

WESFARMERS LIMITED
CHAIRMAN'S ADDRESS - ANNUAL GENERAL MEETING 2003

Ladies and gentlemen and special guests.

I hope you enjoyed the Wesfarmers 2003 video and that it has helped to develop your understanding of the Wesfarmers group.

Results

As you will have read in this year's Annual Report and seen in the video presentation, the group achieved another record result with net profit reaching \$538 million. This included an after tax profit of \$56 million from the sale of the Girrah coal deposit in Queensland. Excluding the Girrah profit, net profit was up 16 per cent.

Earnings per share before goodwill amortisation and excluding the Girrah profit, were up nine per cent and the dividend paid to shareholders increased by 14 per cent.

Total operating revenue was \$7.8 billion which was five per cent higher than last year's \$7.4 billion. Net operating cash flow of \$819 million was up by about 20 per cent on the previous year due to higher profits and a strong focus on working capital management.

The benefit of the group's widely diversified operations was again evident this year with a strong performance from the hardware, energy and industrial and safety distribution businesses, offset by lower earnings from the rural services business which was affected by the worst drought for over 100 years.

Wesfarmers continues to focus on 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.

It was this strong financial focus which led to the sale of our rural services business, Wesfarmers Landmark, to AWB Limited in August 2003.

While the sale of Landmark was not in contemplation at the time of the approach by AWB, the Board concluded that the transaction on the agreed terms, was in the best interests of our shareholders.

As you would appreciate this was not an easy decision to make given that Landmark had its origins in Wesfarmers predecessor, Westralian Farmers Co-operative Limited and had been a business of the group for over 89 years.

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 a number of significant achievements over the last year.

In July 2003 we announced that agreement had been reached for the purchase of the Lumley Australian and New Zealand insurance business. It is pleasing to report that the acquisition was finalised in October and Lumley will combine with the Wesfarmers Federation Insurance business to form a new Wesfarmers insurance division which will further enhance the spread of the group's diversified operations.

In July this year Paykel, New Zealand's largest distributor of maintenance repair and operating supplies, was acquired. This acquisition will result in an expanded distribution network in New Zealand for our industrial and safety distribution business.

I take this opportunity to welcome close to 1,000 Lumley employees and over 240 Paykel employees to the group following these two important acquisitions.

A number of other projects were completed in 2002 2003:

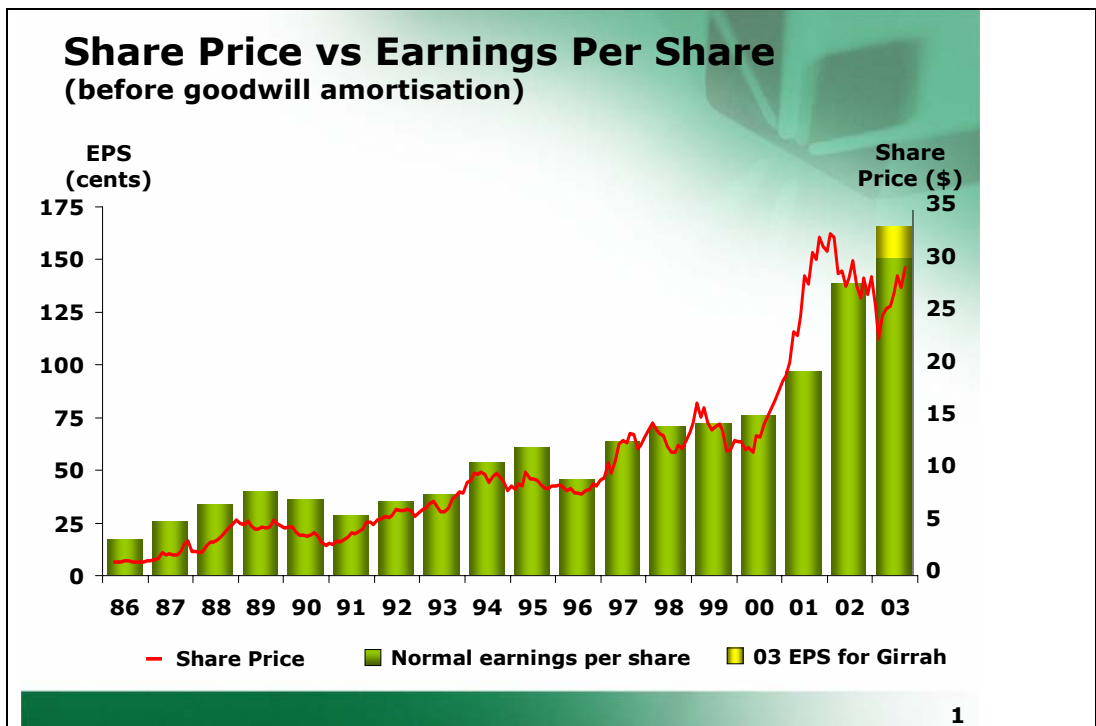
- In the Bunnings hardware business: seven new warehouse stores were opened across mainland Australia as part of the ongoing store rollout programme.
- In the Energy business: the Girrah coal deposit in Queensland's Bowen Basin was sold, recording an after tax profit of \$56 million; and the right to develop the Pisces (now Curragh North) coal deposit in Queensland was secured, extending the life of the mine until at least 2025.
- In the chemicals and fertilisers businesses: the ammonium nitrate plant at Kwinana, Western Australia was expanded and production commenced at the \$26 million sodium cyanide solids plant.

All of these successful outcomes have been driven by a simple focus to provide "a satisfactory return to shareholders" and our strategies for growth; namely to improve the efficiency of existing business, expand those businesses as opportunities are identified and invest in new businesses.

Performance since listing

The group's 2003 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 a graph which demonstrates the growth and success of Wesfarmers and I would like to present this again today.



This graph shows as green bars, Wesfarmers' normal earnings per share in the 19 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 earnings per share over this period.

Our goal is to ensure that Wesfarmers continues to provide investors with satisfactory returns over the long-term.

Our challenge is to continue to unearth new investment opportunities which meet our financial targets.

The Board is confident that the business strategies being pursued will enable the company to maintain its position as one of Australia's leading corporations measured by long term shareholder returns.

I believe we have the people, the systems and the balance sheet to achieve this.

Environment safety, health and the community

While the company's prime objective is to deliver a satisfactory return to shareholders, the Board and management's view is that in doing so we must conform with the highest standards of moral and commercial ethics and the highest social standards. These include a high level of care and concern for the environment, the safety and health of employees and making added contributions to the communities in which we operate.

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

Our sixth report, which covers all community involvement, will be available next week. The full document will appear on our website with hard copies available on request by contacting the company.

We remain one of a relatively small number of companies that produce such a comprehensive report.

I am also pleased to report that Wesfarmers has retained its membership in the Dow Jones Sustainability World Indexes for 2004.

This places our company in the top 10 per cent, ranked on environmental social and economic performance, of the biggest 2,500 companies in the Dow Jones World Index. Only 15 other Australian companies are so recognised.

Sponsorships/donations

One of today's buzz phrases is corporate social responsibility.

As far as we are concerned engaging with and contributing to the community has been part and parcel of doing business from our very earliest days.

Each year the Board provides financial assistance to community benefiting activities.

During the year we made our fifth and final contribution of \$1 million to the Western Australian Institute for Medical Research.

We have also entered new partnerships with the Royal Flying Doctor Service and the Institute for Child Health Research.

The company continues as a major sponsor of performing and visual arts organisations through Wesfarmers Arts for which it has won several national awards.

In addition to our ongoing support, we recently announced an innovative programme that will result in the commissioning of five new works to be presented at the Perth International Arts Festival over the next four years.

In addition to this support, 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 considerable debate and discussion on corporate governance. In fulfilling its obligations and responsibilities to various stakeholders, including our shareholders, our employees and the wider community, Wesfarmers readily accepts its obligations and responsibilities in this regard.

Wesfarmers has always upheld high standards of corporate governance and continues to enhance and improve its practices.

Over the last year we have:

- reviewed and reassessed the charters of the Board and Board committees to ensure that they are consistent with the ASX Corporate Governance Guidelines;
- adopted a comprehensive code of ethics and conduct for all employees;
- revised our share trading policy;
- put in place stringent requirements relating to continuous disclosure; and
- implemented procedures and policies to monitor the independence and competence of the company's external auditors.

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

It is mentioned in our Annual Report that in accordance with Ernst & Young's policy, our lead audit partner would be rotated from 1 January 2004.

At our request our lead audit partner, Greg Meyerowitz has agreed to stay on in that role for up to a further two years so that we have continuity of accounting knowledge, following the proposed retirement of Bryce Denison, General Manager (Group Accounting) early in 2004.

Board changes

Since our last annual general meeting Patricia Cross has joined the Board.

I would like to formally welcome Patricia.

Patricia has extensive experience in international banking and finance and has held directorships with a number of large publicly listed companies.

Her appointment, together with the appointment over the last few years of two other non-executive directors Charles Macek and Colin Carter will strengthen the diversity, experience and expertise of the Board.

As required by the Wesfarmers constitution, Patricia Cross will retire at this meeting and later in the proceedings will be standing for re-election as a director together with Trevor Flügge, Lui Giglia and Charles Macek.

Capital management

The directors announced today their intention to make a capital return of \$2.50 per fully-paid share amounting to about \$934 million.

The capital return is being proposed to return surplus capital to shareholders and to ensure that Wesfarmers maintains an efficient capital structure.

The company's strong earnings, cashflow and debt and equity fund raising capabilities mean it is able to undertake the capital return without adversely affecting its financial flexibility and growth objectives.

The capital return is subject to shareholder approval and the receipt of a tax ruling from the Australian Taxation Office.

Details of the shareholders' meeting to approve the capital return will be sent out later this week.

The meeting is scheduled for 8 December.

Subject to shareholder approval and receipt of the tax ruling, which is expected to be received prior to the meeting, shareholders should receive payment before Christmas.

It is proposed that Wesfarmers will trade on a "ex" return of capital basis on 9 December 2003 and the record date for determining entitlements to participate in the capital return will be 15 December 2003.

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 month period, the group recorded a net profit of \$379 million. This result includes an after-tax profit of \$274 million from the sale of Landmark's rural services business.

Excluding the profit from the sale of Landmark, the net profit was \$105 million for the quarter representing an increase of 3.6 per cent on the comparative period last year.

Underlying group profit continued to grow at a higher rate, with a number of timing differences and irregular factors reducing reported profit growth in the quarter.

The result was achieved on operating revenue of \$2.5 billion made up of \$1.8 billion from ordinary activities and \$706 million from the sale of the rural services business.

Earnings are traditionally lower and variable in the first quarter due to the seasonal nature of some of the group's businesses and the first quarter results are not very useful in predicting the full-year trends.

Nevertheless the group is operating well and the directors continue to forecast a continuation of underlying profit growth, at a higher level than in the first quarter, over the full year.

The return of capital, expected to be made in December will reduce the group's 2003/04 after-tax profit by around \$20 million due to higher interest costs.

Before I conclude this presentation today 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 people across all businesses and at all levels.

I would like to take this opportunity to thank them publicly for their untiring efforts and loyalty to Wesfarmers.

Thank you for your attention.