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Lodgement of Open Briefing®

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The content of this Open Briefing® reflects management and analyst discussion during the 2008 Half Year Results presentation on 22 February 2008.

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Can you give more detail on the influence that seasonality has had in the 5 week period on the overall Wesfarmers result in the December half?

Richard Goyder
There is significant seasonality in the numbers we've released given the relative importance of the Christmas trading period to most of our retail businesses.

That said we were pleased with the performances of Kmart and Target under our ownership. Kmart's results are consistent with the improvement in performance over some months. Target's performance has continued to be strong.

Mick McMahon and the team at Coles were generally pleased with the performance with supermarkets over the Christmas period, but it's very difficult to get a proper view in that short time.

The comparative store sales growth numbers are relatively modest compared with Bunnings for example and so there is plenty of room for improvement.

corporatefile.com.au
What was the reason for the lower tax rate this half year versus the previous corresponding period?

Gene Tilbrook, Finance Director
There was some tax free income including dividends received on the Coles shares acquired in April 2007. There were also some adjustments after we finalised with the ATO the matter regarding capital gains tax on the sale of the Australian Railroad Group in June 2006. We expect that for the second half, our tax rate will return to normal levels.

corporatefile.com.au
Has the Board reset the benchmark for which your ROE hurdle will be determined?

Richard Goyder, Managing Director Wesfarmers
It's under review. We have our executive team planning conference next week and we'll be talking about it to the Board later in the year.

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How are you and Gene coping in managing all the business units now in Wesfarmers?

Richard Goyder
It's been good and reflects the benefits of running an autonomous operating model. We have a very good group of people running our businesses and we are further strengthening them.

The divisional board meetings give us a very thorough understanding of what's going on. We do five board meetings for each business each year. The board papers of the business units are comprehensive and the new divisions are making good progress on reporting on a consistent basis.

corporatefile.com.au
At December 2007, inventory is about $600 million ahead and goodwill is about $1 billion more than that in the June 2007 pro-forma balance sheet in the Scheme Booklet. Can you explain why?

Gene Tilbrook
They are for different periods and there are various seasonal influences on working capital across the Group from one six month period to another. Goodwill at the time of the Scheme Booklet reflected a purchase price of $18.6 billion, based on an assumed value of the shares to be issued as part consideration. The actual purchase price was $19.5 billion because the Wesfarmers' share price was higher at acquisition than that assumed at the time of the Scheme Booklet.

corporatefile.com.au
The business combinations note in your half year accounts indicates that Coles carrying value of intangible assets has reduced by about a $1billion since 31 July 2007 to $713 million at date of acquisition. Does this represent a write down of assets?

Gene Tilbrook
No it doesn't. Coles had approximately $1.7 billion of Intangible Assets as at 31 July 2007 which included about $1 billion of goodwill. The Book carrying values disclosed in the business combinations note exclude goodwill which is shown below the identifiable net assets line. So it is a classification issue not a write-down.

corporatefile.com.au
Wesfarmers rarely cuts its dividend. Previously you expected at least $2 per share for the full year. What dividend do you expect for the full year?

Richard Goyder
I'd stick with at least $2 per share for the full year. The interim dividend is very understandable given that last year's interim dividend included some 25 cents per share relating to franking credits from the sale of ARG.

corporatefile.com.au
Can you clarify the full year capex forecast?

Gene Tilbrook
We're not giving a full year capex forecast at this stage. Our full year budget for the non-Coles Group businesses was $825 million and for the half year there was a slight underspend compared with the budget for the period. For the Coles Group businesses you can generally work on the guidelines we've given previously; however it will take time to implement the capex programmes to get up to that spend rate.

corporatefile.com.au
There seems to have been a fair value increase to Provisions recognised at acquisition relating to Coles of $390 million. Over what time will you release that provision? What does this provision relate to?

Gene Tilbrook
The increase in Provisions reflects a marking to market of certain contracts entered into by Coles prior to our ownership. I'm unable to comment on specifics at this stage. These additional provisions will be released through the P&L over the next 5-7 years, effectively offsetting non-market costs which are being incurred under these contracts.

corporatefile.com.au
Are the restructuring costs you've mentioned coming up in the second half of FY08 in addition to the provision discussed above?

Gene Tilbrook
Yes, we expect additional one-off restructuring costs in the second half that will flow through the P&L.

Finance

corporatefile.com.au
You say you are comfortable in being able to refinance the debt despite concerns expressed by market commentators. Can you outline how you will do it and the state of the debt markets?

Gene Tilbrook
We gave guidance last November on the main markets we planned to tap. We are well advanced in our preparations so that we can move quite rapidly across a range of markets.

Liquidity will drive the most logical markets we utilise. We are seeing some markets that are quite illiquid and others that are liquid but quite costly. You've seen the kinds of margins that have been announced on various recent transactions and these range around 1-2%. We expect to swap any debt back into A$ so we won't be speculating on currency movements. We have already swapped a significant portion of the interest risk into 3-5 year cover.

Richard Goyder
It's important to note that we are an investment grade company and we have excellent relationships with all our banks – it's not a question of "if", but "when" and "how" we refinance the debt.

corporatefile.com.au
What are your expectations for debt markets over the next six months here and offshore?

Gene Tilbrook
We expect that as we refinance, we'll get the kind of rates consistent with an investment grade corporate for this level of debt. There are some signs that liquidity is improving, but we've seen a lot of turbulence and surprises and I wouldn't make any forecasts on overall debt markets.

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Interest rates have risen significantly. Should we be expecting 10% for your refinancing?

Gene Tilbrook
I wouldn't expect it to be that high. We've already locked in some of our interest rate position over the last few months. Depending on the markets, margins are varying quite widely, so we'll be looking to the most effective.

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What percentage of your debt is hedged and for how long?

Gene Tilbrook
We don't give detail on levels. We're typically putting in place 3-5 year hedges.

corporatefile.com.au
You've underwritten your dividend reinvestment plan for 75% for the first half dividend. Is there any plan to continue with that beyond this half year?

Gene Tilbrook
It's quite possible we'll continue to underwrite, and we'll make that decision depending on other capital initiatives and requirements of the Group.

corporatefile.com.au
Do you have the view you will need to raise more equity and reduce your debt load over the next few years?

Gene Tilbrook
We're looking at hybrids and the like which are quasi equity.

corporatefile.com.au
Would you rule out an equity raising?

Gene Tilbrook
I don't think we can rule anything out because we don't know what opportunities will emerge and how markets will change.

<u>Coles/Target/Kmart</u>

corporatefile.com.au
Ian McLeod doesn't start until May and will take some time to settle into the role. How much independence will the operations team have to work on the improvements until Ian settles in?

Richard Goyder
Mick McMahon and Terry Bowen are leading the change at the moment and Archie Norman and I are involved. The team is not waiting until Ian arrives and we have a lot to achieve over the next few months. We look forward to outlining progress at the Briefing Day in April.

corporatefile.com.au
Wesfarmers Limited's financial results for the half year to 31 December 2007 include a 5 week contribution from the Coles businesses. Can you say whether the 5 week performance of Food & Liquor is up relative to the corresponding 5 week period in 2006?

Mick McMahon, Chief Operating Officer Coles
There are obviously a few acquisition adjustments incorporated in our EBIT results for December 2007 after the acquisition by Wesfarmers. Yes, we were happy with the improvement in the underlying trading EBIT in the period.

corporatefile.com.au
The comparative store sales growth for Food & Liquor in the 5 week period 23 November to 31 December 2007 was 2%. How does that compare with the six month period ended 31 December 2007?

Mick McMahon
It was at the high end of what we did during the six months to December 2007 when there were a couple of quarters with virtually flat sales growth.

corporatefile.com.au
Looking at the composition of Food & Liquor, it looks like Liquor was a little bit soft. Can you talk about the difference in performance between Food & Liquor?

Mick McMahon
We don't break down the performance, but our Liquor business in Queensland was impacted by the wet weather and there was also a reporting quirk in that the reporting period ended on Sunday, 30 December 2007 and therefore didn't include New Year's Eve, which is a key trading day.

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Can you talk about the competitive environment in supermarkets at the moment? Was the price war around August 2007 successful?

Mick McMahon
In my view price wars are never successful in retail. You have to find better ways to offer value to customers. We are now able to take a longer term view with the ownership issue behind us and we can get back to rebuilding this business from the ground up and grow sales the right way. When I referred to stabilising margins I didn't mean that competition has reduced, but that we will now be a bit more sensible in our approach.

corporatefile.com.au
You've stated that, on the cost savings within Coles, you had achieved $288 million in run-rate savings realised prior to the Wesfarmers acquisition. Are you ahead of your cost savings targets?

Keith Gordon, Business Integration Director Coles
We've closed that program within Coles that was called the Simplification program. Part of the $97 million in cost savings still to be achieved under that program was more to do with centralisation rather than the approach we are taking with divisional structures. We're still very confident we will achieve the balance of cost savings over the time frame we've spoken about. However, the cost savings will come from areas different to those identified under the Coles program.

corporatefile.com.au
Is it correct that the cost base in Coles is now $288 million cheaper than it was on 31 August 2007?

Keith Gordon
No. The important part is those are run rate numbers and we will see the benefit of those changes coming through. The $288 million was based on an audit of the Coles simplification initiatives and that was the run rate number at the time of acquisition from those initiatives. These initiatives were centrally run within

Coles and are independent from other decisions that the previous Coles business took on matters such as operational expenditure reinvestment in stores. Although the initiatives contributing to the $288 million have been completed, this is not a net number and shouldn't be extrapolated as a net change in cost base.

corporatefile.com.au
When do you expect Release 4 (auto-replenishment) to work?

Mick McMahon
Release 3, incorporating Multi-buy functionality, will be across the network by Easter. We are operating Release 4 in three pilot stores, but we will be proceeding very carefully with that pilot over the next few quarters. It is operating successfully in the three pilot stores. However the implementation of auto-stock replenishment is a significant change to any retail business, particularly one like Coles which has been through a lot of change in supply change and systems. The good thing about Release 4 is you can implement it store by store and we'll be careful with the pace of rollout of Release 4.

corporatefile.com.au
What does the comparative store sales growth of 2% for Food & Liquor include?

Mick McMahon
It is "all in" for Food & Liquor – it includes stores that have always been Coles, converted Bi-Lo stores that are now Coles and unconverted Bi-Lo stores.

corporatefile.com.au
How do you expect to restructure the Coles businesses without disrupting them?

Richard Goyder
Within Kmart, Officeworks and Target the employees are looking forward to having more control over their businesses. The supermarkets business is extremely resilient, as are its employees. One thing we're pleased about is their focus on doing things right for Coles and its customers. Mick has been upfront with them in terms of what's coming with the restructuring. They understand costs will be coming out of the support functions and the focus will be moved to the stores. My impression is that most are looking forward to the changes.

Mick McMahon
I'd reinforce all of that. I certainly wouldn't underestimate the importance of the Wesfarmers business division model which will give Coles autonomy to run the business. That will effectively put each business in control of the amount of change and its pace.

corporatefile.com.au
Retail accelerated quite significantly in the latest wage price numbers. Are you seeing similar wage cost pressures in your business?

Mick McMahon
No we don't. We negotiate EBAs periodically and have a good relationship with our staff. Without commenting specifically on numbers that will be put to our people in the next few months, we're comfortable on that front.

corporatefile.com.au
Kmart looks to have made as much money in the 5 week period of this half year as it did all of last year. What do you expect in the coming six months?

Richard Goyder
There is significantly seasonality in the business and we do not usually give forecasts.

Larry Davis, Managing Director Kmart
We had a good performance in December. There is a lot happening in Kmart at the moment. We are doing a strategic review so we have to see what comes from that over the next 60 days.

corporatefile.com.au
Were EBIT margins higher in the 5 week period compared with the pcp for Kmart and Target?

Larry Davis
We had a good December compared with last year.

Launa Inman, Managing Director Target
We were comfortable with ours and in line with our expectations.

Richard Goyder
The bottom line is you can't get carried away with the results in the 5 week period.

corporatefile.com.au
Can you comment qualitatively on how the Food & Liquor business is performing now? Is sales growth improving relative to industry growth?

Richard Goyder
I wouldn't make that call at the moment. We've summed it up pretty well. We're not unhappy with what has happened recently, but we are still unhappy with the state of the businesses. We have a lot to do including a fundamental restructure. Our competitive position is not strong and it has been going backwards.

Home Improvement and Office Supplies

corporatefile.com.au
Are you anticipating a pull-back in comparative sales growth for Bunnings?

John Gillam, Managing Director Home Improvement & Office Supplies
As outlined in the presentation, we see threats to being able to barrel along at the sort of growth rates we've been achieving. That said we are confident of continued earnings and sales growth. We have strong programmes of

reinvestment in our stores, in merchandising and in service, all of which should drive good sales and earnings performance. We also have lifted our focus on costs so we can continue to support lower prices.

corporatefile.com.au
If threats to Bunnings don't materialise, is it possible that the business could achieve better than 11% EBIT margins?

John Gillam
We're cautious about letting that EBIT margin grow too much. We concentrate on the productivity loop thinking and look to drive greater volumes and earnings growth by rewarding customers through lower prices. In our longer term modelling we see some decline in our gross margins at the cost of goods sold level.

Resources

corporatefile.com.au
What is the cost outlook for your coal businesses? What fundamental risk do you see to your volumes, ignoring weather disruptions?

Stewart Butel, Managing Director Resources
Over the last 12 months, we've seen a reduction in cost pressures and this is similar to the rest of the industry. The growth in costs is slowing. Looking at weather disruptions we had monsoonal rain from December affecting Curragh's performance, major flooding at the end of January in Central Queensland and a lot of rain in the Mackay area in February affecting mines throughout the Bowen Basin. It's too early to tell whether it's over.

With regard to volume risk at Curragh, there is sufficient port capacity at Gladstone to cope with our volumes, but the constraints with rail remain. The rail system is expected to deliver around 90% of contracted volumes.

There will be no appreciable improvement at Newcastle Port, and therefore Bengalla, until the new port is completed in 2010.

corporatefile.com.au
You mentioned there was a volume issue in the December quarter. Can you explain? Does it mean you have a contract at the lower price and that it will be honoured?

Stewart Butel
That is essentially what it means. Normally our contract run from April to March each year and at 1 April we reset the price, but as a result of the ongoing infrastructure constraints there will be some tonnage into the fourth quarter which will be priced at existing levels.

corporatefile.com.au
What is your contracted tonnage with Queensland Rail? What is the maximum you could achieve with export sales tonnage in FY09?

Stewart Butel
About 7.5mtpa. We'll give volume guidance when we are closer to FY09.

corporatefile.com.au
In setting your currency hedging cover, what long term coal prices have you assumed for Curragh?

Stewart Butel
Coal prices have not been set for this year, but once they have been, we will be able to increase our hedging. In any case, we don't give out long term estimates of coal prices.

Gene Tilbrook
You can assume that the percentage of our hedging cover is based on fairly conservative coal price forecasts.

Richard Goyder
In recent years we have lifted our long term coking coal price forecasts, but it is only in increments of US$10s per tonne.

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Thank you.

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