

WESFARMERS LIMITED
CHAIRMAN'S ADDRESS - ANNUAL GENERAL MEETING 2002

Chairman

Ladies and gentlemen and special guests.

I hope you enjoyed the 2002 video and it helped to broaden your understanding of the Wesfarmers group and its activities.

Results

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

Net profit was \$414 million, which represented a 65 per cent increase on last year's \$251 million. Importantly, earnings per share before goodwill amortisation were up nearly 44 per cent and the dividend paid to shareholders increased by 28 per cent. The strong result was attributable to increased earnings from all key business units.

Operating revenue was \$7.4 billion which was 68 per cent higher than last year's \$4.4 billion and net operating cash flow of \$684 million was up 78 per cent on the previous year.

The result is particularly pleasing given that it was achieved in a climate of economic uncertainty and volatility in world financial markets.

This is a strong endorsement of the policy of diversification that has been pursued by the company for the last two decades.

Wesfarmers has for some time pursued the very simple but effective objective of providing a satisfactory return to shareholders.

The beauty of this objective is that it is measurable (namely, we seek to achieve a return on equity which ranks us in the top 20 per cent of Australia's listed companies) and we are able to manage the portfolio of businesses which make up the group with a strong financial focus.

Note that our objective does not have any size dimension to it. We are happy to get bigger but our primary concern is to give good shareholder returns.

The strategies we employ to achieve that objective are very simple, namely:

- 1) improve the efficiency of existing businesses;
- 2) expand those businesses as opportunities arise; and
- 3) invest in new businesses.

This approach to running Wesfarmers has allowed us always to make decisions with shareholders returns in mind and has also meant that we have developed a very strong performance culture in each of our operating divisions.

The activities and performance of each business unit have been covered in detail in the company's annual report and in the corporate video which we have just watched.

I don't propose going into a lot more detail about these now but I would like to mention some significant achievements over the 2002 year.

The highlight of the year was the acquisition of the Howard Smith hardware and industrial safety businesses in August 2001 and the massive job of bringing them into the Wesfarmers group. For the first time in our history we now have major operating activities outside Australia with the absorption of the New Zealand businesses previously run by Howard Smith.

As a result of the acquisition and the group restructure completed in May 2001 the number of our employees has doubled to more than 29,000 and our shareholder numbers have also doubled to more than 90,000.

If one had to choose a single word to encapsulate the main activities of the year it would be "integration".

During the year the integration of IAMA's rural merchandising activities and the Howard Smith hardware and industrial and safety products businesses was substantially completed.

And the relatively recently acquired Curragh coal mine in Queensland continued its excellent performance.

The achievement of synergy benefits through new revenue, cost savings or other efficiency opportunities is a key success factor in making acquisitions work.

The integration of these new businesses into the group can be attributed to the effective management systems we have developed. These systems, which again focus on our corporate objective of providing a satisfactory return to shareholders, have been instrumental in driving strong performance in the new businesses.

But systems are only as good as those who manage and operate them and the success of the integration tasks to which I have referred would not have been possible without the skills and dedication of all the employees involved.

Performance since listing

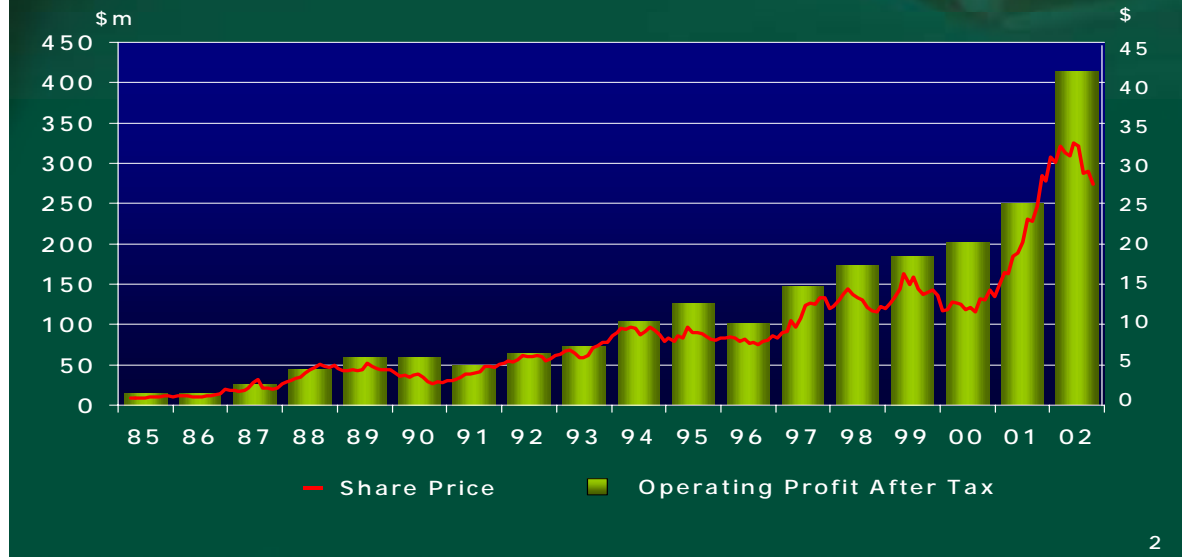
The group's 2002 performance continued Wesfarmers' impressive record as one of Australia's top performing companies since listing on the Stock Exchange in 1984.

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

The first graph shows as green bars, the Wesfarmers' group operating profit after tax in the 18 years since listing on the Australian Stock Exchange.

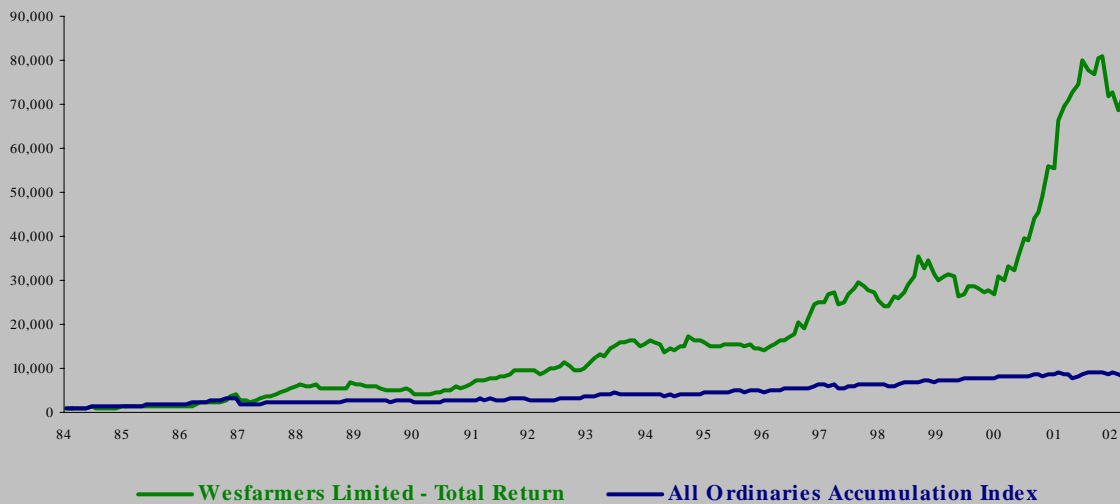
Superimposed over this, as a red line, is the Wesfarmers share price which, you will notice, mirrors the significant growth in profits over this period.

Share Price Vs Operating Profit After Tax



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Australian accumulation index 1984-2002



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

An investment of \$1,000 into Wesfarmers shares at the time of listing would be worth around \$70,000 today if all dividends had been reinvested.

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

The market capitalisation of Wesfarmers has increased from \$80 million on the day of listing to around \$10 billion today and the company is now ranked in the top 12 listed companies on the Australian Stock Exchange on that measure.

While it is very satisfying to reflect on this record of success we must, of course, avoid the complacency trap. In this increasingly competitive world any company that rests on its laurels is asking for trouble.

So the challenge for us is to continue to unearth new investment opportunities which meet our financial targets. I believe we have the people, the systems and the balance sheets to achieve this.

Environment safety, health and the community

Whilst financial performance remains, unquestionably, the major measure of corporate success – and it is impossible to imagine a time when that would not be the case – Wesfarmers recognises its broader responsibilities in a number of key “non-financial” areas. These include a high level of care and concern for the environment and the safety and health of employees; and making a contribution to the community above and beyond that flowing from our successful business operations.

A very detailed account of the group’s approach to environmental and safety issues and its performance is provided in a separately published, independently-verified report.

Our fifth environmental health and safety report will be available in the next few weeks and I urge you all to read it. For those of you with access to the internet the full document will appear on our website or will be available on request by contacting the company.

I was interested to note recently that only 14 per cent of the top 100 companies on the ASX produce such a comprehensive report so I think we can all take some pride from the fact we are in the forefront of public environmental reporting in this country.

I am also pleased to report that Wesfarmers has been included in the Dow Jones Sustainability World Indexes for 2003.

This places our company in the top 10 per cent, ranked on economic, environmental and social performance, of the biggest 2,500 companies in the Dow Jones Global Index. Only 12 other Australian companies are recognised in this way.

Sponsorships/donations

You may have noticed that corporate community involvement or, as it is often described these days, corporate social responsibility, is attracting increased media and public attention.

This is nothing new as far as we are concerned. From our very earliest days we have regarded close community contact as a corollary of doing business.

That continues today through our programme of donations and sponsorships.

Each year the board provides financial assistance to community activities, particularly in the areas of medical research and the arts.

Wesfarmers’ five year support of the Western Australian Institute of Medical Research, continued during the year with a further contribution of \$1 million. It is pleasing to us that the Institute is now attracting significant levels of funding (amounting to \$12 million over the last 3

years) and highly competent researchers which will assist in its aim of developing a world class adult health research centre. This would not have occurred without Wesfarmers' initial support.

The company has also been a major sponsor of performing and visual arts organisations through Wesfarmers Arts committing \$450,000 over the last 12 months and was again recognised nationally for this effort.

On top of what we do at a corporate level, each of our businesses contribute to many community focused activities and organisations. This takes the form of direct financial support and involvement by employees in community events.

Corporate governance

Over the last 12 months there has been a great deal of media attention on standards of corporate governance with a number of Australian and international company collapses.

In fulfilling its obligations and responsibilities to various stakeholders the board of Wesfarmers is a strong advocate of best practice in corporate governance.

In May this year the board approved new terms of reference for the audit committee and changed its name to the audit and compliance committee. An additional responsibility of the committee is to oversee and assess the effectiveness of the group's compliance reporting programme. This programme covers such areas as crisis management, legal liability, risk review and insurance, financial due diligence, environmental health and safety and management information systems.

Our continuous disclosure policy was revised during the year to improve timely disclosure of relevant information to the market. The policy covers the conduct of investor and analyst briefings and communications with the media.

It is incumbent on boards to reinforce their commitment to the highest standards of governance and accountability in all aspects of business. I take this opportunity to assure our stakeholders, including shareholders, employees and the wider community, that Wesfarmers readily accepts its obligations and responsibilities in this regard.

Board changes

Since our last annual general meeting there have been a number of changes to the Wesfarmers board.

In July this year, Erich Fraunschiel retired after a long and distinguished career with Wesfarmers. Erich made an outstanding contribution in his capacity as director since 1992. He provided valuable and loyal service to the group for a period of 18 years including 10 years as Finance Director.

David Asimus retired from the board last month. On behalf of shareholders I thank David for the tremendous contribution he has made in board deliberations over a period of eight years with Wesfarmers.

A special welcome is extended to three new directors who joined the board since our last meeting.

Gene Tilbrook joined the board in April 2002 as Executive Director, Business Development. Gene has been with Wesfarmers since 1985 and has held a number of senior commercial positions in the group including in the Business Development Department which he currently heads, and at Wesfarmers Energy.

Richard Goyder joined the board as Finance Director in July 2002, following the retirement of Erich Fraunschiel. Richard began at Wesfarmers in 1993 working in business development for three years, including two years as General Manager. Prior to his appointment as Finance Director, Richard was Managing Director of Wesfarmers Landmark, the group's rural services and insurance business unit.

Colin Carter joined the board last month. Colin brings to the board extensive experience advising on corporate strategy and corporate governance issues.

These appointments, together with that of Charles Macek in October 2001, strengthen the board's experience and expertise to deal with important issues for the company following its recent significant growth.

As required by the Wesfarmers constitution, Richard Goyder, Gene Tilbrook and Colin Carter retire at this meeting and later in the proceedings they will be standing for re-election as directors together with Trevor Eastwood and Dick Lester.

Succession planning is one of the issues continuously under review within the group.

With this in mind I expect this to be my last Annual General Meeting as Chairman. I intend to retire during the course of the next year.

One of the main responsibilities I have had as Chairman is to oversee the transition of the Board and to some degree the culture of Wesfarmers, from its historical farmers co-operative base to that of a publicly listed company.

The evolution of the board has paralleled the diversification of the company and it now comprises directors with a good range of backgrounds and experience.

I am hoping that we shall be in a position to make a further appointment to the Board in the New Year which will add to its strength and diversity.

I would particularly like to take this opportunity to thank all those directors who have served on the Board with me in the sixteen years I have been Chairman. They have put the company before themselves and I think that has been one of the keys to our success.

I will retire from the Board with a great deal of confidence in the future.

Management succession

A series of changes in senior company management also took place this year.

Executive succession is a key element of the board's strategic planning and is designed to provide an orderly process when management changes occur.

In July this year Mark Allison, formerly Managing Director of Wesfarmers CSBP, was appointed Managing Director of Wesfarmers Landmark and John Gilliam, formerly Company Secretary, was appointed Managing Director of Wesfarmers CSBP.

Today we have announced that Joe Boros, Managing Director of Bunnings Building Supplies and the man most responsible for the great success of that huge business, will be retiring at the end of this calendar year. We will miss Joe greatly but we were pleased to announce that he is to be replaced by Peter Davis, currently Deputy Managing Director, who has been extremely closely involved in the business for a very long period of time.

In making these decisions the company is indeed fortunate in terms of continuity to have the depth, experience and talent that exists within its senior management ranks.

First quarter results

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

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

In the three months period, the group recorded a net profit of \$101.4 million, which was 28 per cent higher than last year's figure of \$79.3 million. The result was achieved on operating revenue of \$1.81 billion, which was nine per cent higher than last year's first quarter operating revenue of \$1.66 billion.

This represents a solid start to the 2003 financial year.

Good performances were recorded during the quarter by all divisions.

There has been widespread comment on the impact of the drought on the economy and on businesses associated with agriculture. This is a serious issue for all farmers and businesses in affected areas, including many Wesfarmers clients, and the company is providing every assistance to them that it can.

With regard to the effect on Wesfarmers itself, it is important to note that group businesses impacted by the rural economy contribute less than 15 per cent of the group's budgeted earnings for the year and of that, a significant proportion is unlikely to be directly affected.

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

Nonetheless the board is encouraged by the first quarter result and remains confident about achieving an acceptable increase in profit for the full year. Overall we are running in line with budget.

On the basis of our most recent corporate plan, the company's profits should continue to grow in the years ahead. The strength of Wesfarmers' balance sheet, its financial discipline and the calibre of its employees at all levels will assist in this being achieved.

Before concluding this presentation it is appropriate that I acknowledge the important role played by all of our employees.

One of the great strengths of Wesfarmers is the high quality of our employees across all businesses and at all levels. They have responded to improving work practices and efficiencies at all levels with a best practice approach.

On behalf of the board, it is my pleasure to thank them all for their dedication, loyalty and tremendous efforts over the last year.

Thank you for your attention.