

WESFARMERS LIMITED

CHAIRMAN'S ADDRESS - ANNUAL GENERAL MEETING 2001

Chairman

Ladies and gentlemen and special guests – once again I would like to extend a warm welcome to you all.

I hope you enjoyed the video of our group's operations and results for the 2001 financial year.

Results

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

Operating profit after tax reached \$251 million, representing an increase of 29 per cent on the comparative 2000 financial year result before abnormal items of \$194 million.

Delivering a profit in excess of a quarter of a billion dollars is one measure of the magnitude of the Wesfarmers group today. Another measure of the group's current size and substantial growth is the increase in the number of group employees in 12 months - from 14,400 in July 2000 to over 27,000 today.

The activities of the group and performances of each of our operating business units have been covered in detail in the company's annual report and in the corporate video which we have just watched.

I don't intend to address in any more detail these business activities now, other than in fairly broad terms.

By any measure, 2001 was an outstanding year and one of considerable achievement for the group.

Perhaps most significantly, the company successfully completed the restructuring of its ownership. This restructuring marked the conclusion of the transition of Wesfarmers from a farmers' co-operative to a widely owned public company.

The complexities of the Ownership Simplification Plan were significant and it was very pleasing that it received such overwhelming positive support.

Three major acquisitions – Westrail Freight, IAMA and Howard Smith - were successfully undertaken during the last year.

At this time last year we announced our 50 per cent stake in the newly formed Australian Railroad Group which successfully bid for the Westrail Freight business. Australian Railroad Group has performed well since its formation.

The acquisition of IAMA Limited was completed in May 2001 and represents a major step forward in the necessary rationalisation of the rural services sector. Wesfarmers Landmark has been created from the merger of Wesfarmers Dalgety and the IAMA rural operations and the merged business has produced a strong performance to date with promise of more to come.

The takeover of Howard Smith Limited was launched in June and by August it was successfully concluded. As a result, revenue and earnings from Bunnings will increase substantially this year as our hardware operations absorb those of BBC and Hardwarehouse.

Finalisation of the Howard Smith acquisition also introduced a significant industrial and safety product distribution business into the group. The acquisition of this business further diversifies Wesfarmers' revenue and earnings base.

Backing up these acquisitions was continued growth and strong performances from most of the group's existing businesses.

One highlight was the substantial growth achieved in the 2001 year by our energy business, major factors being the inclusion of the Queensland Curragh coal mining operation following its June 2000 acquisition and an ongoing increase in production in the group's Bengalla coal investment.

The Bunnings hardware retailing business also continued its expansion across Australia and delivered another outstanding revenue and earnings contribution.

The achievements and success of the 2001 financial year were reflected in a 107 per cent uplift in our share price from \$13 at the start of July 2000 to \$27 by the end of June 2001. The share price has continued its growth since 30 June and today stands at over \$30.

It is very pleasing for your board to witness this market reaction to the company's success and to see our shareholders being rewarded so well.

The group's 2001 performance also 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 the company and I would like to present this again today.

AUSTRALIAN ACCUMULATION INDICES 1984-2001



This graph illustrates the substantial returns that have been made to shareholders over the time since Wesfarmers listed.

In simple terms, an investment of \$1,000 in Wesfarmers in 1984 would be worth \$104,800 today if all dividends had been reinvested. This compares with around \$10,700 for an investment of \$1,000 in the 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 over \$11 billion today and the company is now ranked in the top 20 listed companies on the Australian Stock Exchange.

This growth has been achieved without the board or management, at any time, expressing any size aspirations for the group.

The company's primary objective is to provide a satisfactory return to shareholders. That is a return on investment rather than an absolute level of profit.

Looking back over that time it is apparent that Wesfarmers' success has resulted from a number of fairly simple actions, namely:

- running businesses more efficiently;
- hiring the best people and rewarding them appropriately;
- developing management systems with a common shareholder value focus;
- developing valuation principles and sticking to them;
- keeping the company well positioned to take advantage of opportunities as they emerged; and
- using management systems to improve the performance of newly acquired businesses.

As we look to the future, it is these same principles which will guide the company.

As noted in the annual report, we are at an exciting time in Wesfarmers' development. Our simplified ownership structure, the opportunities created through the IAMA and Howard Smith acquisitions and the performance of the group's businesses gives rise to considerable optimism for the future.

If we maintain our focus on shareholder returns I am certain we will deliver on these expectations.

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 profit after tax of \$79.3 million, which was 86 per cent higher than last year's figure of \$42.6 million. This result was achieved on operating revenue of \$1.66 billion, an 85 per cent increase on last year's \$899 million. Importantly, earnings per share increased 74 per cent.

This represents a very solid start to the 2002 financial year.

One of the main reasons for this growth is the inclusion, from August, of results from the Howard Smith hardware and industrial and safety product distribution businesses.

Operating revenue and earnings from the group's energy business segment are higher than the corresponding period last year due to strong coal results.

Sales volumes from the Curragh coal mine were above budget and above last year. This, combined with higher selling prices and favourable product mix and exchange rates, resulted in Curragh reporting earnings markedly higher than last year.

Domestic LP gas earnings, however, were below both budget and the corresponding period last year due to weaker than anticipated domestic demand.

It is pleasing to note that in August 2001 the Unigas autogas business commenced operations. Unigas has been formed from the merger of the Kleenheat and Elgas autogas wholesaling and retailing businesses in all states except Western Australia.

Weaker international LP gas prices have led to below budget earnings in the group's export LP gas business despite volumes being higher than last year.

The Bunnings hardware merchandising business recorded operating revenue 107 per cent above the same quarter last year. Bunnings' earnings increased by 74 per cent over last year. This increase was due to the inclusion of trading results from the Howard Smith hardware operations - Hardwarehouse, BBC and Benchmark in New Zealand - and was also due to the continuing strong growth in the underlying Bunnings business.

I am pleased to report that integration of the Hardwarehouse, BBC and Benchmark hardware operations into Bunnings is proceeding as planned. The process of re-branding Hardwarehouse and BBC stores commences this month. Bunnings' management team is confident of achieving, on a full year basis, at least the synergy benefits that were forecast.

The Howard Smith acquisition also brings to Wesfarmers the Blackwoods group of industrial and safety product distribution businesses. Operating revenue of \$204 million and earnings of \$13 million for the August and September months have been reported by these businesses.

Earnings from Wesfarmers Landmark increased by 27 per cent against last year's first quarter. This uplift reflects contributions from the recently acquired IAMA business and generally positive trading conditions across Landmark's underlying business activities.

A strong performance in chemicals resulted in earnings for Wesfarmers CSBP exceeding last year. Fertiliser sales volumes have understandably been under pressure, although the season outlook has improved.

The sale of the Western Australian freight services and logistics operations of Wesfarmers Transport was announced on 2 November. This sale, together with the sale of Niteroad Express in June 2001, represents the major component of the rationalisation of the group's road transport interests.

Wesfarmers' ongoing transport interests are now concentrated in the 50 per cent owned Australian Railroad Group - which comprises the South Australian and Western Australian rail freight businesses acquired in mid-December 2000.

In summary, the board is pleased with the first quarter result.

Notwithstanding the present climate of economic uncertainty, we are cautiously optimistic for the prospects of the group in the full year.

At this time, the board expects the full year result for the group to reflect the positive outlook as described in the bidder's statement we issued in relation to the Howard Smith takeover offer.

Before concluding this presentation, it is appropriate to acknowledge our group's employees.

One of the great strengths of Wesfarmers is the high quality of our employees across all businesses and at all levels.

On behalf of the board, it is my pleasure to thank them all for their untiring efforts, commitment and loyalty, and to acknowledge the important part they have played in achieving the group's outstanding results.

Thank you for your attention.