

# Investment Conference

## Philosophy, Performance and Direction

Citigroup - London

Goldman Sachs JBWere - New York

March 2007





# Philosophy Based On A Single Focus

Satisfactory Returns To Shareholders

# Satisfactory returns to shareholders

1

**Enhance the performance of existing businesses**

*run our businesses at “best practice”*

2

**Expand existing businesses**

*as opportunities allow*

3

**Manage the portfolio and balance sheet**

*in order to enhance shareholder value*

4

**Pursue sustainability**

*in both financial and non-financial terms*



# Satisfactory returns to shareholders



## Recent and current actions

### Capital Projects

Curragh North

Kwinana AN2

Kwinana LNG

Bunnings rollout

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### Acquisitions

OAMPS

Linde Aust. (Coregas)

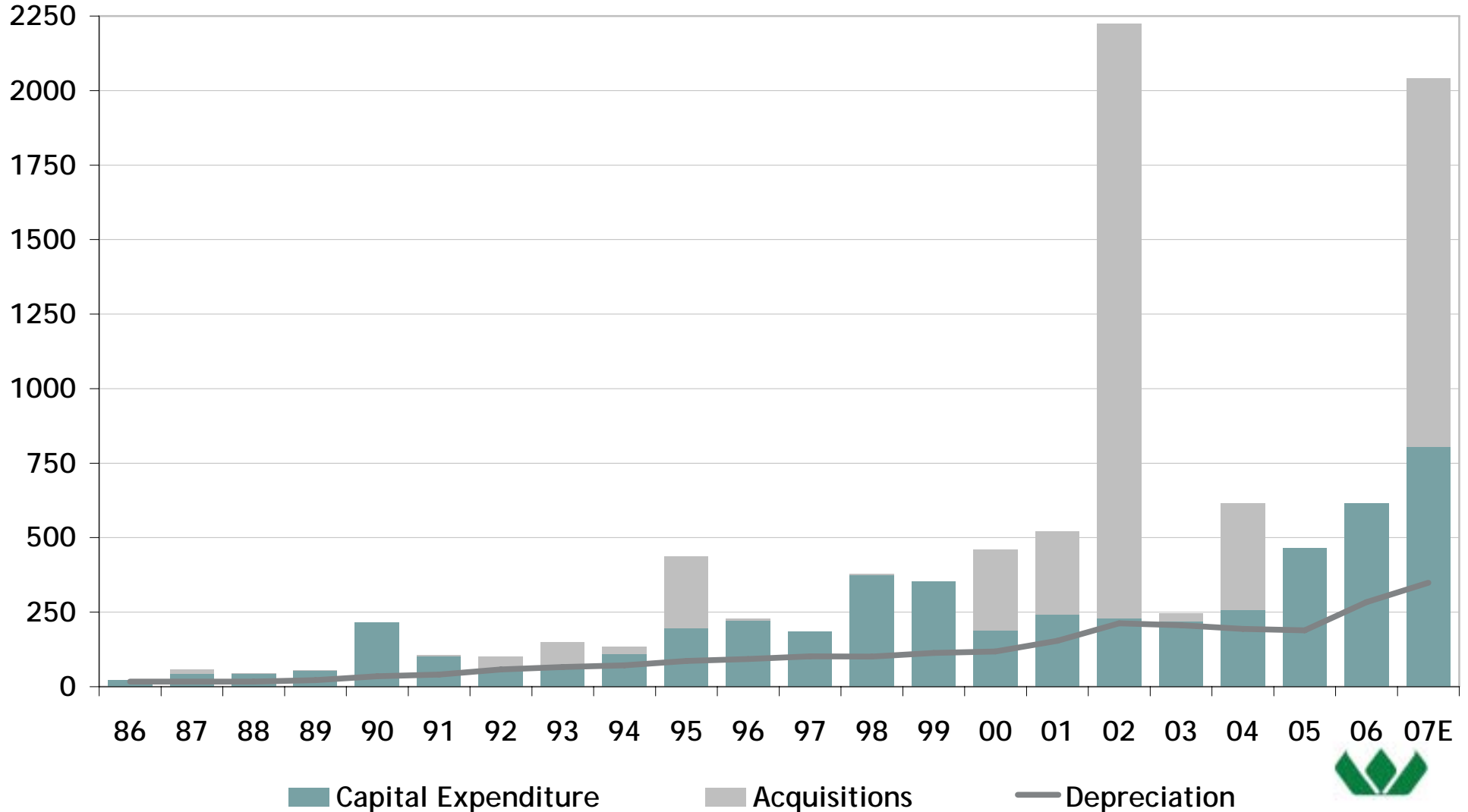
Crombie Lockwood

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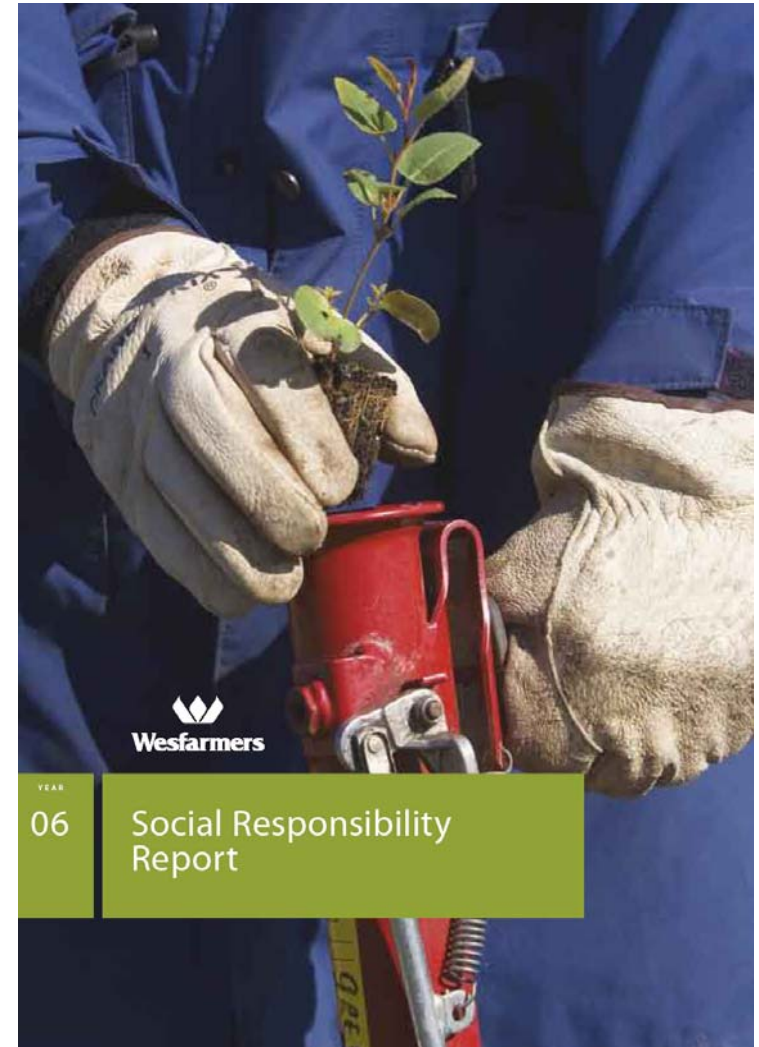
# Investment continues to exceed depreciation

A\$m



# Sustainability

- Financial performance
- Safe and rewarding workplaces
- Good value products and services
- Respect for customers and suppliers
- Environmental responsibility
- Ethical dealings
- Community contribution



# Sustainability



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**Sustainability reporting** Social Responsibility Report since 1998/99

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**Climate Change**

Three divisions are members of Greenhouse Challenge Plus, a voluntary emissions reduction programme

Wesfarmers took part in the 2006 Carbon Disclosure Project ([www.cdproject.net](http://www.cdproject.net))

Coal operations are contributors to the Coal21 Fund

Support for global emissions trading scheme

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**Energy Efficiency** All divisions will be registering under the Australian government's Energy Efficiency Operations (EEO) programme

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# Management Team



Managing Director & CEO

Richard Goyder

Finance Director

Gene Tilbrook

## Divisional Managing Directors

Home Improvement

John Gillam

Coal

Stewart Butel

Insurance

Bob Buckley\*

Industrial & Safety

Terry Bowen

Chemicals & Fertilisers

Keith Gordon

Energy

Tim Bult

\* Rob Scott from 1 July 2007





# Group results



# Financial Performance

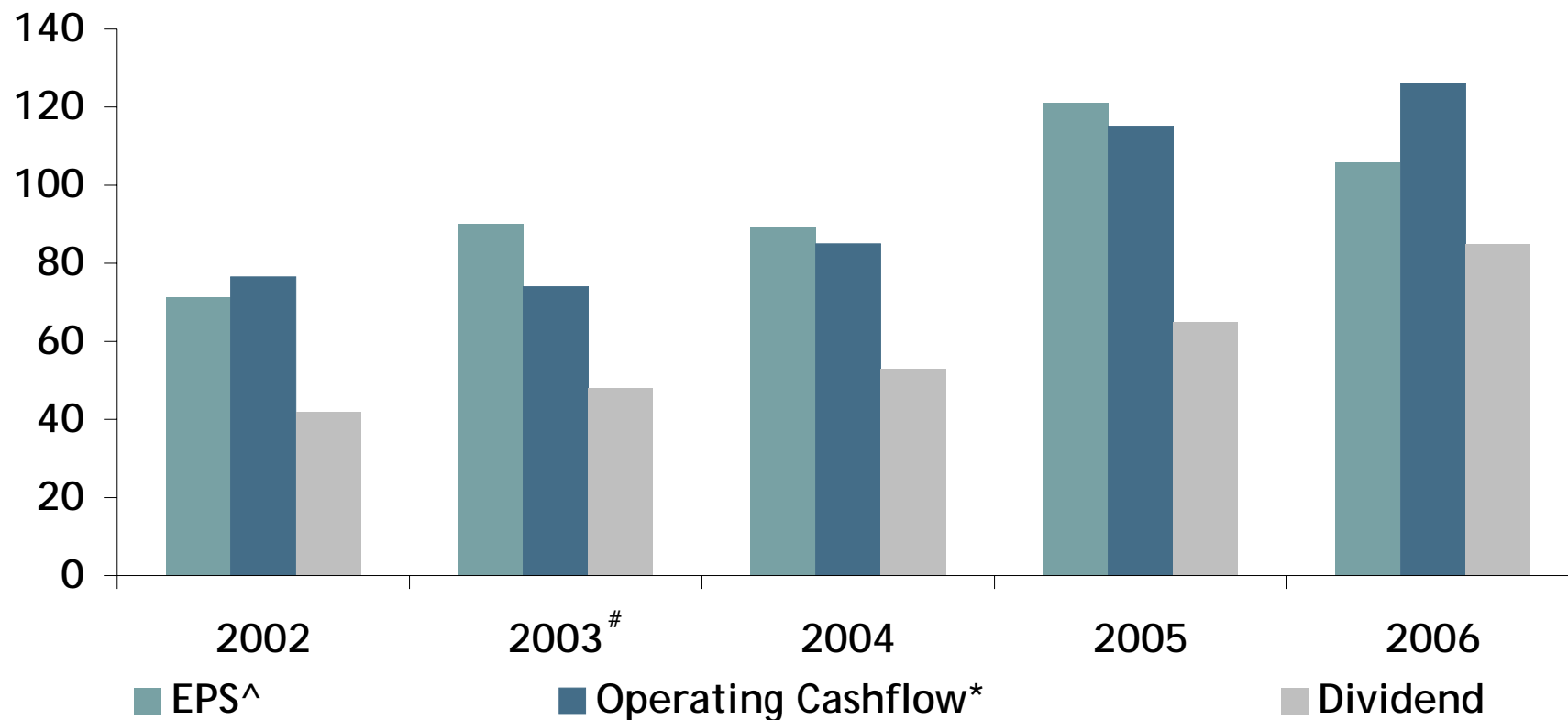
Half Year ended 31 December (A\$m)	2006	2005	↑ ↓ %
Operating revenue	<b>4,718.1</b>	4,447.1	6.1
EBITDA	<b>790.6</b>	829.6	(4.7)
EBIT	<b>612.9</b>	707.1	(13.3)
Net profit after tax	<b>391.9</b>	446.7	(12.3)
Operating cash flow	<b>477.4</b>	435.3	9.7
Earnings per share (ex. employee res. shares)	<b>105.8</b>	121.2	(12.7)
Earnings per share (inc. employee res. shares)	<b>103.6</b>	118.2	(12.4)
Cash flow per share (inc. employee res. shares)	<b>126.2</b>	115.2	9.5
Dividends per share	<b>85.0</b>	65.0	30.8



# Cash Flow & Dividend (Half Year to 31 Dec)

(earnings, operating cash flow and dividend per share)

cents per share



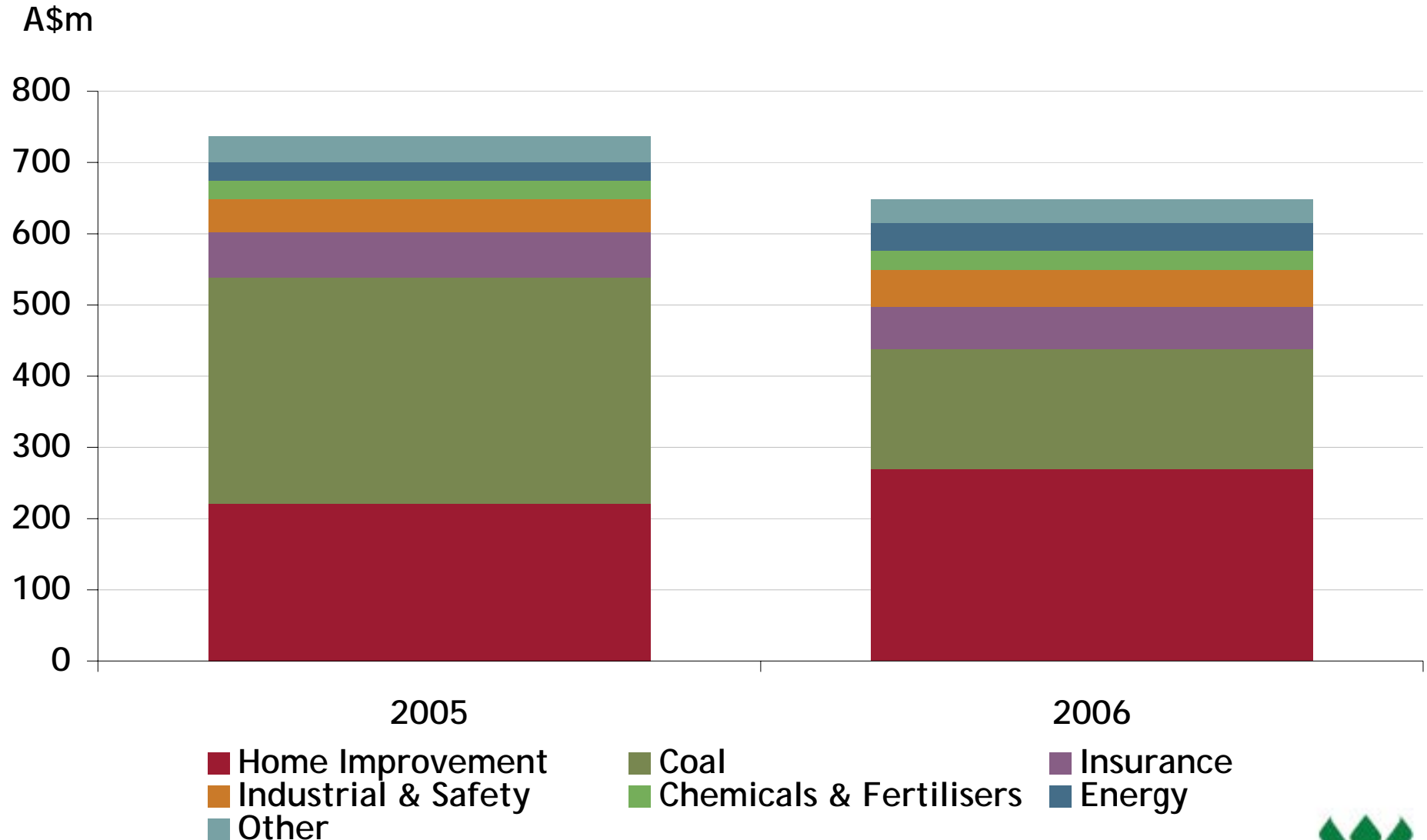
# EPS and Cash flow exclude sale of Landmark

\* Based on WANOS including employee reserved shares

^ AGAAP excl. goodwill amortisation (2002 to 2003), AIFRS excl. employee reserved shares (2004 onwards)



# Divisional EBIT (Half Year to 31 Dec)



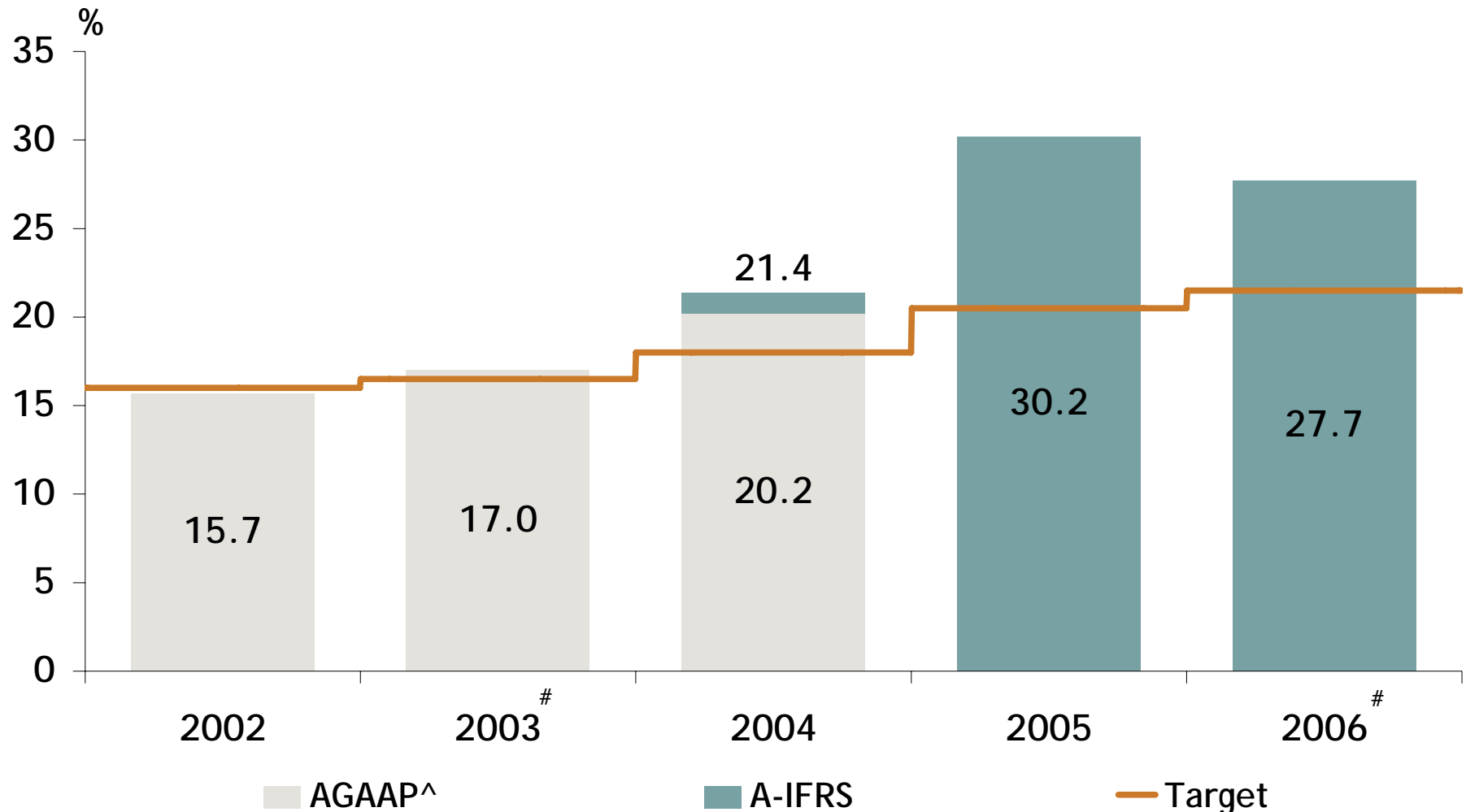
# Divisional ROC & Capital Employed

Rolling 12 months to 31 December	2006			2005
	EBIT \$m	Cap Emp \$m	ROC %	ROC %
Home Improvement	469.6	1,867.6	25.1	22.8
Coal	427.4	808.0	52.9	76.6
Insurance	121.1	492.4	24.6	33.6
Industrial & Safety	101.8	743.3	13.7	13.2
Chemicals & Fertilisers	84.0	562.0	14.9	17.7
Energy	63.2	190.3	33.2	34.6



# Return on Shareholders' Funds

(rolling 12 months to 31 December\*)

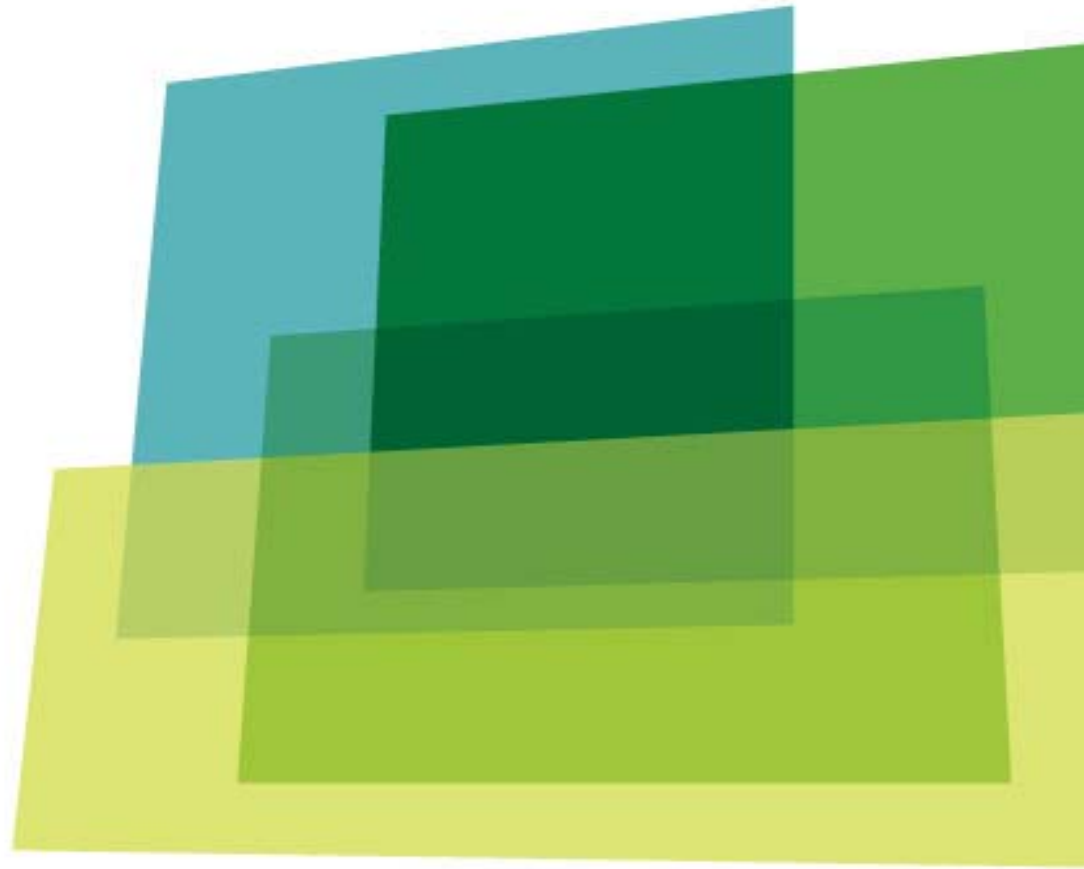


\*Based on average monthly equity balances (previously based on average opening and closing)  
 # Excludes sale of Landmark, Girrah (2003) and ARG (2006) ^ Before goodwill amortisation





# Home Improvement



Home Improvement



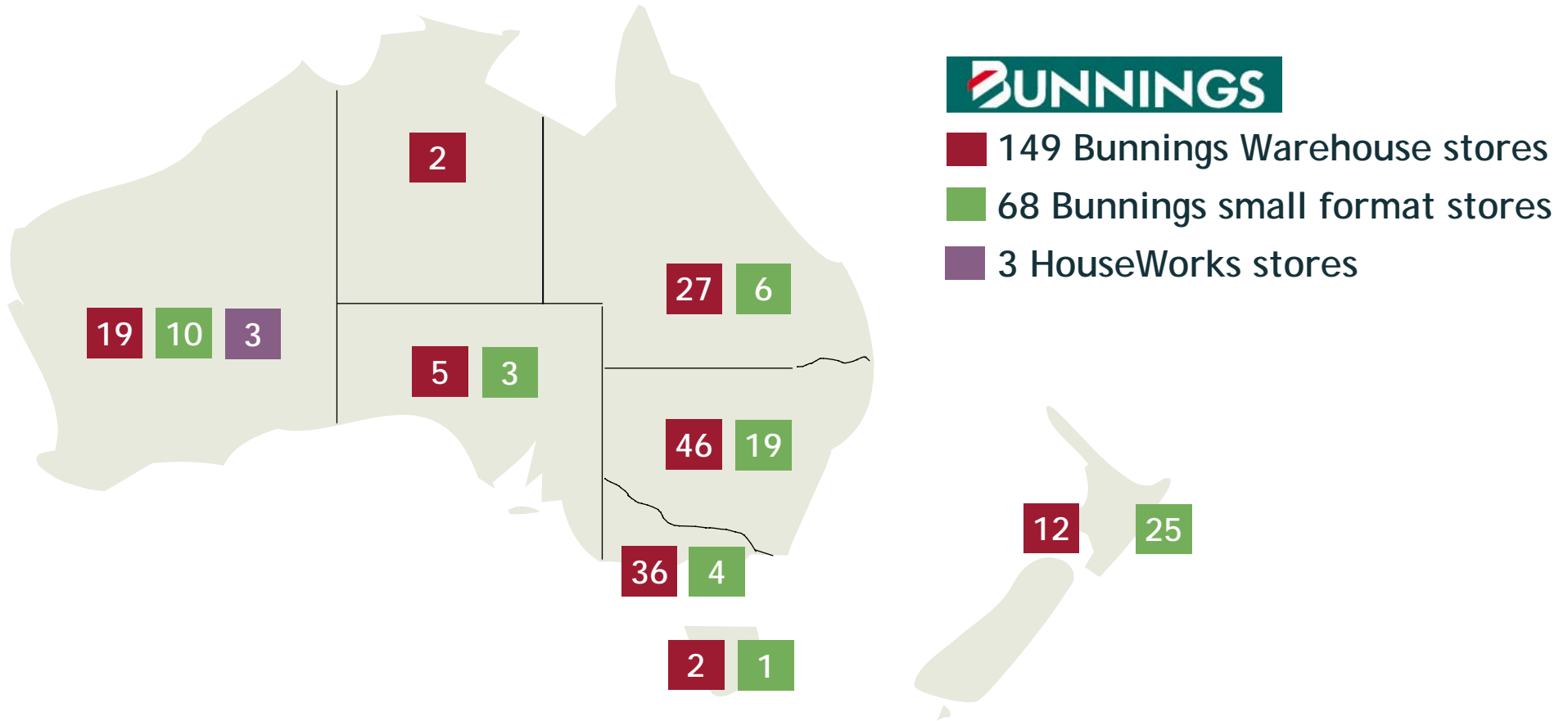
**WIDEST RANGE  
LOWEST PRICES  
BEST SERVICE**





# Home Improvement Store Network

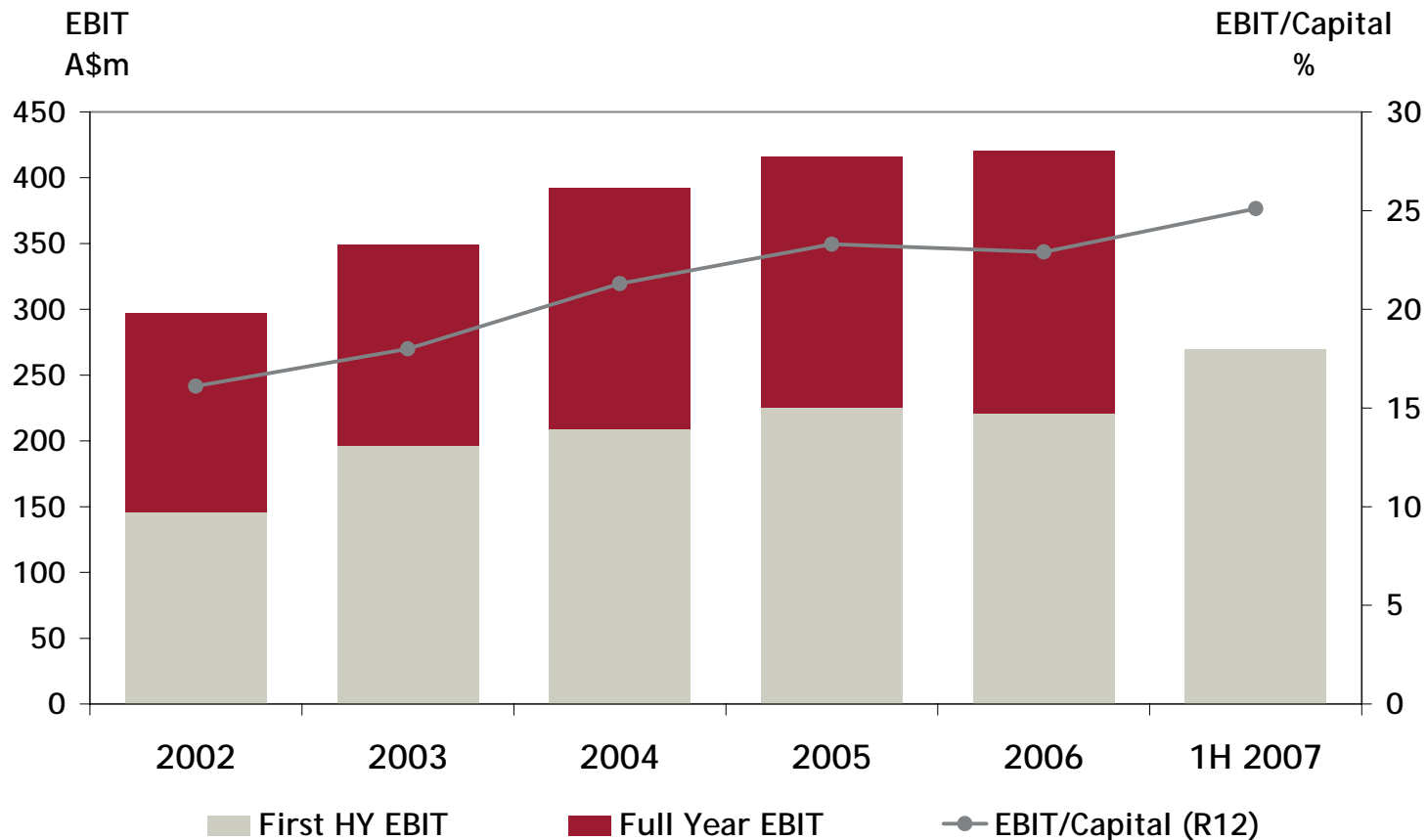
As at end February 2007



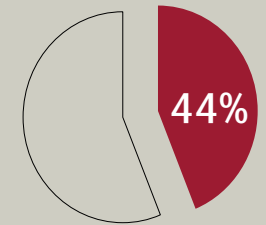
Excludes distribution centres and trade operational sites



# Home Improvement Financial Performance



## EBIT CONTRIBUTION (1H07)



149 warehouse stores  
 71 smaller format stores  
 100,000+ product lines  
 24,000+ employees



# Home Improvement Strategies



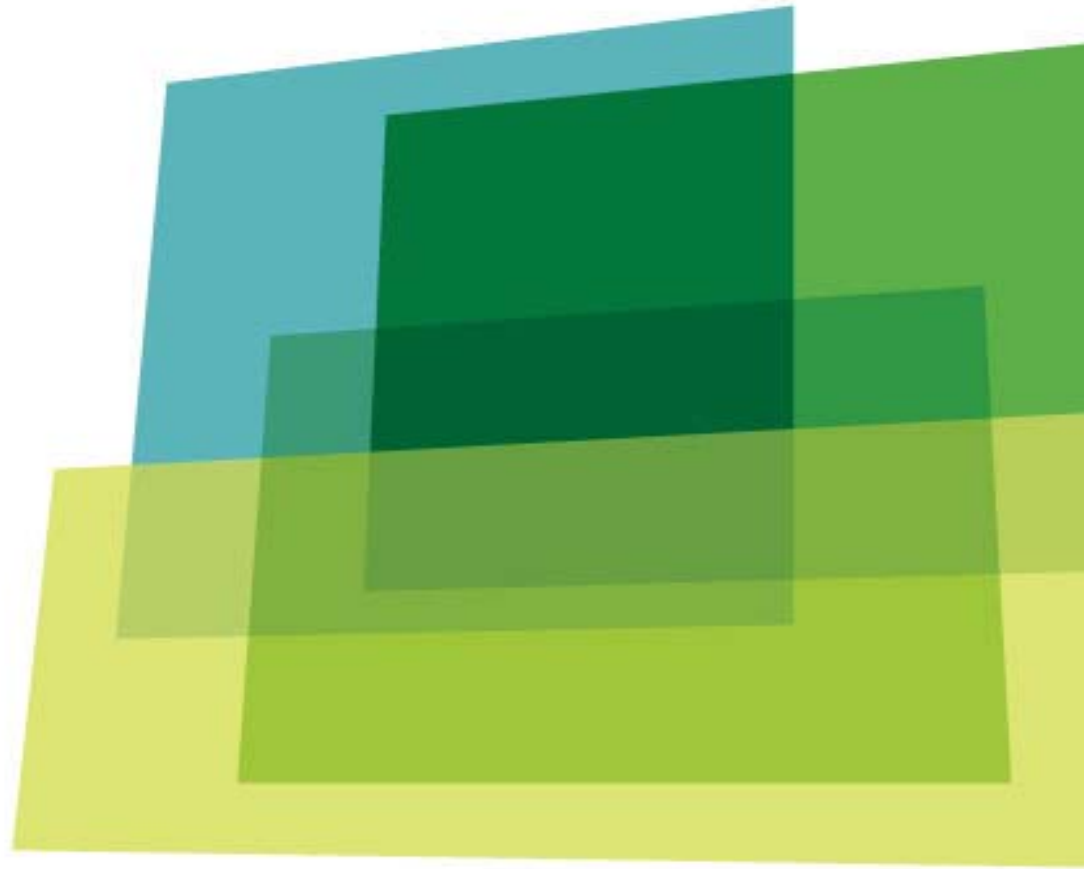
## Strategies

<b>Focus on core retail drivers</b>	Lifting customer service Improving services
<b>Develop store network</b>	Open 10 to 14 warehouse stores pa Accelerated store upgrades and refits – approx 30 in 2006/07 Development of new store concepts
<b>Grow trade business</b>	Dual focus on smaller contractors and larger builders Targeting profitable market share growth
<b>Help team members perform better</b>	Lifting investment in development programmes Supporting improved performance Continuing strong safety programme
<b>Upgrade business systems</b>	\$55 million systems upgrade project part-way completed
<b>Drive business improvements</b>	Effectiveness of in-store processes lifting Achieving a lower cost of doing business Supply chain enhancements Ongoing improvements in inventory mgt. and shrinkage





Coal



Coal

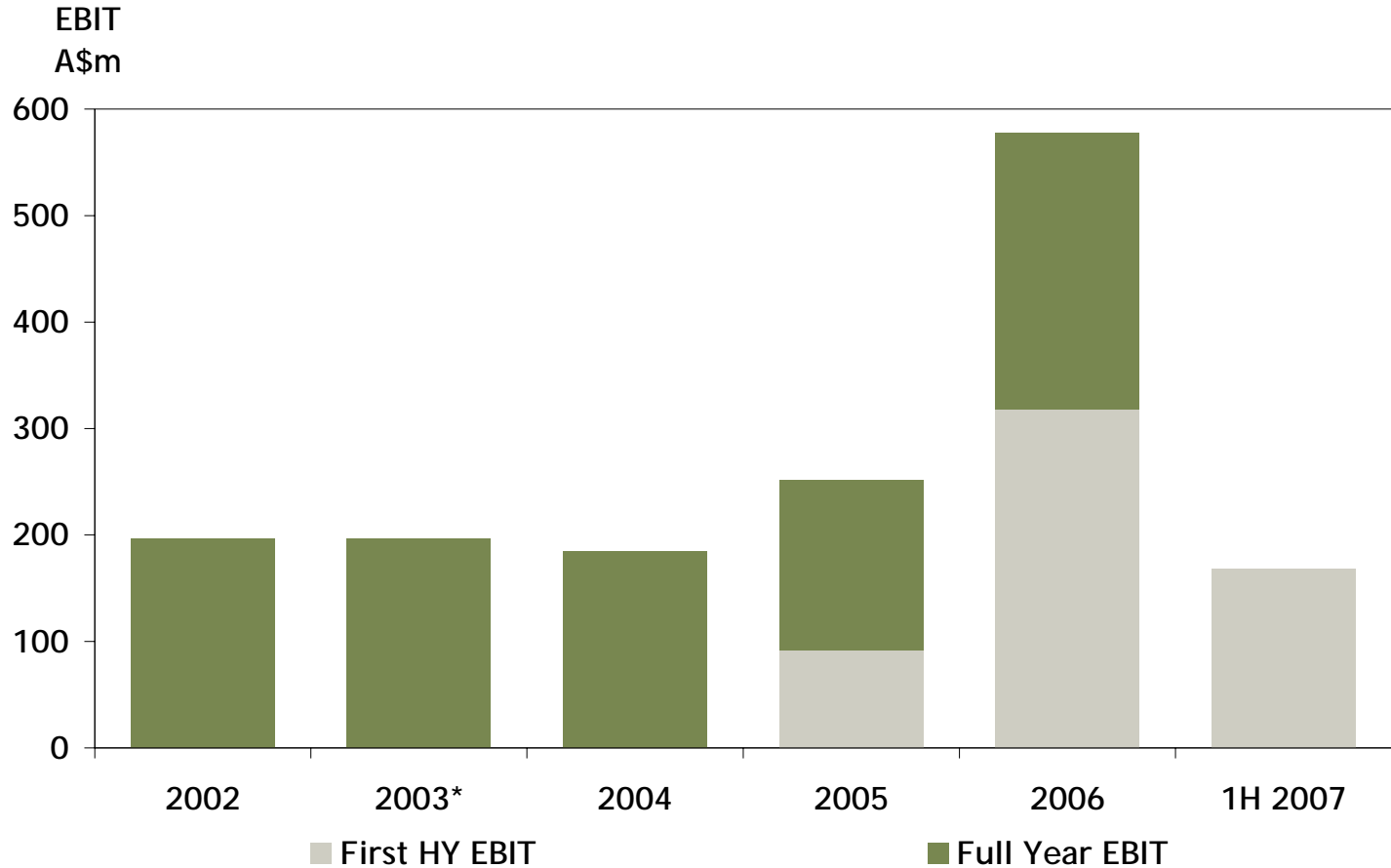
**URRAGH**



**Premier Coal**



# Coal Financial Performance



**EBIT CONTRIBUTION (1H07)**

27%

- 660 employees
- 3 coal mines
- 22 coal customers

\* Excludes profit on sale of Girrah A\$80.5m in 2003



# Coal Strategies

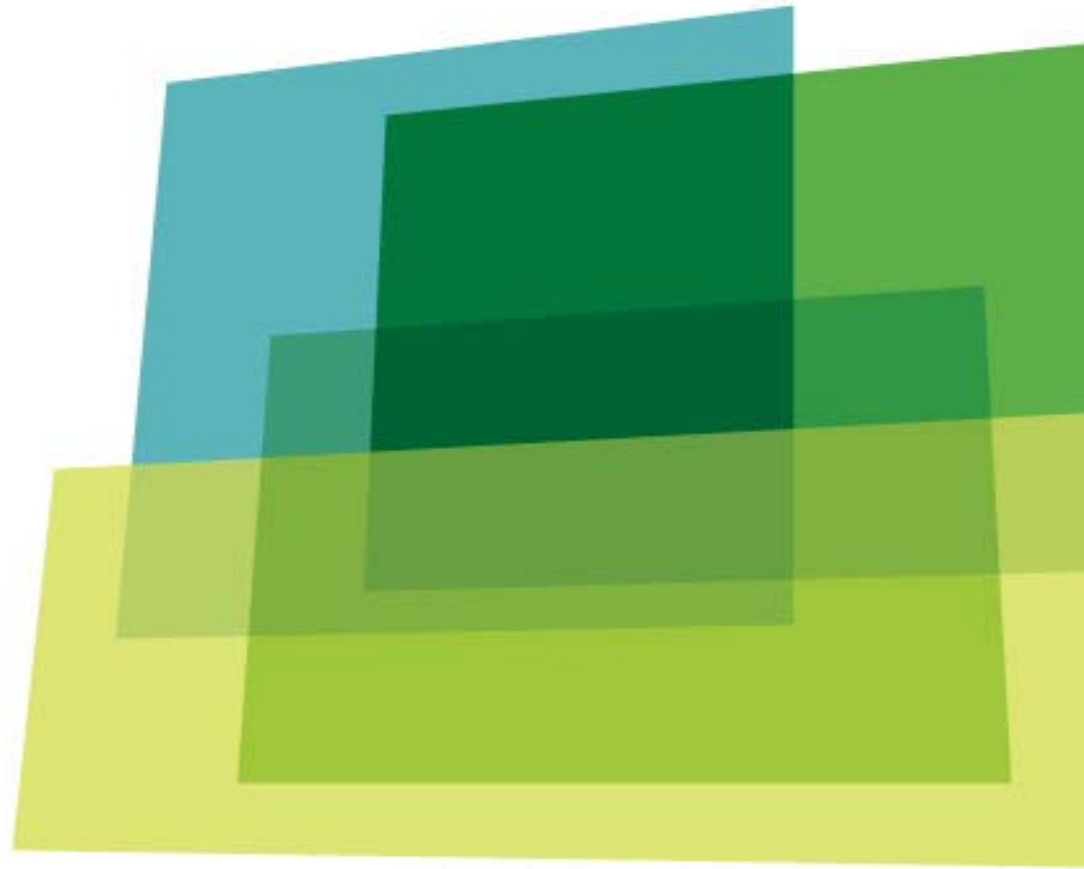


Opportunities / Challenges	Strategies
<b>Strong export customer demand</b>	Maximise Bengalla and Curragh production
<b>Cost pressures</b>	Deliver on cost reduction program
<b>Infrastructure constraints</b>	Closely monitoring and capturing opportunities to export as soon as capacity becomes available
<b>Increase coal production</b>	Curragh North materials handling project completion Bengalla Modified Development Consent approval
<b>Extend product and market reach</b>	Evaluate projects and acquisitions that offer economies of scale or downstream benefits





Insurance





# Insurance



**WESFARMERS FEDERATION  
INSURANCE LIMITED**

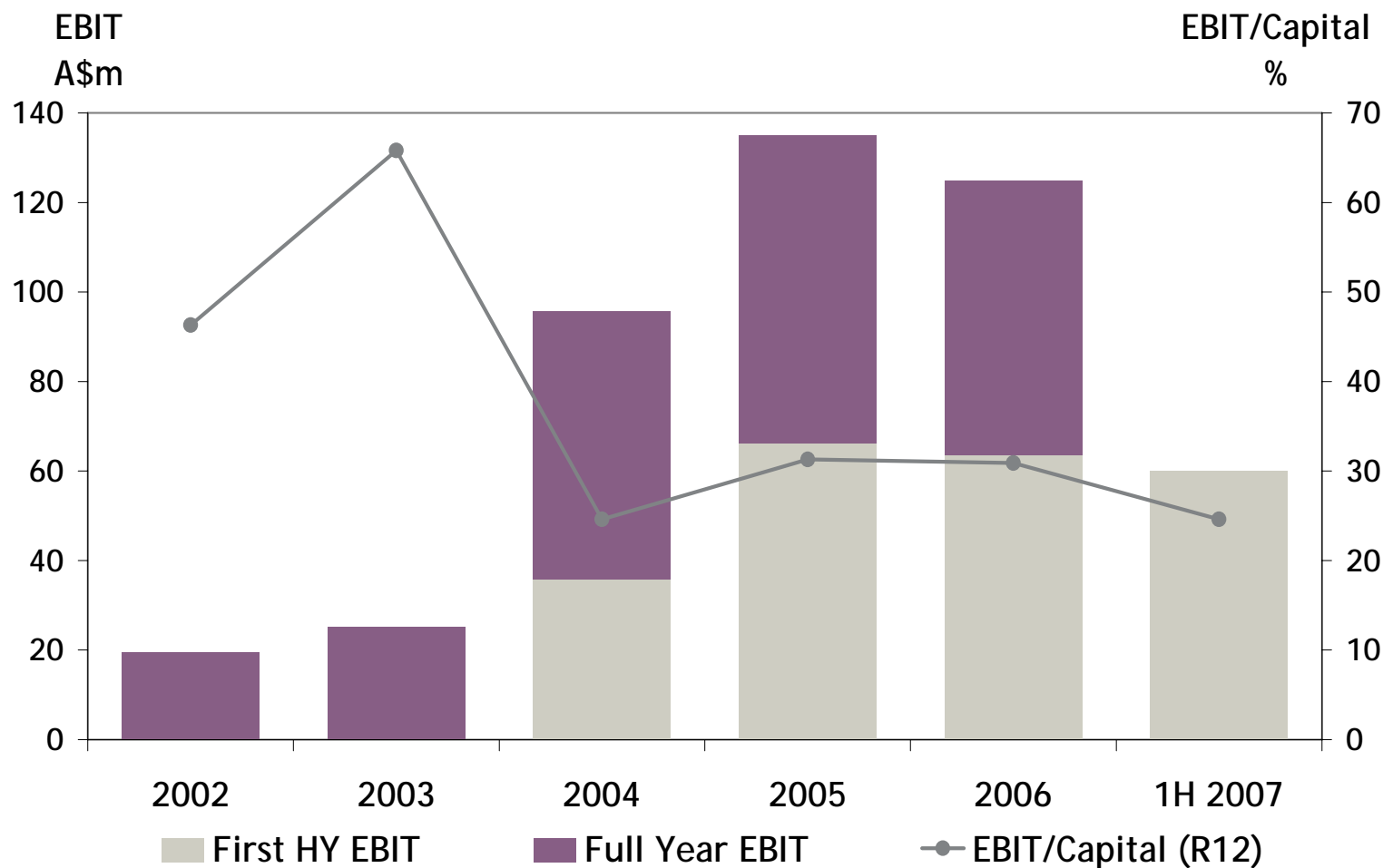
**Lumley**



**OAMPS**



# Insurance Financial Performance



# Insurance Strategies

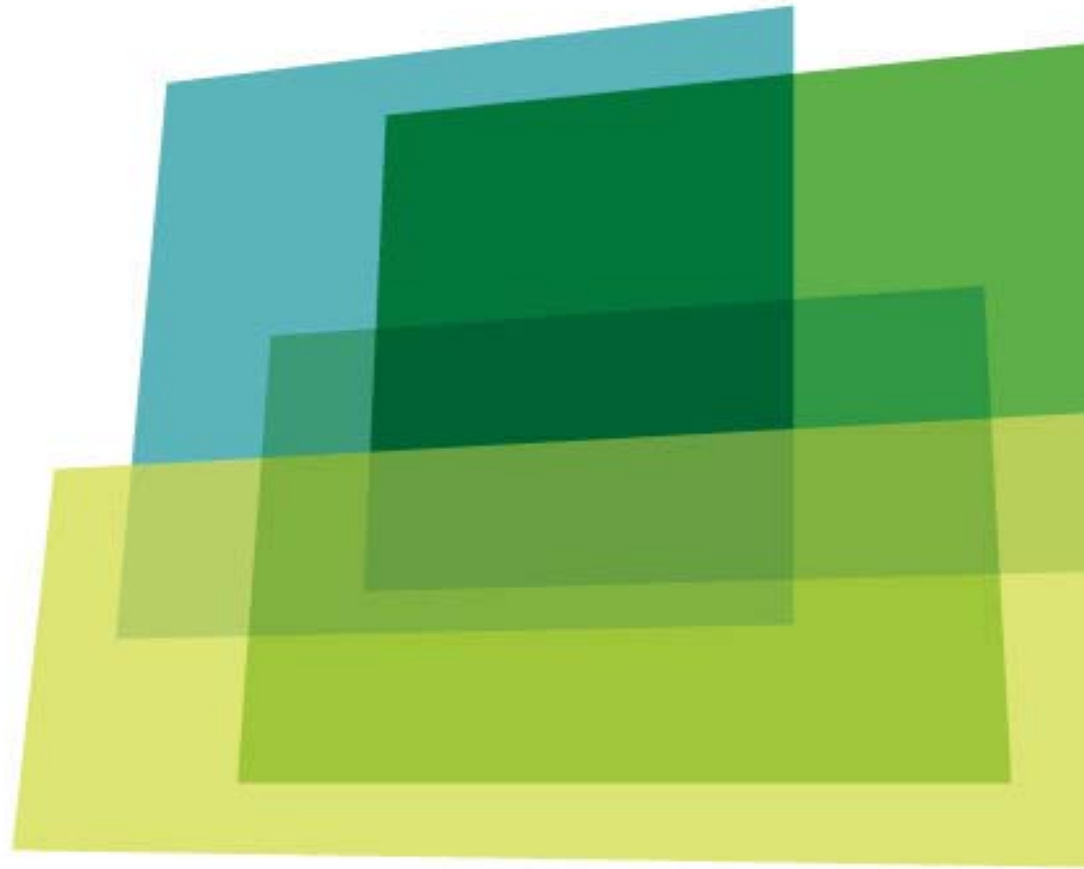


Opportunities / Challenges	Strategies
Margin pressure in commercial lines	Target new segments for profitable growth Continue building technical and expert sales team Sales force efforts targeted at growth sectors
Integration of OAMPS	Integrate corporate functions Merger of underwriting business, AILL with Lumley Australia Modest synergies / benefits
Drought is affecting rural Australia	Maintain key alliances and relationships with clients Increase marketing and sales efforts
Diversification of core underwriting capabilities	General Insurance broking: – Acquisition of OAMPS Ltd in Nov 2006 – Acquisition of Crombie Lockwood (New Zealand) in Feb 2007 A number of new opportunities under assessment
General Insurance broking consolidation	Continue to evaluate opportunities to participate





# Industrial & Safety



# Industrial & Safety Portfolio



## Core business

### **Blackwoods**

Australian market leader in distribution of Maintenance, Repair and Operating supplies (MRO)

## National Specialist Businesses

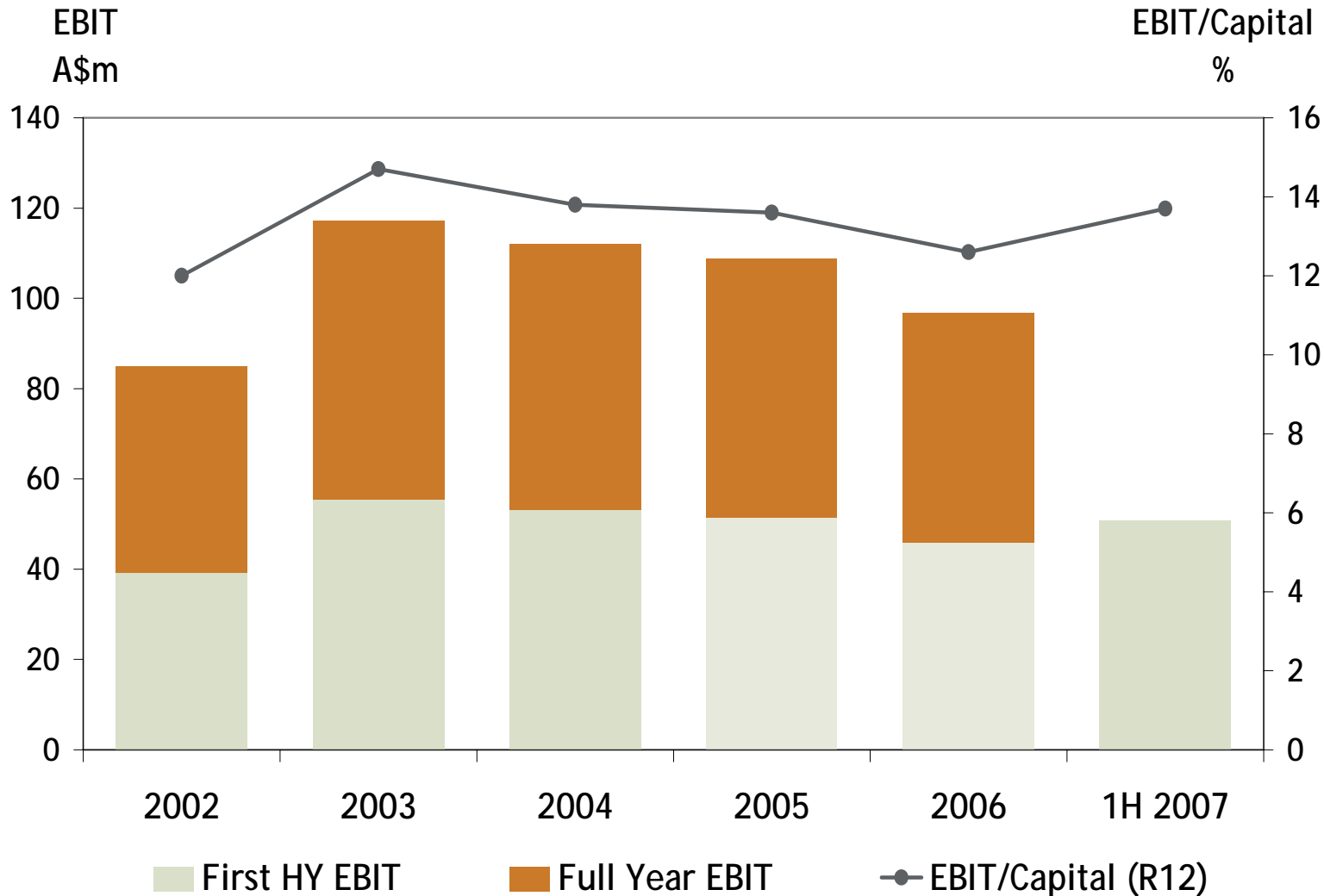
### Australia



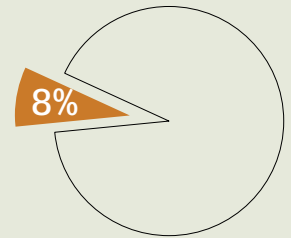
### New Zealand



# Industrial & Safety Financial Performance



## EBIT CONTRIBUTION (1H07)



3,295 employees  
 246 locations  
 115,000 customers  
 217,000 product lines



# Industrial & Safety Strategies

## Strategies

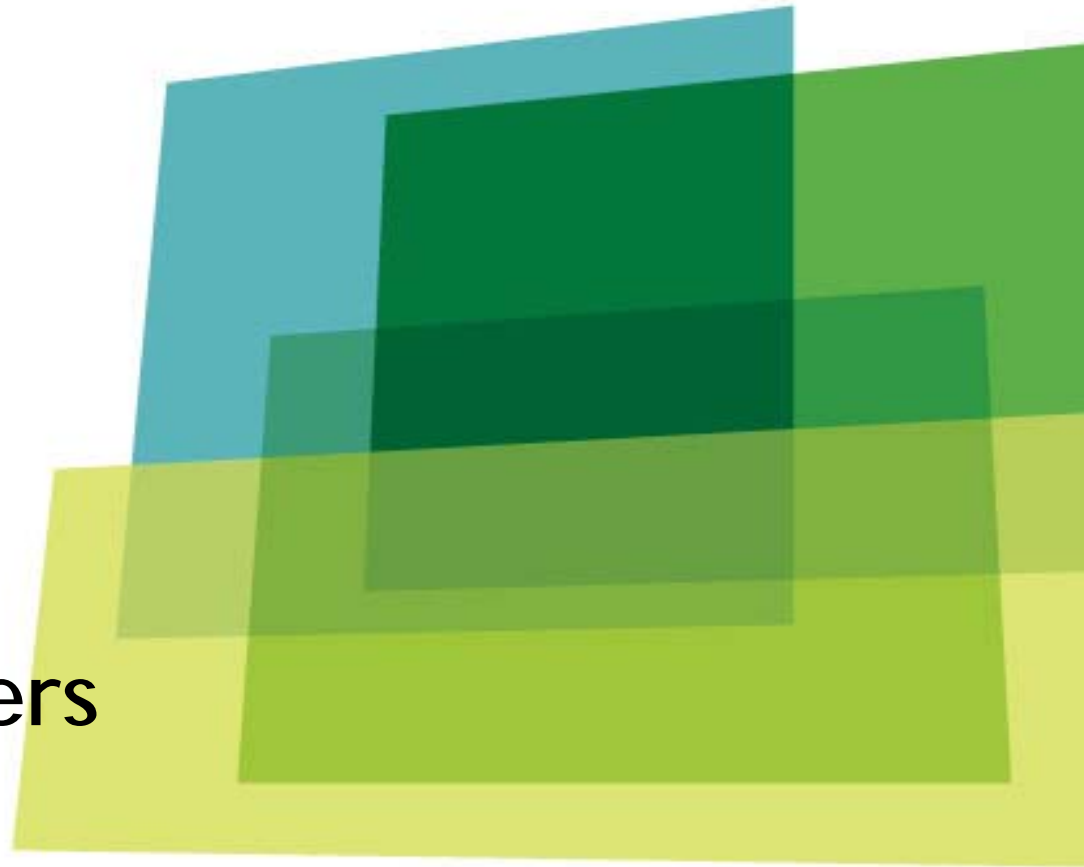
### **Re-base the business**

Division restructure complete, cost base reduced  
SKU reduction well advanced  
Logistics network rationalisation well progressed  
Reduction of capital base proceeding well  
Low Cost Country sourcing capability established (Shanghai)

### **Grow selectively**

Increased penetration of higher growth sectors  
Improve sales force effectiveness, increased resource levels  
Improve delivery performance  
Addition of services / new ranges to increase share of spend  
Bolt on acquisitions e.g. Bullivants





# Chemicals & Fertilisers



# Chemicals & Fertilisers



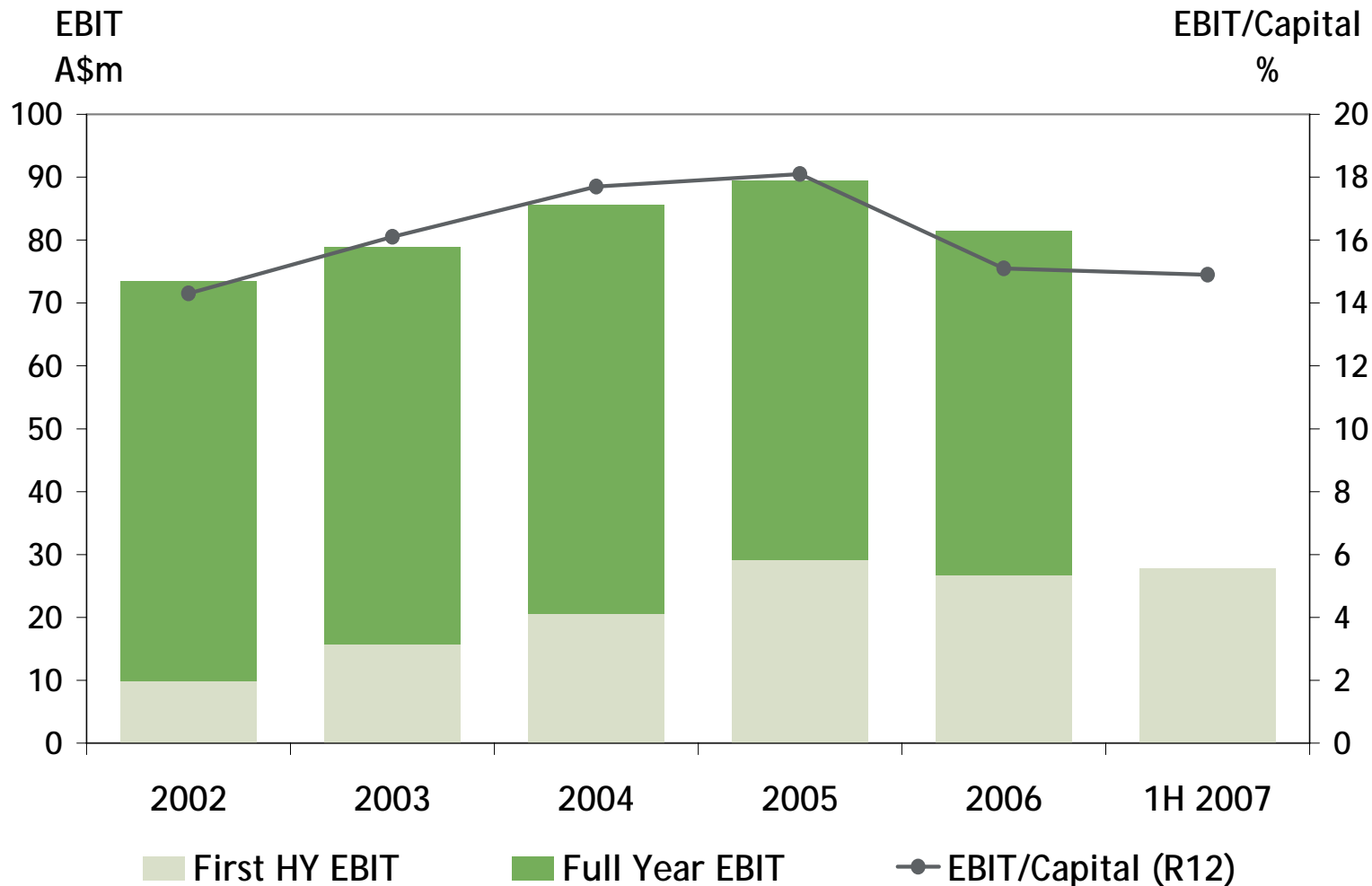
**AGRA**

**CSBP**

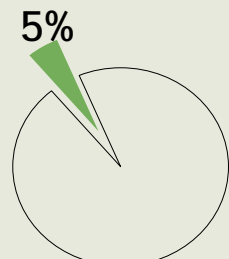
**QNP**



# Chemicals & Fertilisers Financial Performance



## EBIT CONTRIBUTION (1H07)



600 employees  
 360 chemical customers  
 2 major fertiliser distributors servicing over 5,000 farmers  
 11 operational manufacturing plants



# Chemical & Fertilisers Strategies

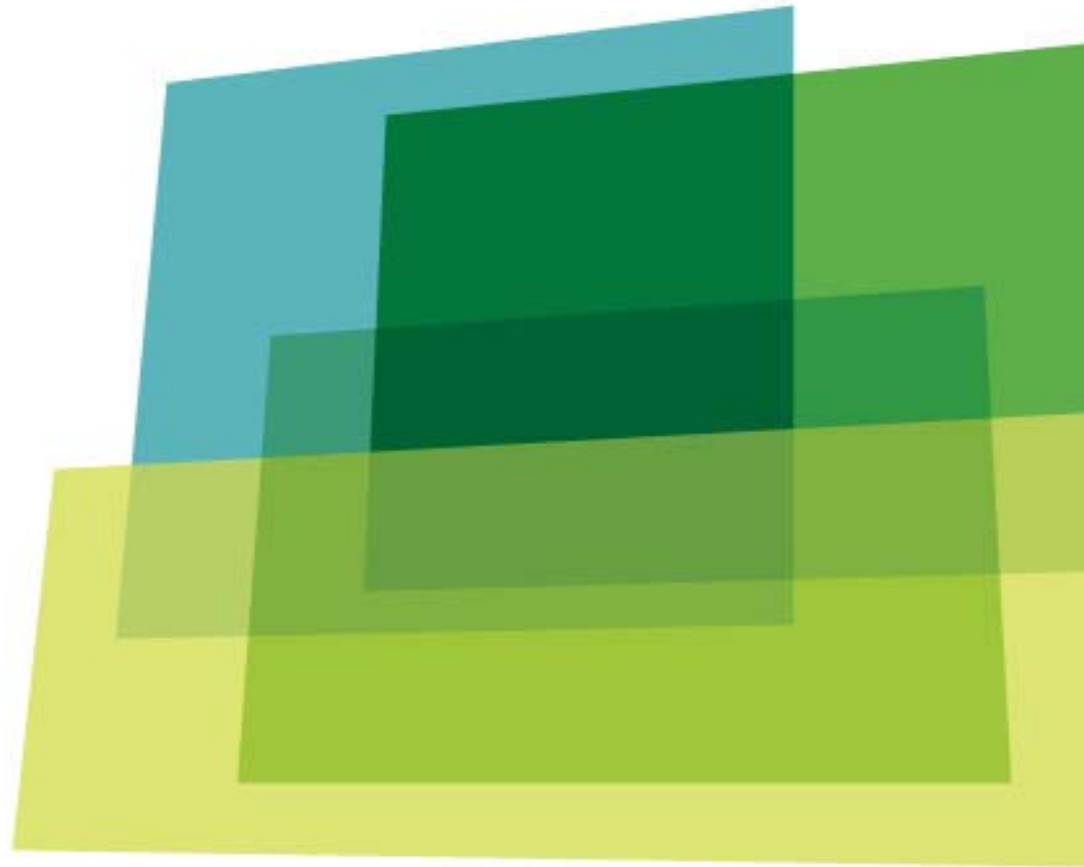


		Opportunities / Challenges	Strategies
Chemicals		<b>Maintain and grow business</b>	Kwinana AN expansion: <ul style="list-style-type: none"> <li>➤ Duplication of capacity to 470,000 tpa</li> <li>➤ Completion expected second half 2007</li> </ul> Evaluation of options at QNP (50% owned)
		<b>Improve performance of sodium cyanide business and identify opportunities for growth</b>	Sodium cyanide volume growth Investigate domestic growth opportunities for sodium cyanide – Boddington gold project
		<b>Review position in industrial chemicals</b>	Completed exit from chlor-alkali business
Fertilisers		<b>Continue to develop liquid fertilisers</b>	Extend product development activity
		<b>Optimise cost and capital</b>	Focus on expense reduction strategies and investigate ways to make cost base more variable
Fertilisers and Chemicals		<b>Growth opportunities</b>	Dedicated business development team
		<b>Optimal cost and capital structure</b>	Reduce working capital and manage expenses





Energy



# Energy



 **Kleenheat Gas**



**WESFARMERS LPG**

**enGen**  
energy generation

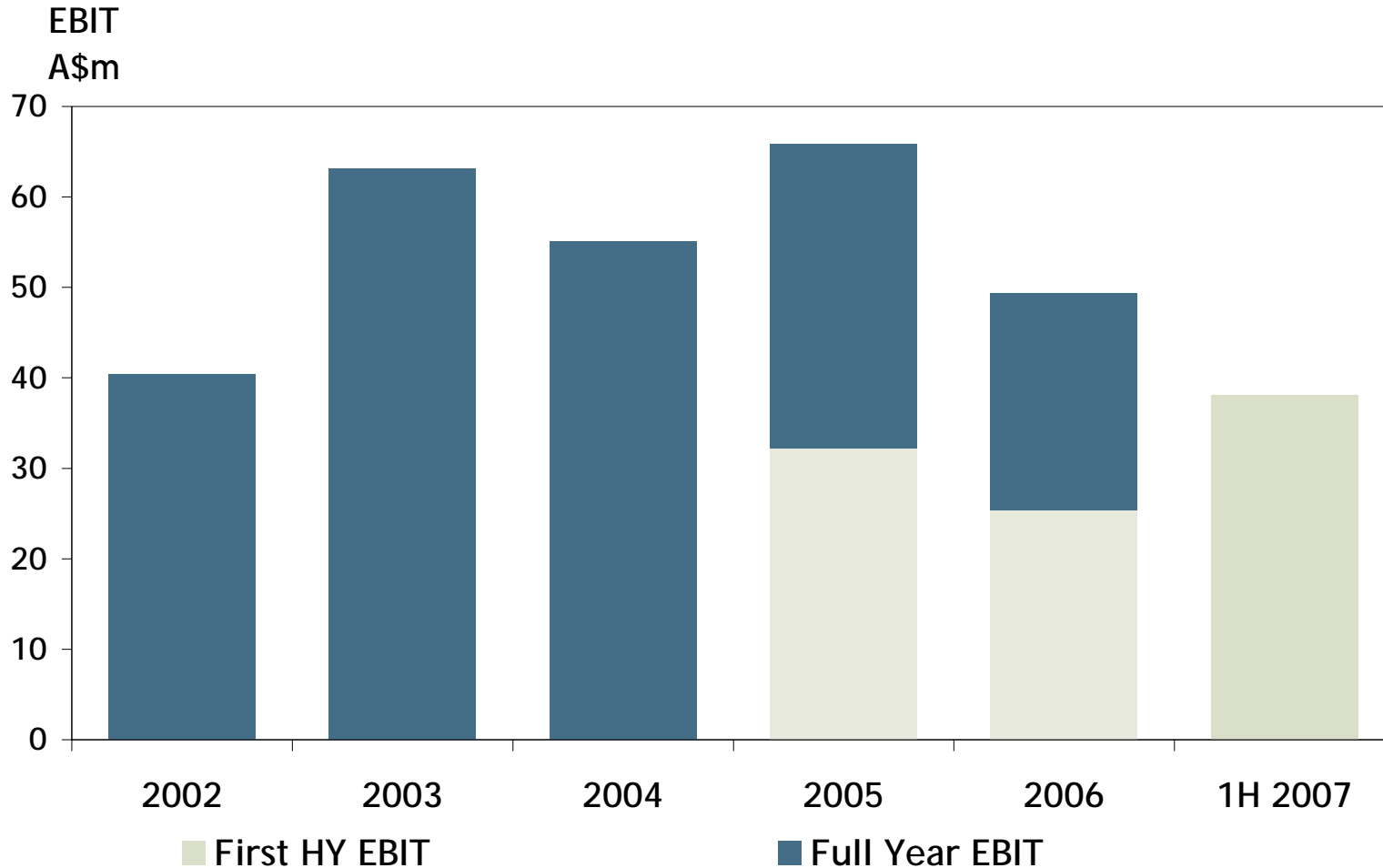
 **AIR LIQUIDE**  
WESTERN AUSTRALIA™

**UNIGAS**  
for  
**AUTOGAS**

**coregas** 

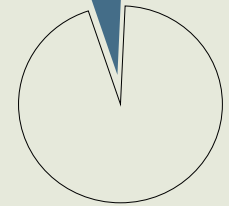


# Energy Financial Performance



## EBIT CONTRIBUTION (1H07)

6%



900 employees

1,436 gas locations

274,000 gas customers

17 remote power stations

3 air separation units

1 hydrogen plant



# Energy Strategies

## Strategies

### **New gas products and markets**

Kleenheat Gas: Develop HDV and new domestic markets for LNG

Wesfarmers LPG: enhance feed gas supply arrangements

Air Liquide WA (40%): focus on oil and gas and medical industries

Coregas: Integrate, complete liquefier expansion and grow East Coast business

### **Remote power opportunities**

Engen: complete Sunrise & Darlot LNG fuelled power stations; seek further growth opportunities

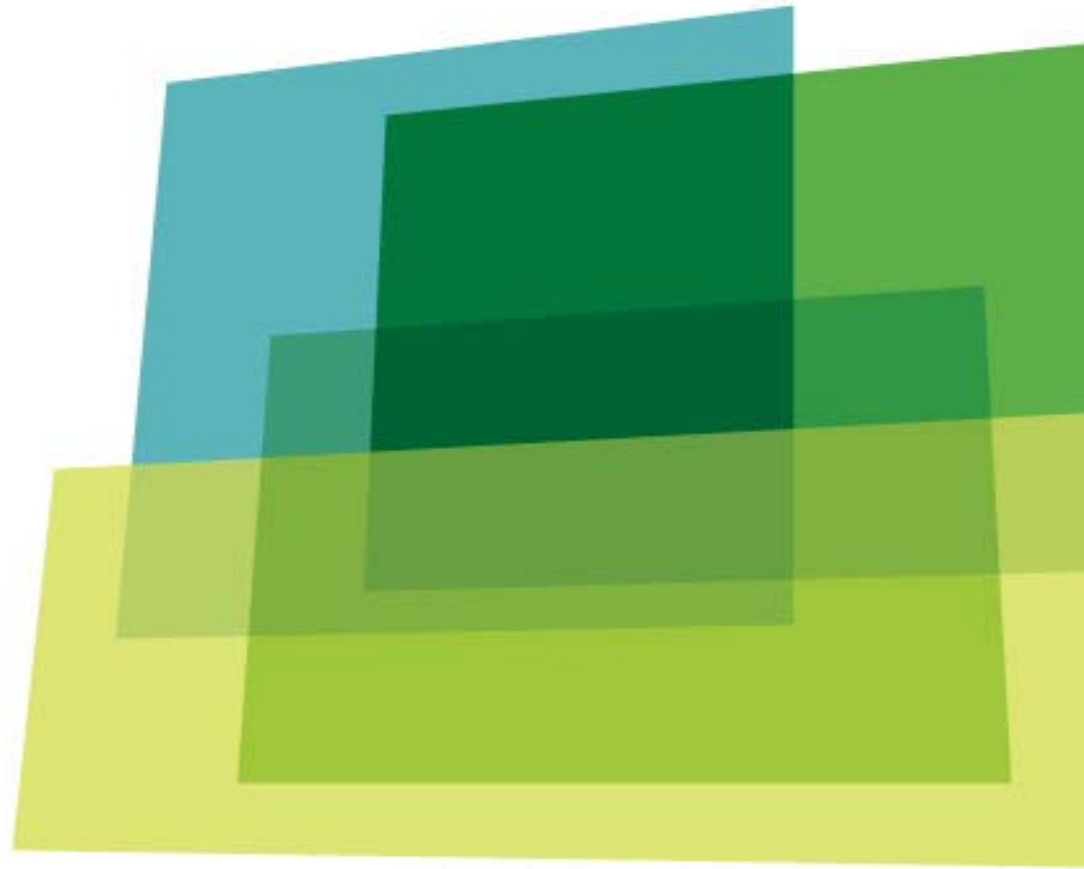
### **Improve margins in higher gas cost environment**

Kleenheat Gas: lower cost business model by continued focus on controllable costs and improved efficiency and workforce performance





Other Businesses





# Other Businesses



- Gresham Partners (50%)
- Gresham Private Equity
  - Fund 1 (50%)
  - Fund 2 (67%)

*Investment bank and private equity investor (Australia)*



- Wespine (50%)

*Softwood mill (Western Australia)*



- Bunnings Warehouse Property Trust (23%)

*Listed property trust (Australia)*



# Gresham Private Equity

## Fund 1

- Current investment A\$28.1m
- Further exits expected over next several years

### CURRENT INVESTMENT PORTFOLIO

*Norcros*

*mining / infrastructure contractor*

**NORCROS**

*Riviera*

*ocean cruisers*



*Raywood*

*vehicle control systems*

**raywood**







# Gresham Private Equity



## Fund 2

- Fund 2 commitments of A\$325m
- Wesfarmers current commitment A\$150m; Capital invested A\$63.9m
- Witchery acquired in July 2006

CURRENT INVESTMENT PORTFOLIO			
<b>Noel Leeming</b>	<b>Australian Pacific Paper Products</b>	<b>Pacific Print Group</b>	<b>Witchery</b>
<i>electrical retailer (New Zealand)</i>	<i>manufacturer &amp; distributor of disposable nappies (Australia)</i>	<i>leading commercial printing business (New Zealand)</i>	<i>womens fashion apparel</i>
			



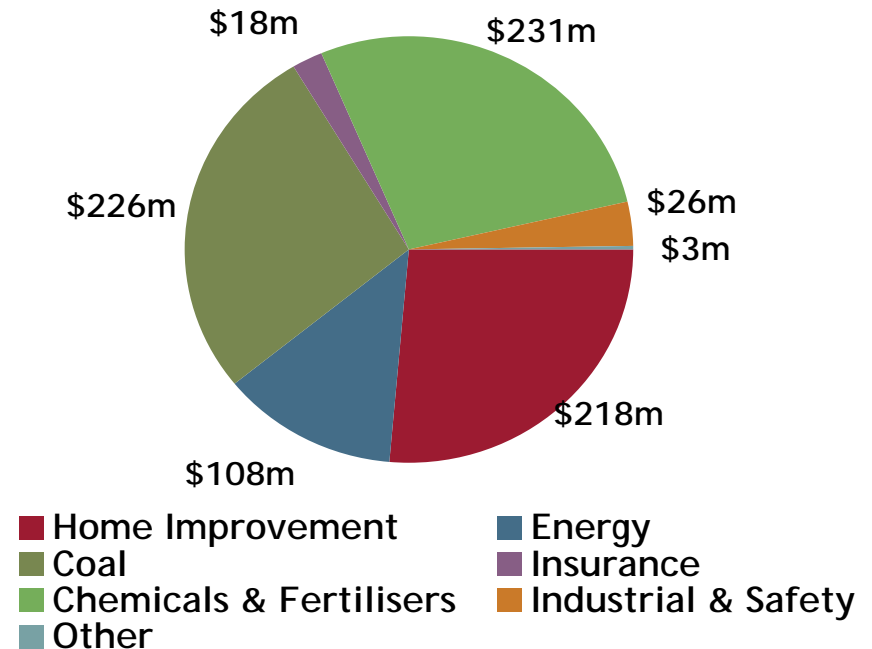
# Capital Management

# Capital Management

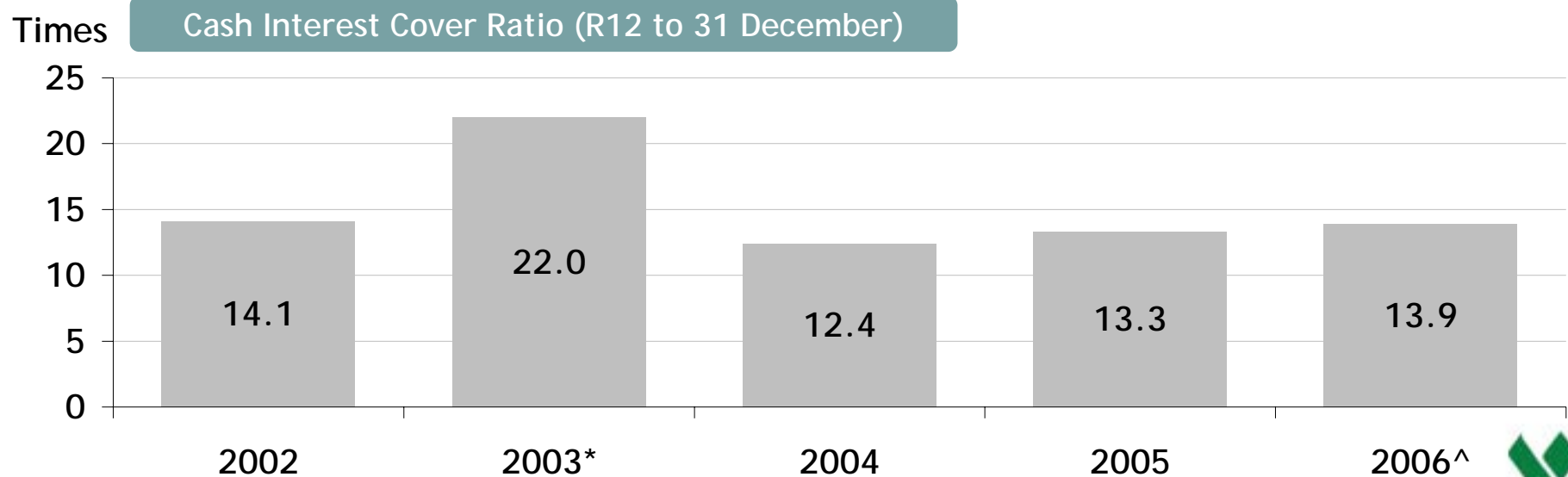
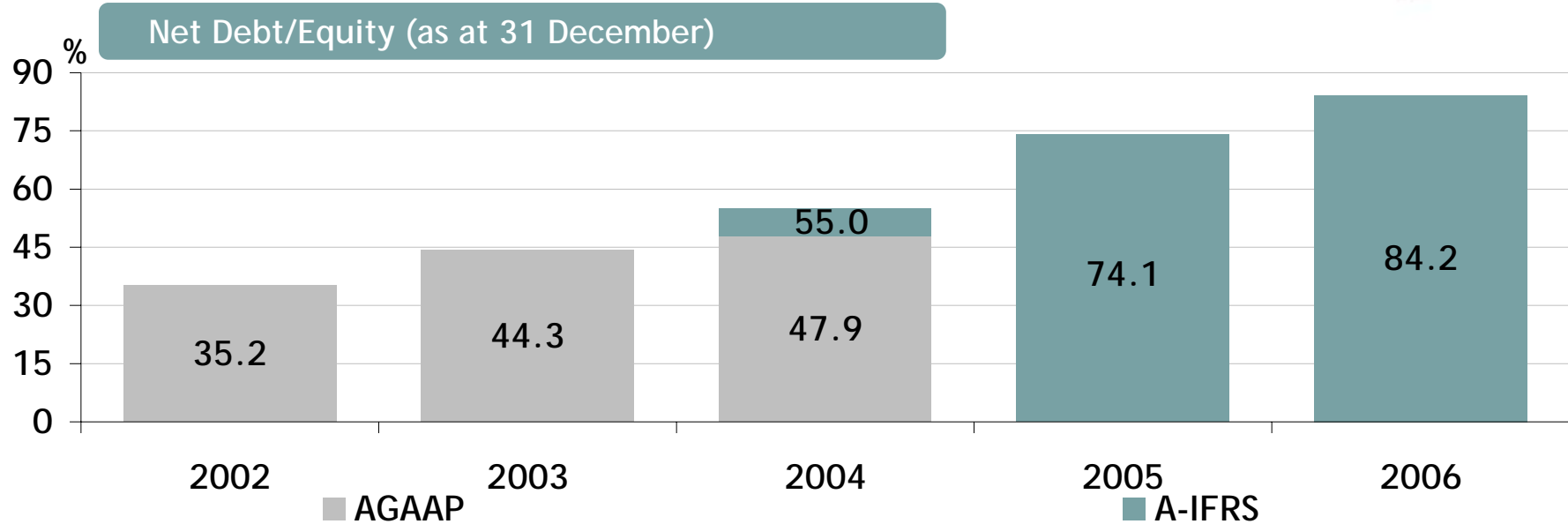
- Dividend policy – distribute franking credits through dividends
- Approximate 90% payout ratio
- Estimated capital expenditure 2006/07 ~ A\$800m
- Target efficient capital structure
- Dividend investment plan reinstated
  - 100% underwritten for interim dividend

## 2006/07 Capital Expenditure Budget

Total: A\$830m



# Capital Management



\* Excludes the sale of Landmark and Girrah ^ Excludes the sale of ARG



# Outlook

- Positive outlook due to
  - Improvements in operating performance across the group
  - Investments
    - OAMPS, \$700m
    - Coregas, \$500m
    - Capital expenditure, ~\$800m
    - Crombie Lockwood
- But
  - Cost pressures and focus
  - Commodity price movements





**Wesfarmers**

For all the latest news visit

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