Attention ASX Company Announcements Platform.
Lodgement of Open Briefing®.

corporatefile.com.au

Wesfarmers Limited
Wesfarmers House
40 The Esplanade
Perth Western Australia 6000

Date of Lodgement: 5-July-2007

Title: Open Briefing®. Wesfarmers. Recommended Offer for Coles

The content of this Open Briefing reflects management and analyst discussions on "The Recommended Offer for Coles" which was announced on Monday, 2 July 2007.

corporatefile.com.au
On managing Coles' businesses, who will be responsible for the various operations?

Richard Goyder
We are 100% confident that with the combination of our management, and the existing Coles management, we will be in a position on day one to manage Coles' operations effectively. We are also reviewing ways to strengthen the management team through the completion of an international search exercise.

corporatefile.com.au
Are you comfortable with the fact that you'll now be owning 100% of the Coles businesses compared with your original plan of owning 100% of Target and Officeworks and 50% of the food, liquor and convenience businesses?

Richard Goyder
Irrespective of the structure, Wesfarmers was always going to have a major ownership position in all of the Coles businesses and accordingly we have done extensive due diligence on every business in the Coles group including the supermarkets, liquor and convenience businesses. As part of our evaluation of the 50% ownership outcome, we ran our traditional discounted cash flow models assuming 100% ownership of each business to ensure that the value was there irrespective of the ultimate funding structure. We have been completely comfortable on the outcomes of due diligence on each business and

this analysis gave me and the Board of Wesfarmers the confidence to proceed with a 100% acquisition.

corporatefile.com.au
Richard, can you summarise why Wesfarmers is doing this deal?

Richard Goyder
The overriding reason is that we firmly believe that this acquisition will be value accretive to our shareholders. The Coles group of businesses are extremely valuable and comprise irreplaceable assets which operate in attractive markets. Supermarkets businesses in particular demonstrate the capacity to generate stable and increasing levels of earnings across all stages of the economic cycle. We are confident that our profit improvement plan will add considerably to the earnings base of the Supermarkets' business.

Target and Officeworks are well run businesses that will fit into the Wesfarmers performance-focused structure. The attraction of the supermarkets business is that it provides a significant opportunity for Wesfarmers to add value through the application of its management structures and disciplines, which give senior management decision making autonomy and accountability. In summary, if we are successful in acquiring Coles, we believe we will have created a platform for strong growth in earnings for the group for many years to come.

corporatefile.com.au
Where do you feel the biggest gains can be achieved in improving the supermarkets?

Richard Goyder
Certain of our key strategies are outlined in our presentation. These include lifting the customer offer across the board with a strong focus on fresh and expanding house brands, improving the in-stock position and presenting stronger value to customers. Some of these things can be turned around fairly quickly and require good in-store execution, while others will take some time.

Part of our plans is to ensure that all staff are appropriately incentivised as our view is that incentives and key performance indicators need to be directed at achieving the best long term outcomes. We need to change behaviour on the shop floor to have a positive impact on in-store execution of strategies. We will be focusing on increasing shop floor accountability and motivation. We've had great success with this approach in Bunnings over the years.

Improving the fresh offer will involve an investment to consistently present good quality produce. But we are confident that, once customers appreciate the change, the investment will yield good outcomes. These improvements require better buying, work in store and work within the supply chain.

We will also continue with the simplification project being implemented by Coles and with the transformation project focused on modernising all facets of Coles' supply chain. We have no problems with the objectives and strategies behind these projects. Our particular focus will be on ensuring that they are successfully implemented.

corporatefile.com.au
The strategies that you've outlined in your presentation are not significantly different to those currently being pursued by Coles. What makes you think you'll be able to deliver where they haven't?

Richard Goyder
Let me start off by saying that, after completing what was very detailed and extensive due diligence, we consider that the strategies the Coles management team have begun to pursue in more recent times are generally the right ones. We do think, however, that changes must be made in key aspects of the execution of these strategies and most importantly to the culture of the organisation. And that's where Wesfarmers' approach of aligning responsibility and accountability within business results in a strong performance-focused structure and this has contributed significantly to our success over time.

corporatefile.com.au
Is it your intention to reverse the decision to close the Bi-Lo business?

Richard Goyder
Issues with improving the performance of those stores is the subject of very intensive review within Coles at the moment. We'll be supportive of sensible steps to improve the performance of the business and the stores converted to date.

John Gillam
It is very important that, across all of the Coles supermarkets, there is a strong offer for the value conscious customer. One of our key strategies in this area will be strengthening and refining the Coles housebrand strategy.

corporatefile.com.au
Are you likely to concentrate more on extracting revenue improvements or cost improvements?

John Gillam
The focus will be on both. We're keen to drive improved top line performance, but equally we will need to focus on all aspects of the businesses to get the sort of investment returns we're targeting. We will aim to strengthen the top line and also the net margins of the businesses.

corporatefile.com.au
You made a point that, while you have confidence in the supply chain transformation, the cost savings may be delayed until FY10. Can we assume the benefits from the supply chain will mainly be post FY10?

John Gillam
Yes, and there will be savings through to FY12 and FY13. Coles has an enormous improvement programme before it but it is a very sound agenda,

encompassing IT systems and introducing process change. We think that the overall benefits will phase in a bit slower than has previously been indicated, but the overall benefits will be achieved and significantly improve profitability.

corporatefile.com.au
What do you think makes the Coles offer different to the Woolworths offer, from the consumer viewpoint? Why would they shop at a Coles supermarket now?

John Gillam
We've reviewed detailed market research during the due diligence process. There are aspects of customer attributes where Woolworths lead Coles and there are other areas where Coles holds the stronger position. We'd obviously be looking to address the weaknesses whilst improving the areas in which Coles is strong. In the presentation, I outlined areas where we think we can improve the offer to drive traffic and increase basket size and other areas we can improve such as in-stock positions and cost performance. These and other changes we have identified will drive an overall improved performance.

corporatefile.com.au
You also mentioned $1 billion of capex in the supermarkets, liquor and convenience store businesses. Is that just through the transformation period?

Gene Tilbrook
Up to $1 billion per year all up for supermarkets, liquor and convenience for the next couple of years, including the transformation initiatives.

corporatefile.com.au
As I understand it, the investment in Coles will be through a wholly-owned subsidiary structure as distinct from an LBO-type vehicle. You have a target to get a return on capital employed of 20% at the divisional level. Over what period do you expect to reach that divisional target?

Richard Goyder
First, let me reinforce that this investment meets our investment hurdles. Return on capital is our key divisional performance measure, not an investment criterion. We have done a rigorous evaluation and extensive due diligence and I am extremely confident that the acquisition of Coles will create very substantial shareholder value for Wesfarmers shareholders over time.

We will track the performance of Coles the same way we track all our businesses, and this will including an assessment of its return on capital. We certainly focus on return on capital as a key measure in all our businesses; as management deliver improvements at that level, our shareholders benefit.

corporatefile.com.au
What synergies can you expect to extract from the acquisition?

Richard Goyder
We are confident that there are some synergies. Notwithstanding, this acquisition is not synergies-driven. They will provide incremental returns on

the acquisition. We see there being considerable value being created through allowing the businesses to be run in an autonomous and focused way. As well as the cost benefits of reducing bureaucracy, we anticipate substantial upside from operational synergies. For example, we see the potential for synergies to come from the combination of our global sourcing operations with Coles', as well as more generally from improving relationships with our common suppliers. We also see the potential for some property related benefits, such as the co-location of brands. There are also substantial efficiency opportunities that will come from the combination of the corporate offices, particularly in procurement, treasury and transactional arrangements with banks, combined insurance arrangements, and the removal of duplicated listing requirements.

corporatefile.com.au
Looking at the synergies you might extract from the businesses. When you talked about sourcing, you mentioned that you were going to have the Discount Department Stores separate from the Big Box. Is there a synergy in sourcing for the Big Box side of the business?

John Gillam
Definitely, and there is a synergy in global sourcing across all three business streams. The separation of the businesses into the three streams will not prevent us from generating synergies where available.

corporatefile.com.au
Is the offer - of $4 cash and 0.2843 Wesfarmers shares for every Coles share – subject to variation in terms of the mix of cash and shares?

Richard Goyder
The offer is $4 cash and 0.2843 Wesfarmers shares for each Coles share. In addition, Coles shareholders will get the benefit of a fully franked 25cent final dividend.

corporatefile.com.au
Can you provide any guidance on earnings post the acquisition?

Richard Goyder
Without giving any specific earnings guidance, I will say that FY08 will be affected by significant one-off expenditures associated with the acquisition and by having owned the Coles businesses for less than a full year. We will ensure that this will be clearly disclosed to you when we announce our results. We anticipate that, given the additional franking credits we will be acquiring, we will be able to pay a level of dividends somewhat in excess of earnings.

corporatefile.com.au
Is there any agreement in place where Wesfarmers can influence the Coles business before the final Scheme meeting?

Richard Goyder
We'll be working with the senior Coles management team on a number of issues. We expect to be cooperating very closely both in completing the Scheme documentation and in the ongoing operation of the business. We

expect that it will be a fairly seamless process over the coming months and that there will be a high degree of cooperation between us.

corporatefile.com.au
What are your plans for Coles' existing AA bonds, noting that this is a 100% acquisition by scheme of arrangement?

Gene Tilbrook
We're expecting that those will be paid out.

corporatefile.com.au
What is the current number of Coles shares outstanding?

Gene Tilbrook
There's a very small number of options that may be exercised. There are currently some 1.2 billion shares outstanding.

corporatefile.com.au
What do you anticipate the overall Wesfarmers' Group credit rating will be?

Gene Tilbrook
It is possible that it may fall a notch or two but it is too early to say. We're working with the credit agencies to ensure that the rating is appropriate considering the medium term expectations for our businesses.

corporatefile.com.au
You mentioned the possibility of some capital management at the closure of the deal. Are you suggesting additional equity be raised or that equity could be returned?

Gene Tilbrook
We do not need to raise any additional equity beyond the scrip component in the deal to fund this acquisition. We will continue the dividend investment plan and we will consider issuing some hybrid equity.

corporatefile.com.au
And that would be used to reduce your debt rather than your ordinary shares?

Gene Tilbrook
Yes, that is correct.

corporatefile.com.au
Can you indicate the sort of margin over LIBOR or 90-day bills you might be paying for the $8.1 billion in new debt?

Gene Tilbrook
At the moment we will not be divulging that detail.

corporatefile.com.au
What is the basis for determining the level of new debt? Does that $8.1 billion in new debt cover potential further outflows over the next couple of months?

Gene Tilbrook
Typically, the working capital requirements of retail businesses fluctuate and we have some flexibility in the facility to accommodate that.

corporatefile.com.au
Will the $8.1 billion debt raising be guaranteed by Coles Group Limited and secured by its assets or will all that debt be raised by Wesfarmers Limited?

Gene Tilbrook
All our debt is held at the Wesfarmers corporate level under our negative pledge arrangements so it will be unsecured. We don't have particular subsidiaries or assets guaranteeing funding, but it is expected that there will be the usual corporate guarantees provided by material members of the enlarged group.

corporatefile.com.au
What will be the gearing of the Group after the deal is completed?

Gene Tilbrook
The Group will have about $11.5 billion of debt. Without any capital management initiatives, the net debt to net debt plus equity will be in the 30s percent. Net debt to equity will initially be in the 60s percent range.

corporatefile.com.au
What share price will you use in your accounts to reflect the issue of equity?

Gene Tilbrook
The accounting rules dictate that we use the share price at the time the Scheme is completed.

corporatefile.com.au
Will you retain Coles' current corporate structure?

Gene Tilbrook
We will bring Coles' businesses into our existing structure. Within a holding company, like Wesfarmers, where we've made many acquisitions over many years there are always complex structures with numerous sub-holding companies which don't necessarily reflect the business operations, nor necessarily the reporting relationships. Some of them get unwound over time, others remain.

corporatefile.com.au
Does the management structure provide for the heads of the various business streams to report to you, Richard?

Richard Goyder
Yes, it does. We will retain our existing business structure. The Coles businesses will be run like all of our other businesses with a separate Board and management team. The Wesfarmers structure is that I chair the meetings on the operating performance of the businesses, and that will certainly be the case for

the retail businesses. The only exception in Wesfarmers is the Insurance business and that is for statutory and regulatory purposes.

corporatefile.com.au
Are there any of the Coles assets that you might consider selling off in the near term given that there may be other interested parties prepared to pay a good price?

Richard Goyder
Not at this stage, but you know the way we run the Group - if anyone approaches us and offers a price that we think is in excess of the value of that asset to our shareholders, then we may talk to them. We would have given this answer 12 months ago or five years ago.

That said, it's unlikely at this point. We think the asset portfolio we've acquired is very good and we're looking forward to working with the Coles people to more efficiently manage the assets.

corporatefile.com.au
Thank you.

To read previous Wesfarmers Open Briefings, or to receive future Open Briefings by email, please visit www.corporatefile.com.au

For further information on Wesfarmers Limited visit www.wesfarmers.com.au