

CHAIRMAN'S ADDRESS TO GENERAL MEETING THURSDAY, 15 NOVEMBER 2018

Good afternoon everyone. Welcome back to those shareholders who have already attended our Annual General Meeting this morning here in Perth or via webcast. And welcome to anyone who is joining us for the first time for this General Meeting, to be followed by the Scheme Meeting, both of which are required to approve and implement the demerger of Coles from Wesfarmers.

Joining me on the stage is our Managing Director Rob Scott and our company secretary Linda Kenyon. Also in the front row are the other members of the Wesfarmers Board, and I am pleased to again welcome James Graham, who retired from the Wesfarmers Board in July and is Chairman-elect of the proposed demerged Coles Group.

As I have said, this afternoon we are holding two separate meetings.

The first is a General Meeting to consider two resolutions.

The first resolution is to approve a reduction in Wesfarmers' share capital, which is a technical requirement to implement the demerger. The capital reduction is conditional on the Scheme being approved. For the demerger to proceed, shareholders will need to approve both this resolution and the Scheme, which is the subject of the only resolution to be considered at the Scheme Meeting to follow.

The second resolution at this General Meeting is to consider, and if thought fit, approve potential termination benefits to Coles key management personnel. The Board believes this second resolution is important for a number of reasons, including giving Coles the ability to meet existing contractual and legal entitlements. However the approval of this resolution is not required for the demerger to proceed.

Before we proceed to the formal business of this General Meeting and the Scheme Meeting to follow, I would like to make a few comments on the demerger of Coles from the Wesfarmers Group.

Ladies and gentlemen, the rationale for the Coles demerger is clear if we consider Wesfarmers' core objective: to deliver satisfactory returns to shareholders... with our definition of satisfactory being superior to the market over the long term.

Your Board believes this demerger repositions both companies for the next decade.

We believe it will enhance Wesfarmers' returns by shifting investment weighting and focus towards businesses and opportunities with higher future earnings growth prospects.

Wesfarmers will retain four divisions – Bunnings, Department Stores, Industrials and Officeworks – which house a diverse portfolio of cash-generative businesses with leading positions in growing markets. Wesfarmers will also retain a very strong balance sheet, providing flexibility to pursue investment opportunities when they arise.

And after a successful turnaround since being acquired by Wesfarmers in 2007, Coles is once again a leading Australian retailer, well positioned to grow, with strong cash generation, and an earnings profile expected to be resilient through economic cycles.

The Board believes Coles is of a scale where it should be owned and operated separately, having established a strong corporate infrastructure under the Wesfarmers' model of divisional autonomy.

We have been committed to ensuring Coles is set up with a strong foundation for success. It will be demerged with a strong balance sheet, and be led by an exceptional group of people, with the background, knowledge and skills to drive continued success in a dynamic and competitive environment.

Wesfarmers intends to retain a minority ownership interest of 15 per cent in Coles and a 50 per cent interest in the flybuys joint venture with Coles. This will support strategic alignment between us in mutually beneficial growth initiatives, including in data, digital and loyalty, and support the continued development of flybuys by harnessing our combined digital and data assets.

It is not typical in demergers for the parent company to retain a stake in the demerged entity. However I remind you that this will be Australia's biggest demerger, and it is not a demerger of non-core assets. We believe Coles is a great business and we will join our shareholders in having "skin in the game" in its future success. We won't have any operational control but the relationship deed we have entered into with Coles means this 15 per cent stake does give us a seat at the table through an entitlement to appoint a director to the Board.

As described in the Scheme Booklet, the Board considered a range of alternatives to the demerger of Coles, including maintaining the status quo, a trade sale and undertaking an initial public offering. Having regard to the advantages, disadvantages and risks of each, we concluded the demerger is more likely to enhance shareholder value in the long term than the other options considered.

Moving to **Next Steps...**

If the demerger is approved:

- Eligible shareholders will receive one Coles share for each Wesfarmers share they hold on the record date
- Wesfarmers shareholders will retain their shareholding in Wesfarmers
- Shareholders will then have the choice to keep their Wesfarmers and Coles shares, or sell either or both.

Trading of Coles shares, on a deferred settlement basis, is expected to commence on the Australian Securities Exchange on the 21st of November. Wesfarmers shares will also begin trading on an ex-demerger entitlements basis on the same date.

In conclusion, your Board unanimously believes that this demerger is in the best interests of shareholders and has recommended that you vote in favour of the resolutions before you today.

Grant Samuel, the independent expert appointed by Wesfarmers, has also concluded the demerger is in the best interests of Wesfarmers shareholders.

For more information:

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CHAIRMAN'S ADDRESS TO SCHEME MEETING THURSDAY, 15 NOVEMBER 2018

Welcome and thank you for those remaining with us, or joining us, for the Scheme Meeting, which is to approve the scheme of arrangement which will implement the demerger of Coles as described in the Scheme Booklet.

I reiterate that your Board unanimously believes that this demerger is in the best interests of shareholders and recommends that you vote in favour of the resolution before you today.

Grant Samuel, the independent expert appointed by Wesfarmers, has also concluded the demerger is in the best interests of Wesfarmers shareholders.

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