

ADDRESS GIVEN BY THE CHAIRMAN OF WESFARMERS LIMITED AT THE ANNUAL GENERAL MEETING OF THE COMPANY AT HYATT REGENCY PERTH ON WEDNESDAY 5 NOVEMBER 1997

Ladies and gentlemen and special guests - once again let me extend a warm welcome to you all.

I hope you enjoyed the Wesfarmers 1997 video presentation and that it helped develop your understanding of the group.

Results

As you will have read in this year's annual report and seen in the video presentation, the Wesfarmers group consolidated operating profit after tax and before abnormal items was almost \$141 million.

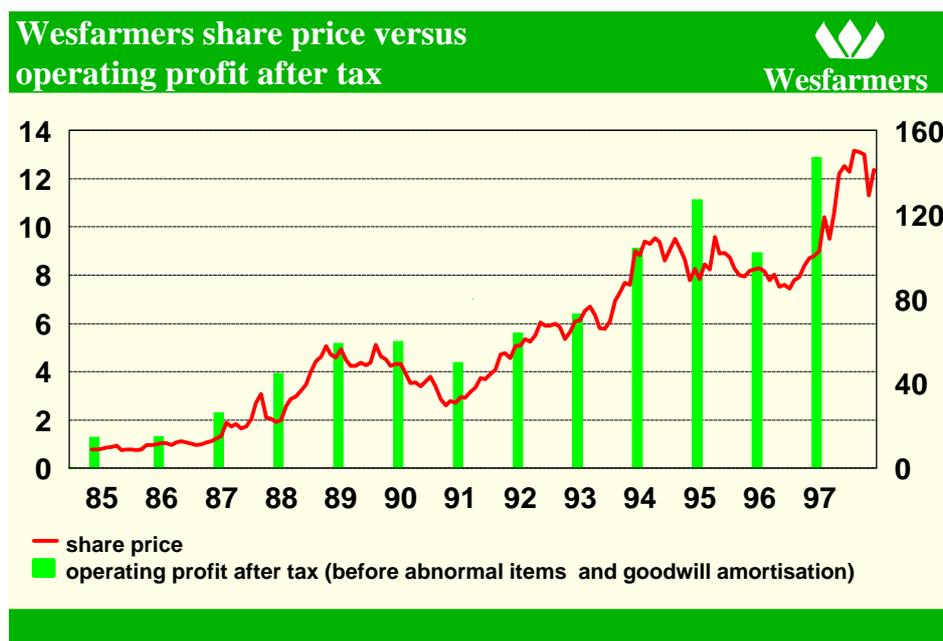
This was a record result, representing a 50 per cent increase on the \$94 million earned in 1996.

The year was also notable for a number of significant achievements, including winning a new contract for a further 1.2 million tonnes of coal at Collie, the successful commissioning of two major chemicals plants and the continued rollout of Bunnings warehouse hardware stores across the country.

Without wanting to sound too smug, it is worth reminding you of comments I made at last year's meeting.

I made the observation then, that the long-term trend of profit growth recorded by Wesfarmers since its public listing in 1984 - briefly interrupted by the cyclical downturn experienced in 1995/96 - was expected to resume this year as a result of the major investment programme and business improvement processes underway in the Wesfarmers group.

It is extremely gratifying to both the board and to management that these strategies have been rewarded in 1996/97 with a record profit for the group.



The graph which is now displayed is an updated version of the one in the 1997 annual report.

It serves to illustrate the strong growth in profits achieved over the 13 years since listing and demonstrates that the downturns of 1996 and 1991 were relatively minor on a pretty consistent upward trend.

The graph also shows how the market price of Wesfarmers shares has increased over that same period.

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

In the 1997 annual report we mentioned that in a special business report published in a national newspaper in November 1996, Wesfarmers Limited was ranked as the equal number one performer among the Top 100 Australian listed companies in providing the best shareholder returns over a 10-year period.

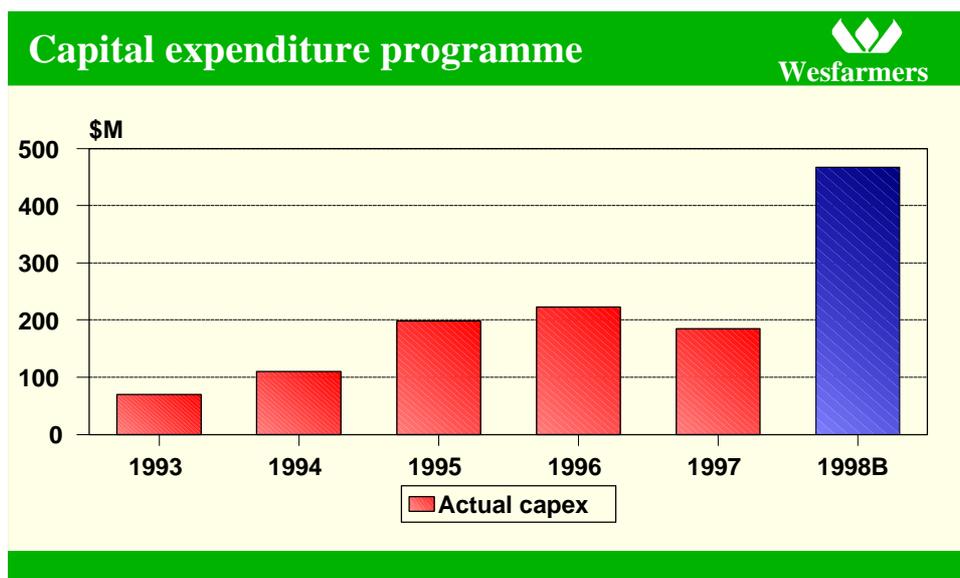
The newspaper report acknowledged that shareholder return was the ultimate test of performance, reinforcing the primary focus that Wesfarmers has maintained since its listing in 1984, “to provide a satisfactory return to shareholders”.

It is worth spending a few moments analysing why Wesfarmers has performed so well.

For a start it demonstrates the value of diversification. The results achieved this year were very good but they were achieved with the housing industry in a very depressed state, which of course affected the Bunnings business, and with cattle and wool prices still low, affecting Dalgety’s.

The diversification of the Wesfarmers group has provided it with very good protection against such downturns in some markets.

Another success factor is that the directors have always endeavoured to make sure the company maintained a solid investment programme even in tough times. As you can see in this next slide our capital expenditure programme has been high by historical levels in recent years.



We believe that this positions the company well to continue its growth record.

One of the other successes of Wesfarmers has been that we have only made investments when they meet our strict return criteria.

We have tried to avoid pursuing growth for growth's sake and to date have managed to find sufficient investment opportunities which do achieve our hurdle rates of return. That has required rejecting many more that do not.

Whilst the board is driven by shareholder returns, I would not like you to believe that profit is all that counts. We recognise our responsibility to be a good corporate citizen and to contribute to the communities in which we operate.

We do this in a number of ways like providing secure jobs, contributing to community causes and adopting ethical practices. One of the important aspects of business today is ensuring that the company's environmental practices are sound.

It is very widely accepted today - and particularly among major corporates such as ourselves - that strong environmental performance is an important part of maintaining and enhancing what is sometimes referred to as the licence to operate. That is, the community expects businesses, especially those involved in publicly-owned resource development, to demonstrate a high level of environmental responsibility.

We willingly accept that responsibility.

All our businesses adhere strictly to, and aim to exceed, environmental standards laid down by all levels of government. Outside the regulatory framework, we recognise the importance of communicating and liaising with members of the community who might be directly affected by a particular operation or who have concerns about any aspects of our diverse business interests.

At a corporate level, one of our current activities reflects our commitment to environmental best practice.

This is a groupwide assessment of the so-called Greenhouse gas emissions generated by Wesfarmers' business operations.

While there is still some disagreement about the exact effects of increased concentrations of greenhouse gases in the atmosphere, such increases are occurring and there is international agreement that steps should be taken to reduce them.

Next month, at Kyoto in Japan, decisions will be taken about targets for Greenhouse gas emission reductions and those decisions could prove significant for business in Australia.

Wesfarmers strongly supports the Commonwealth Government's approach to these negotiations. As part of that support, we are examining what we can do, along with other Australian businesses, to reduce gas emissions. Wesfarmers CSBP has already signed up for what is known as the Greenhouse Challenge, a voluntary agreement with the Commonwealth aimed at achieving such reductions.

Wesfarmers Coal is continuing discussions with the Commonwealth Greenhouse Challenge office about the possibility of signing up. All other operations are being reviewed by a Steering Committee to determine appropriate action across the group.

Finally on environmental matters I should make some comment about one issue that continues to attract public attention and about which we are likely to hear more later in this meeting.

I refer to our Bunnings Forest Products operations.

Ladies and gentlemen, Western Australia is indeed fortunate to have an absolutely first class, world class, system of sustainable forest management covering its south-west forests. That system has been developed by and is administered by the Department of Conservation and Land Management for which we have high respect.

Under the State's Forest Management Plan, a plan developed and approved with public and Environmental Protection Authority input, major parts of the south-west forests are included in conservation reserves. In fact, about one third of the jarrah forest and almost half the karri forest are covered by such reserves which are off limits to timber harvesting and other activities. Included in these reserves are large areas of what are referred to as "old growth" forests.

Outside the reserves in State forests where sustainable timber harvesting is allowed, every hectare of forest is replanted; ensuring that the forest remains a source of renewable timber in perpetuity.

On top of that, of course, there is a major softwood resource in pine plantations and the ongoing development of world-scale hardwood plantations. This winter just gone, Bunnings alone planted more than five million blue gums on previously cleared farmland. Major volumes of wood from these plantations will start coming on stream by the middle of the next decade.

From the environmental movement, the most noise we hear of course is about Bunnings woodchip operations. Those operations utilise wood that is produced according to accepted harvesting techniques but which is unsuitable for sawmilling. Before the woodchip market was established 22 years ago, that wood used to be burnt or left to rot on the forest floor.

Today, this otherwise waste wood is processed into chip form and exported for quality paper manufacture overseas. That makes good economic and environmental sense.

The State Government announced in September that it would negotiate new supply contracts for this forest waste running through to the end of the current Forest Management Plan in the year 2003. Given that this material would otherwise go to waste, this is a very logical decision.

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.

I am pleased to report that in the three months ended 30 September 1997, profit after tax was up 33 per cent to \$28.4 million on revenues which increased from \$603 million to \$610 million.

There were several reasons for this increase in earnings.

Firstly, the coal operations have recorded a much improved result. Coal sales were higher in the first quarter but - more importantly - overburden removal at the Premier Mine at Collie in Western Australia was up almost 50 per cent.

This productivity increase was partly because of the second electric shovel that was commissioned late in the last financial year and also reflects favourable weather conditions and improved industrial relations.

To take full advantage of the good weather, significant planned maintenance expenditure on the older of our two electrical shovels has been deferred until after the coming summer.

The cost impact will be felt in the second half of the current financial year, pegging back some of the first quarter gains.

The hardware side of the Bunnings business has also recorded a strong first quarter performance with earnings from warehouse stores in both Victoria and Western Australia well ahead of last year.

The first quarter is, however, a period of fairly low activity in the hardware retailing business. While the results are encouraging, the trading period leading up to Christmas is an important time for Bunnings and it is too early to draw conclusions for the full year.

The other major contributor to the good first quarter was Wesfarmers Dalgety which continues to benefit from the rationalisation process of the last two years.

Wool and cattle prices showed some improvement over the previous corresponding quarter.

The gas business was slightly ahead of last year - a position which should be maintained for the rest of 1997/98.

And, finally, the fertilisers and chemicals business was down, but we must remember that last year Wesfarmers CSBP benefited in the first quarter from strong urea sales which had spilled over from the previous year as a result of a late break to the season.

The profit recorded by the group in the first quarter is obviously a great start and we are delighted with the result. It will certainly help us achieve the reasonable increase we expect in the full year compared to last year.

One should, however, be cautious about expectations getting too high.

While we are greatly encouraged, the board does not expect this percentage rate of profit growth to be maintained over the full year.

In closing, I would like to pay tribute to all our employees who have worked hard to achieve the results recorded in 1996/97 and who continue to display commitment and loyalty to the group.

Your directors believe that the company is well placed both in terms of human and financial resources to ensure that its targets for growth are achieved in the years ahead.

Thank you

C H PERKINS, Chairman, Wesfarmers Limited