WESFARMERS LIMITED
ANNUAL GENERAL MEETING – 13 NOVEMBER 2008
CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS

CHAIRMAN'S ADDRESS

Introduction

Thank you Mark and thank you ladies and gentlemen for joining us today at the Wesfarmers Annual General Meeting for 2008, at what is my last meeting as Chairman of this company. It is nearly 46 years since I joined Wesfarmers. I would have preferred to be leaving in a better economic climate. But so be it.

I would like to particularly welcome former Coles shareholders who are attending their first Wesfarmers AGM today and those shareholders who are joining us via the webcast.

I am joined today by your directors, who are in the audience.

I will introduce each of them to you and as I do, I will ask each of them to stand up.

You can read details of their background and experience in our Annual Report.

First please welcome David White, a director since 1990, and who for the past 15 years was Chairman of the Board's Audit Committee.

David I thank you for the great job you have done as Chairman of the Audit Committee on behalf of the Board and the company.

James Graham, a director since 1998.

Charles Macek who has been with us since 2001.

Colin Carter became a non-executive director in 2002.

Patricia Cross joined the Board in 2003.

Bob Every joined the Board in 2006 and will, subject to his election today, be assuming the role of Chairman of the Board after the close of this meeting.

Tony Howarth joined the Board last year and has been appointed as Chairman of the Audit Committee to replace David White from 1 October 2008.

And finally our Finance Director, Gene Tilbrook who has been a valuable member of the Executive team since 1985.

The Group's Executive team, including our Divisional Managing Directors, are also in attendance today and I welcome them.

Also in attendance, outside this room, are representatives from Coles, Bunnings, Kmart, Target and Officeworks who will be happy to receive your suggestions or answer your questions relating to your experiences in dealing with their organisations or any queries you may have of a customer nature. They will be happy to talk with you after the meeting.

We have four items of business to cover today including the re-election of two directors.

However, before we move to the formal business of the meeting let me make some general comments about the global financial crisis and its impact on the Wesfarmers Group.

Following that, I will ask Richard Goyder to talk about our current performance and future business outlook.

For the past few months we have lived in a period of great financial turmoil, one not seen in recent history, the sub-prime mortgage crisis was only the beginning of trouble in the United States.

Four large investment banks disappeared, the world's largest insurance company was effectively nationalised and bank liquidity dried up.

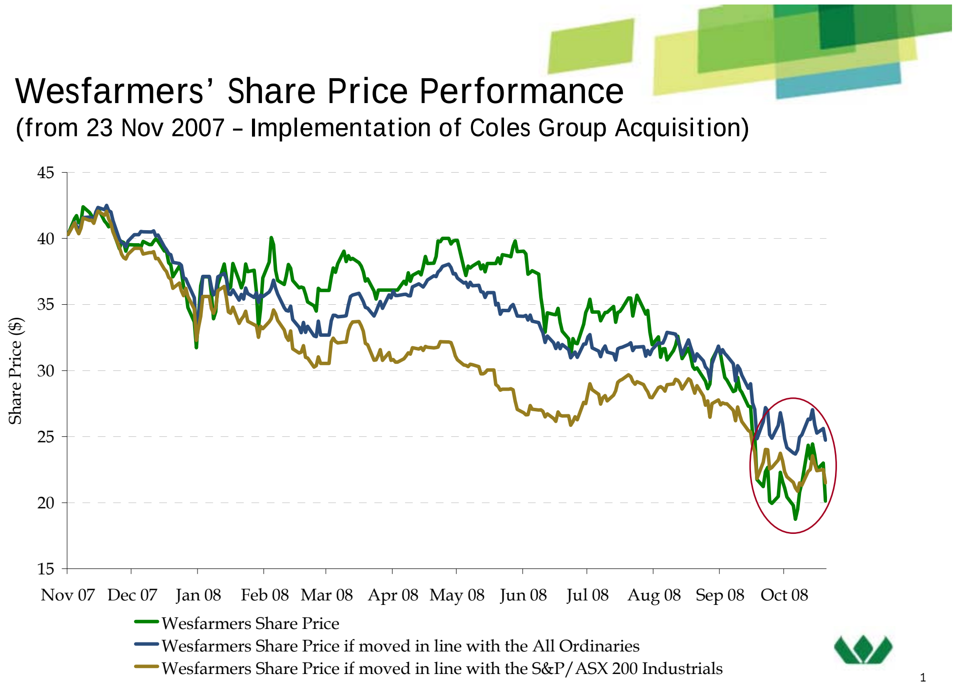
At the same time the value of world stock markets plunged and Australia has not been immune.

On the first of October the Australian dollar was trading at close to 80 cents to the US dollar. By the end of the month it was around 60 cents and has been volatile ever since.

Share prices have fallen dramatically with the Australian market down about 44 per cent from its peak.

As every shareholder would be aware, the Wesfarmers share price is also significantly lower.

Your directors understand the effect this has had on shareholders and it is probably worth at this stage having a look at how we fared against the market.



This graph shows in green Wesfarmers' actual price history over the last twelve months.

The blue line is what the share price would have been had it exactly tracked the All Ordinaries Index.

The brown line is what the Wesfarmers share price would have been had it exactly tracked the S&P/ASX 200 Industrials.

As you can see we were doing relatively well until the last month and overall the fall has been generally in line with the market.

There have been three factors which I believe have contributed to the recent negative sentiment regarding our share price: the coal price outlook, debt refinancing and the Coles turnaround.

We cannot predict or control coal prices – except to say that we believe the long-term demand for coal will remain strong. However coal is a large part of the Group's profit and the market's view of future coal prices will inevitably impact on our share price both positively and negatively.

In this context it is worth noting our current relatively high coal prices are fixed until well into 2009. This fact, together with the recent falls in the Australian dollar, means that strong earnings from our coal exports are secure in the short to medium-term.

The other two factors, debt refinancing and the Coles turnaround are within our control and we are confident of managing both. Richard Goyder will touch on these in his address.

I remain confident that the factors that have influenced sentiment towards our share price are ultimately short-term and that we will effectively manage the company through this more challenging environment.

Wesfarmers 2007/08 Highlights

The video you saw at the beginning of the meeting gives you an excellent picture of our financial results for the year, so let me just highlight what I see as the key achievements of the past 12 months.

These include:

- the completion of the Coles acquisition on the 23rd of November 2007;

- our non-Coles divisions increased revenue by 15 per cent and increased earnings before interest and tax by 16 per cent;

- the successful completion of a $2.6 billion equity raising in April which considerably strengthened our balance sheet; and

- the significant progress made with the Coles turnaround which I would like to expand on.

In our planning for the acquisition of Coles we knew we needed a vastly changed top team of people. We also knew that the good people we needed would undoubtedly be employed elsewhere. We knew that they could not commit to us until such time as we had acquired Coles. Given that these people would need to be identified, recruited, work out notice periods, and in many cases relocate themselves and their families to Australia, we realised it would take until August or September this year until the new team was in place. I am happy to report that we have in place a world class management team to drive this company towards a successful future.

We obviously could not wait for them to be in place before we started integrating Coles into the Wesfarmers Group, so before the acquisition was complete we had assembled an integration team of senior Wesfarmers executives to move into Coles to bring all their systems in line with ours and to start identifying and implementing savings at the corporate level. This was very successful, the team did a great job and was disbanded as a stand alone special purpose group in June. Two of that group remained in place as directors of the Coles division. Terry Bowen as Finance Director and Jeff Wilson heading Human Resources.

This allowed the new team at Coles to hit the ground running and they are making real progress in renewing the Coles brand.

In the short period of time they have been with us they have run a series of stand alone trials. To name two, they have trialled a whole new fresh food presentation in an otherwise unchanged store. They have also trialled a significant change of store layout and choice of products in an otherwise unchanged store.

These trials have progressed to the stage where we now have a much better platform for future evolution of store presentation and all other aspects of supermarket management.

These pre-trials, along with others will be reviewed and then integrated into a single store which will be re-launched soon.

The new format will be monitored, refined and improved, before roll-out to further stores during the course of the next year.

I visited a number of these trial stores last week and although it was work-in-progress, I was greatly impressed and it convinced me that the turnaround will succeed. I am pleased to report that we are running true to our time limit and have achieved our planned goals to date, but the turnaround will take time.

As you know Wesfarmers' guiding principle and fundamental objective is to provide satisfactory returns to our shareholders. This goal was introduced to the company when I became Managing Director in 1984 and it remains unchanged today.

Our interpretation of a satisfactory return to you, our shareholders, means growing your wealth through a combination of dividends and growth in share price. This is known as Total Shareholder Return, or TSR.

There are many factors external to the company which affect the share price and as a result shareholder wealth.

That is why Total Shareholder Return is of limited value as an internal measure of performance. We measure performance using a number of internal targets, controls and policies that influence and dictate the company's effect on its shareholder wealth.

We pay a dividend sufficient to transfer all the benefit of our taxed or franked income to our shareholders, even if it means underwriting the dividend reinvestment scheme if and when we need the cash to finance further growth.

We maintain the relationship between the amount of debt we have and the magnitude of shareholders' equity. We aim here to give shareholders the positive financial effects of gearing their returns with debt, but do so conservatively so as to not increase our cost of borrowings or place at risk the relationship with our bankers.

We monitor the operating risks of our businesses and seriously consider risk as part of the evaluation of potential investments so that we maintain a uniform level of operational risk.

Against this background of ongoing risk management we aim to increase shareholder wealth in two ways. First we are always looking for ways to improve the profitability of each of our businesses, that is we strive to improve the return on the equity you have invested in our company.

The second method by which we aim to increase returns is by investing new money in ventures we believe will provide acceptable rates of return.

As I mentioned earlier and as detailed in the video and Annual Report, our existing businesses are all performing very well. The Group has for the last few years achieved returns in excess of 20 per cent on shareholders' equity. This is historically very high and difficult to maintain. There is very little room to improve these returns and the amount of new investment that can be made in existing businesses is limited.

This brings me to Coles and why I believe it will be a great acquisition and contribute to long-term increases in shareholder wealth.

The ability to acquire Coles presented us with both the opportunity to greatly grow its profitability or return on equity and to grow the Coles business through further investment into the foreseeable future.

Coles is a business that was severely underperforming with great potential for improvement. We had made similar acquisitions before. Howard Smith, for example, where we greatly improved the returns from the BBC Hardware chain through its integration into Bunnings and also improved the business that is now our Industrial and Safety division. It was these improvements that justified the price premium as will be the case with Coles.

The difference with Coles is its size. The acquisition is so large its current financial performance dominates the Group and greatly reduces our return on equity.

This is in some ways a measure of the size of the task in front of us but it also is an indication of how big the benefit will be when it is achieved. The fact that Coles Supermarkets were performing so badly was the attraction and the opportunity.

We know it is not going to be easy. We needed a new team. We needed a new store format, quality management systems, and we needed to rectify years of underinvestment in both the infrastructure and the ways of working.

There are 750 stores that will need reformatting. We have set a five year target time to achieve that.

After the first year we are on time and on target. Financial improvement will gather momentum over time and when the turnaround is achieved you will own a great asset with a great future ahead.

We are as focused as ever in growing shareholder wealth and have taken on an exciting opportunity to do so.

Sustainability

Coles has fundamentally changed Wesfarmers in a number of other ways.

Our shareholder base is considerably larger.

We are now amongst the largest private sector employers in the country.

We now operate in nearly every major community across Australia. This obviously impacts on our social responsibility.

As a company, we have a major responsibility to the many people we employ, to the communities in which we operate, to those who supply our divisions with goods and services, and importantly to our greatly expanded shareholder base.

Our 2008 Sustainability Report, which outlines in great detail health and safety, environmental and community practices and performance, was released to the ASX this morning and copies are available today. You will find the reports outside in the foyer area on side tables.

The report is also available on the company's website and I encourage shareholders to take the time to have a look at what we're doing in this increasingly important field of corporate endeavour.

One of the challenges we have as a Group is ensuring that the sustainability practices and disciplines that we have pursued are embedded into the Coles group.

Good progress is being made and we will be reporting further on this in next year's report.

I also want to stress that climate change remains a top priority for the company.

We are well-placed to meet the new emissions reporting regime and continue to do a lot of work on how to reduce our emissions under the proposed emissions trading scheme.

Again, you'll find more information in the report.

Board Structure and Activity

I'd like to take this opportunity to thank my fellow directors for their work and commitment during the year, particularly with the Coles acquisition and the equity raising. This required huge amounts of additional time and work by all directors who each gave their time willingly and worked with enthusiasm and diligence.

I would also like to thank Dick Lester who retired as a director on 30 June 2008 after 13 years as a valued member of the Board. Dick has played a significant role in the Board's deliberations through what has been a period of major change.

He is also a significant contributor to the local community, particularly through his Chairmanship of the Western Australian Institute for Medical Research.

My Board colleagues and I have appreciated his support and counsel and we wish him the very best in his future endeavours. Unfortunately Dick cannot be with us today as he is undergoing some minor surgery. We wish you well and thank you Dick.

Richard Goyder will shortly provide an update on the current trading of each of the Group's divisions and on the company's strategic direction.

You will be pleased to hear that these latest trading results point to a continuation of the Group's strong underlying performance under what are difficult economic conditions.

This is my last AGM as Wesfarmers' Chairman.

It has been a tremendous honour to work for, and represent the company at so many different levels over the past 45 years.

In conclusion I would like to sincerely thank all the shareholders of Wesfarmers, you have shown confidence and support in me as an employee, a CEO, a director and Chairman, for that I thank you. I have great confidence in the future of Wesfarmers and I wish you all the best.

Thank you.

I will now invite Richard Goyder to provide an update on the current trading of the Group's businesses.

MANAGING DIRECTOR'S REVIEW OF CURRENT TRADING

Thank you Chairman and good afternoon ladies and gentlemen.

As Trevor indicated, the world has changed significantly in recent months.

We're all facing new challenges and realities - as businesses, shareholders and employees.

But your company has a wonderful set of assets, human and physical, which I think will hold us in good stead in the future.

I want to now provide you with an update on how the Group is performing across all its divisions.

In particular, I want to highlight how we are dealing with the challenges associated with the current economic conditions.

As a diversified company, Wesfarmers' overall objective has not changed – that is to provide a satisfactory return to our shareholders.

It would be easy for us in the current environment to take a short-term approach to the way we run the company. But in addition to describing how we are dealing with the short-term challenges, in my update, I want to touch on some of the long-term initiatives that we have put in place. As Trevor emphasised, ensuring a satisfactory return to shareholders requires that we continue our laser-like focus on return on equity and return on capital. But it also demands willingness to actively manage our businesses. As our review will show, we are doing both in all of our businesses.

What we will do is run our businesses to the very best of our abilities to perform through the various business cycles, and to be positioned for future opportunities, with a view to the long-term.

Operationally, our priorities are to:

- ensure we continue to make significant and sustained progress with our turnaround businesses, notably Coles, Kmart and Officeworks;

- provide ongoing support to our strong-performing industrial, insurance, Bunnings and Target businesses, so they continue to deliver the best possible results in the current environment; and

- continue to have disciplined management of our balance sheet so that we have the facilities in place to deal with the current and future conditions.

The Chairman mentioned the two factors over which we have control weighing on our share price in recent times - namely debt refinancing and the Coles turnaround.

I would like to deal with each in turn before moving onto current trading for each of the divisions.

Debt Refinancing

Let me address concerns around debt refinancing.

We have a balance sheet with a net debt to equity ratio of around 50 per cent which is around where we would normally like it, and strong interest cover.

We feel that the concerns that some have expressed around this issue are unfounded.

Like many companies, Wesfarmers has a certain amount of its debt rolling every year and much of the worry seems to be because we have debt to be refinanced in 2009 and 2010.

It is important to note that since April of this year, we have refinanced more than $6 billion of debt facilities.

This includes $800 million in the past two weeks.

This leaves less than $150 million that needs to be refinanced by 30 June 2009.

Discussions are well underway to rollover these facilities with the relevant banks, with which we have excellent long-term relationships.

Beyond these facilities, we have some $2.2 billion of debt due by December 2009 and $5 billion due in October 2010.

Of the $2.2 billion, $1 billion is a standard revolving capital facility which is held on the understanding that it will be rolled-over each year. This facility is also held with the same group of long-term relationship banks I just mentioned.

The remaining $1.2 billion matures in December 2009. This, together with the $5 billion maturing in October 2010 we would expect to be primarily dealt with through underwriting our future dividends and long-term refinancing with existing banks which hold the facilities, accessing alternative debt markets both domestic and offshore, and I note here our recently lodged documentation to provide capacity to access the European markets and other portfolio capital management initiatives.

There is also considerable opportunity to further release working capital from some of our businesses, particularly Coles.

We will continue to actively manage this aspect of our business in the best interests of shareholders.

Coles

Turning now to Coles, it is worth revisiting some of the things we said when we acquired Coles about the strategic opportunity for Wesfarmers:

- it has leading positions in attractive industry structures;
- Coles, Target, Kmart and Officeworks are unique retail platforms with irreplaceable store networks;
- it allows us to draw upon Wesfarmers' significant retail know-how; and
- it represents a tremendous opportunity to create value from the Coles businesses through good management.

All of these things are as true today as they were then.

We are 12 months into a five year turnaround for Coles and we are on track and feeling good about the business.

We have in place an excellent management team led by Ian McLeod and they have already achieved a great deal.

We're working hard to reverse the barriers to growth that have constrained the business in the past, and allow the people in the business to get on with the job at hand without being distracted or hindered by short-term earnings targets, lack of cohesive strategy and underinvestment in stores and people.

Meaningful and sustainable improvement will take time, and we are not going to cut corners.

I want to emphasise that the changes we need to make at Coles are entirely within our control and need to be made regardless of external conditions.

The Board and I remain convinced that the turnaround of Coles will deliver value to our shareholders over the long-term.

We are already starting to see some green shoots of improvement.

On-shelf availability is improving. There's been a reduction in central costs.

But this is much more than a cost-cutting exercise.

We've created a strong top team - six of the seven senior executives are new to Coles.

The top team are world class and have over 125 years of retailing experience globally.

The deep, cultural change needed to underpin the turnaround is underway.

New store formats are being created and store standards are beginning to improve and we're making inroads into improving value and customer trust.

We've started to invest in upgrading and renewing the store network, and we're driving a much more efficient use of capital.

Investments already made in IT and supply chain infrastructure will enable the business to become more efficient through initiatives such as auto replenishment.

In summary, the foundations needed for a sustained turnaround are being put into place, and driven at pace.

And this work is starting to reflect in our trading results.

In October, the trend in sales in both Coles Food & Liquor and Convenience has continued to improve.

Now I will update you on our other businesses.

Target

Strong, focused management in the current conditions has seen Target record relatively strong results for the four months to October.

Target's Managing Director Launa Inman and her team are taking a range of actions to manage the business through what we expect will be a busy Christmas period recognising a more subdued discretionary spend environment.

These actions include a renewed focus on lower and mid price points, broadening its sourcing base to offset cost increases from China and the tight management of inventory and expenses.

Kmart

Trading continues to be challenging for Kmart while in the early phases of a significant turnaround.

We've recently appointed Guy Russo – the former head of McDonalds Australia - as Managing Director. Guy is leading the strategic turnaround which involves improved customer engagement and in-store experience and execution, extending and enhancing the store network, a stronger focus on core product ranges and reducing the cost base in the business.

Home Improvement & Office Supplies

Bunnings under John Gillam's leadership continues to perform strongly.

In the four months to October, comparable store cash sales growth remains strong, with another good sales month in October – a great result given the tougher trading conditions.

Improving service has been identified as the largest growth opportunity through team member coverage, product knowledge and stock availability.

We have already opened three new warehouse and two small format stores this financial year, with three more warehouses to open in December.

Investment continues with the upgrade of existing stores and the addition of between 10 to 14 new stores annually.

Officeworks also recorded encouraging results for the four months to October.

With a significant restructuring of the business underway, Mark Ward and his team will focus on new strategies which will see better customer service, product range, and brighter stores.

Resources

Resources led by Stewart Butel continues to perform very well.

In the four months to October, earnings have been very strong, reflecting high contracted export coal prices over the period.

It is too early to tell what might occur in the export coal market. However we'll continue to enjoy the benefit of these high prices at least over the majority of the 2009 financial year.

Although we have some hedging in place, a lower Australian dollar will offset to some extent any fall in $US prices next financial year.

For the moment, we are looking to maximise our export sales and sales mix, improve operational performance, and maintain a low cost position.

We're continuing to progress expansion opportunities, with the Curragh and Bengalla expansion feasibility studies, so we are well placed to take advantage of any further uplift in demand.

This includes our recently announced $130 million project to divert the Blackwater Creek at Curragh to access additional reserves of coal.

Insurance

Pleasingly, performance in Wesfarmers Insurance led by Rob Scott is well ahead of last year.

There's been progress with important initiatives, including consolidation of our Australian licences, which is on track for completion in this financial year and will generate significant savings.

Wesfarmers Insurance' distribution network is continuing to grow and we're seeing improved conversion rates from referrals.

Lumley New Zealand is delivering on its turnaround strategies, with the restructuring programme delivering positive outcomes.

Overall, the environment is likely to benefit well-capitalised insurance businesses such as ours and we'll be actively exploring growth opportunities.

Industrial and Safety

Our Industrial and Safety Division continues to perform well, showing strong growth compared to last year in each of the first four months this financial year.

We're seeing continuing good growth from the resources and infrastructure sectors while manufacturing remains subdued, especially in New South Wales, Victoria and New Zealand.

There's continuing growth across most product categories, supported by the expansion of product and service offering and strong merchandising.

The priorities for Olivier Chretien and his team going forward are optimising our position in traditional markets, ongoing improvements to the customer value proposition and improving sales force effectiveness and increasing share of customers' spend.

Chemicals and Fertilisers

In Chemicals and Fertilisers led by Ian Hansen, ammonia production and sales in 2008/09 have been curtailed due to the Varanus gas disruption, which caused us to shut the ammonia plant in June with resumption of production in October.

On the other side of the ledger, ammonium nitrate production and sales will benefit from a full year's operation of our newly constructed plant.

Energy

Energy, led by Tim Bult, has also been impacted by the Varanus gas supply disruption.

This has delayed commissioning of our Western Australian LNG project but this is now nearing completion.

At an operational level, we've put in place improved efficiency in logistics, and in LPG distribution, we've heightened our customer focus, as well as our focus on managing controllable costs.

Other Businesses

In our other business interests, Wespine operations were impacted by gas supply issues but they are now back in production.

There has been one asset sale in Gresham Private Equity Fund II, Australian Pacific Paper Products (APPP), for an excellent price.

Conclusion

Ladies and gentlemen, we have traded strongly across our businesses for the first four months of this financial year and we are well prepared for more difficult markets ahead, through providing the products and services our customers want, and strong management of costs, and working capital.

We are confident, notwithstanding the external environment, of executing ongoing improvements at Coles, Kmart and Officeworks.

All of us at Wesfarmers remain committed to providing satisfactory, long-term sustainable returns for our shareholders and to taking the actions necessary to continue to deliver them.