

# Investor Briefing

7 May 2004

InterContinental Hotel, Sydney



Wesfarmers



**Wesfarmers Energy**

# **May 2004 Investor Relations**

David Robb

May 2004



Wesfarmers

# Wesfarmers Energy



**WESFARMERS LPG**



**STATEWEST POWER**



# Wesfarmers Energy Objective

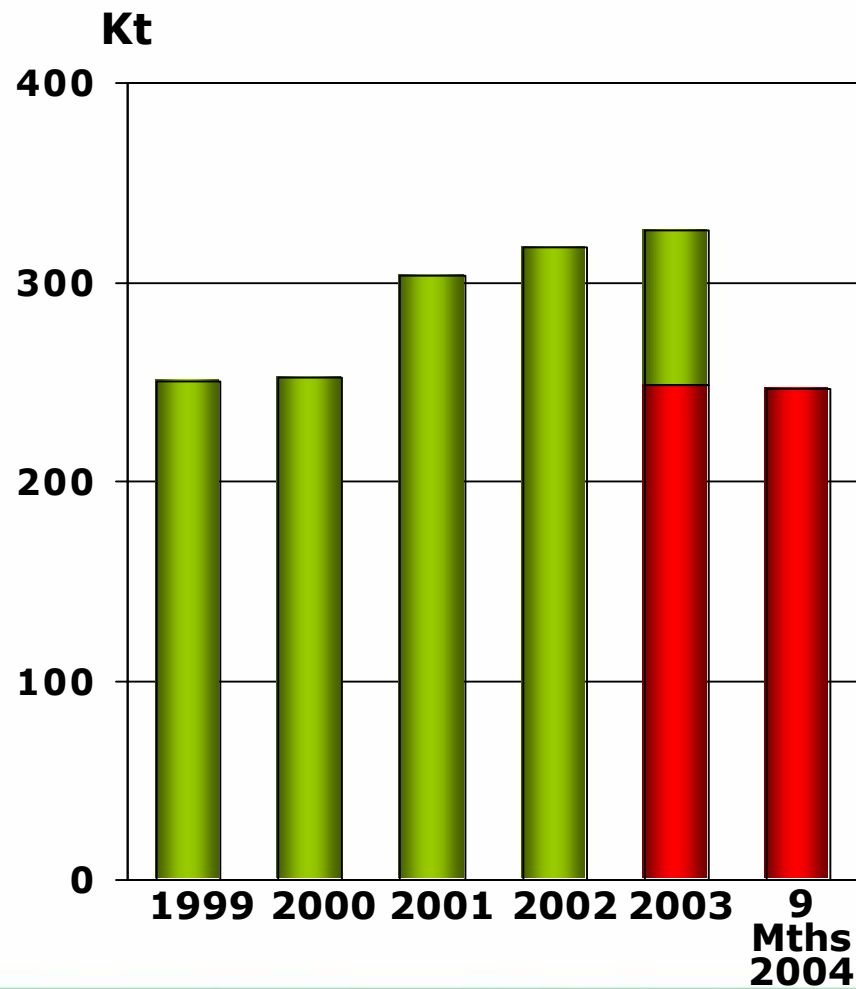
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P G T

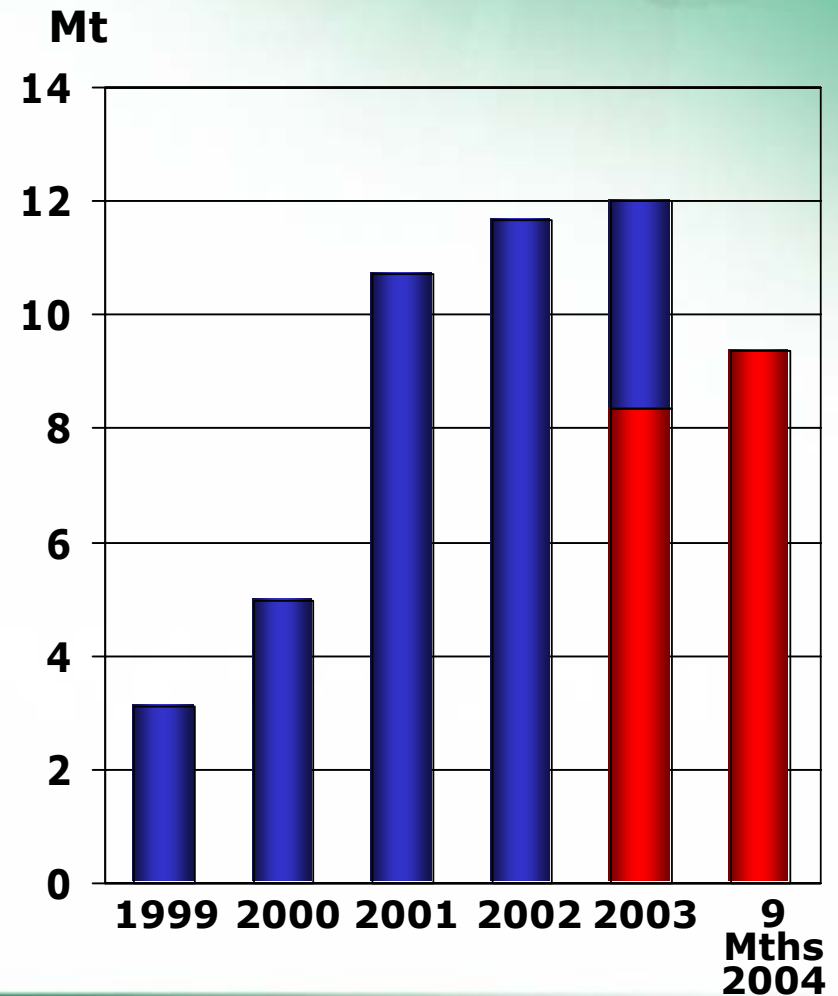
Profitable Growth Over Time

# Production

## W LPG



## Coal



# Saleable Coal Production

Mine	Beneficial Interest %	Coal Type	9 Months	
			Mar-03	Mar-04
			('000 tonnes)	
Premier	100	Steam	2,540	2,478
Curragh	100	Coking	2,949	3,412
		Steam	1,539	1,808
Bengalla	40	Steam	1,332	1,682

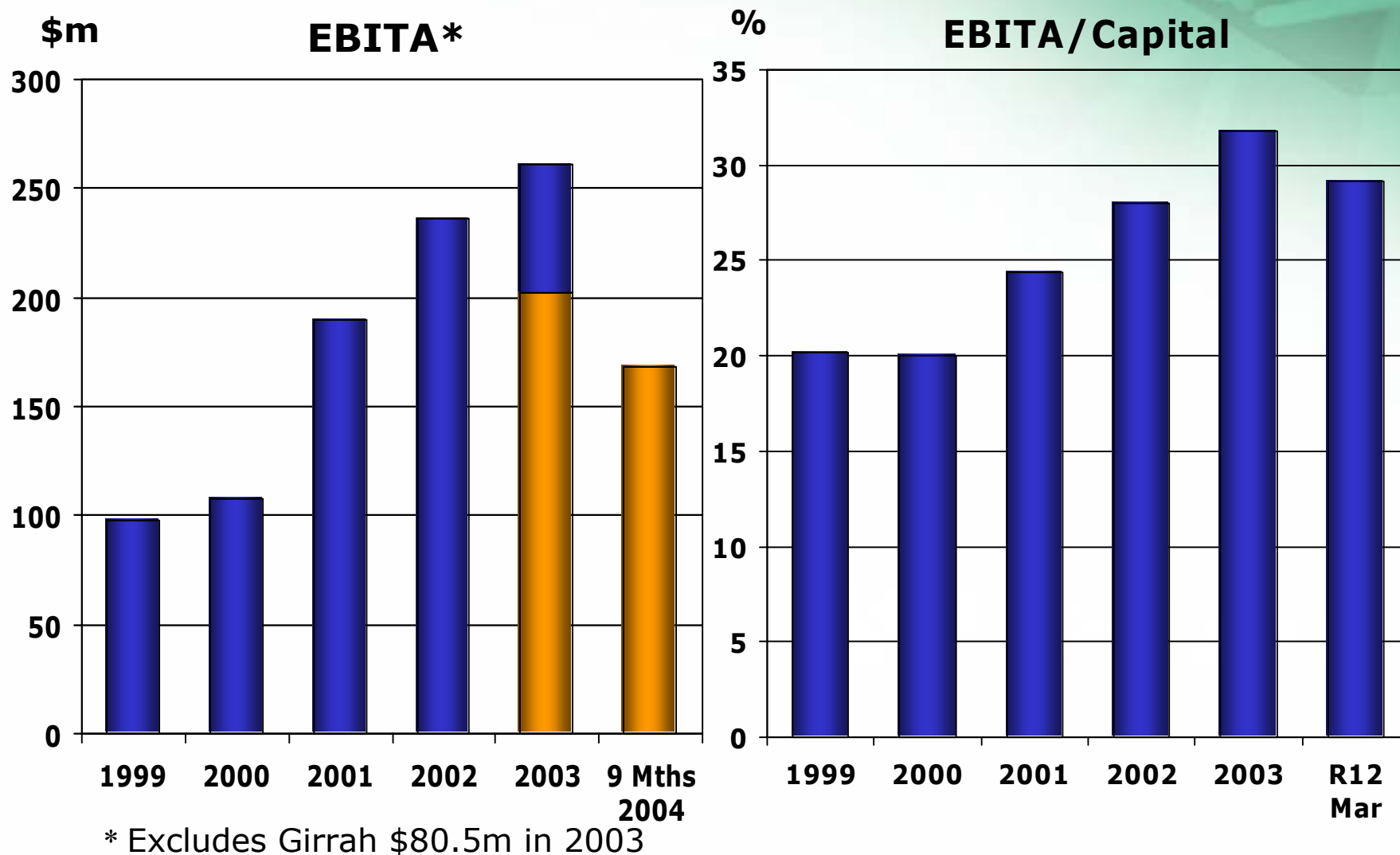
# Sales Volumes

9 Months 2004 versus 9 Months 2003

➤ Kleenheat Gas	+4%
➤ Wesfarmers LPG	-1%
➤ Air Liquide*	-2%
➤ Premier	-2%
➤ Curragh	+16%
➤ Bengalla	+5%

\*Pipeline Sales

# Financial Performance





# Logistics Bottlenecks

Demurrage	9 Months	
	Mar-03	Mar-04
	(\$m)	
Gladstone	1.46	2.09
Newcastle (40%)	1.56	2.40

# Energy 2003/04 Outlook

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## Gas

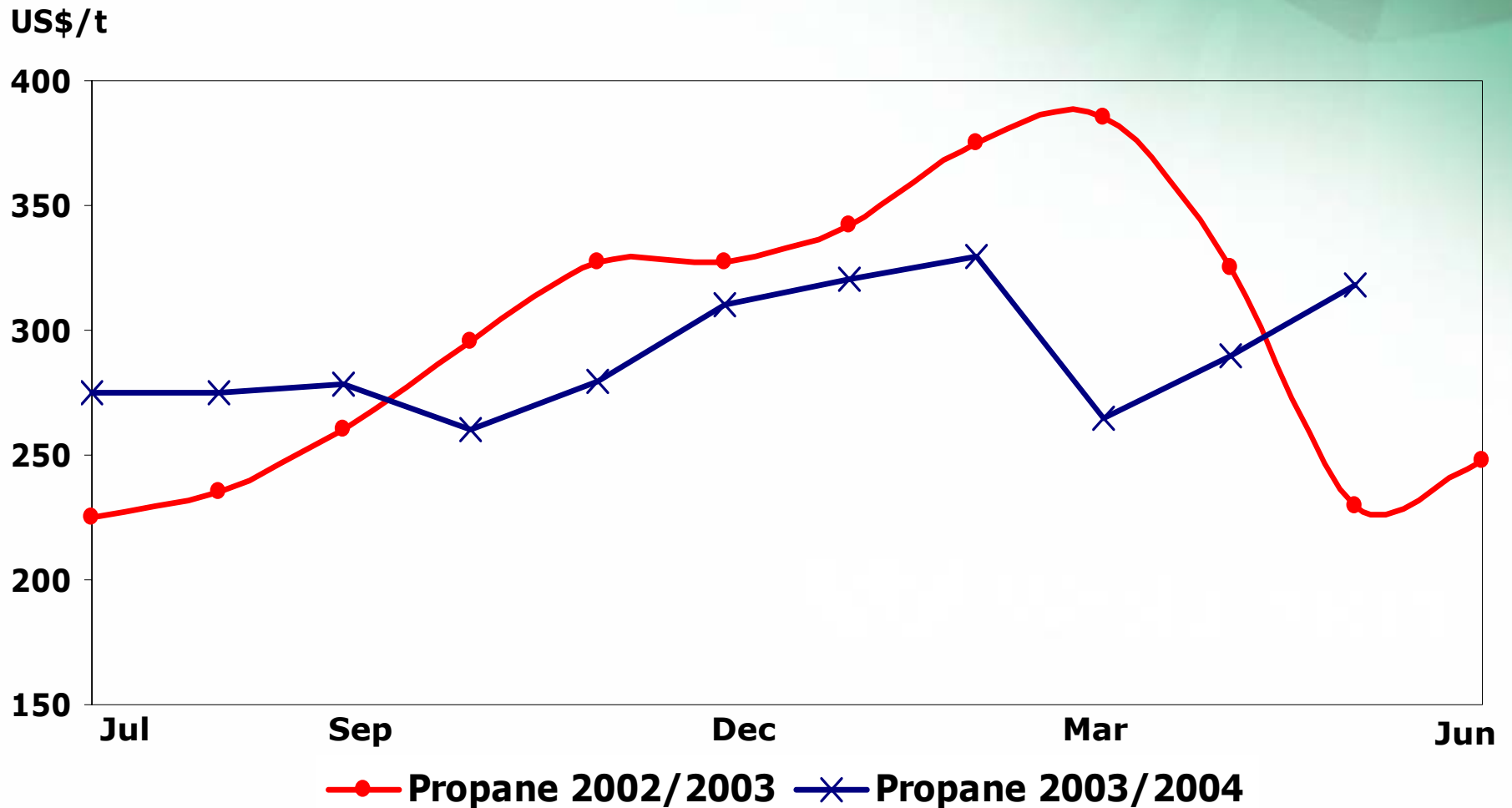
- International prices lower than pcp.....maybe

## Coal

- Demand strong, logistics bottlenecks continue
- Contract and spot prices up significantly
- Minimal unallocated tonnage

# Energy 2003/04 Outlook

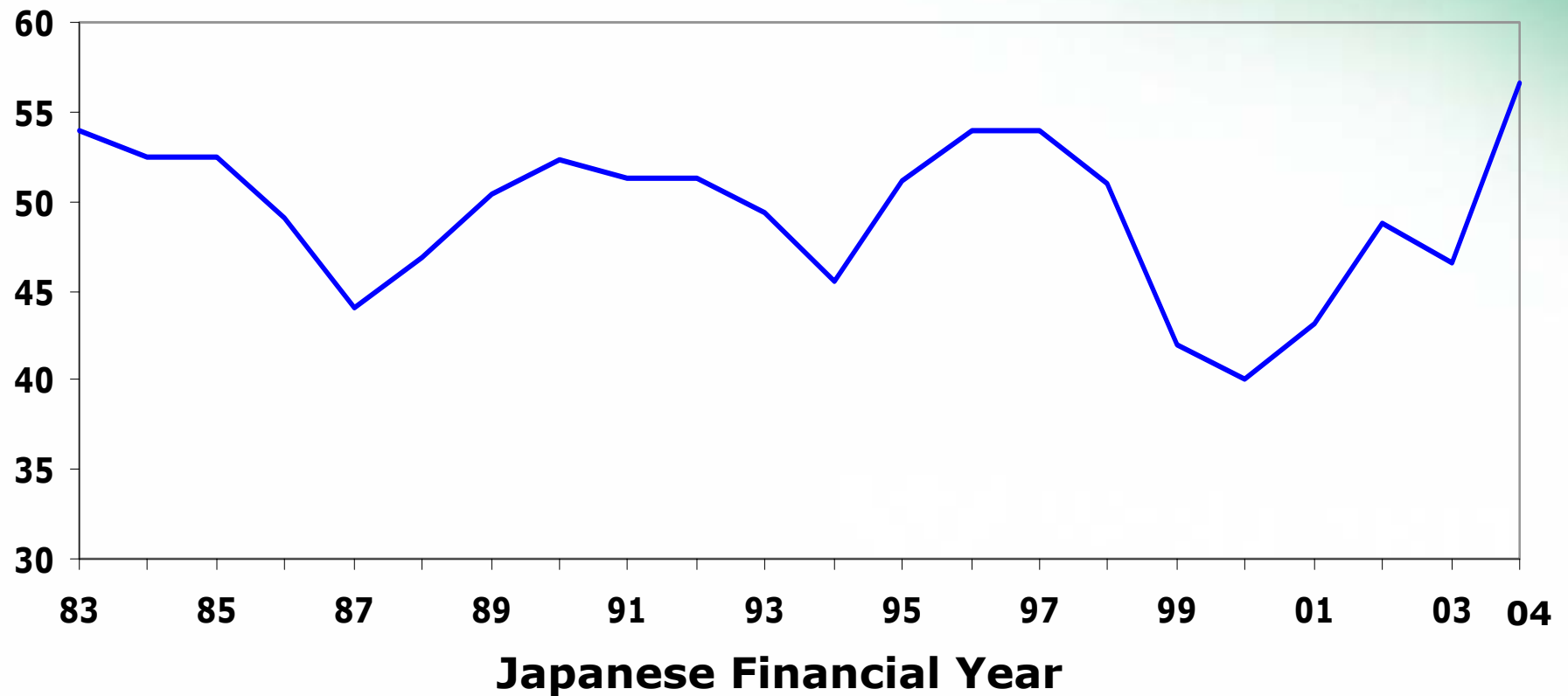
## Saudi Contract Price



# Energy 2003/04 Outlook

## Hard Coking Coal Prices

JRP US\$/Tonne FOB nominal



# Energy 2003/04 Outlook

## Thermal Coal Prices

US\$/Tonne FOB nominal

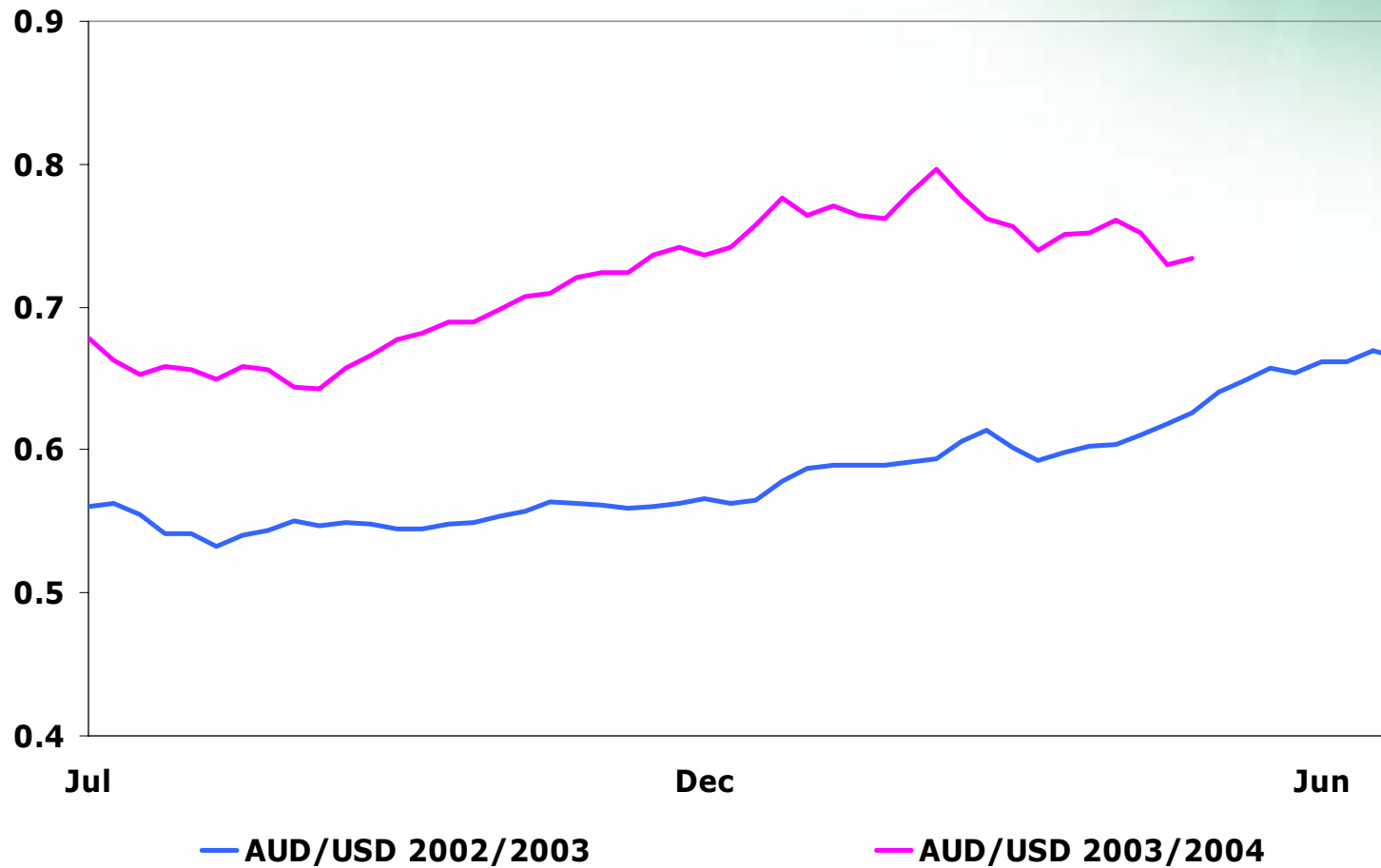


Source: Barlow Jonker

# Energy 2003/04 Outlook

## Exchange Rates

\$A/\$US



# Energy 2003/04 Outlook

## Coal Sales

<b>(million tonnes)</b>	<b>Domestic Steam</b>	<b>Export Steam</b>	<b>Export Coking</b>	<b>Total</b>
<b>Premier, WA</b>	<b>3.4</b>			<b>3.4</b>
<b>Bengalla*, NSW</b>	<b>0.6</b>	<b>1.6</b>		<b>2.2</b>
<b>Curragh, QLD</b>	<b>2.4</b>		<b>4.7</b>	<b>7.1</b>
<b>Total</b>	<b>6.4</b>	<b>1.6</b>	<b>4.7</b>	<b>12.7</b>

\*Wesfarmers 40% share

# Energy Issues Last Quarter

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- LPG prices and demand
  - Atypical price trend
  - Autogas weakness
  - Supermarket success
- Coal volumes, prices, costs
  - Production performance (dragline shutdown)
  - Inventory effects
  - Logistics performance

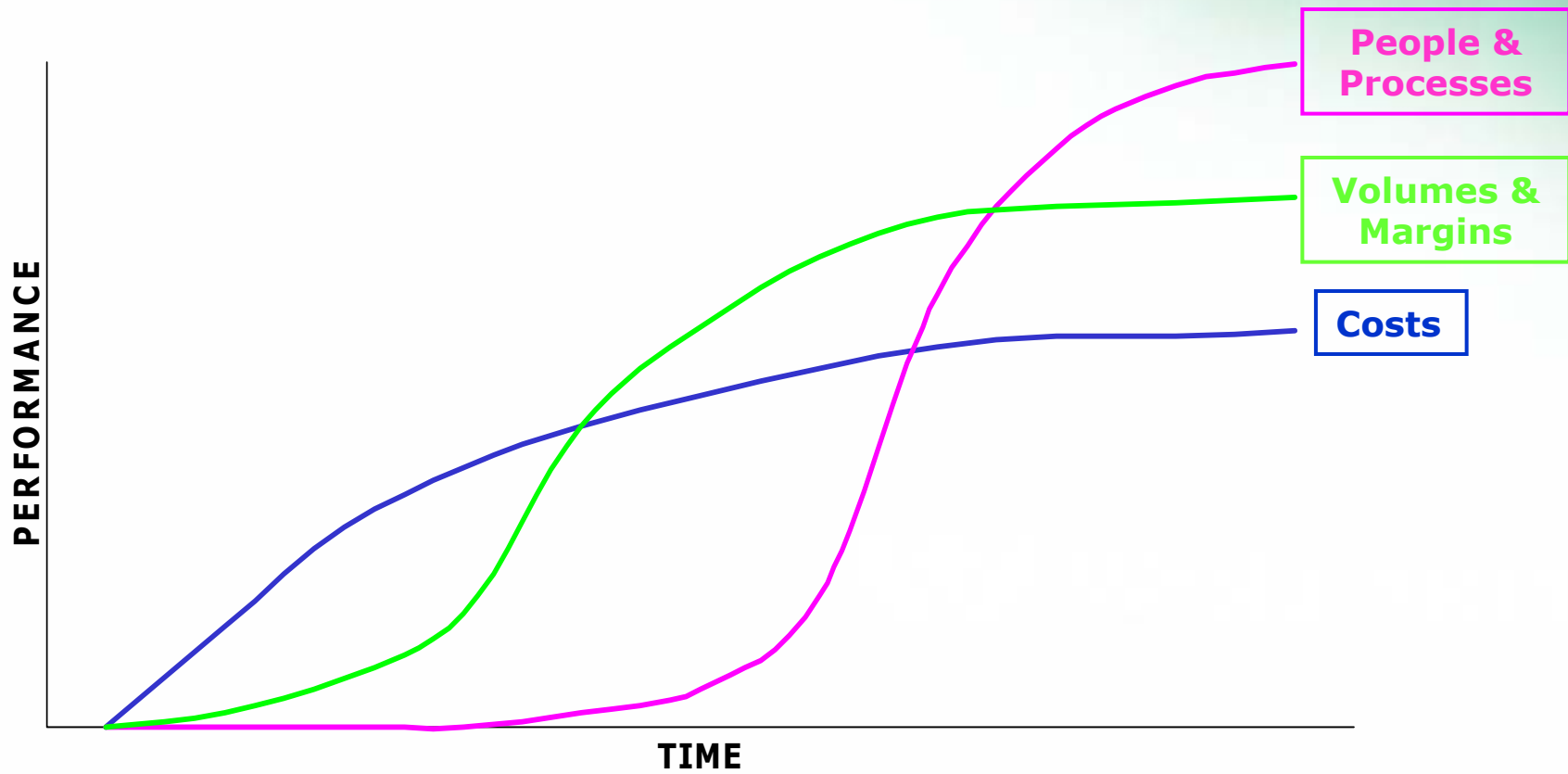


# PGT Challenges

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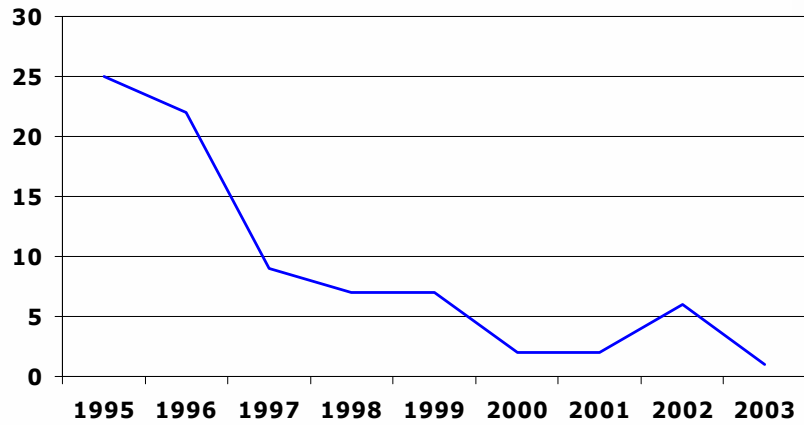
- Asset & People Productivity
- Aligning Stakeholders
- Acquiring New Competencies
- Changing the Business Model
- A Sense of Urgency

# Performance Drivers

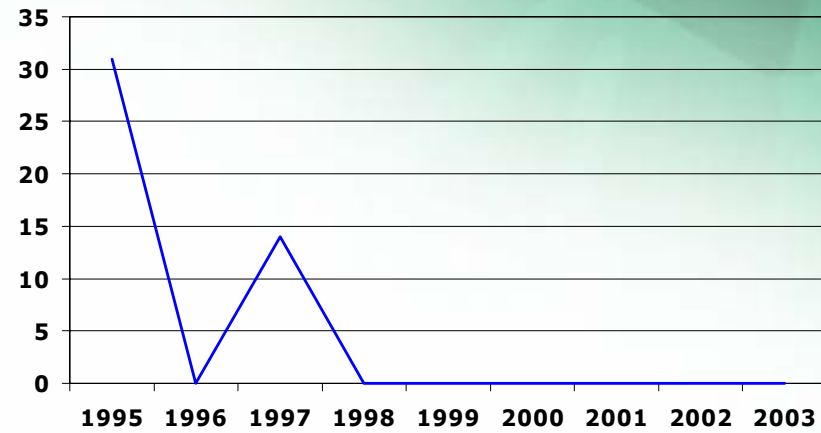


# Safety LTIFR

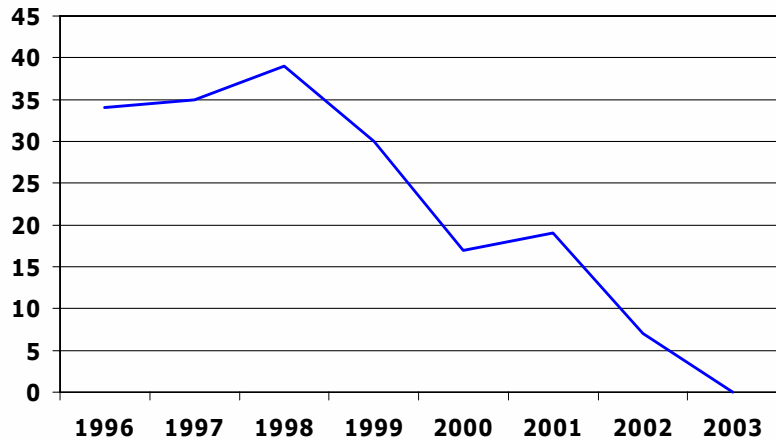
## Kleenheat Gas



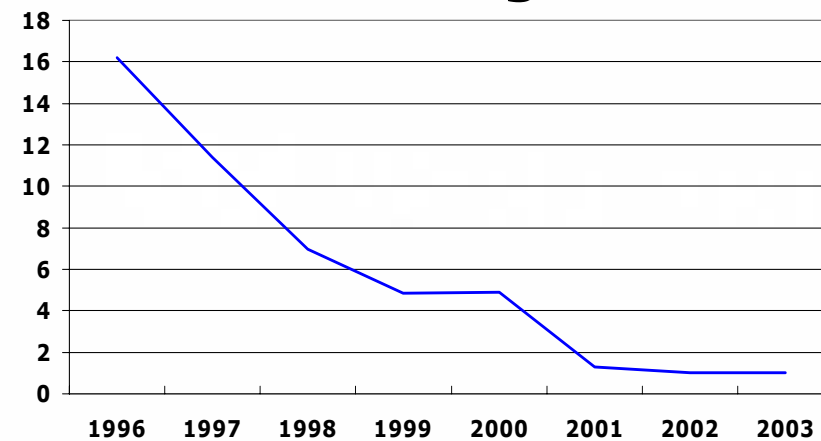
## WLPG



## Premier



## Curragh



# Strategy Summary

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- Premier - contracts, new markets, unit costs
- Curragh - Curragh North delivery and optimisation
- Bengalla - JV Alignment, mine plan, sales mix
- KHG - "focus on fundamentals" III
- WLPG - flexible operation
- ALWA - delivering new projects

# PGT Activities

## Gas & Power

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- LPG market development post excise decision
- WLPG post 2005
- LNG for road transport
- HIs melt
- MidWest
- WA base load power

# LNG



# Update on Hismelt Project

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- No lost time injuries
- Project on schedule and within budget
- All major equipment now on site
- Fourteen days lost (RIO IR)
- October completion date unchanged

# StateWest Power

## Mid West project



- 5 diesel power stations:  
Cue, Meekathara,  
Sandstone, Wiluna and  
Yalgoo
- 1 gas power station:  
Mt Magnet



# PGT Activities

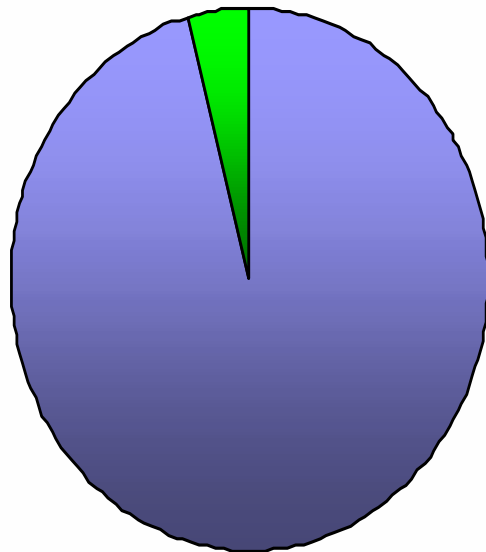
## Coal

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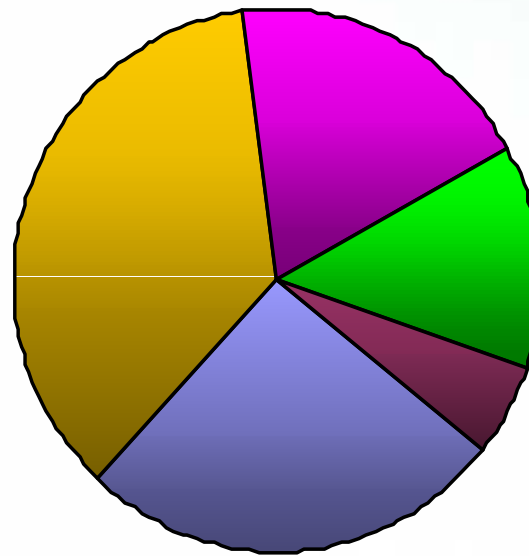
- Premier Market Development
  - Mineral sands
  - Hismelt
  - Char
  
- Curragh North

# Coal Market Development

1998/1999



9 Months 2003/2004



- Premier
- Curragh Export
- Curragh Domestic
- Bengalla Export
- Bengalla Domestic

	98/99	9M 03/04
Steaming Domestic	96%	51%
Steaming Export	4%	14%
Coking Export	0%	35%

# Curragh

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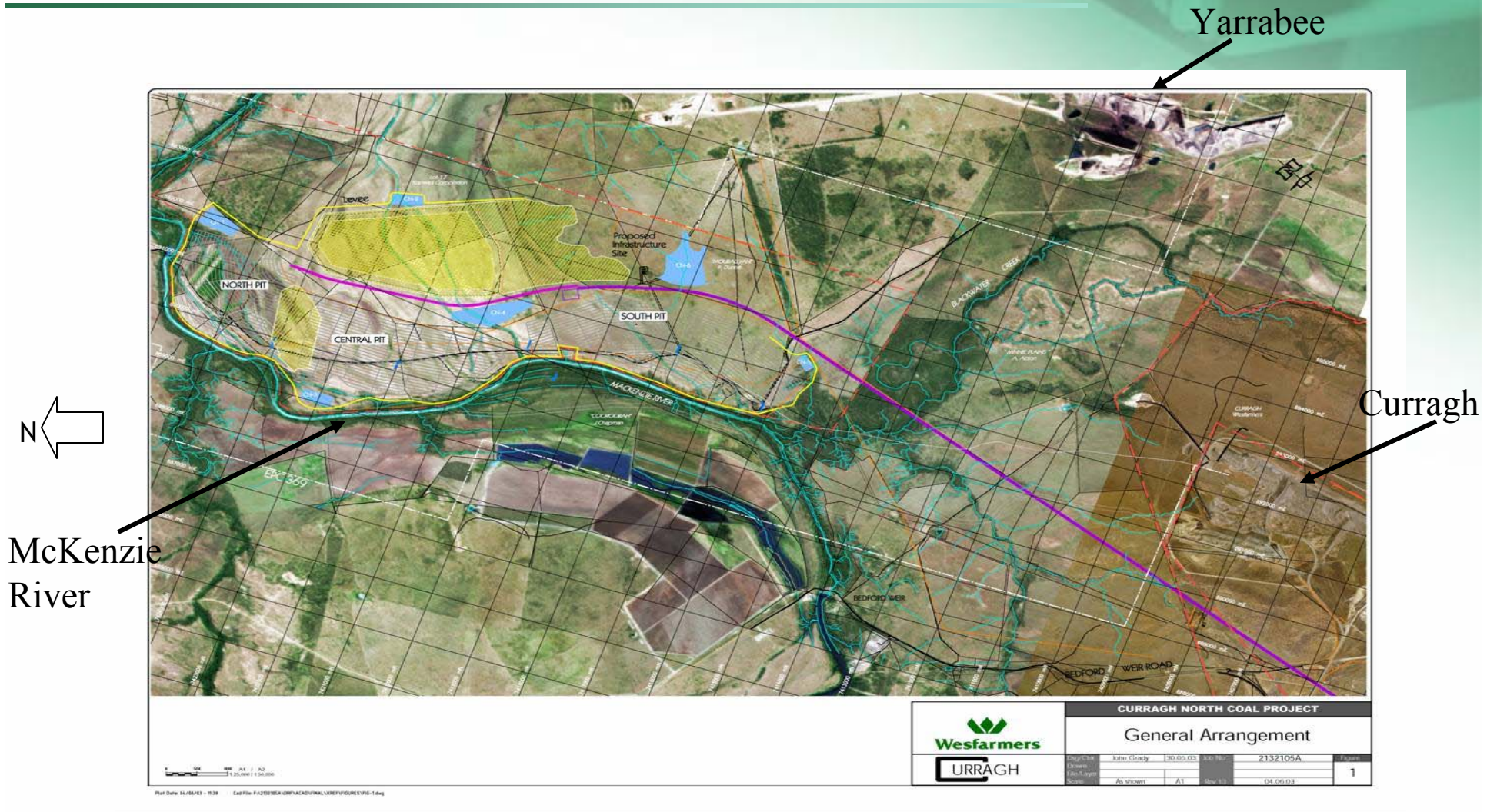
May 2004

# The Key Focus – Curragh North

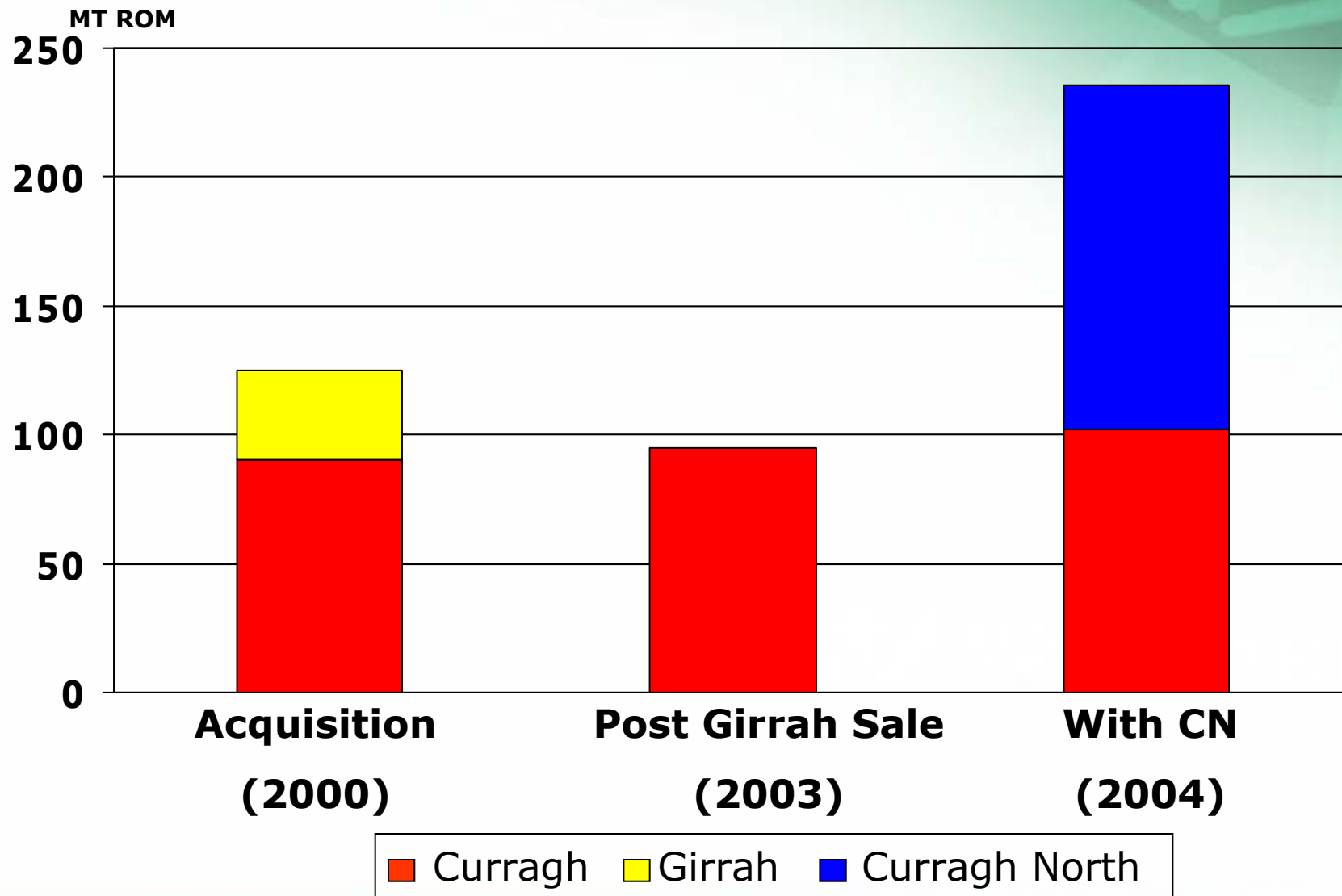
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- Award of Mining Lease
- Marketing program underway
- Project management – scope, timetable, procurement
- Selection of infrastructure delivery mechanisms
- Logistics
- Integration with Curragh operations
- Recruitment

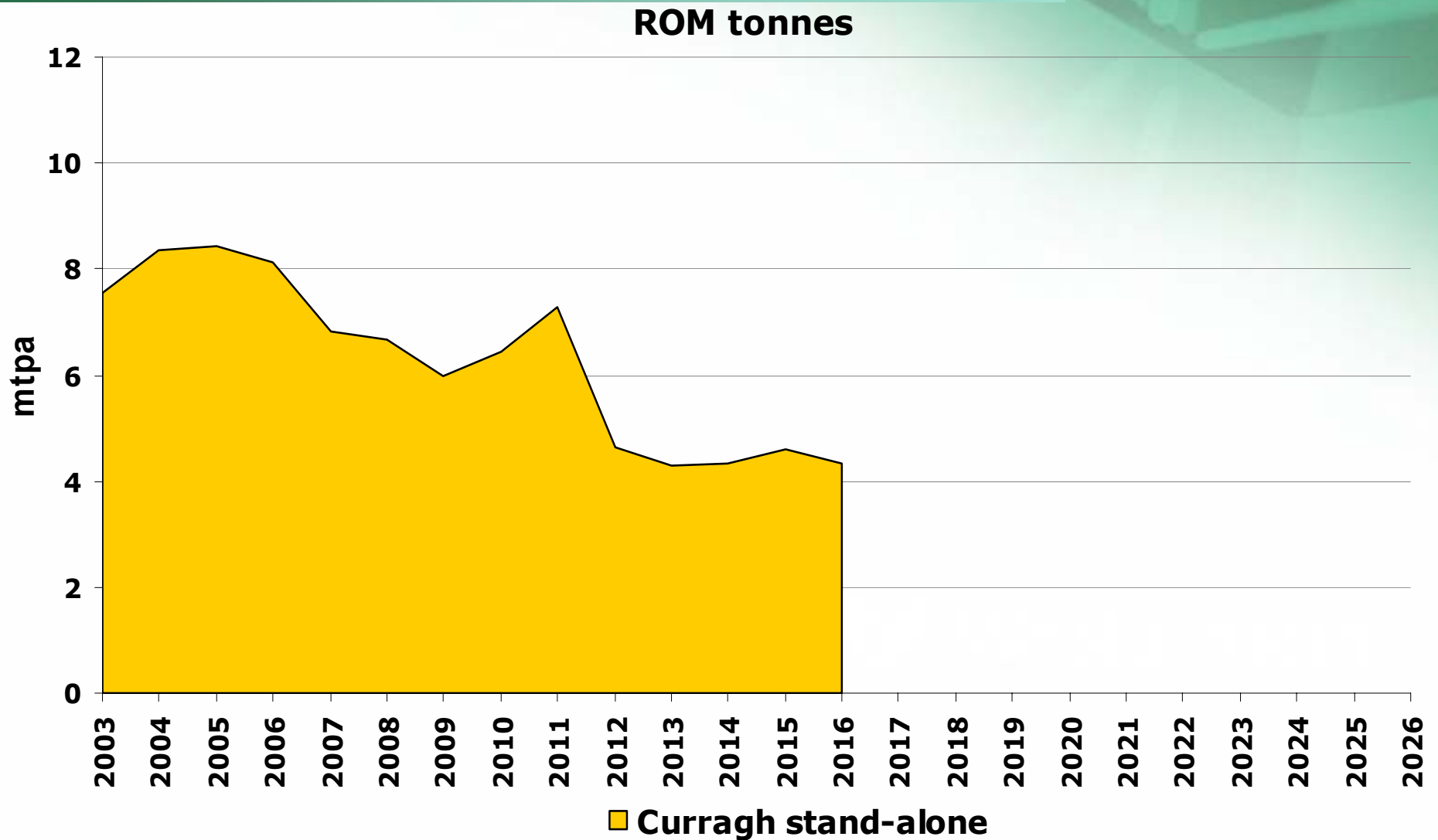
# Overview of Curragh North



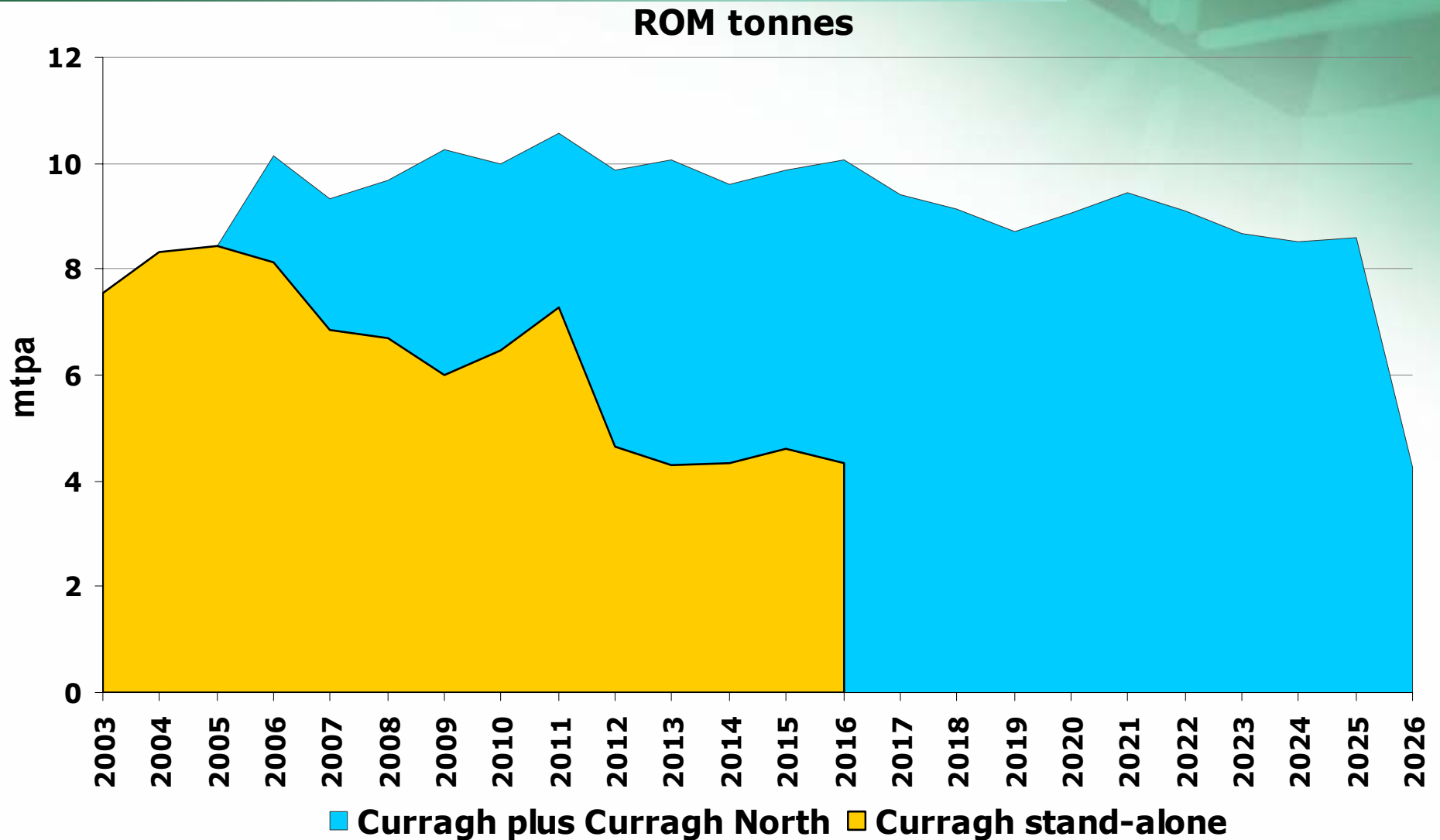
# Reserves History



# Curragh Production



# Curragh Production



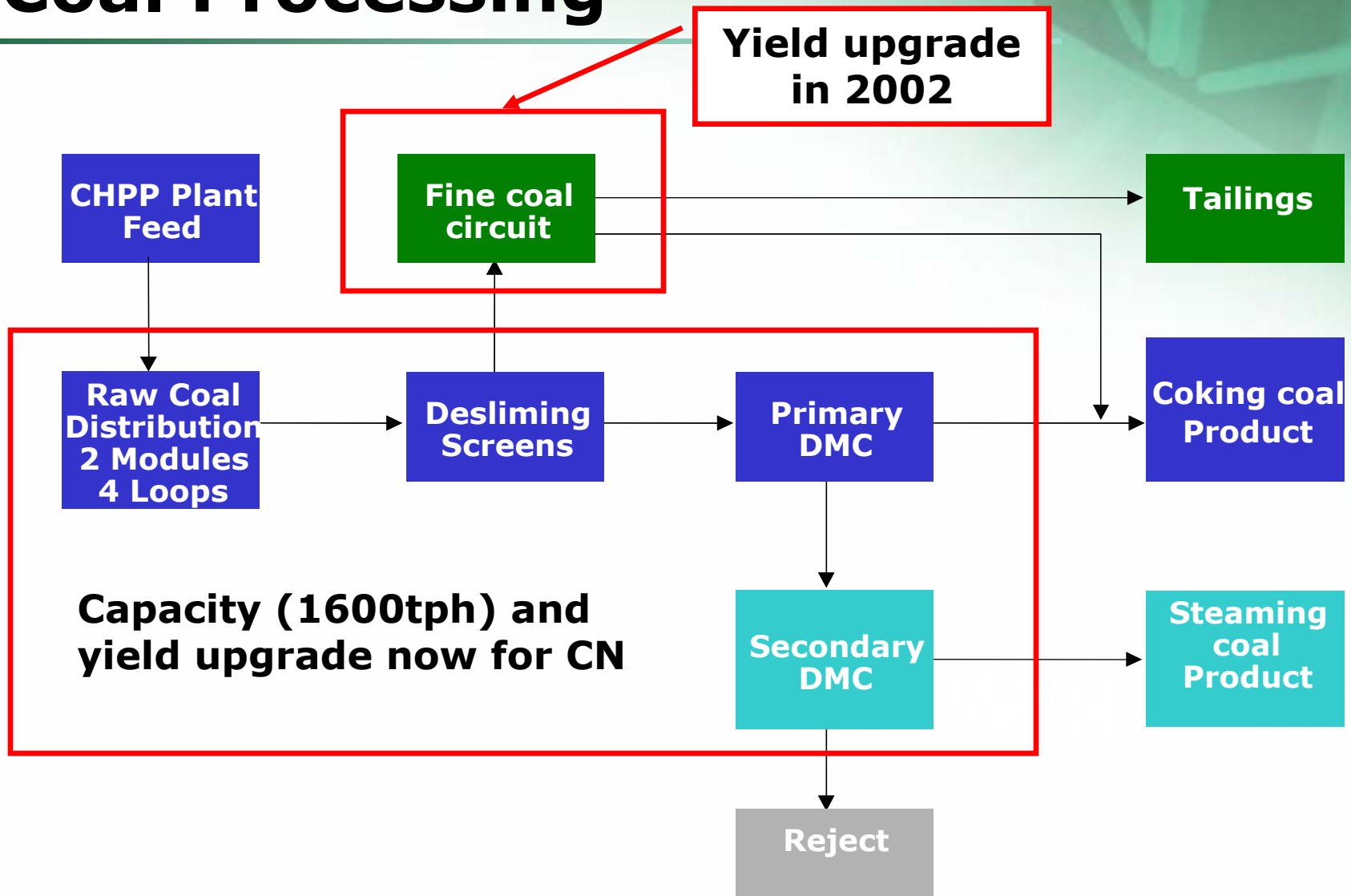


# Mining Lease

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- Completed:
  - Environmental Impact Statement
  - Qld EPA Environmental Authority
  - Cultural Heritage Management Plan
  - Confirmation – native title extinguished
  - 6 Compensation agreements
  
- Outstanding
  - 1 landowner objector to Mining Lease
  - Resolved through negotiation or LRT

# Coal Processing

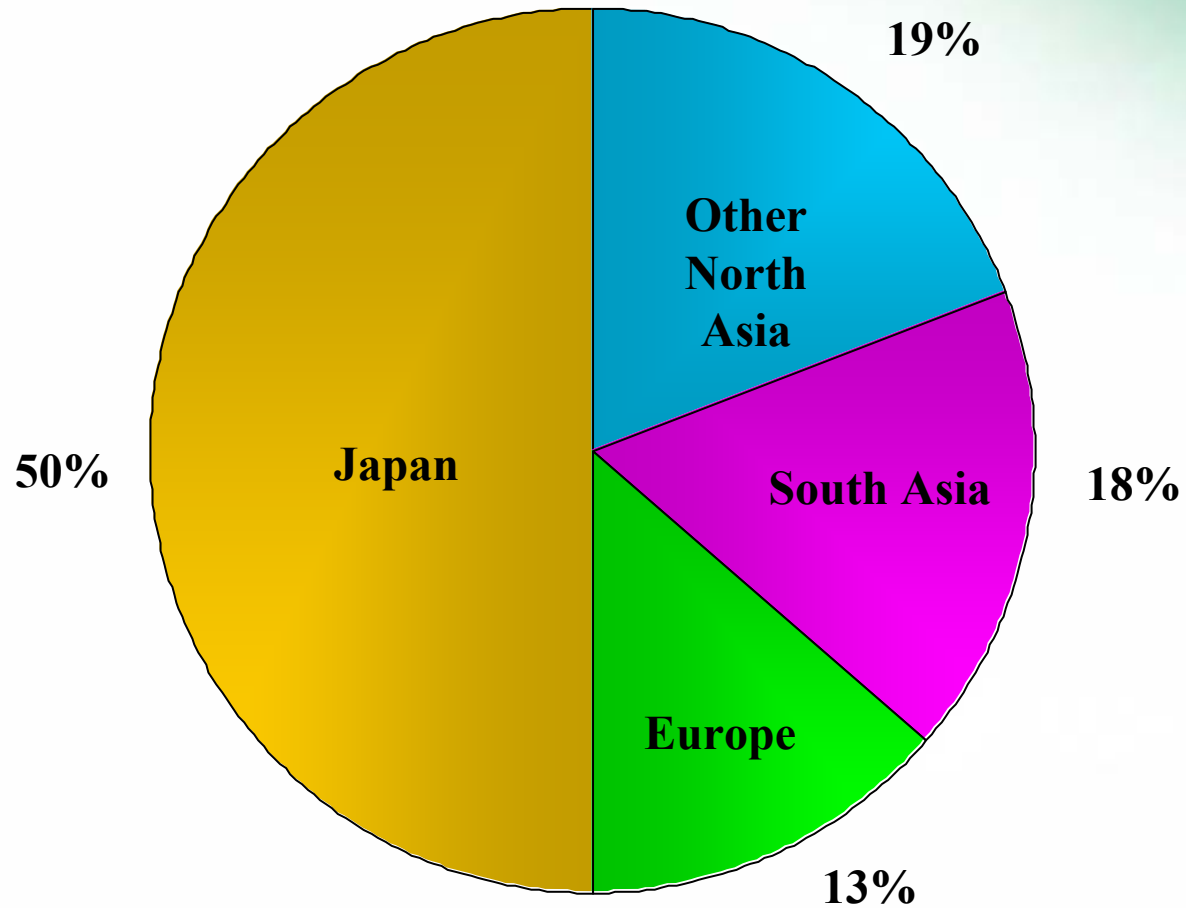


# Export Sales

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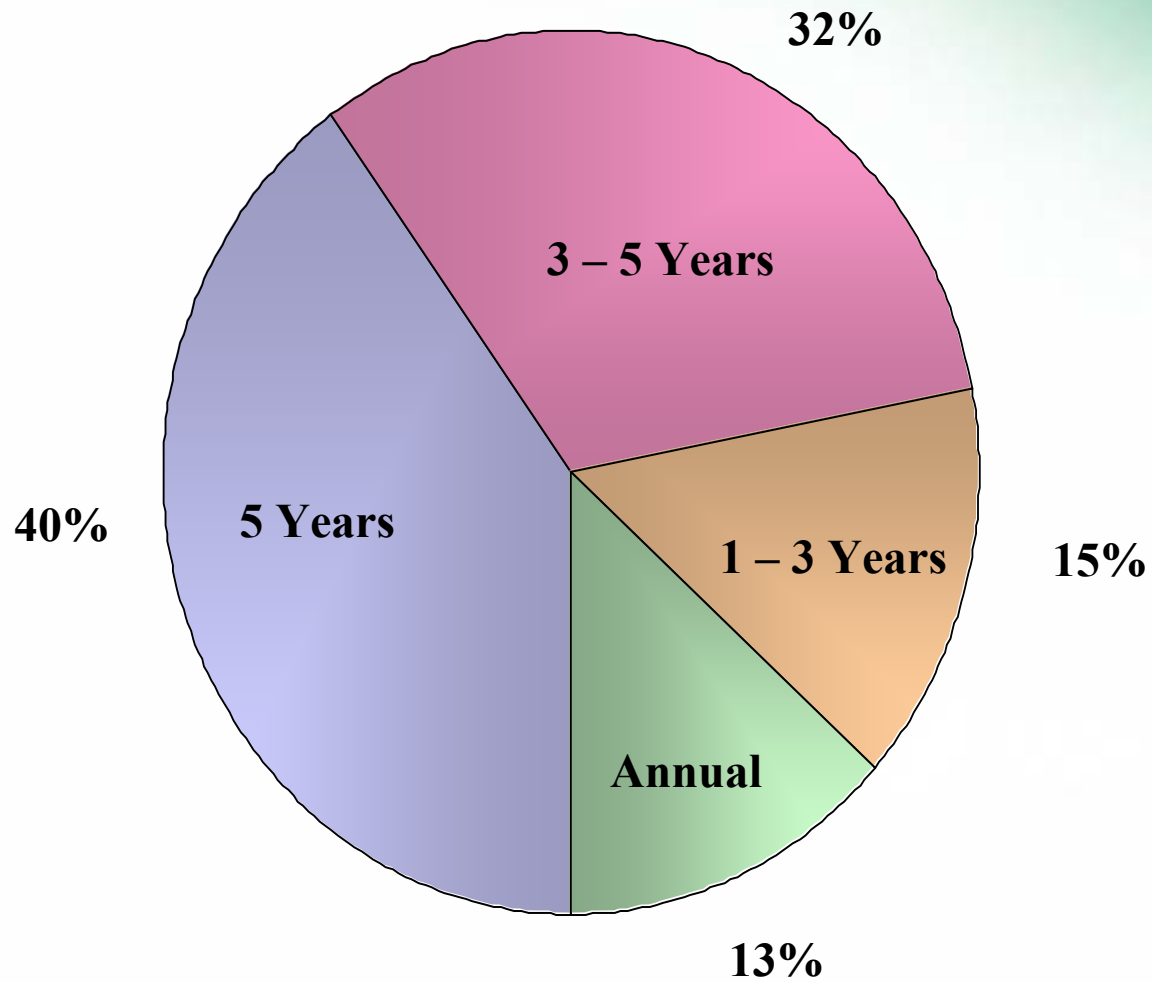
- Curragh brand name and reputation
- Positioned as “independent” supplier
- World leading steel makers as key customers
- Contracts secured to underpin CN expansion
- New PCI product

# Export Customer Mix



# Export Customer Contracts

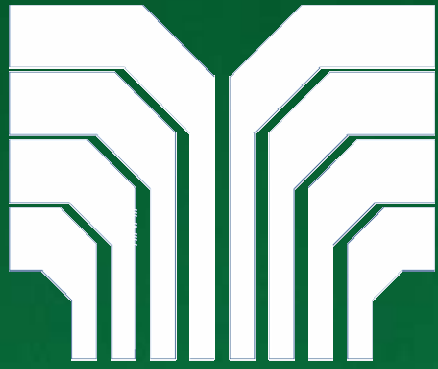
## Duration



[www.wesfarmers.com.au](http://www.wesfarmers.com.au)



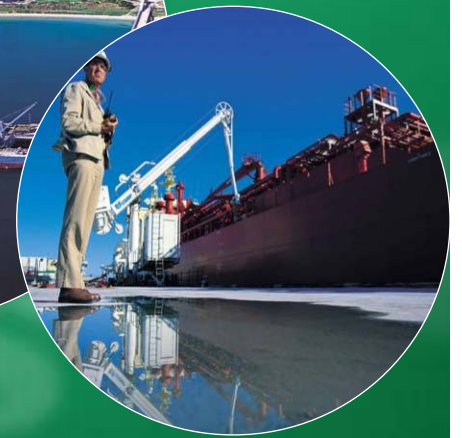
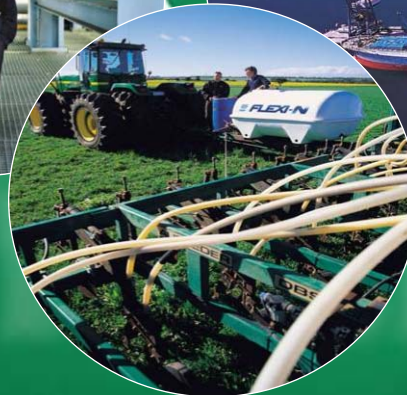
Wesfarmers



**CSBP**

Chemicals and Fertilisers

**John Gillam**  
Managing Director



AGR



QNP





# CSBP's Objective

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## why we are here

to provide great value products and services  
delivering satisfactory shareholder returns and  
sustainable success to our customers, employees  
and the communities in which we operate

# CSBP Background

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- Established 1910
- Member of Wesfarmers Group since 1980
- Only major fertiliser supplier in WA until ~ 1990
- Diversification into chemicals from 1987
- Major chemicals investments post 1996
- Post 1999, around 60% of EBITA generated from chemicals activities
- WA's leading fertiliser supplier in a competitive market

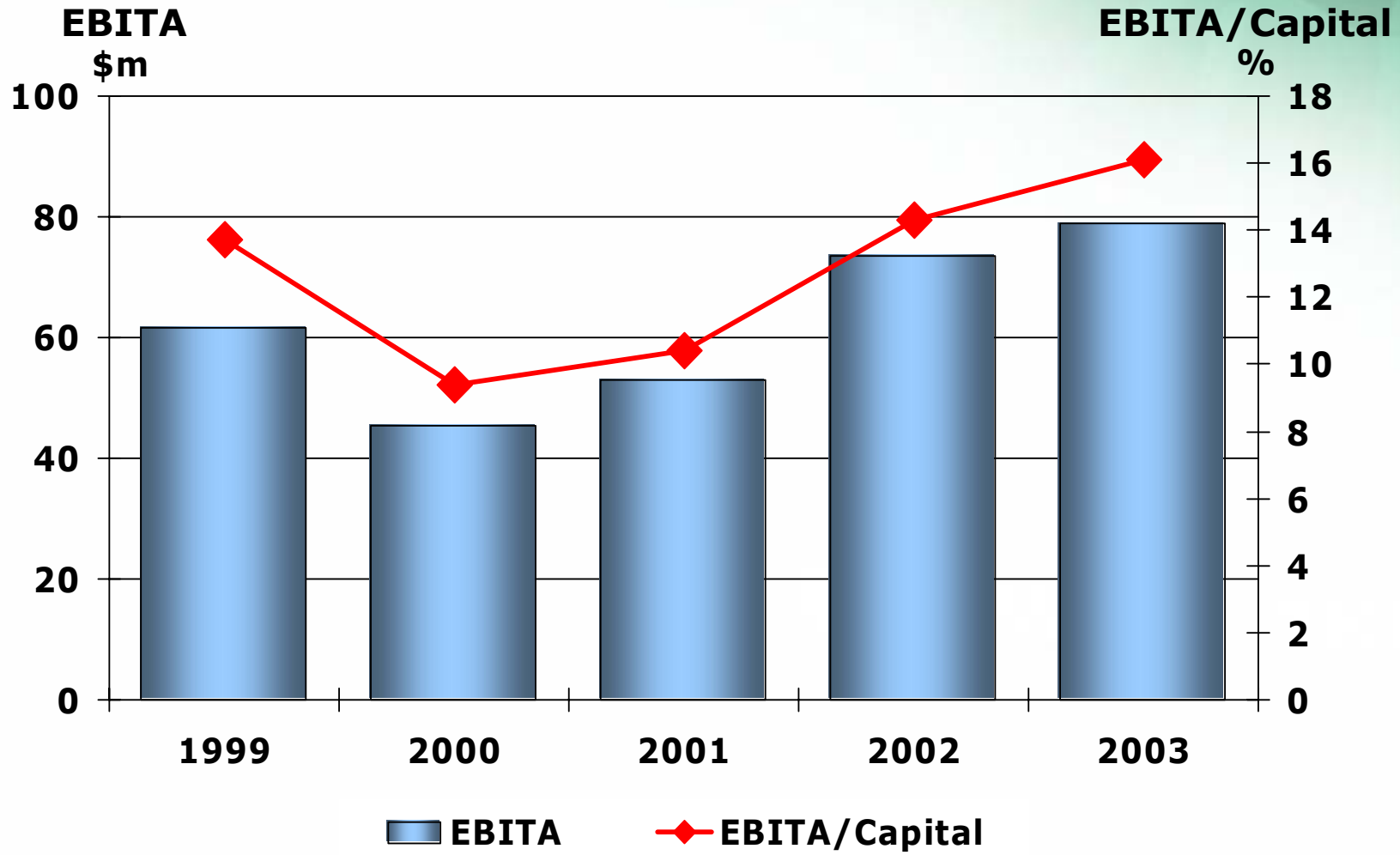
# CSBP Background

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- Manufacturer of mining & processing chemicals
  - ammonia, ammonium nitrate, sodium cyanide, chlorine
- Manufacturer and importer of fertilisers
  - phosphate, nitrogen, potassium and compounds
- Manufacturing operations at:
  - Kwinana, Albany and Esperance - WA
  - Moura, QLD (joint venture)
- 540 employees

# EBITA and EBITA/Capital

## 5 Year Trend

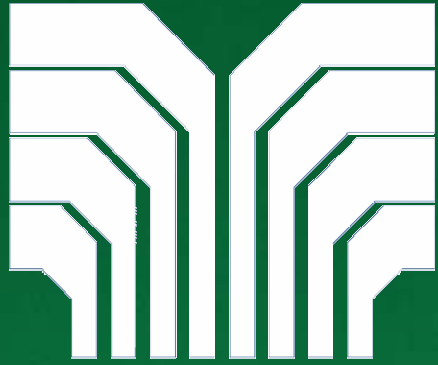


# CSBP

## July 2003 – March 2004 Results

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- Chemicals
  - volumes up 7% on last year
  - margin pressure on sodium cyanide continuing
  - steady production performance
- Fertilisers
  - volumes up 10% on last year
  - strong market focus, liquid fertiliser growth
- Revenue and earnings (9 months to March 2004)
  - revenue: \$319m (\$290m pcp)
  - EBITA: \$49.4m (\$40.2m pcp)
- R12 LTIFR 2.6 (6.9 pcp)



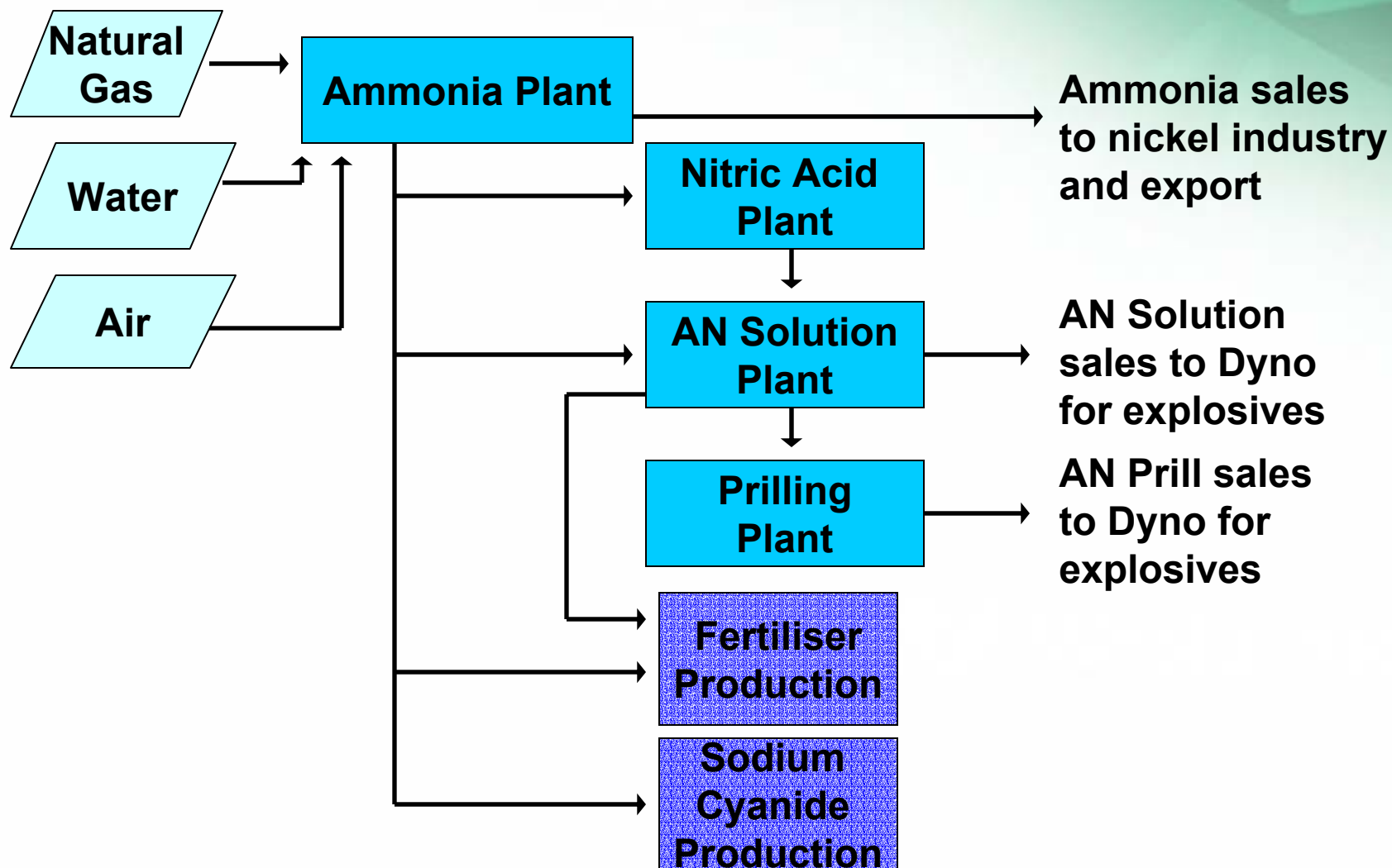
**CSBP**

Chemicals



Westfield

# Ammonia/Ammonium Nitrate



# Ammonia

## Background

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- Sole WA manufacturer and supplier
- Replacement plant commissioned in 2000
  - original plant capacity 650 tpd / 225,000 tpa
  - debottlenecked to 240,000 tpa
  - further expansion now underway
- 40,000 tonnes import / export storage terminal
- External customers
  - primarily nickel industry and exports
- Internal customers
  - ammonium nitrate, sodium cyanide and fertilisers



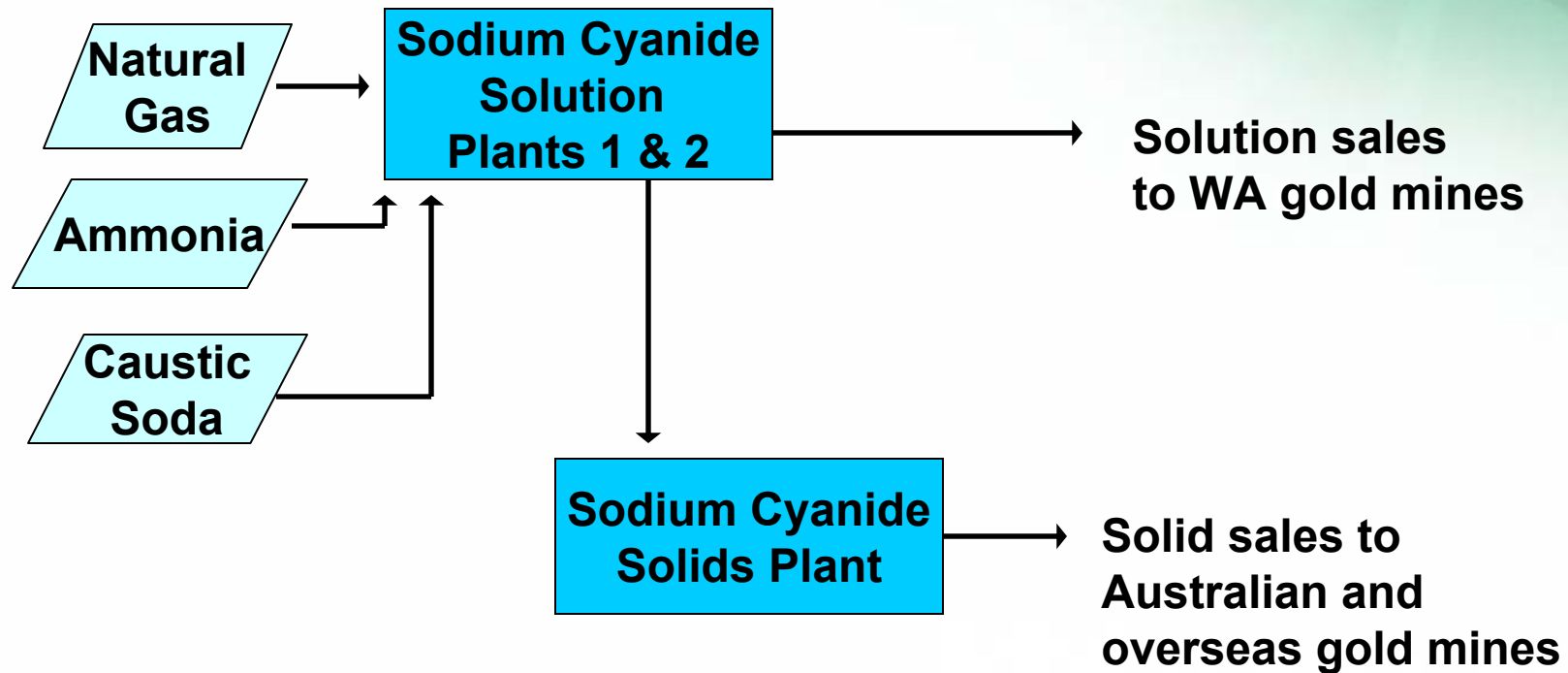
# Ammonium Nitrate

## Background

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- Sole WA manufacturer
- 160,000 tpa nitric acid plant / 200,000 tpa AN plant commissioned 1997
- AN plant debottlenecked to 230,000 tpa
  - distribution for mining explosives via Dyno Nobel
  - Flexi-N liquid fertiliser consumes balance of production
- Queensland Nitrates plant at Moura
  - project financed 50:50 joint venture with Dyno Nobel
  - recent incremental debottlenecking successful
  - 185,000 tpa integrated facility

# Sodium Cyanide



# Sodium Cyanide

## Background

- Australian Gold Reagents - sole WA manufacturer
- 75 : 25 joint venture with Coogee Chemicals
  - plant operation and marketing by CSBP
- First solution plant commissioned in 1988
  - progressively expanded to ~ 48,000 tpa solution
  - further expansion possible with limited expenditure
- Investment in solid sodium cyanide plant in 2002
  - 20,000 tpa nameplate capacity
  - reviewing debottlenecking opportunities
- Strong Australian market position
- Developing export markets for solid product

# Industrial Chemicals

## Background

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- 5,000 tpa chlorine plant commissioned 1987
  - baseload production for WA Water Corporation
  - co-production of caustic soda, hydrochloric acid, sodium hypochlorite, hydrogen
  
- Traded products
  - Sulphuric acid
  - Industrial urea
  - Fluorosilicic acid
  - Sulphur
  - Ammonium sulphate

# Chemicals

## Current Influences

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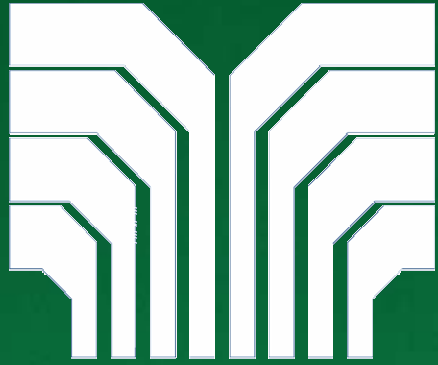
- Strong resource sector conditions
  - short term softness in local ammonia offtake
  - export excess ammonia production
- Good ammonia / AN plant performances
  - continued lift in Queensland Nitrate operations
- Sodium cyanide solids plant at design expectations

# Chemicals

## Strategies

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- Profitably build on existing businesses
  - examining AN & sodium cyanide production expansion opportunities
  - debottlenecking of ammonia plant underway
- Evaluating growth opportunities
  - exploit core competencies
  - expand product range in existing markets
  - assess opportunities in new markets



**CSBP**

Fertilisers



Westfarmers

# Fertilisers

## Background

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- Only major fertiliser supplier in WA until ~ 1990
  - manufacturing focus at that time
- Market share and profit erosion in last decade
  - emergence of import-based competitors
- Post 2000, market share and profit stabilisation
  - strong market and distribution focus
  - working capital, cost base and supply chain efficiencies
  - around 50% sales (by volume) imported
- Cropping driven nutrient growth in WA market



# Fertilisers

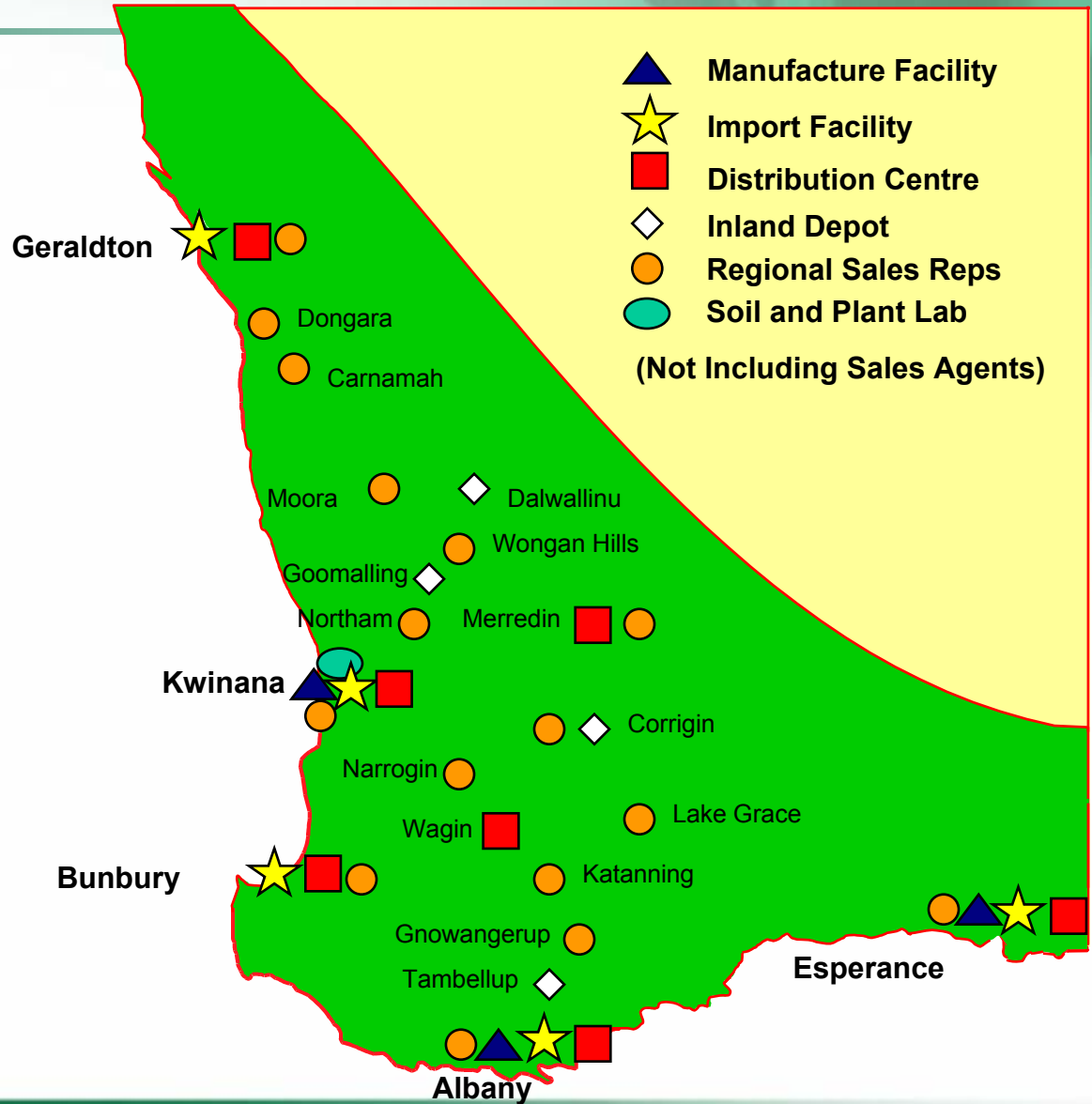
## Background

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- Unmatched infrastructure in WA market
  - volume growth readily handled
- Extensive distribution network
  - commission based reward structure
  - AWB Landmark, Elders & independents
  - all collections ex-CSBP facilities
- CSBP market support
  - field staff supporting distribution network and account managing key customers
  - agronomic advisory services, product development, soil and plant testing services.

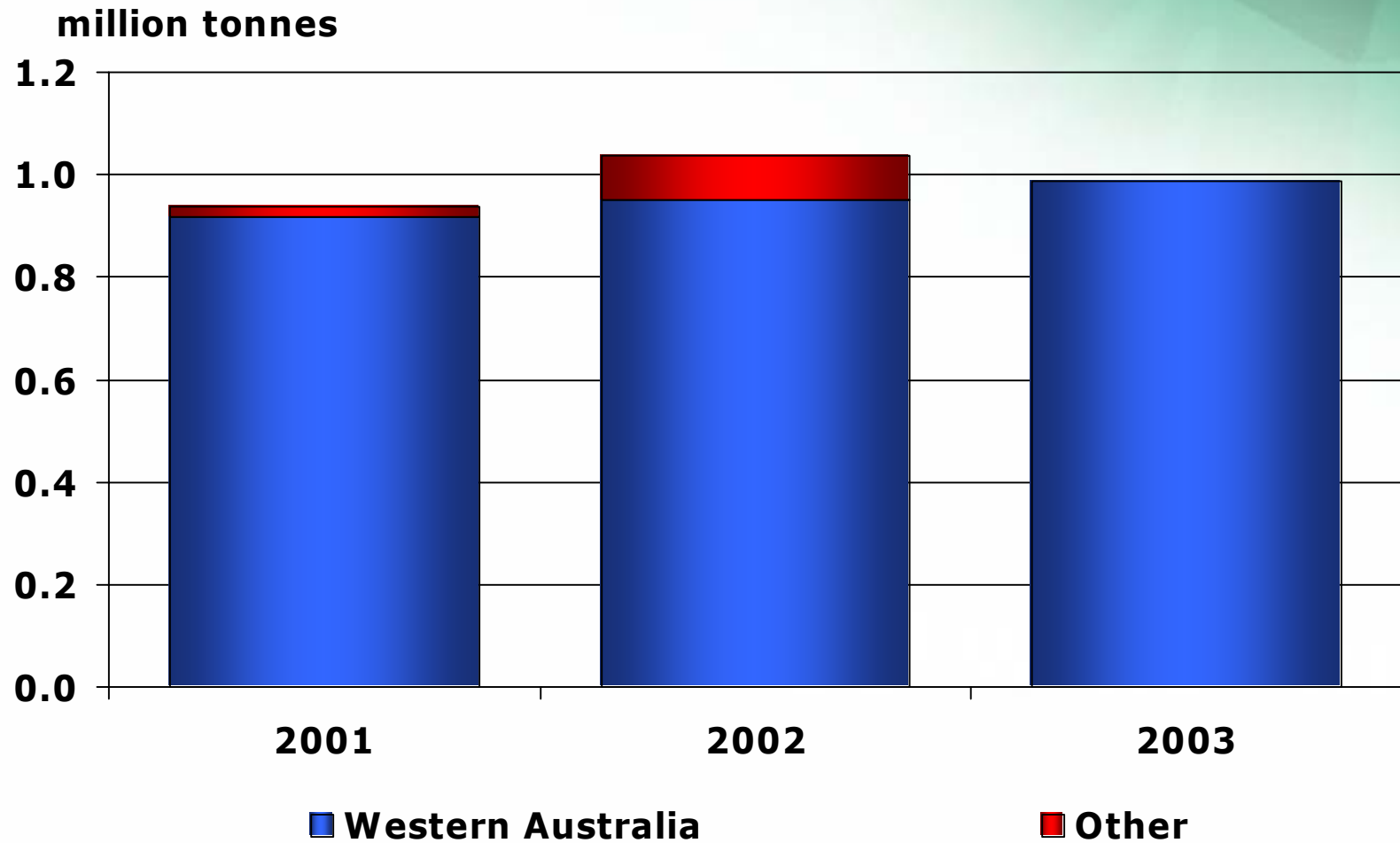
# Fertilisers

## WA Infrastructure



# Fertilisers

## 3 Year Sales Volumes



# Fertilisers

## Current Influences

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- Anticipate good 2004 conditions
  - record 2003 harvest
  - offset by strong \$A
- Solid sales programme
  - good distributor support
  - competitive pricing
  - enhanced range of products and services
- Continued growth in liquid fertiliser
- Cost base and supply chain improvements

# Fertilisers

## Strategies

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- Profitably build core WA business
- Strong market focus
  - widest range of quality fertilisers
  - best services and technical support
  - competitive prices
- Develop markets beyond WA for proprietary products

[www.wesfarmers.com.au](http://www.wesfarmers.com.au)



Wesfarmers

# Wesfarmers Industrial & Safety

**Bob Denby**

Managing Director



Wesfarmers

# Agenda

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- The Wesfarmers Industrial and Safety business
- Third quarter F2004 results
- WIS strategy
- Current business outlook



# Wesfarmers Industrial & Safety



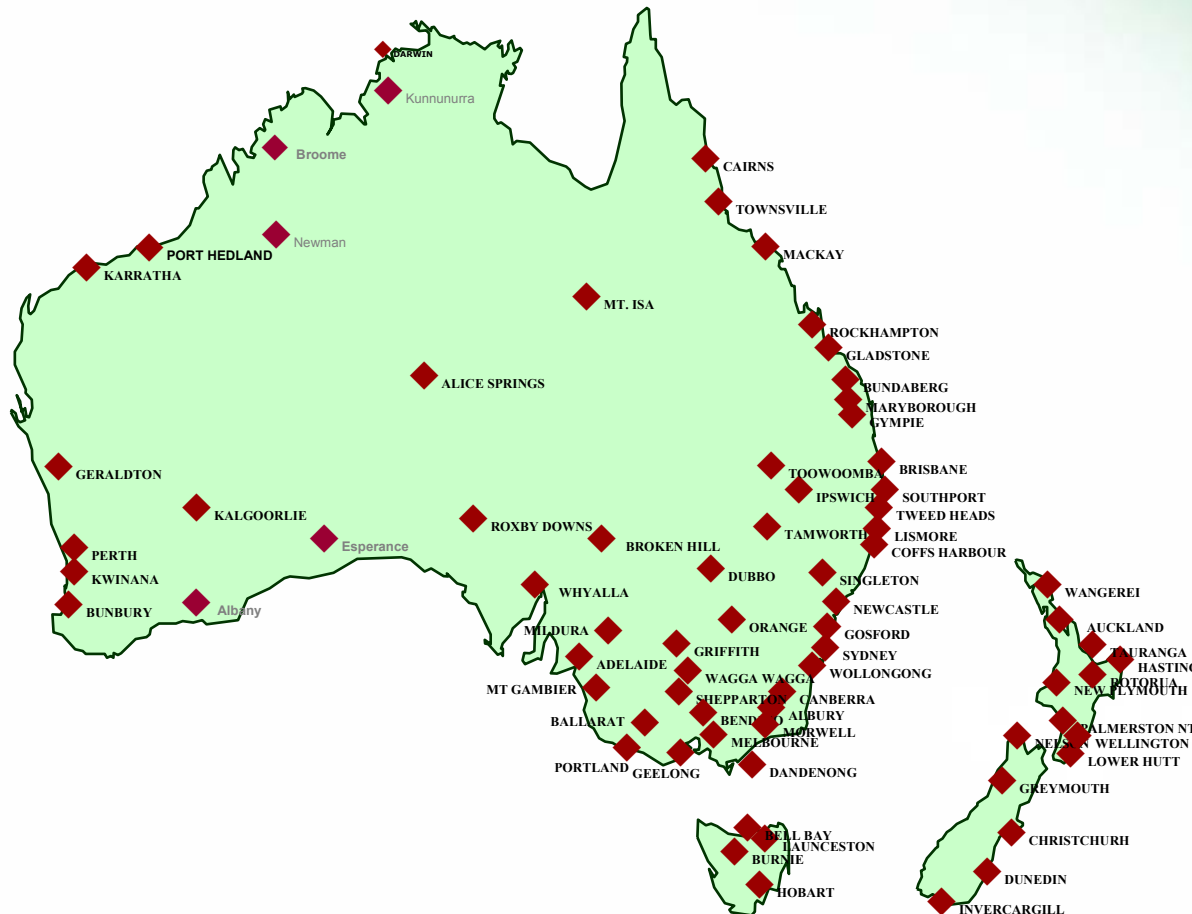
Wesfarmers

# Provider of innovative distribution solutions

- Two markets
  - Maintenance Repair & Operating (MRO)
  - Safety
- Market leader Aust & NZ
- 500,000 SKU's    \$200m inventory
- 17 Product trading departments
- 10 trading streams



# 250+ Location Distribution Network



## ◆ TRADING STYLES:

◆ Blackwoods	64
◆ Atkins	3
◆ Blackwoods Atkins	23
◆ Bakers	7
◆ Motion	10
◆ Metals	1
◆ Mullings	10
◆ Protector Alsafe	49
◆ NZ Safety	24
◆ Blackwoods (NZ)	7
◆ Protector (NZ)	22
◆ Pkg House	11
◆ Paykels	21

◆ TOTAL 252

## ◆ BRANCHES

◆ NSW	37
◆ VIC	30
◆ QLD	37
◆ WA	38
◆ SA	13
◆ TAS	9
◆ NT	3
◆ NZ	85

◆ TOTAL 252

# Business Environment

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- MRO market highly fragmented
- No direct national competitor
- WIS is market leader but not a market name
- Strong price competition from specialists
- Pressure on trading margins forces continuing focus on cost base
- Working capital control essential
- IT capability is a competitive edge: growing e-Business opportunities

# **Wesfarmers Industrial & Safety**

## **Third Quarter 2004 Results**

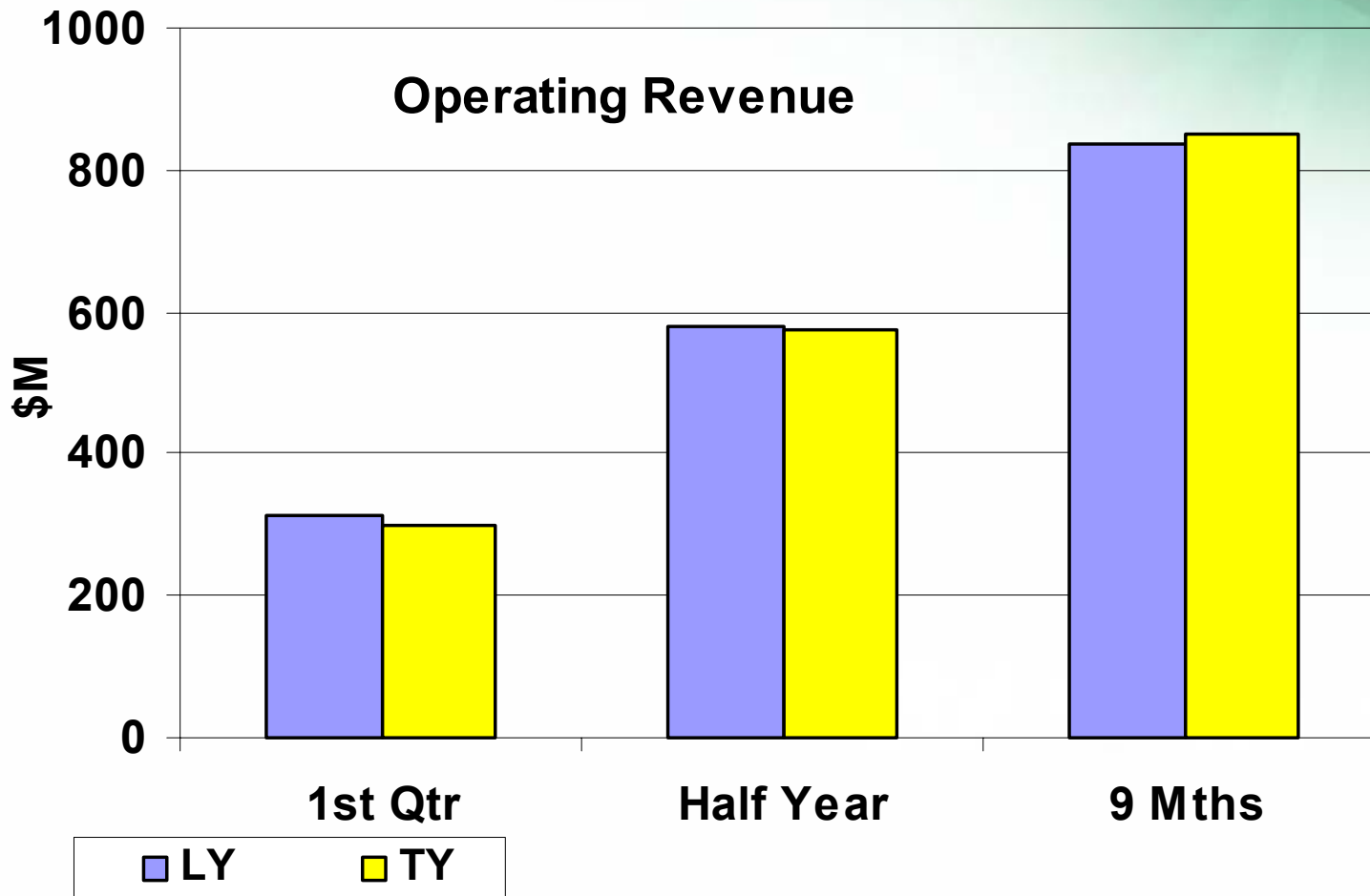


Wesfarmers

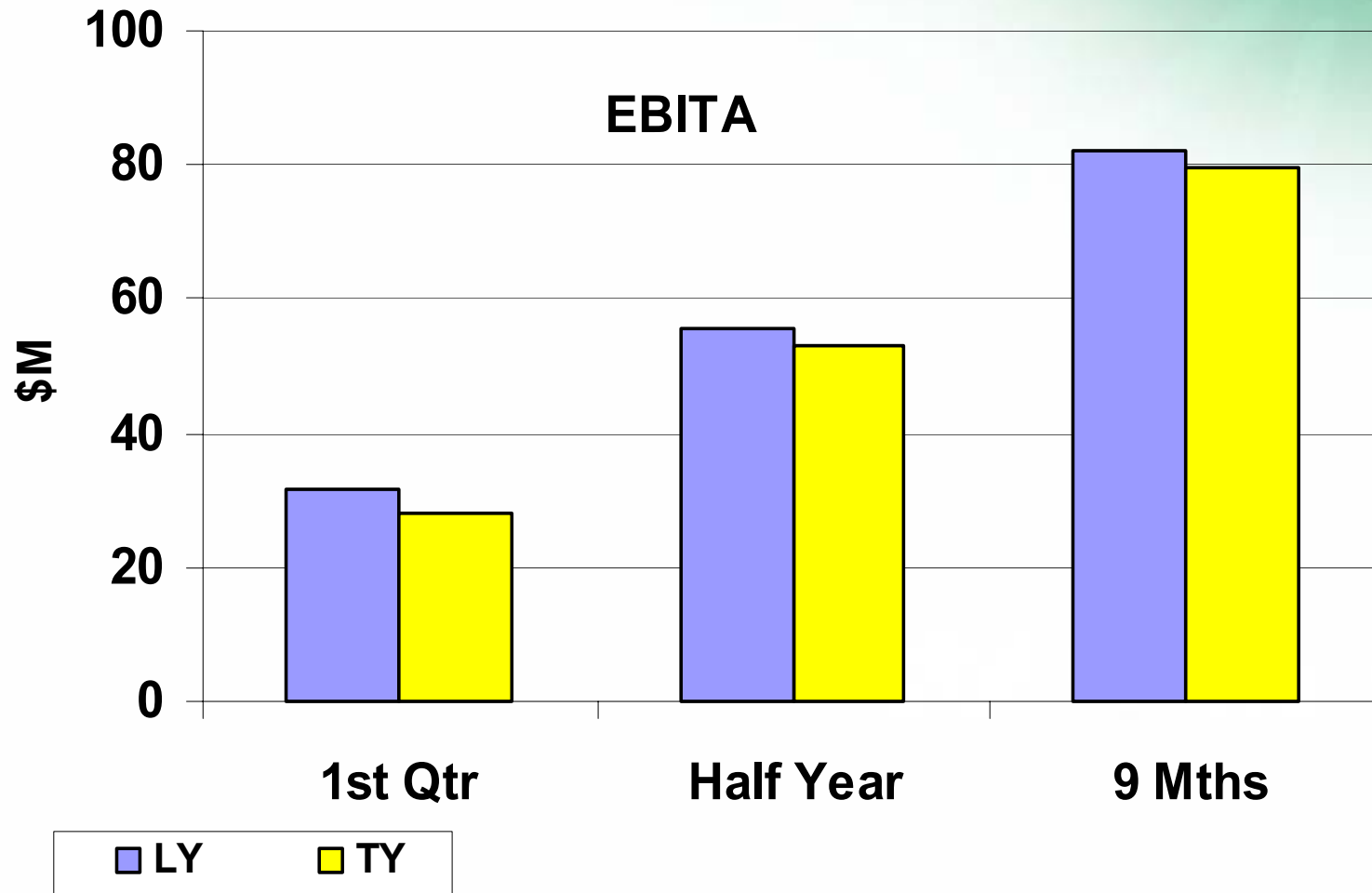
# Financial Highlights (Year to Date)

- Operating Revenue up 1.5% to \$851m, normalised  
Operating Revenue (excluding Metals) up 3.3%.
- EBITA down 2.6% to \$79.8m, normalised EBITA  
(excluding Metals) down 1.5%.
- EBITA/Op. Rev. Margin improved from 9.2% (half year)  
to 9.4%
- EBITA/Capital up from 13.9% to 14.2%

# Financial Highlights



# Financial Highlights





# Business Activity Highlights

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- Blackwoods
  - Northern & Western regions strong growth
  - Central & Southern regions flat sales
- Protector Alsafe
  - Business improvement plan beginning to demonstrate improvement
- New Zealand
  - Significant sales & EBITA increase
  - Paykels integration largely complete

# Highlights for Year to Date

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- Rationalisation of distribution centres
- Integration of Blackwoods & Paykels
- Implementation of ERP system
  - Acc Payable & Gen Ledger live 1/10/03
  - Payroll live 15/10/03
  - Acc Receivable live 1/12/03
- Blackwoods Trade Fair

# Wesfarmers Industrial & Safety

## Strategy



Wesfarmers

# WIS Strategies

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- Grow real sales and sustain gross margin
  - Improved brand positioning
  - Expand network
    - ❖ Shopfronts
  - Alignment of sales force
  - New catalogues
  - Leverage e-business
  - Customer service improvements
  - Extend import programme

# WIS Strategies

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- Reduce expense to sales ratio
  - Extend operation deliver
  - Rationalise distribution infrastructure
  - Upgrade information systems
  
- Reduce working capital
  - Enhance category management
  - Refine vendor management

# WIS Strategies

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- Improve safety performance
  - Improved OHS&E management
  - Implementation of OHS&E systems
  - Development of effective performance management systems

# WIS Values

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Focusing on results

Passion for service

Empowering our people

Fostering creativity

Working safely

# Wesfarmers Industrial & Safety

## Current Business Outlook



Wesfarmers



# Outlook for Balance of 2004

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## ➤ Australia

- Generally positive
- Positive sales trend
- Continued spending in mining and transport infrastructure

## ➤ New Zealand

- Robust
- EBITA improvement assisted by Paykels

[www.wesfarmers.com.au](http://www.wesfarmers.com.au)



Wesfarmers

## **Gene Tilbrook**

Executive Director, Business Development  
Wesfarmers Limited



Wesfarmers

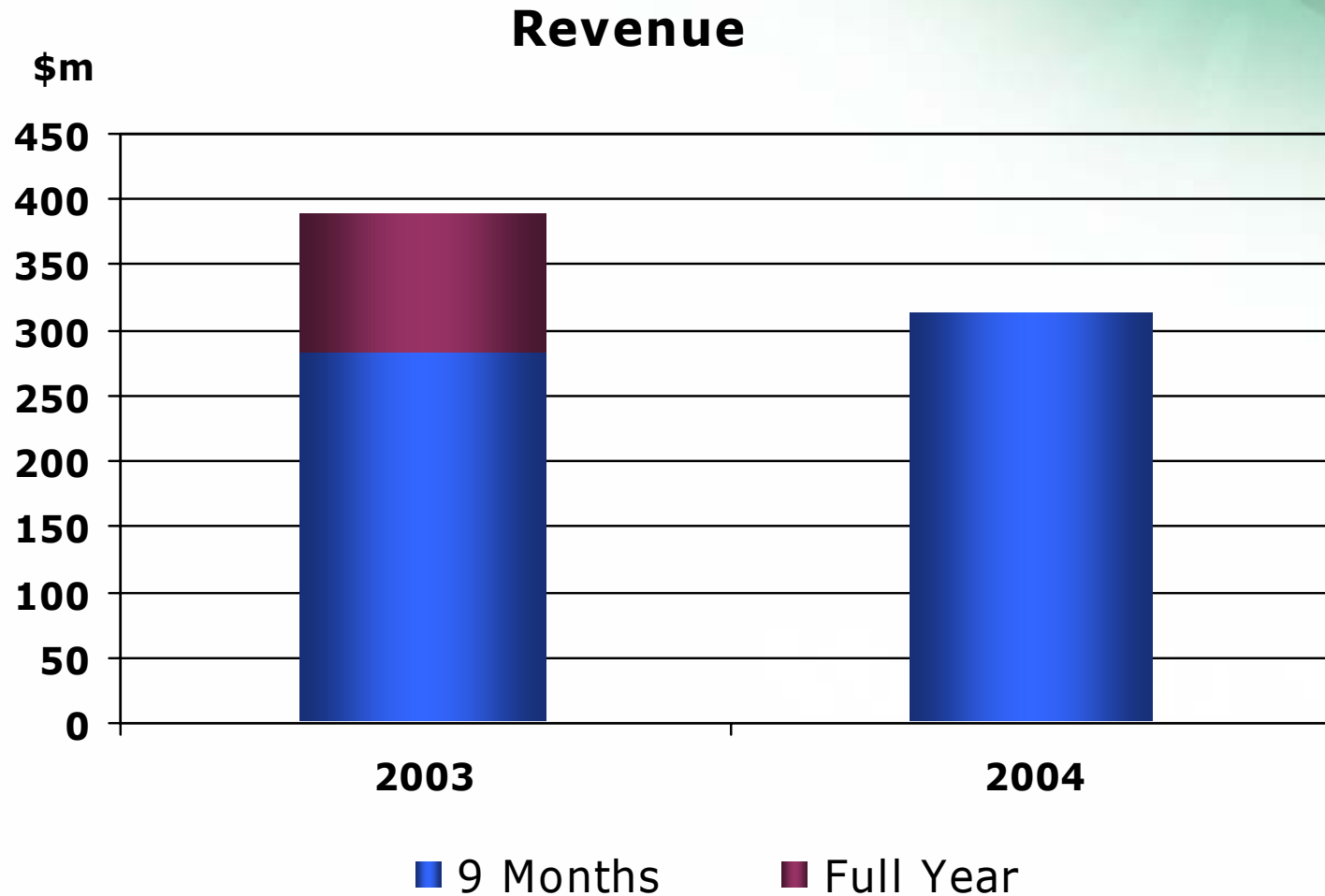
# OUTLINE

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- Australian Railroad Group
- Gresham Private Equity

# ARG

## 50% Interest with Genesee & Wyoming



# ARG

## 50% Interest with Genesee & Wyoming

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- Performance continues to improve
  - Large grain harvest
  - New business gained, but with set up costs
  - Improved safety / reduced incidents

# ARG

## 50% Interest with Genesee & Wyoming

- Outlook:
  - Continuing improvement
  - Grain season – next 6-9 months
  - New business contributions
  - Operational initiatives
  - Mineral tonnages
- Ongoing capital expenditure
- Industry rationalisation

# ARG

## 50% Interest with Genesee & Wyoming





# Gresham Private Equity



Wesfarmers

# Gresham Private Equity Fund 1

## 50% interest

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- No divestments in the quarter
- Cashcard sold in April
- Five investments remain



# Gresham Private Equity Fund 1

## Remaining Investments

- EROC - mining / infrastructure contractor
- Norcros - building materials, coatings
- Riviera - cruisers
- Virgin Active - health clubs
- Raywood - vehicle control systems

# Gresham Private Equity Fund 2

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- Wesfarmers has committed up to \$100m  
  
(of 1<sup>st</sup> close \$110m)
- Gresham Private Equity now has team of six



[www.wesfarmers.com.au](http://www.wesfarmers.com.au)



Wesfarmers

# Wesfarmers Insurance Division

**Bob Buckley**  
Chief Executive Officer



Wesfarmers



**Lumley**



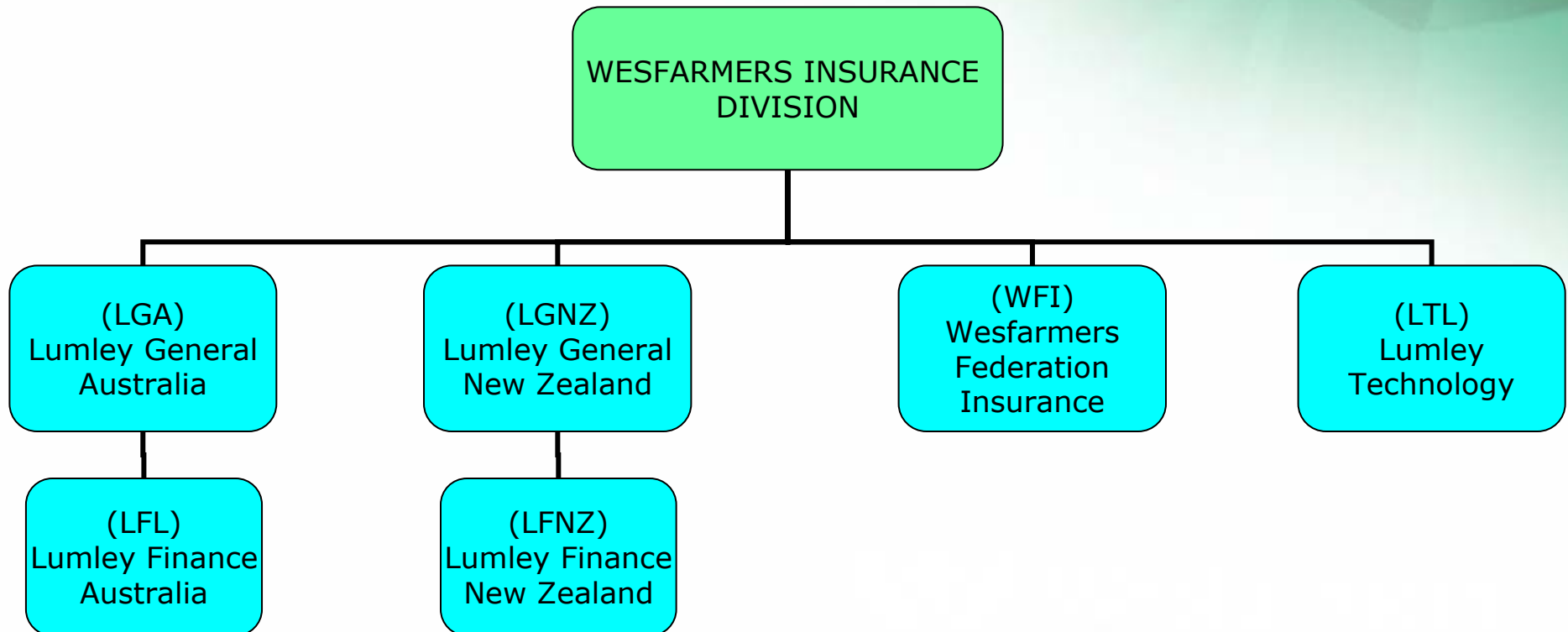
# Agenda

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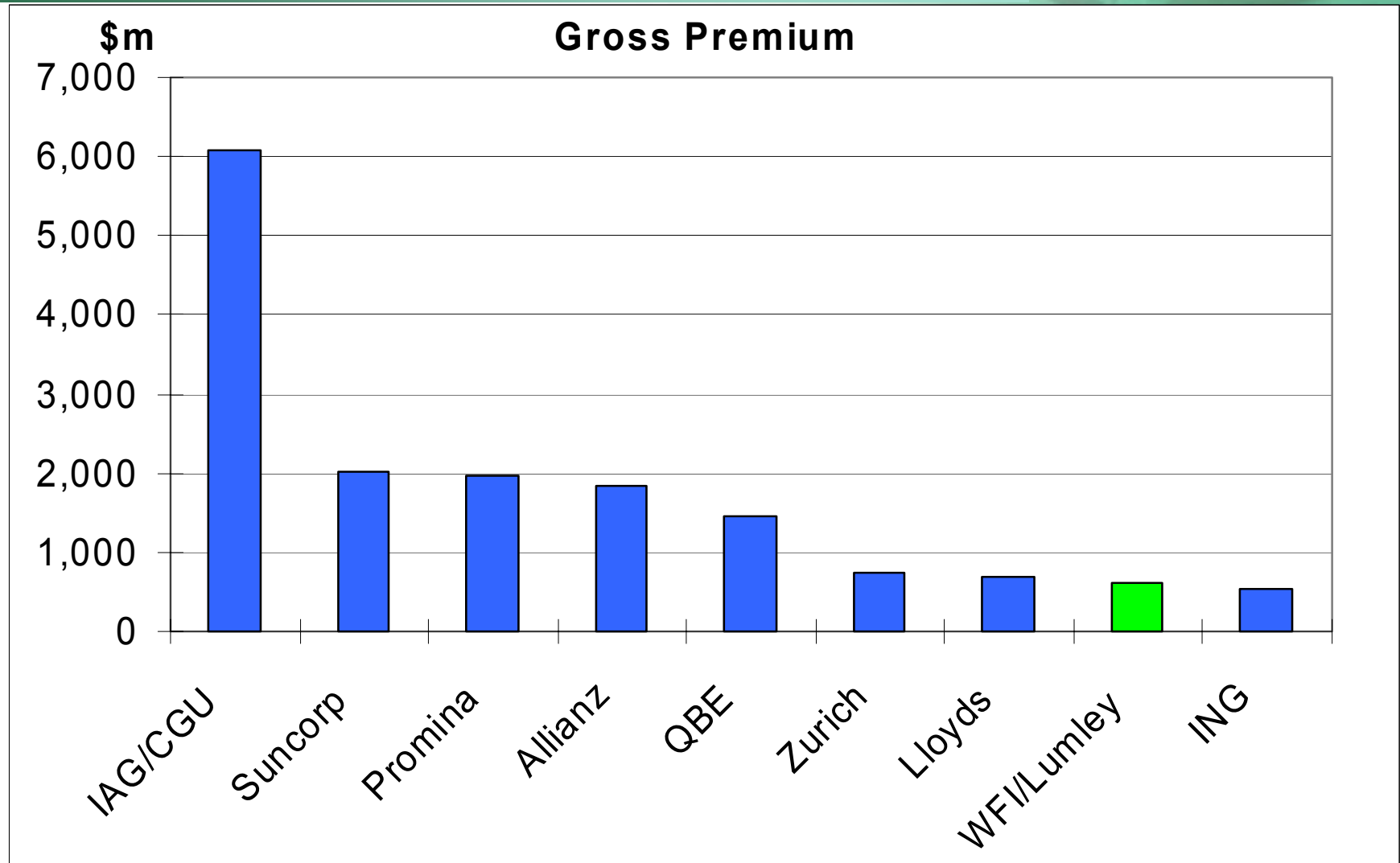
- Wesfarmers Insurance Division overview
- Industry comparisons
- Market conditions
- Overview of business units
- Financial summary
- Outlook



# Wesfarmers Insurance Division

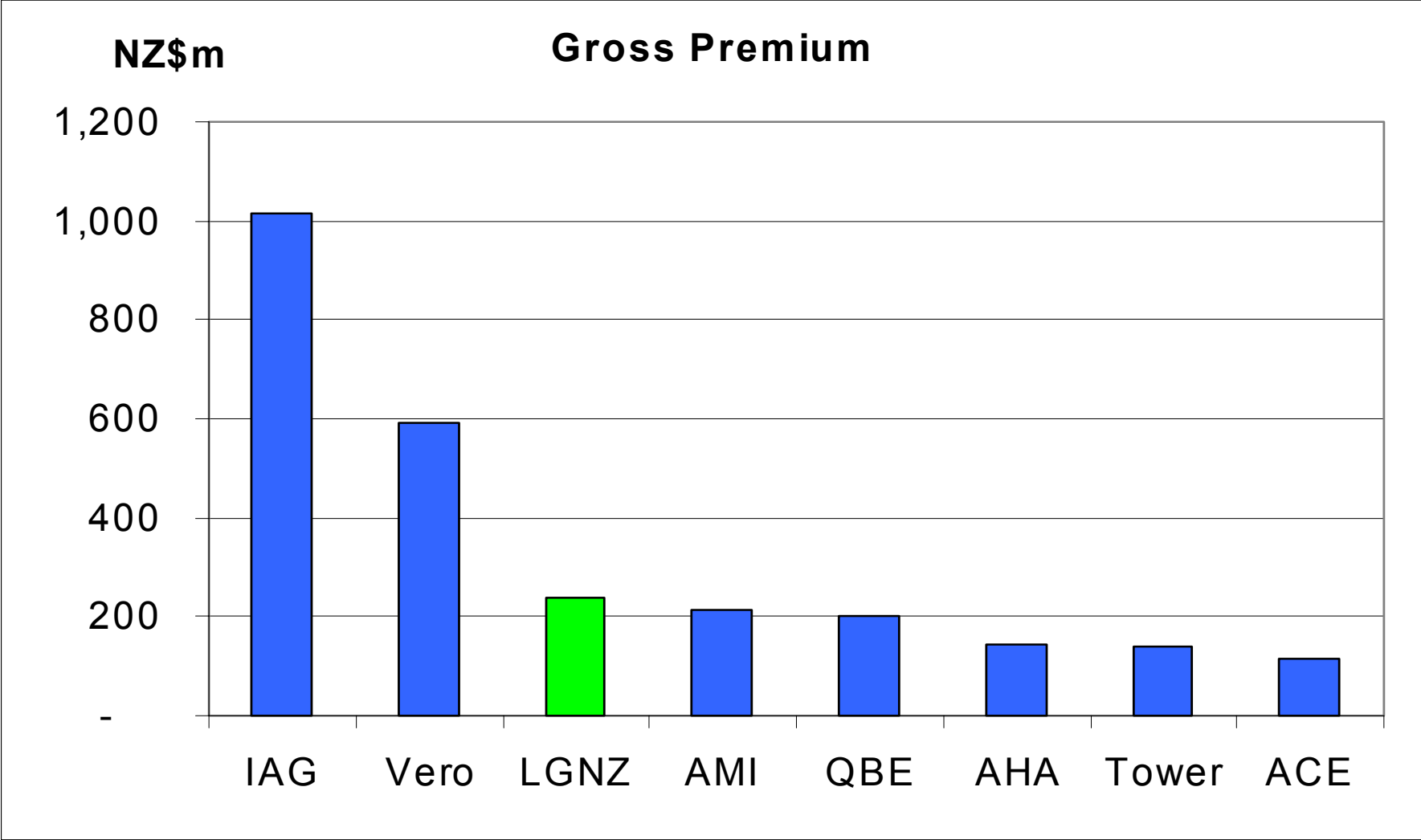


# Industry comparisons - Australia



Source : Deloitte and Trowbridge 2003

# Industry comparisons – New Zealand



Source : Insurance Council of New Zealand

# Market conditions

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- Favourable economic climate
- Signs of a softening market are emerging
- Benign claims environment
- Reinsurance market has stabilised
- Major storm events in Victoria and NZ

# LGA – Key issues

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- Softening rates and flat premiums
- Overall claims below budget
- Growing commercial account
- FSRA licensing completed on schedule
- Increasing burden of compliance
- New system rollout completed in WA, SA & Qld
- Business focus maintained during integration

# LGA – Key Segments

- Commercial Motor/Fleet
- Other Commercial
- AMO
- Engineering
- Personal Lines
- Marine
- Exposure
  - Short Tail 88.4%
  - Long Tail 11.6%
- YTD GWP \$414.7m
- LYTD GWP \$410.6m

# LGA - KPIs

<b>YTD March</b>		<b>2003</b>	<b>2004</b>	<b>Change</b>
Net loss ratio	%	59.5	56.3	3.2
Expense ratio	%	19.5	17.1	2.4
Commission ratio	%	4.9	9.6	(4.7)
COR	%	83.9	83.0	0.9
Insurance margin	%	18.1	19.5	1.4

# LGNZ – Key issues

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- Favourable economic climate
- Rate increases slowing
- Emerging competition
- Severe storm in lower North Island
- Annualised revenue now NZ\$250m
- Systems related decisions



# LGNZ – Key Segments

- Commercial Motor/Fleet
- Personal Lines
- Liability
- Other Commercial
- Marine
- Engineering
- Exposure
  - Short Tail                      92.5%
  - Long Tail                        7.5%
- YTD GWP NZ\$186.0m
- LYTD GWP NZ\$158.5m

# LGNZ - KPIs

<b>YTD March</b>		<b>2003</b>	<b>2004</b>	<b>Change</b>
Net loss ratio	%	61.8	63.1	(1.3)
Expense ratio	%	23.3	21.5	1.8
Commission ratio	%	2.5	4.6	(2.1)
COR	%	87.7	89.3	(1.6)
Insurance Margin	%	12.9	12.0	(0.9)

# WFI – Key issues

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- Strong crop season
- Non crop claims below budget
- Continued growth from key alliances
- System implementation on track
- Workers compensation reforms in WA
- FSRA license obtained
- Compliance burden growing

# WFI – Key Segments

- Rural Packages
- Commercial Packages
- Personal Packages
- Crop
- Workers Compensation
- Exposure

-Short Tail 77.1%

-Long Tail 22.9%

- YTD GWP \$191.9m
- LYTD GWP \$165.6m

# WFI - KPIs

<b>YTD March</b>		<b>2003</b>	<b>2004</b>	<b>Change</b>
Net loss ratio	%	64.3	61.9	2.4
Expense ratio	%	18.7	18.9	(0.2)
Commission ratio	%	9.0	8.7	0.3
COR	%	92.1	89.5	2.6
Insurance margin	%	11.8	14.0	2.2

## Divisional - KPIs

YTD March		2003	2004	Change
Net loss ratio	%	61.5	59.4	2.1
Expense ratio	%	21.2	19.6	1.6
Commission ratio	%	5.8	8.3	(2.5)
COR	%	88.6	87.4	1.2
Insurance margin	%	13.8	15.3	1.5

# Divisional – Financial Summary

March YTD \$m	2004
GEP	564.6
NEP	367.9
Net claims	(206.8)
Net commission	(28.3)
Expenses	(86.4)
U/W result	46.4
Investment income on TR	9.8
Insurance margin	56.2
Investment income on SHF	7.2
Non - insurance activities	0.2
EBITA	63.6

# Outlook

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- Increasing weather events (?)
- Moderation of insurance cycle
- Systems development and deployment
- Efficient capital management

MCR = 1.8 times

- Lower investment earnings



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Wesfarmers

**Peter Davis**

Managing Director, Bunnings



Wesfarmers



**LOWEST PRICES  
WIDEST RANGE  
BEST SERVICE**

# Agenda

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1. Year to Date Results
2. Year to Date Highlights
3. Key Issues
4. Outlook
5. Questions

# Year to Date Results

## Segment Result

(\$m)	2003	2004	Change
Revenue*	2,650.1	2,919.0	10.1%
EBITA*	273.9	300.1	9.6%
Amortisation	37.2	37.2	0.0%
EBIT	236.7	262.9	11.1%
EBITA/Sales Ratio	10.3%	10.3%	0.0%

\*Includes Revenue and EBITA from property and other

# Year to Date Results

## Trading Result

(\$m)	2003	2004	Change
Revenue*	2,576.1	2,883.4	11.9%
EBITA*	261.0	290.3	11.2%
Amortisation	37.2	37.2	-0.0%
EBIT	223.8	253.1	13.1%
EBITA/Sales Ratio	10.1%	10.1%	0.0%

\*Excludes Revenue and EBITA from property and other

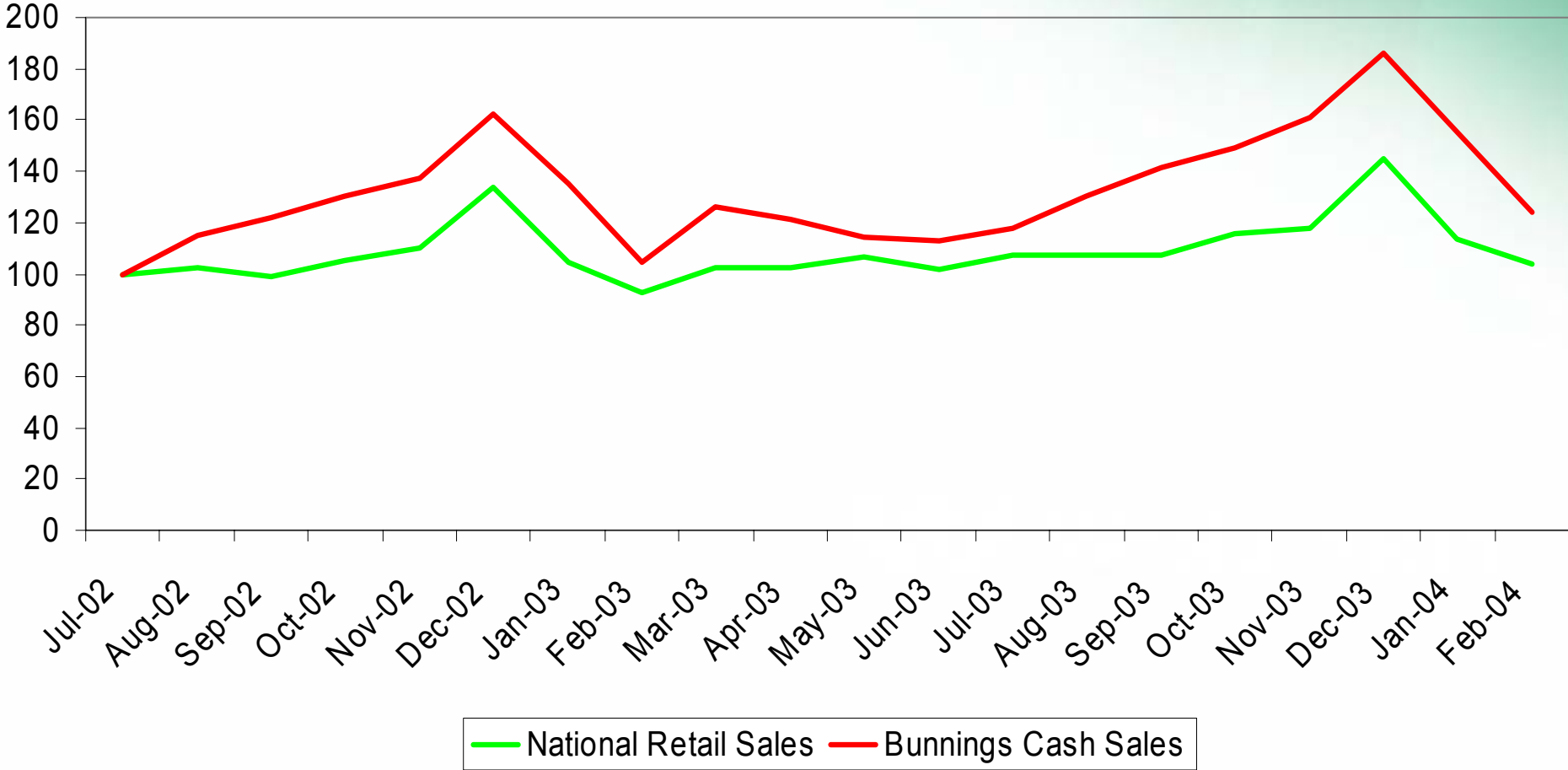
# Year to Date Results

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- Cash store on store growth 12%
  - Strong result – Queensland, New South Wales, Western Australia & New Zealand
  - Difficult trading conditions – Victoria
- Clearance sale March 2003
  - Seasonal and deleted stock (ex-BBC)
  - Sales impact – mainly NSW

# Industry Performance

National Retail Sales vs Bunnings Cash Sales (Indexed to 100)





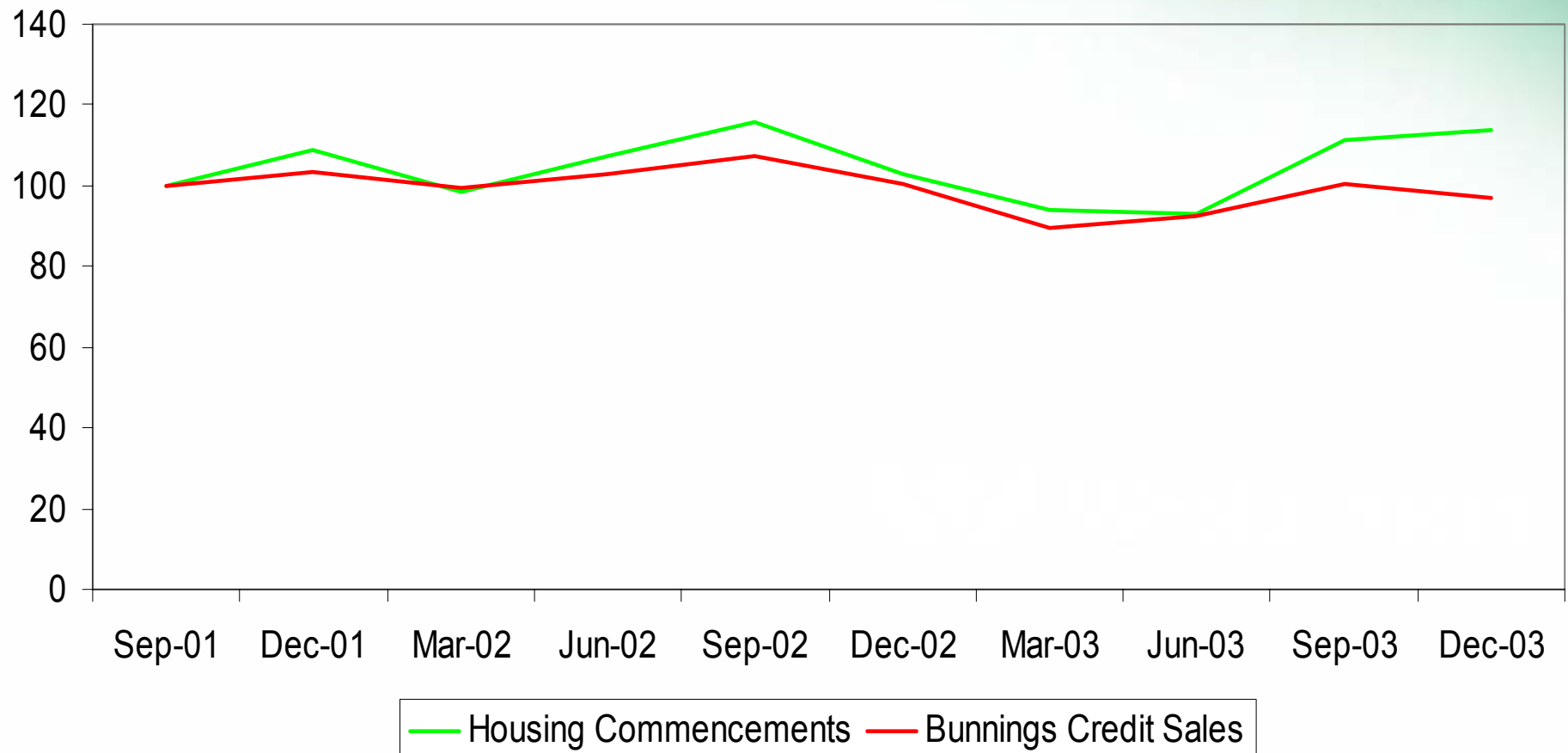
# Year to Date Results

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- Trade credit sales increased by 1%
  - Australia -2%
  - New Zealand +16%
  - Trade strategy development – next 6 months
- Store network refits and upgrades
  - Customer disruption
  - One-off costs
  - Increased average cash transaction

# Industry Performance

Bunnings Credit Sales vs National Housing Commencements (Indexed to 100)



# Year to Date Highlights

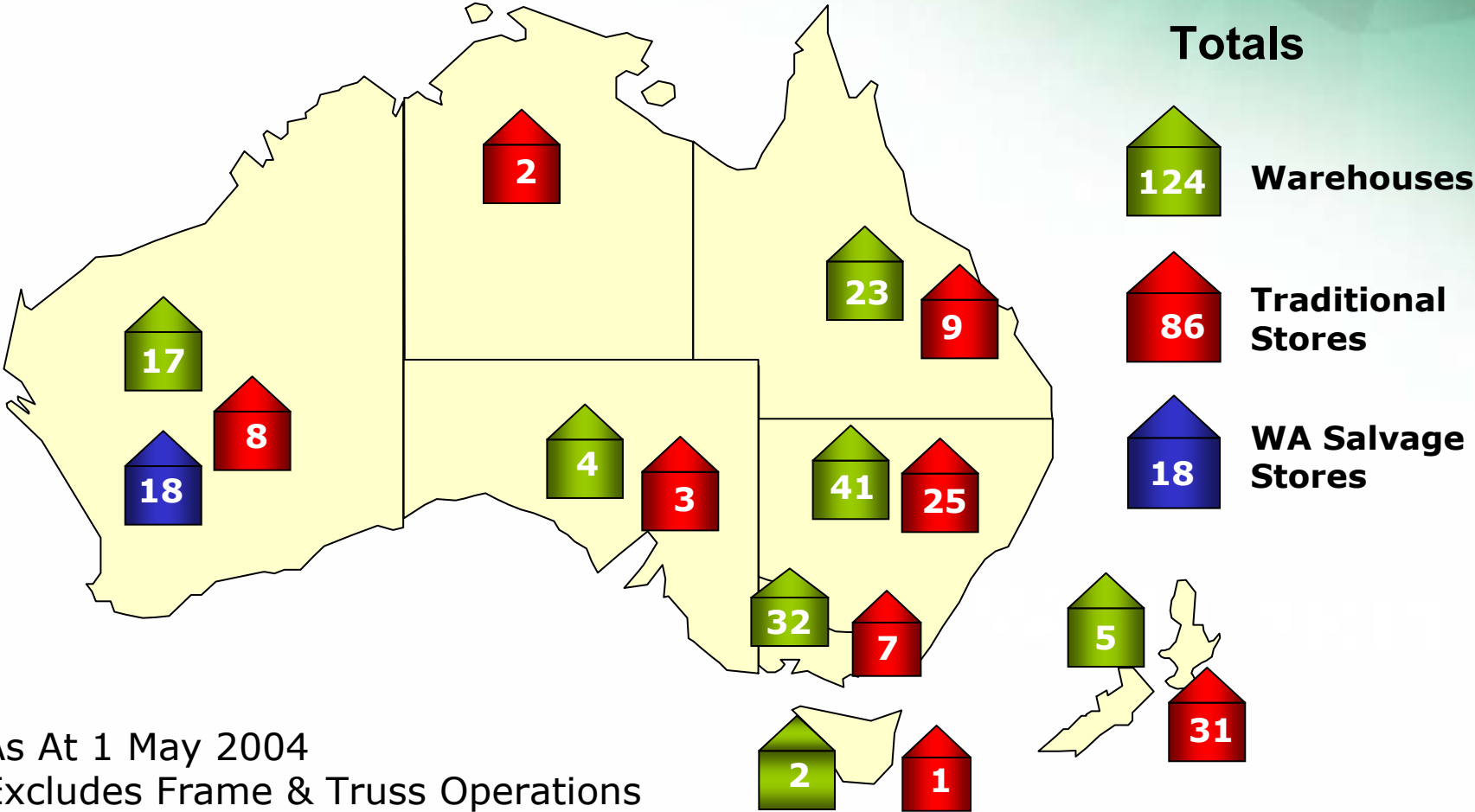
## ➤ Store Network Development

- 11 new warehouse openings (to end April)
  - NSW 5
  - VIC 2
  - QLD 2
  - NZ 2
- 3 warehouse closures
  - QLD, VIC, NSW
- 7 traditional store closures
  - QLD & NSW

# Year to Date Highlights (cont.)

- Store Network Development
  - Bunnings Warehouse upgrades
    - 3 completed (QLD, SA)
  - Former Hardwarehouse refits
    - 5 completed (NSW)
  - Traditional store upgrade
    - 3 completed (VIC, NSW)

# Store Network Update



As At 1 May 2004  
Excludes Frame & Truss Operations

# Key Issues

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1. Inventory management
2. Trade business strategy
3. Store network development
4. Safety – attitudes, awareness, culture
5. Quality team members – attract, develop, retain

# Key Issues

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## 1. Inventory management

- Data warehouse
- New system 2-3 years
- Stockturn and working capital management
- Review logistics model

# Key Issues

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## 2. Trade business strategy

- New East Coast Manager
- Review international best practice
- Develop/implement business plan (6 – 8 months)



# Key Issues

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## 3. Store network development

- Continue 8 –12 new warehouse openings
- Series 3000 developments
- Format and development adaptability
- Store upgrades and refits

# Key Issues

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## 4. Safety

- Senior Safety Leadership Team
- DuPont leadership training
- BSAFE management system
- Team level safety process training

# Key Issues

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5. Attracting, developing and retaining quality people
  - Recruitment Manager in New South Wales
  - Vacancy rate targets
  - Accelerated Management Development Programme
  - Corporate "University" and e-learning system

# Outlook

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- Continued growth in DIY and renovation markets
- Rising interest rates affecting new housing
- Store development pipeline
- Store network upgrades and conversions
- Continuous improvement

# Industry Outlook

## Forecast Annual Growth Rates

Indicator	2003/04	2004/05
1. Retail Sales	+5.6%	+4.0%
2. Housing Starts	-2.0%	-5.8%
3. Renovation Expenditure	+5.2%	+4.0%

Sources: 1. BIS Shrapnel; 2&3 Housing Industry Association

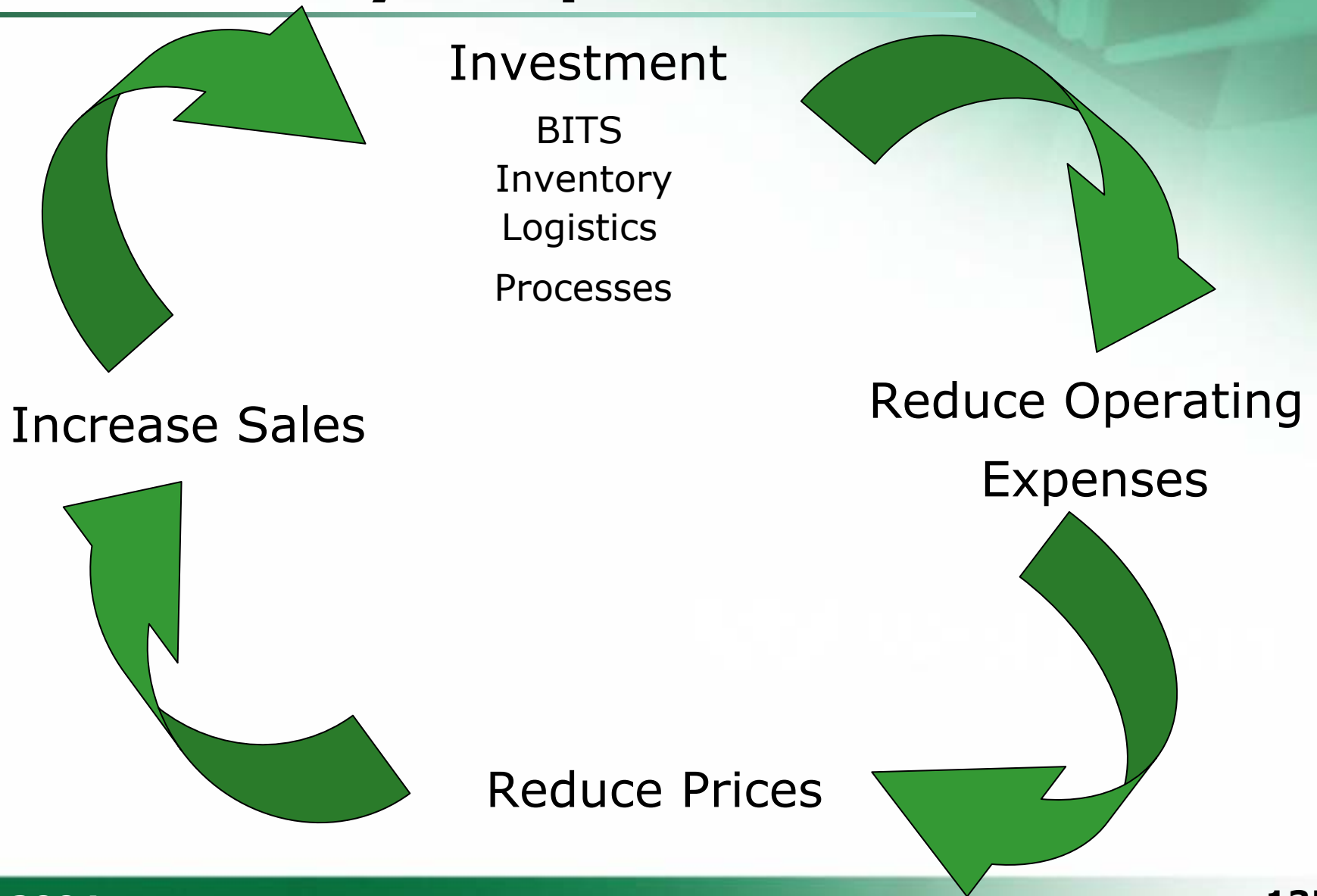
# Outlook

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➤ In summary:

- Drive costs down through growth in sales and productivity improvements
- Continued market share development and upgrade
- Focus on key strategic platform – price, range and service

# Productivity Loop





May 2004



# Questions



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