of the business for $101 million was in the best interests of you, our shareholders.

Industrial and Safety

The Industrial and Safety division delivered a strong result in the year benefiting from the resurgence in the resource sector, major project activity, and continuing improvements in business operations.

Operating revenue for the year of $1.6 billion was up 10 per cent on last year and pleasingly, growth was achieved in all business segments. EBIT increased by 20 per cent to $166 million, reflecting earnings improvements in all business units, and return on capital increased from 10.5 per cent to 13.1 per cent thanks to the earnings outcome, coupled with strong capital management across the division.

The solid sales momentum was supported by range expansion, strong growth in services, as well as a significant improvement in eBusiness transactions with customers. The division's international supply chain capability continued to improve, with the opening of a multi-country consolidation distribution centre in Shenzhen, Southern China, earlier in the year.

Trading Update

Since the end of the financial year, our businesses have continued to build upon the strong momentum achieved in 2011, a pleasing outcome given the backdrop of subdued consumer sentiment.

Retail businesses

Our retail businesses have remained focused on providing better value for their customers, as households continue to experience higher costs of living than a year ago, and are showing an increased propensity to save. Within this environment, the Group continues to be well placed given the staples and value-based positioning of our various retail brands.

A highlight of the recently reported first quarter retail sales results was the ongoing strong sales growth in Coles food and liquor of 5.5 per cent, reflecting a continued positive response from customers to the improvements in Coles to provide better value, quality and service.

Bunnings sales growth of 8.5 per cent for the quarter was a good result, and particularly pleasing given the deflationary effects of the range reset work that has been carried out.

Trading in the Group's other retailers was affected by the low levels of consumer confidence, as well as continued price deflation given the high level of promotional activity experienced across the market.

Sales for the Officeworks business were flat, following strong growth in the previous corresponding period. Solid double-digit transaction growth was offset by deflation across a number of categories, particularly in technology and furniture.

Target's total sales for the quarter were down 1.4 per cent, affected by a continuing high level of promotional and clearance activity by retailers generally. The business remained competitive during the quarter and worked hard to ensure that seasonal inventory was tightly managed.

Kmart continued to focus on delivering the lowest possible prices across the store. Total sales were broadly in line with last year, with another quarter of strong growth in customer transactions and volumes offsetting the investment in lowering prices.

Non-retail businesses

Trading within the Insurance division has been satisfactory, with an improvement in the claims environment from the unprecedented number of catastrophe events experienced last year. The team continues to work hard to finalise existing claims, in particular within our New Zealand operations. Premiums have hardened across the market following increased reinsurance costs, although the ability to pass through higher costs has varied by insurance class dependent on the competitive environment.

The early positive response to our recently launched personal insurance lines has continued during the first few months of the year, with strong growth albeit from a low base. Broking operations continue to do well and have benefitted from the hardening premium environment.

To the Resources division, production at the Curragh mine is progressively improving as the mine continues its dewatering activities, and undertakes a lot of work to improve the mines ability to deal with future wet weather events. We continue to see ongoing cost pressures within this business, and are working hard to manage the cost base and increase production levels to reduce mining costs per tonne.

The expansion project to 8.0 to 8.5 million tonnes per annum of export coal remains on track, with completion expected in the first quarter of calendar year 2012 and commissioning at that time. Subject to no significant issues with the commissioning of the new preparation plant or significant wet weather and satisfactory rail conditions, the guidance for metallurgical coal sales volumes remains in the range of 6.8 to 7.2 million tonnes for the 2012 financial year.

Quarterly pricing for metallurgical coal for the second quarter of the financial year declined by nine per cent, although it remains at historically high levels. Spot pricing for metallurgical coal since the second quarter pricing was agreed has declined further, and indications are that prices will continue to reduce as supply returns to the market and steel demand weakens, at least in the short-term, due to global economic concerns.

The Bengalla mine has opened the year well. Production levels for the first quarter, while three per cent below the last quarter due to operating in a less productive section of the mining sequence, were up 17 per cent on the same time last year.

It is worth reflecting on the benefits that ownership of the Premier mine has provided to the Group since the acquisition of Western Collieries in 1989. Over the past 22 years of Wesfarmers involvement with the mine, significant improvements and investments have been made, including the $120 million expansion of the mine in 1998, and securing a number of long-term coal supply contracts with Verve Energy and other industrial customers.

Since acquisition, the mine has been a good generator of cash at important times in Wesfarmers' business cycle, with some half a billion dollars of cumulative cash flow after capital investment generated over this time. These cash flows have helped to fund further growth opportunities throughout the Group and contributed to strong dividend payments to shareholders.

The Group's involvement with the Premier mine has also provided the Group with the expertise required to enable Wesfarmers to expand its exposure to the resource sector through the subsequent investments in both the Bengalla and Curragh mines.

At this stage it is difficult to put concrete timeframes on the completion of the Premier sale, but we expect that this will occur at the latest, early in the new year. In particular, this remains subject to satisfaction of a number of conditions, including Foreign Investment Review Board (FIRB) and certain Chinese government approvals.

Now to the Group's other industrial businesses.

The Chemicals, Energy and Fertiliser division has opened the year well, with strong demand for fertilisers on the back of good seasonal conditions. We continue to benefit from strong demand for chemical inputs into the resource sector, in particular within our ammonium nitrate and sodium cyanide businesses.

Kleenheat performance has been close to expectations, with the effect of higher gas prices placing some pressure on this business as previously highlighted.

The Industrial and Safety division has started the year strongly driven by increased mining activity and major project work. Since the full-year results we have been informed by Bluescope Steel of its intentions to restructure its Port Kembla operations, including a shutdown of the No.6 Blast Furnace, reducing BlueScope's demand for industrial gases. The impact on Coregas is still uncertain, and it is possible that there may be a non-cash revision in the carrying value of the business.

Board and Leadership Team

I am extremely fortunate as Managing Director to have a very capable Board, led by Bob Every, providing collective wisdom, oversight and guidance to me and the Leadership Team, I thank them for that. Equally, we have a first rate Leadership Team at Wesfarmers, and I would like to thank them and their teams for all they do for Wesfarmers.

Outlook

For the last few years, we have come to our Annual General Meeting and said that we live in interesting times. Unfortunately, this year is no different with challenging global economic issues weighing heavily on financial markets, and a resulting lack of confidence both internationally and domestically.

Wesfarmers is fortunate to have a terrific portfolio of businesses with first class management but we are not immune from the external environment.

Our businesses with a direct or indirect exposure to the resources sector are performing well, and the outlook is good for these businesses, notwithstanding, the potential for some volatility in markets depending on growth in China, India etc.

Our Insurance division's performance will improve significantly if we don't have the sort of claims year we have just experienced!

For our retail businesses, it is a challenging environment, but we are fortunate to have a number of turnaround businesses which have performance improvement opportunities within them, and our businesses are at the right end of the value chain. As always, the Christmas trading period and immediate aftermath will be important. We remain quite cautious on the near term, with current trading reflecting a subdued environment, continued deflation and, if anything, a more purposeful customer, notwithstanding the recent reduction in interest rates.

Our balance sheet is very strong and we could comfortably repay any debt maturing in future years from cash flows, even if debt markets tightened significantly.

We are alert to growth opportunities, particularly in the current market and, as always, we will remain patient and disciplined around any investment decision. Your company is budgeting on spending around $3 billion in capital this year to further grow our businesses.

Finally, we seem to be in an environment where it is very easy to be critical of so called big business, and companies like Wesfarmers.

Wesfarmers started life as a small company. Wesfarmers is a big company now because we have approximately 200,000 employees, 500,000 shareholders, and businesses we have built and acquired through being disciplined, bold and innovative… entrepreneurial for want of a better word.

We are a large company, made up of many small businesses, staffed by hardworking and committed employees, funded by many shareholders investing their capital to make a return.

We listen to criticism and, if it is fair and warranted, react to it. But I will never apologise for being successful, for creating wealth for all our stakeholders, particularly our shareholders.

We will continue to grow, take opportunities, be as innovative and nimble as we can be, and prove that it is the doers, not those being critical from the sidelines, that will drive growth and success.

Thank you.

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