# 2008 Half Year Results Information Pack

**22 February 2008**

Wesfarmers

# Table of Contents

# Group Performance

# Group Performance Summary

| **Half Year ended 31 December ($m)** | **2007** | 2006 | ↕ % |
|---|---|---|---|
| Operating revenue | **9,808** | 4,718 | *107.9* |
| EBITDA | **1,266** | 791 | *60.1* |
| EBIT | **1,046** | 613 | *70.6* |
| Net profit after tax | **601** | 392 | *53.3* |
| Operating cash flow | **1,241** | 477 | *160.2* |
| Earnings per share (excl. employee res. shares) | **134.9** | 105.8 | *27.5* |
| Earnings per share (incl. employee res. shares) | **133.1** | 103.6 | *28.5* |
| Cash flow per share (incl. employee res. shares) | **274.9** | 126.2 | *117.8* |
| Dividends per share ^ | **65** | 85 | *(23.5)* |

^ 2006 included some 25 cents per share relating to franking credits from ARG sale

# Divisional EBIT

| Half Year ended 31 December ($m) | **2007** | 2006 | ↕ % |
|---|---|---|---|
| Home Improvement & Office Supplies | **332** | 270 | *23.0* |
| Coles | **130** | - | *n/a* |
| Target | **118** | - | *n/a* |
| Kmart | **101** | - | *n/a* |
| Resources | **112** | 168 | *(33.3)* |
| Insurance | **64** | 60 | *6.7* |
| Industrial & Safety | **61** | 51 | *19.6* |
| Chemicals & Fertilisers | **48** | 28 | *71.4* |
| Energy | **48** | 38 | *26.3* |
| Other | **72** | 34 | *111.8* |
| Divisional EBIT | **1,086** | 649 | *67.3* |
| Corporate overheads | **(40)** | (36) | *(11.1)* |
| Group EBIT | **1,046** | 613 | *70.6* |

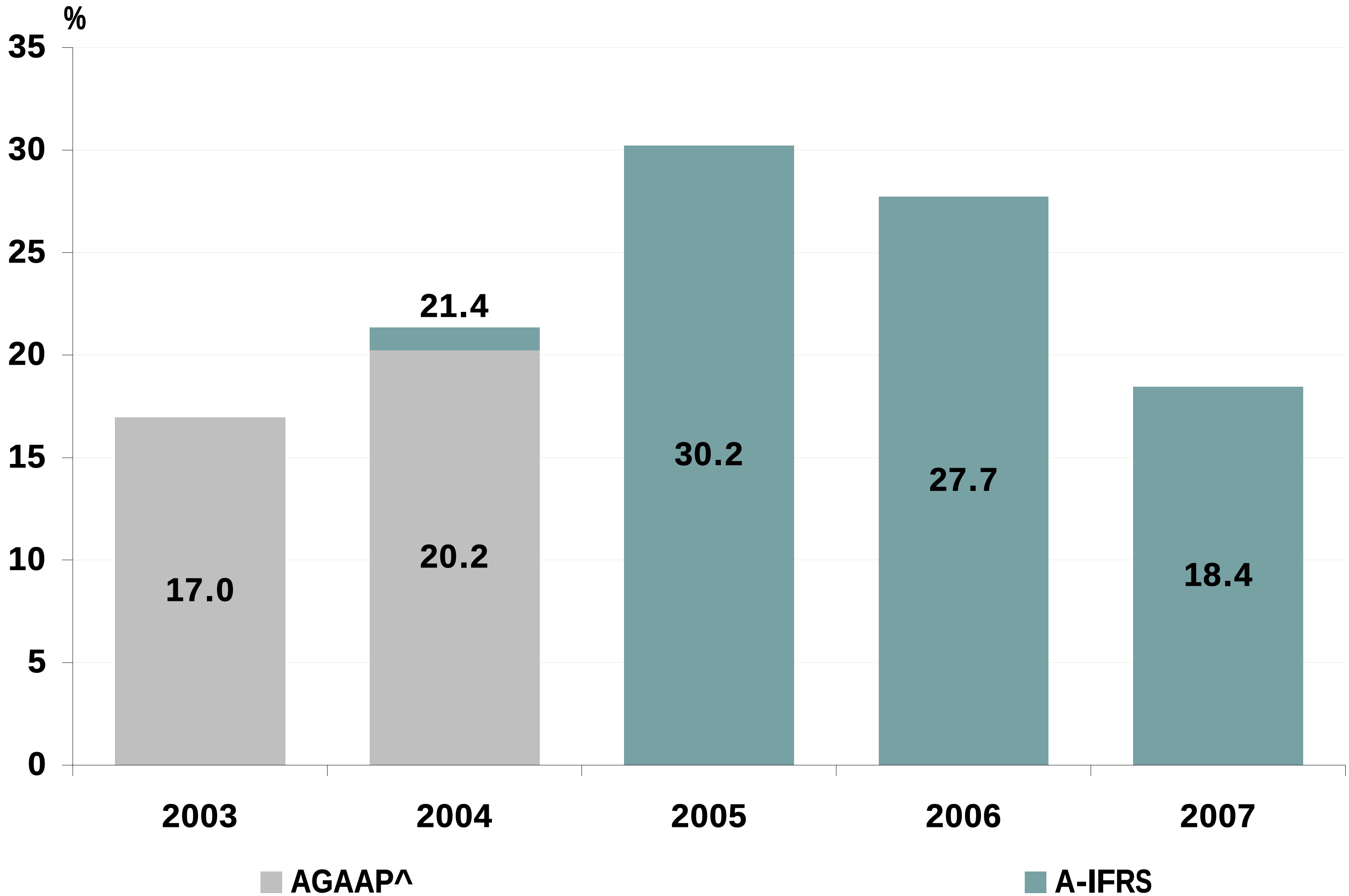
# Divisional ROC & Capital Employed

| Rolling 12 months to 31 December | 2007 EBIT $m | 2007 Cap Emp $m | 2007 ROC % | 2006 ROC % |
|---|---|---|---|---|
| Home Improvement (excl Office Supplies) | 584 | 1,862 | 31.4 | 25.1 |
| Resources | 282 | 931 | 30.3 | 52.9 |
| Insurance | 123 | 1,106 | 11.2 | 24.6 |
| Industrial & Safety | 125 | 740 | 16.9 | 13.7 |
| Chemicals & Fertilisers | 121 | 747 | 16.2 | 14.9 |
| Energy | 85 | 706 | 12.0 | 33.2 |

Excludes Coles, Kmart, Target and Officeworks as figures not meaningful given acquisition on 23 Nov 2007

# Return on Shareholders’ Funds

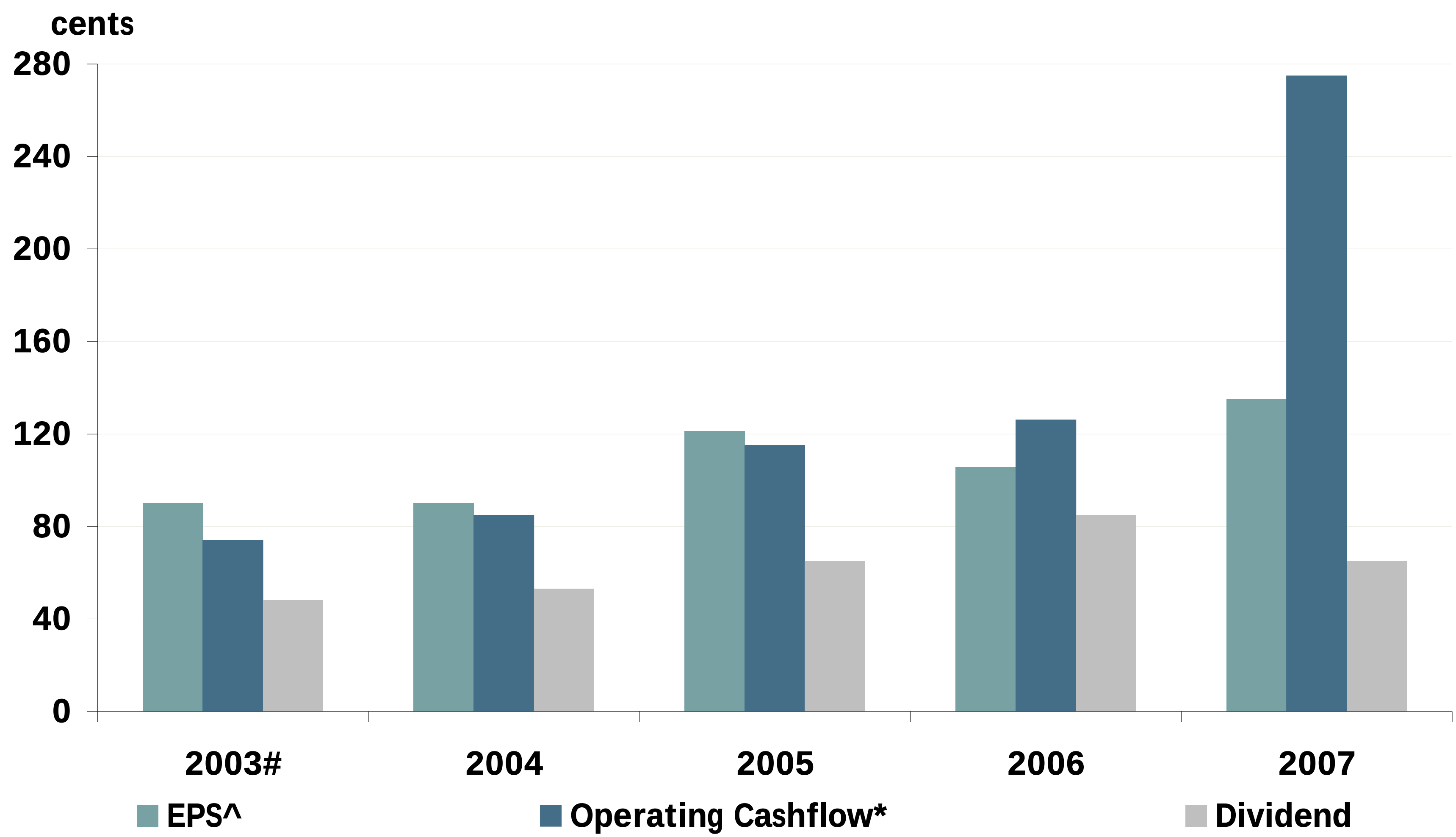
(rolling 12 months to 31 December)




# Excludes sale of Landmark, Girrah (2003) and ARG (2006) ^ Before goodwill amortisation

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

(per share)




# EPS and Cash flow exclude sale of Landmark * WANOS includes employee reserved shares

^ AGAAP excl. goodwill amortisation (2003), AIFRS excl. employee reserved shares (2004 +)

# Capital Management

Wesfarmers

# Capital Expenditure

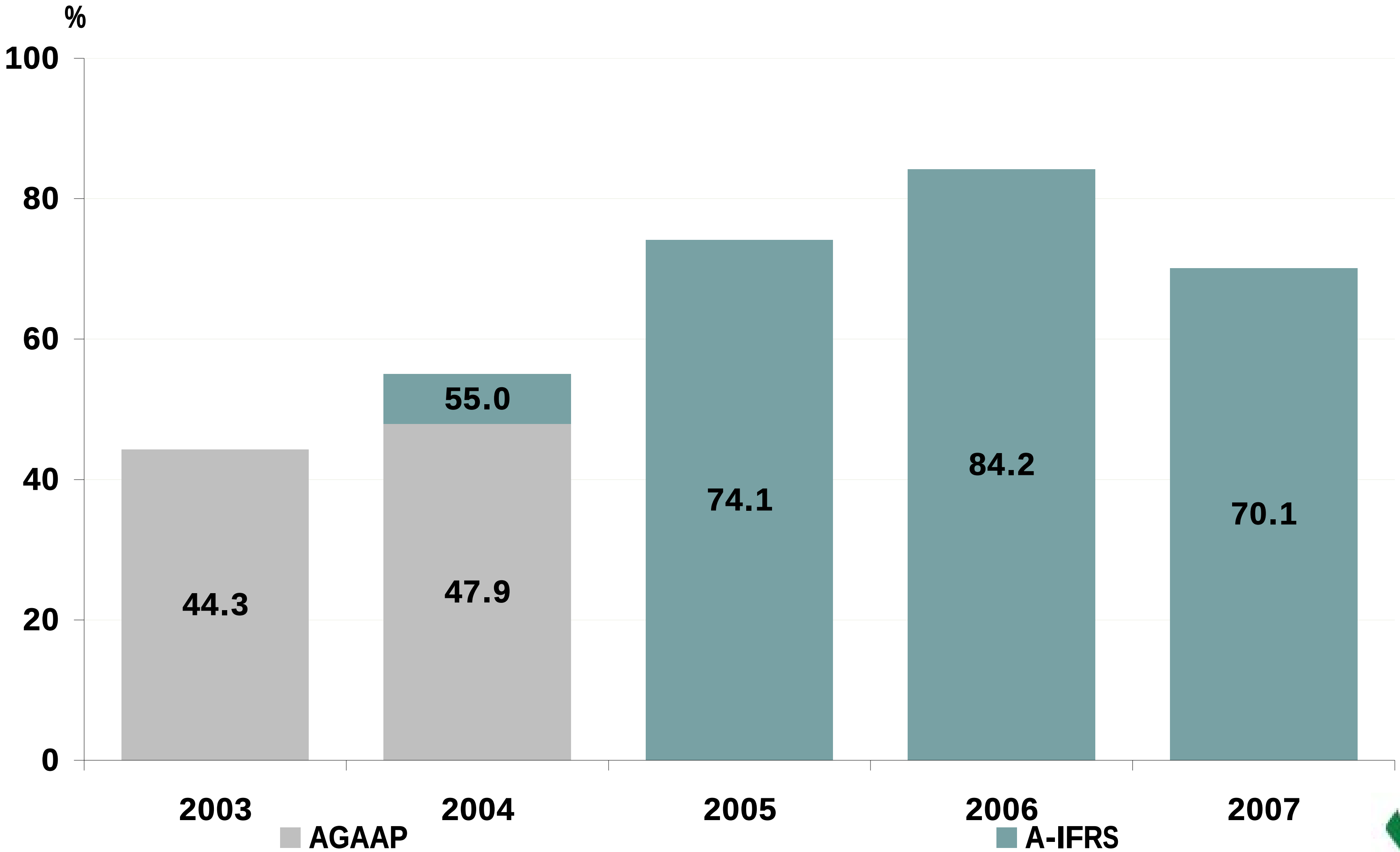
| Half Year ended 31 December (A$m) | 2007 | 2006 |
|---|---|---|
| Home Improvement & Office Supplies | **173** | 91 |
| Coles, Target and Kmart ^ | **93** | - |
| Resources | **95** | 95 |
| Insurance | **6** | 7 |
| Industrial & Safety | **14** | 11 |
| Chemicals & Fertiliser | **127** | 75 |
| Energy | **78** | 38 |
| Other | **3** | 1 |
| Total | **588** | 317 |

^ Capex spent for the period 23 November 2007 to 31 December 2007

# Capital Management

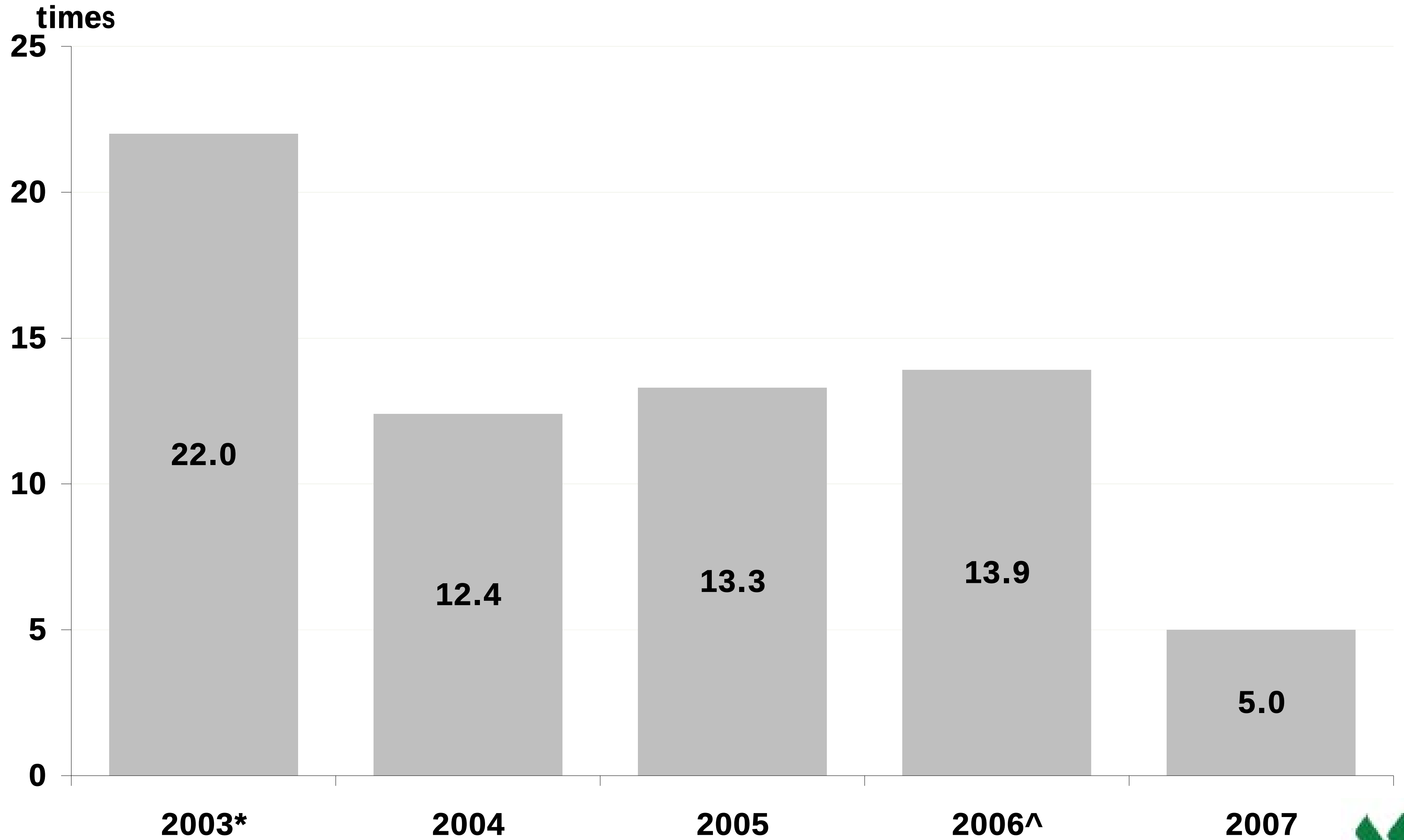
- Net Debt / Equity of 70.1% at 31 December 2007
- Cash Interest Cover Ratio (rolling 12 months) of 5.0 times
- $4,000 million to be refinanced in 2008
  - DIP; Australian and offshore medium term debt; hybrids or convertibles
- Dividend Investment Plan
  - at least 75% underwrite for interim dividend, 1% discount
- Franking credit position supports $2 per share total FY08 dividend

# Net Debt/Equity
(as at 31 December)



# Interest Cover Ratio (cash basis)

(Rolling 12 months to 31 December)




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

# Coles Integration

# Integration Programme Overview

**Support the integration and transformation of Coles Group into the Wesfarmers business model to ensure that full value for the transaction is captured**

## Integration Management

- Programme Office
- Commercial Team
- HR
- Communications
- Legal

## Coles Group

### 'Integrate'

- Tax
- Treasury
- Accounting
- Company secretary
- Investor relations
- Insurance and risk
- Internal audit
- Public affairs
- Legal
- Property
- H.R

### 'Create'

- **Where necessary, arbitrate what and who goes where (with clear end game in mind)**
- **Identify initiatives to further streamline**

Coles | Target | Kmart | Office works

Kmart → Review

Office works → Bunnings

### 'Complete'

- Finalise the transaction
- Transition management
- Communication plan
- Legal issues and technicalities
- Manage 'legacy issues'

### Commercial reviews

- Kmart review
- Simplification
- Supply Chain
- Working capital opportunities
- Business projects

# Coles Integration

## Integrate: Corporate Functions -

- All reporting lines are now to Wesfarmers Limited
- Full integration to coincide with budgetary cycle and establishment of a small corporate office presence in Melbourne.  Head Office to remain in Perth

## Create: Divisional Structures –

- Organisational structures finalised for Target, Kmart and Officeworks. Transition of roles from Retail Support underway
- Organisational design for Coles underway
- Divisional boards operating
- Corporate planning process underway

# Coles Integration

## Commercial Reviews:

- Kmart – options assessment well progressed; 5yr business plan developed
- Simplification – programme ceased; all divisions have responsibility for cost base
- Supply Chain – review to be completed early March 2008
- Working capital – accountability and management transferred to divisions

## Other:

- Legacy issues – company structures, legal matters
- IT – strategy for servicing divisions under development
- Options for office locations considered

## Timing:

- All divisions to be operating autonomously by mid-2008

# Coles Integration

## Cost Savings:

- Simplification programme ceased
  - $288 million in run-rate savings realised prior to WES acquisition
  - Remaining $97 million to achieve $385 million target – expected to be realised through restructure and other initiatives
- $36 million net cost savings since acquisition arise largely from corporate areas
  - $62 million pa in costs removed from previous Coles Group
  - Offset by $26 million pa increase in Wesfarmers Ltd costs
- Approximately 60 redundancies since change of control
- Major restructuring to occur in Coles over next 6 months
- Opportunities for leverage of purchasing arrangements across Wesfarmers group being pursued

# Home Improvement & Office Supplies

# Home Improvement & Office Supplies Performance Summary

| Half Year ended 31 December ($m) | | 2007 | 2006 | ↕ % |
|---|---|---|---|---|
| Revenue | Home Improvement | 2,795 | 2,471 | *13.1* |
| | Office Supplies | 115 | - | *n/a* |
| | | 2,910 | 2,471 | *17.8* |
| EBIT | Home Improvement | 325 | 270 | *20.4* |
| | Office Supplies | 7 | - | *n/a* |
| | | 332 | 270 | *23.0* |

# Home Improvement Performance Summary

| Half Year ended 31 December ($m) | 2007 | 2006 | ↕ % |
|---|---|---|---|
| **Revenue** | **2,795** | 2,471 | *13.1* |
| EBIT | **325** | 270 | *20.4* |
| ROC (R12 %) | **31.4** | 25.1 | *6.3pt* |
| Safety (R12 LTIFR) | **14.5** | 13.4 | |
| Trading Revenue* | **2,766** | 2,428 | *13.9* |
| Net property contribution | **12** | 9 | *33.3* |
| **Trading EBIT*** | **313** | 271 | *15.5* |
| Trading EBIT / Trading Revenue (%) | **11.3** | 11.2 | *0.1pt* |

* Excludes property and WA Salvage

# Home Improvement Highlights

- 14.4% cash sales growth
  - Store on store cash sales growth of 12.2%
- 6.1% lift in trade sales
- 6 warehouses and 1 trade centre opened
  - Strong ongoing investment in existing network
- Maintaining strong focus on core retail drivers
  - Good traction from key strategies

# Home Improvement Outlook

- Continued cash sales growth
  - Threats to positive retail trading conditions emerging
- Further gains in trade
- Ongoing network development
  - 12 warehouse openings likely for 2007/08
- Strong focus on delivering on strategic agenda

# Office Supplies Performance Summary

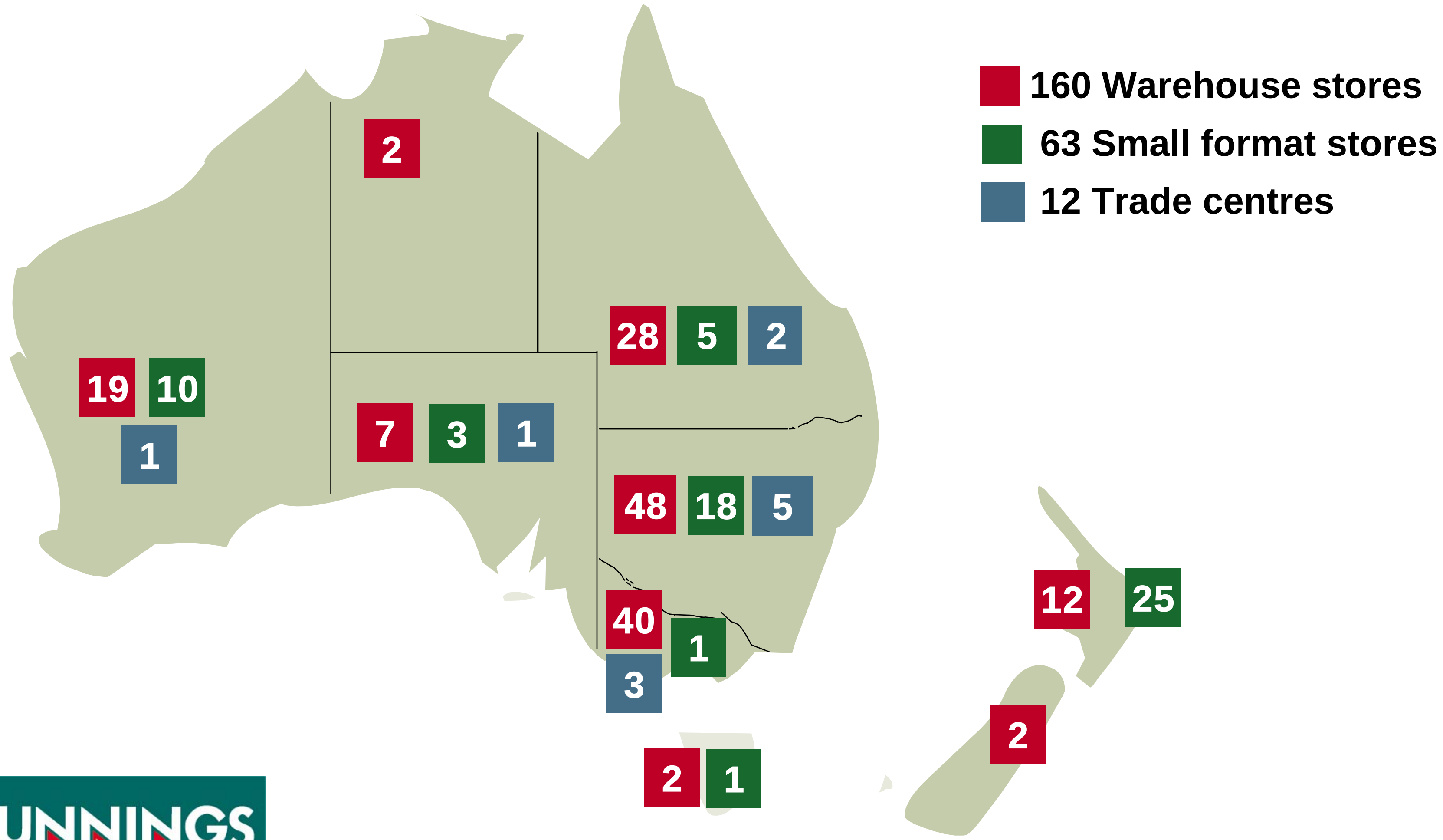
| 23 November to 31 December ($m) | 2007 |
| --- | --- |
| Revenue | 115 |
| EBIT | 7 |
| Comparative sales growth (%) | 1.6 |
| Trading Revenue* | 115 |
| Net property contribution | - |
| **Trading EBIT*** | **7** |
| Trading EBIT/Trading revenue (%) | 6.1 |

* Excludes property and other non-trading items

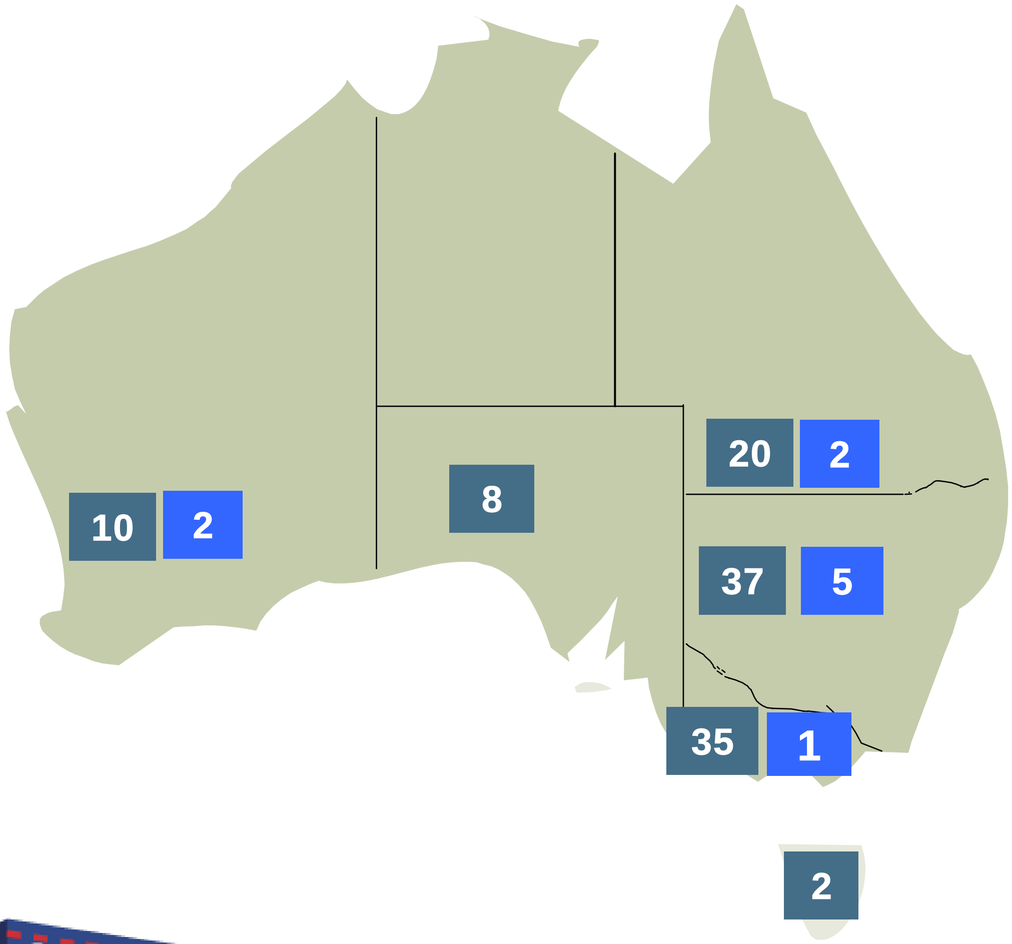
# Office Supplies
# Highlights & Outlook

- Satisfactory Christmas trading; competitive trading environment
- Full year result to be impacted by some “one-offs”
- Integration work proceeding well
  - Executive team structures in place
  - Separation activities well progressed
  - Tactical changes to the offer implemented
- Strategy review & re-set work underway

# Bunnings Network
at December 2007



# Officeworks Network
at December 2007




- 112 Officeworks stores
- 10 Harris Technology stores

# Store Network Movements

| | Open at June 2007 | Opened / Acquired | Closed | Open at Dec 2007 | Under development |
|---|---|---|---|---|---|
| **Home Improvement** | | | | | |
| Bunnings Warehouse | 155 | 6 | 1 | 160 | 10 |
| Bunnings smaller format | 65 | - | 2 | 63 | 2 |
| Bunnings trade centres | 11 | 1 | - | 12 | 3 |
| HouseWorks stores* | 3 | - | - | 3 | - |
| **Office Supplies** | | | | | |
| Officeworks | - | 112 | - | 112 | 6 |
| Harris Technology | - | 10 | - | 10 | 3 |

* Closing 31 March 2008

# Coles

# Coles Performance Summary

| 23 November to 31 December ($m) | | 2007 |
|---|---|---|
| **Revenue** | | **2,919** |
| EBITDA | | **175** |
| Depreciation & Amortisation^ | | **(45)** |
| **EBIT** | | **130** |
| Food & Liquor | Revenue | **2,271** |
| | Comparative store sales growth % | **2.0** |
| | Trading EBIT* | **118** |
| Convenience | Revenue | **648** |
| | Comparative store sales growth % | **6.2** |
| | Trading EBIT# | **12** |

^ Incl. $5m of amortisation of intangibles (provisional)
* Incl. $7m of retail support costs not previously on-charged
# Incl. $1m of retail support costs not previously on-charged

# Coles Highlights

- Improving Food & Liquor sales trend
  - Improved on-shelf availability and better fresh participation
- Christmas trading solid, but later than last year
  - Stronger performance in all Christmas categories
  - Liquor sales weather affected
- Strong increase in Convenience sales
- Continued upgrade of DC Network
- New stores opened (Aug – Dec): 15 supermarkets, 7 1st Choice, 20 fuel & convenience

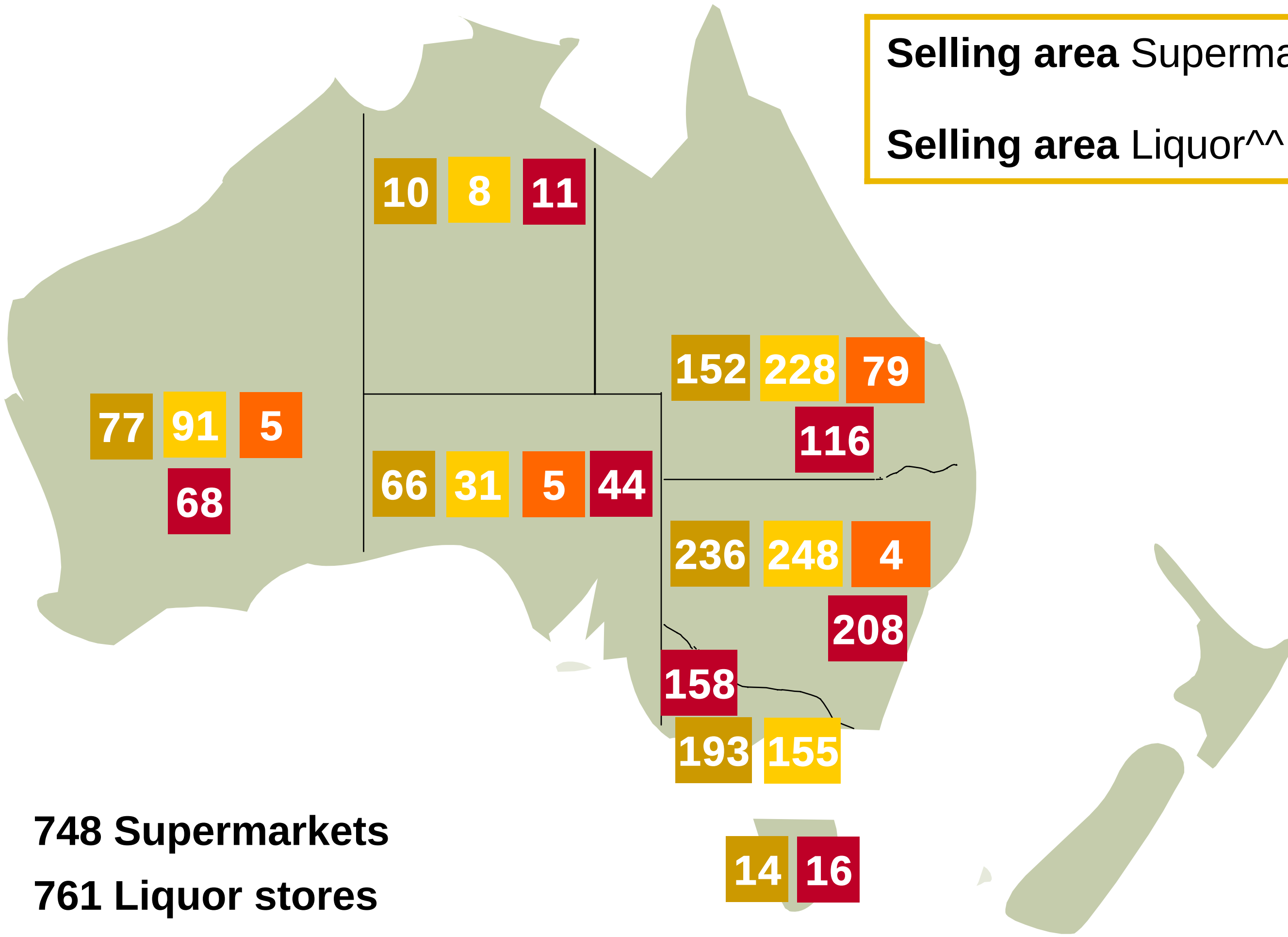
# Food and Liquor Store Network

at December 2007

| | |
|---|---|
| **Selling area** Supermarkets^ (sqm) | 1,541,869 |
| **Selling area** Liquor^^ (sqm) | 262,633 |

^ excludes Coles on-line

^^ excludes Hotels




**748 Supermarkets**

**761 Liquor stores**

**93 Hotels**

**621 Convenience**

# Store Network Movements

| | Acquired on 23 Nov 2007 | Opened | Closed | Open at 31 Dec 2007 |
|---|---|---|---|---|
| **Supermarkets** | | | | |
| Coles | 677 | 5 | 3 | 679 |
| Bi-Lo | 69 | - | - | 69 |
| **Liquor** | | | | |
| 1st Choice | 42 | 4 | - | 46 |
| Vintage Cellars | 87 | - | - | 87 |
| Liquorland | 615 | 17 | 4 | 628 |
| Hotels | 91 | 2 | - | 93 |
| **Total Liquor** | 835 | 23 | 4 | 854 |
| **Convenience** | 616 | 5 | - | 621 |

# Coles - Strategy Update

- Whole of business approach to strategy and implementation
- Early focus
  - Starting Divisionalisation and support integration (particularly supply chain)
  - Christmas trading
- Current focus
  - Key customer focussed strategies
  - Divisionalisation and operating model (particularly store support activities)
  - Network planning (new stores, refurbishments, closures)

# Coles - Strategy Update (cont.)

- DC Network upgrade continued
  - 2 National Distribution Centres (NSW & Vic)
  - 1 Chilled Composite Distribution Centre (SA)
  - 1 Regional Distribution Centre and 1 Chilled Distribution Centre (Vic)
  - 1 Chilled Distribution Centre in commissioning (NSW)
- Continuation of IT system upgrade
- Continued roll-out of large format 1st Choice stores
- Continued roll-out of the convenience store customer proposition

# Coles Outlook

- Continuing focus on product availability and cost management
- Customer focussed strategies
- Restructuring to occur
- New stores planned to open in second half
  - 10 supermarkets
  - 7 1st Choice
  - 10 convenience

# Target

Target. 100% happy

Wesfarmers

# Target
# Performance Summary

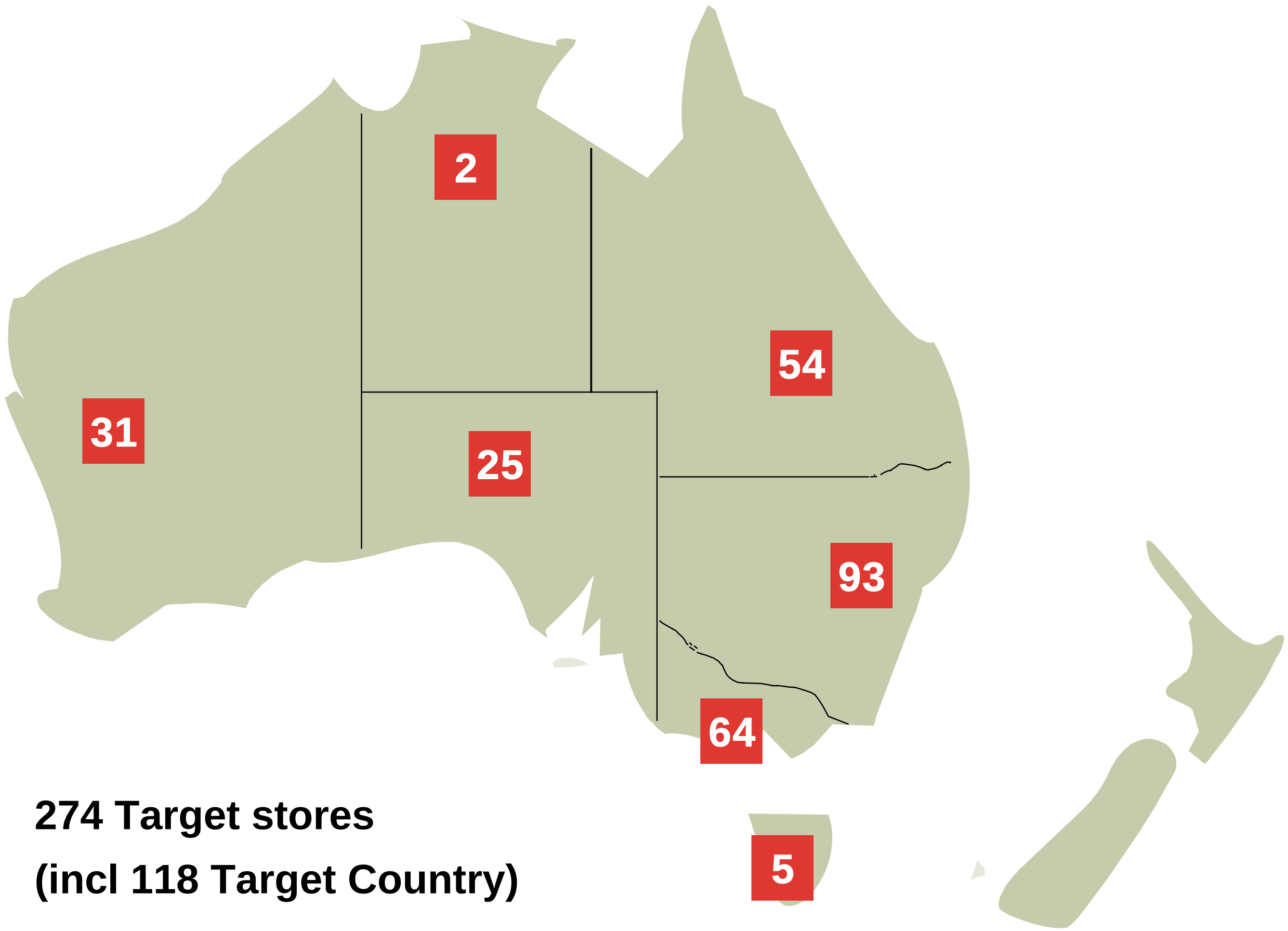
| 23 November to 31 December ($m) | 2007 |
|---|---|
| Revenue | 605 |
| EBITDA | 123 |
| Depreciation & Amortisation | (5) |
| **EBIT** | **118** |
| Comparative store sales growth (%) | 3.1 |
| EBIT margin (%) | 19.5 |
| Store numbers | 274 |

# Target Highlights

- New store openings since July 31, 2007:
  - 7 Target
  - 2 Target Country
- Profit from Christmas trading period comfortably ahead of last year
- All high margin departments continue to perform well
- Outstanding growth in electrical department (consumer digital products)
- Ongoing use of designers to reinforce brand positioning

# Target Store Network

at December 2007




274 Target stores

(incl 118 Target Country)

# Target Outlook

- Continuation of solid store roll out programme
  - expecting further three Target stores to open this financial year
- New “Designers for Target”
- Preparing for potential slow down in retail spending
  - controlled stocks in higher risk areas
- Continued strategy of differentiation

# Kmart

# Kmart
# Performance Summary

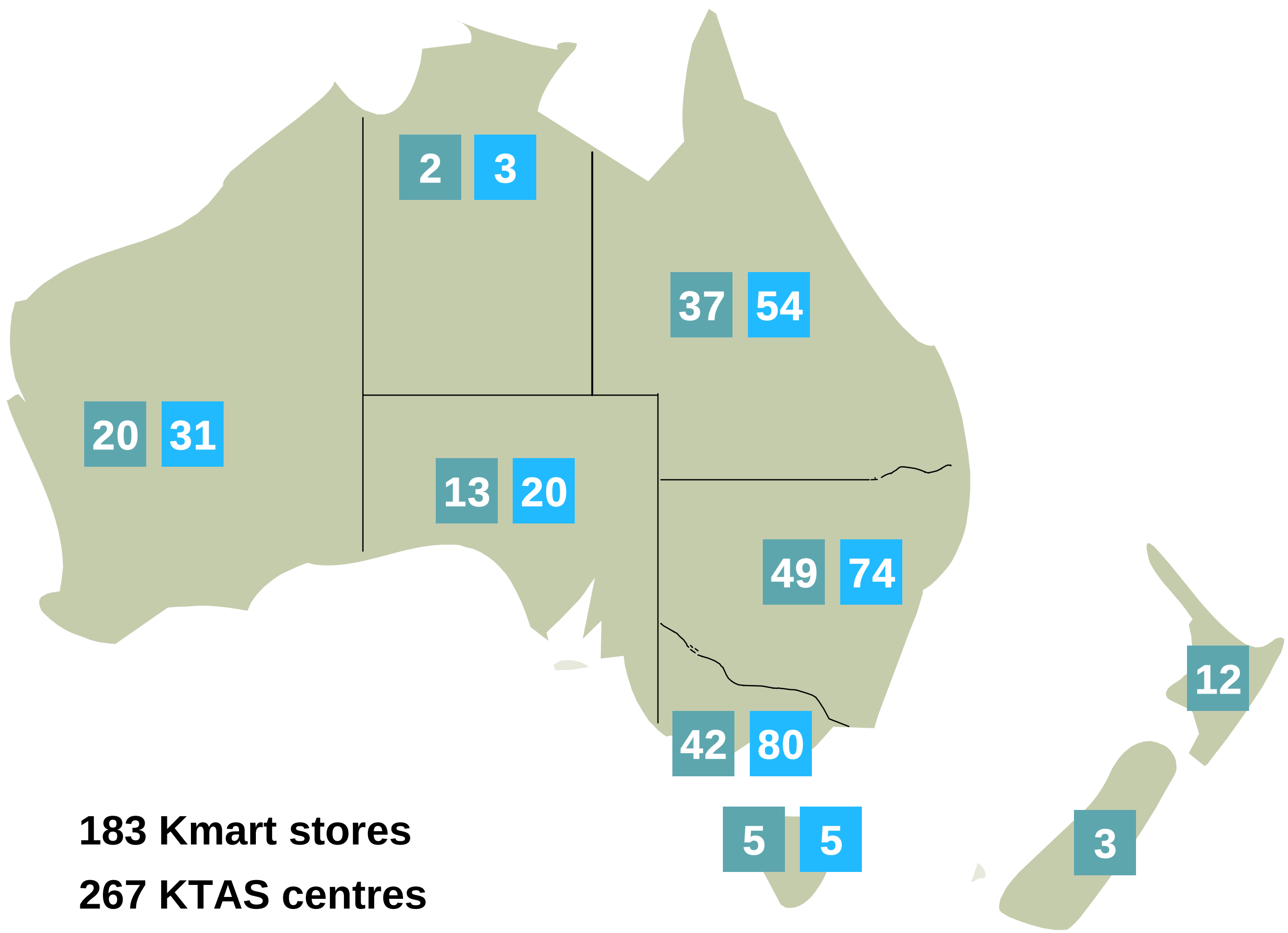
| 23 November to 31 December ($m) | 2007 |
|---|---|
| Revenue | 692 |
| EBITDA | 106 |
| Depreciation & Amortisation | (5) |
| **EBIT** | 101 |
| Comparative store sales growth (%) | 5.0 |
| EBIT margin (%) | 14.6 |
| Store numbers (incl. Kmart Tyre & Auto) | 450 |

# Kmart Highlights

- Improvement in performance commenced second half FY07
- Strategic adjustments to the business are generating improved results
- Returned to comp sales increase
- Customers are responding well to the improved product offer
- Consistently strong performance across destination categories
- Strong Christmas trading period
  - Seasonal lines exceeded expectations

# Kmart Store Network

at December 2007




183 Kmart stores

267 KTAS centres

# Kmart Outlook

- Evolve product offer
- Focus on improving the in-store customer experience
- Expanded refit programme
  - 19 refits to commence in 2H08
- More aggressive store opening program
- Create stand-alone capacity

# Resources

Wesfarmers

# Resources
# Performance Summary

| Half Year ended 31 December ($m) | 2007 | 2006 | ↕ % |
|---|---|---|---|
| **Revenue** | **530** | 587 | *(9.7)* |
| EBITDA | **179** | 267 | *(33.0)* |
| Depreciation & Amortisation* | **(67)** | (99) | *32.3* |
| **EBIT** | **112** | 168 | *(33.3)* |
| ROC (R12 %) | **30.3** | 52.9 | *(22.6pt)* |
| Coal Production (‘000 tonnes) | **6,963** | 7,133 | *(2.4)* |
| Safety (R12 LTIFR)^ | **4.4** | 3.7 | |

* Includes Stanwell rebate amortisation of $33m in 2007 and $68m in 2006

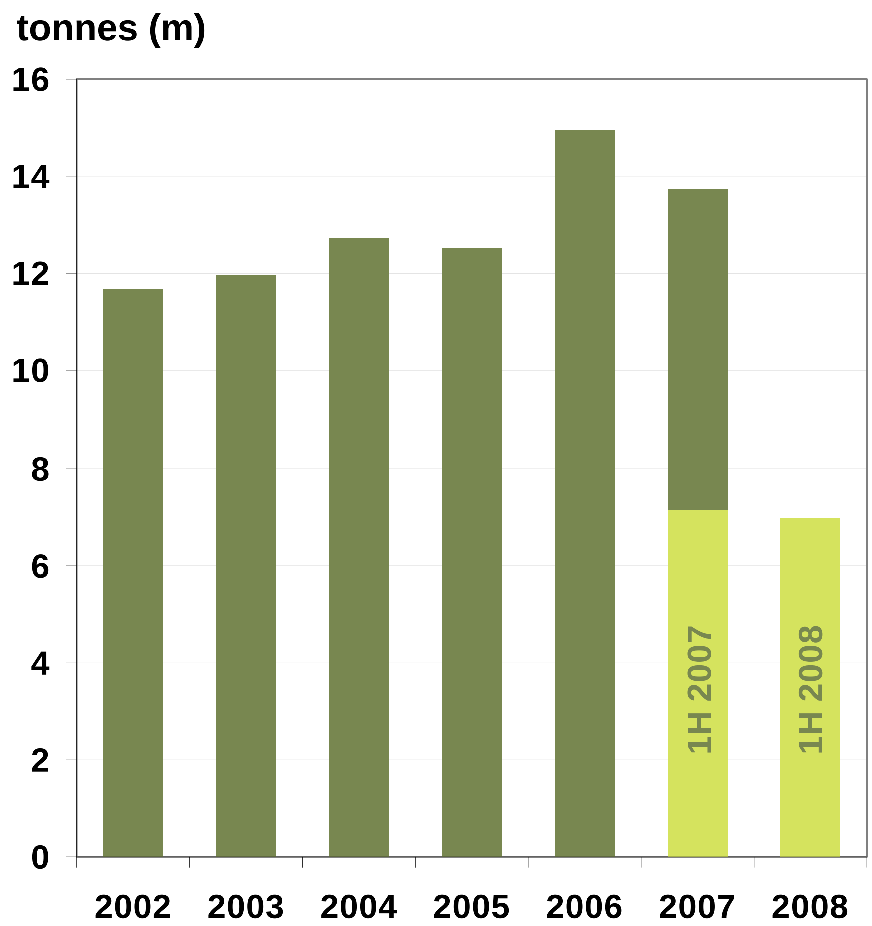
^ Curragh and Premier only

# Resources Highlights

- Strong metallurgical coal demand in constrained infrastructure environment
- Bengalla's Wantana Pit Modified Development Consent approval
- Feasibility studies continue into expanding Curragh and Bengalla mines
- Central Queensland major flood events in Jan/Feb 2008
  - Ongoing major monsoonal rain
- Active in coal industry support of clean coal technologies
- Change in divisional name to Wesfarmers Resources

# Coal Production

- Curragh:
  - Increased coal production
  - CHPP shutdown in August 2007
- Premier:
  - Reduced sales to Verve Energy
- Bengalla:
  - Port congestion constrained coal production
  - Wet weather in November 2007



# Coal – Production Volumes 1H 2008 versus 1H 2007

| Mine | Beneficial Interest | Coal Type | Half Year ended ('000 tonnes) | |
|---|---|---|---|---|
| | | | Dec-07 | Dec-06 |
| Premier, WA | 100% | Steaming | 1,323 | 1,661 |
| Curragh, QLD | 100% | Metallurgical | 3,184 | 3,203 |
| | | Steaming | 1,348 | 1,049 |
| Bengalla*, NSW | 40% | Steaming | 1,108 | 1,220 |
| **Total** | | | **6,963** | **7,133** |

* Wesfarmers attributable production

# Seaborne Metallurgical Coal Market

**CONSTRAINED SUPPLY**

Australia rail & port issues

Central Queensland floods

Canada production issues

Polish production problems

Russian rail car shortages

China trend to
reduce exports

**Seaborne Metallurgical Coal Market**
Low coal stocks
Increasing spot prices

**STRONG DEMAND**

**New high growth markets**
Brazil, India

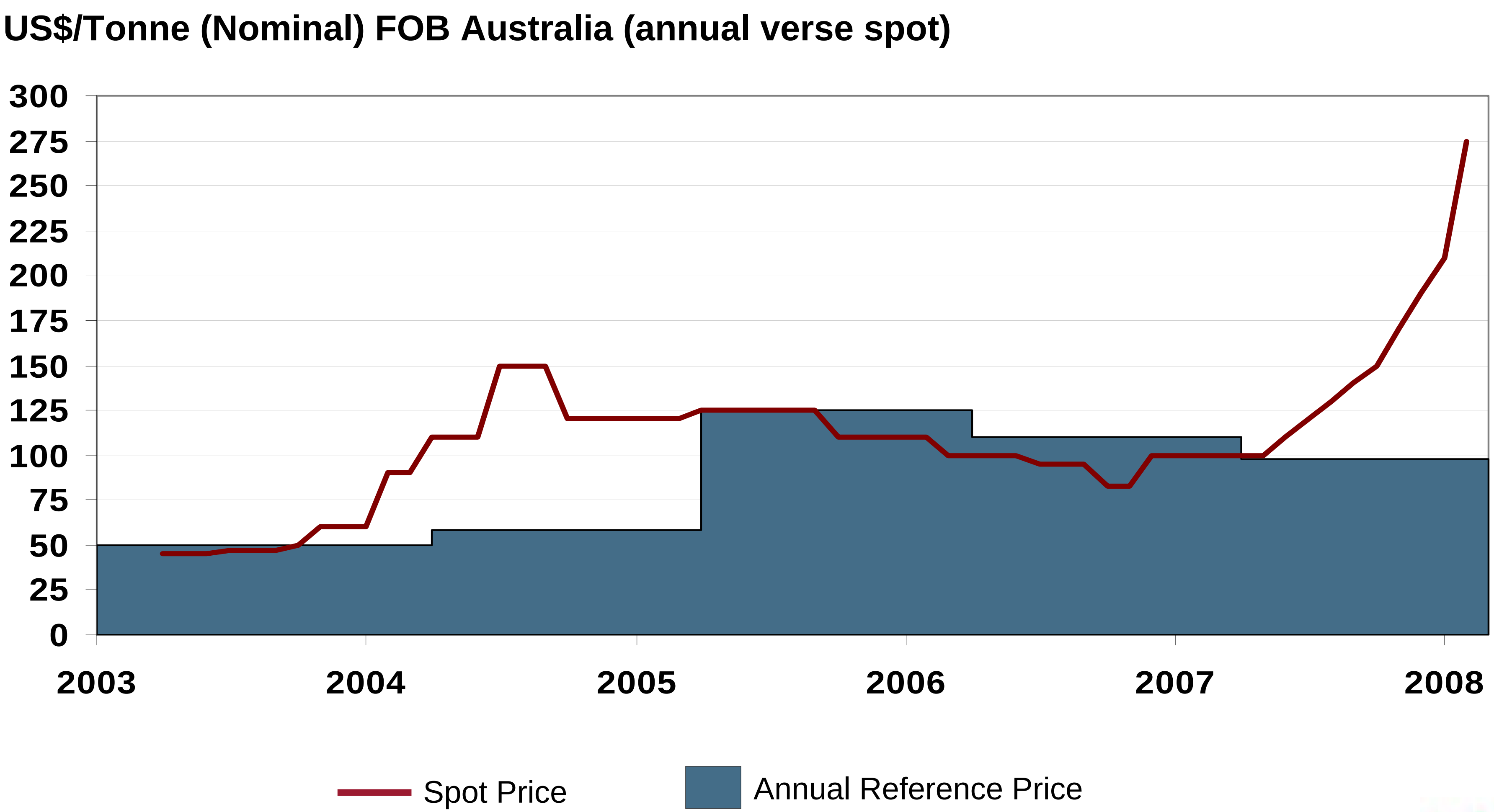
**High levels of steel production**
Robust steel price

**Strong coke demand**
Price rise to US$450 per tonne
Indian coke makers resume production

**Strong thermal coal price**
Price floor for metallurgical coal

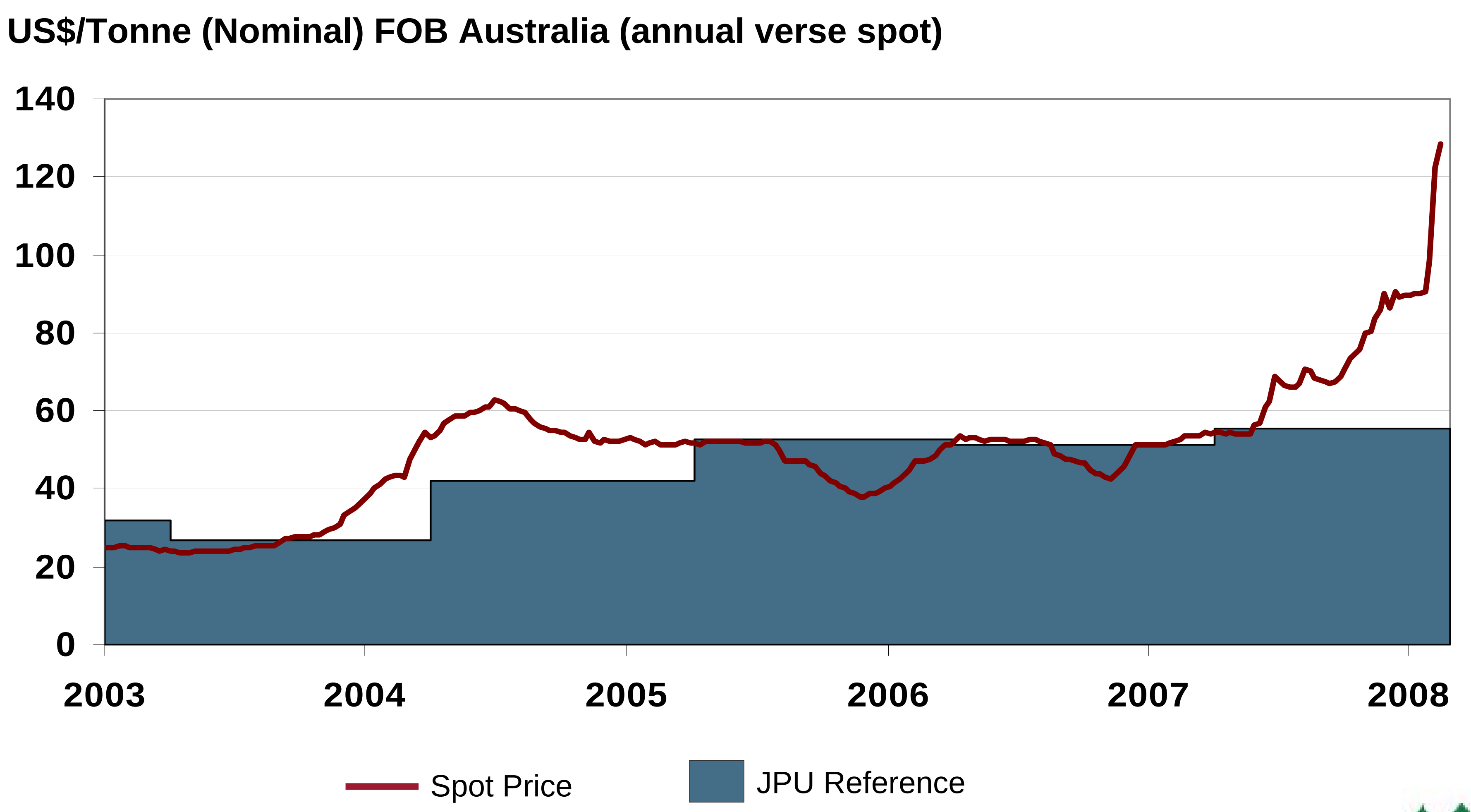
Source: McCloskey, AME, Barlow Jonker, Tex Report, IISI

# Australian Hard Coking Coal Prices




Source: Barlow Jonker, Tex Report, Macquarie Research

# Australian Steaming Coal Prices




Source: Barlow Jonker

# Coal – Sales Volumes
## 1H 2008 versus 1H 2007

| Mine | Beneficial Interest | Coal Type | Half Year ended ('000 tonnes) Dec-07 | Dec-06 |
|---|---|---|---|---|
| Premier, WA | 100% | Steaming | 1,330 | 1,643 |
| Curragh, QLD | 100% | Metallurgical | 3,134 | 3,187 |
| | | Steaming | 1,348 | 1,107 |
| Bengalla*, NSW | 40% | Steaming | 1,214 | 1,313 |
| **Total** | | | **7,026** | **7,250** |

* Wesfarmers attributable production

# Curragh Production Costs

Year ending December 2007 vs year ending December 2006

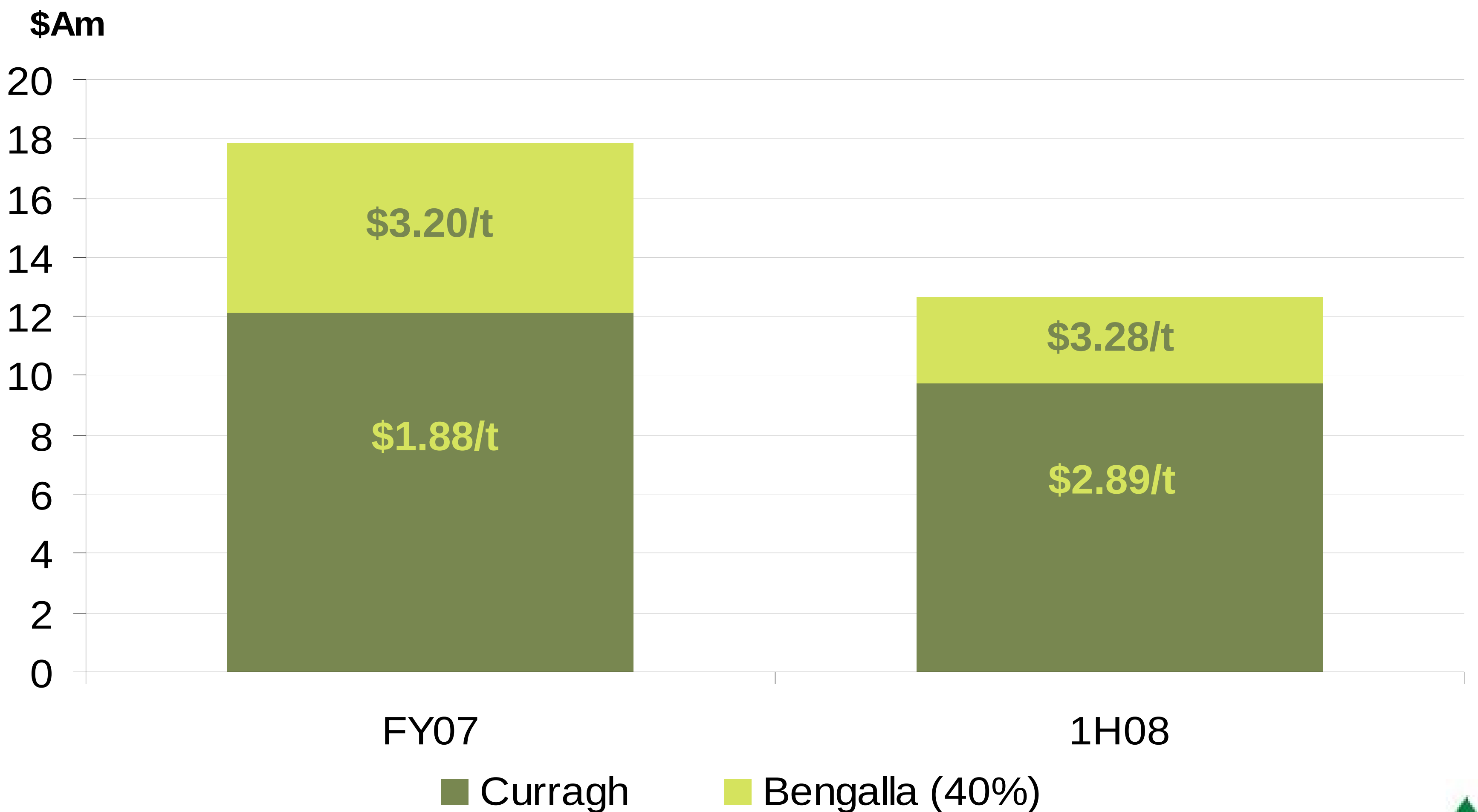
- Continued pressure on costs
- Curragh maintains position in lowest quartile of industry cost curve

| | Increase |
|---|---|
| Total cash production cost * | (1%) |
| Total production volume | 1% |
| **Cash production cost per product tonne** * | **(2%)** |

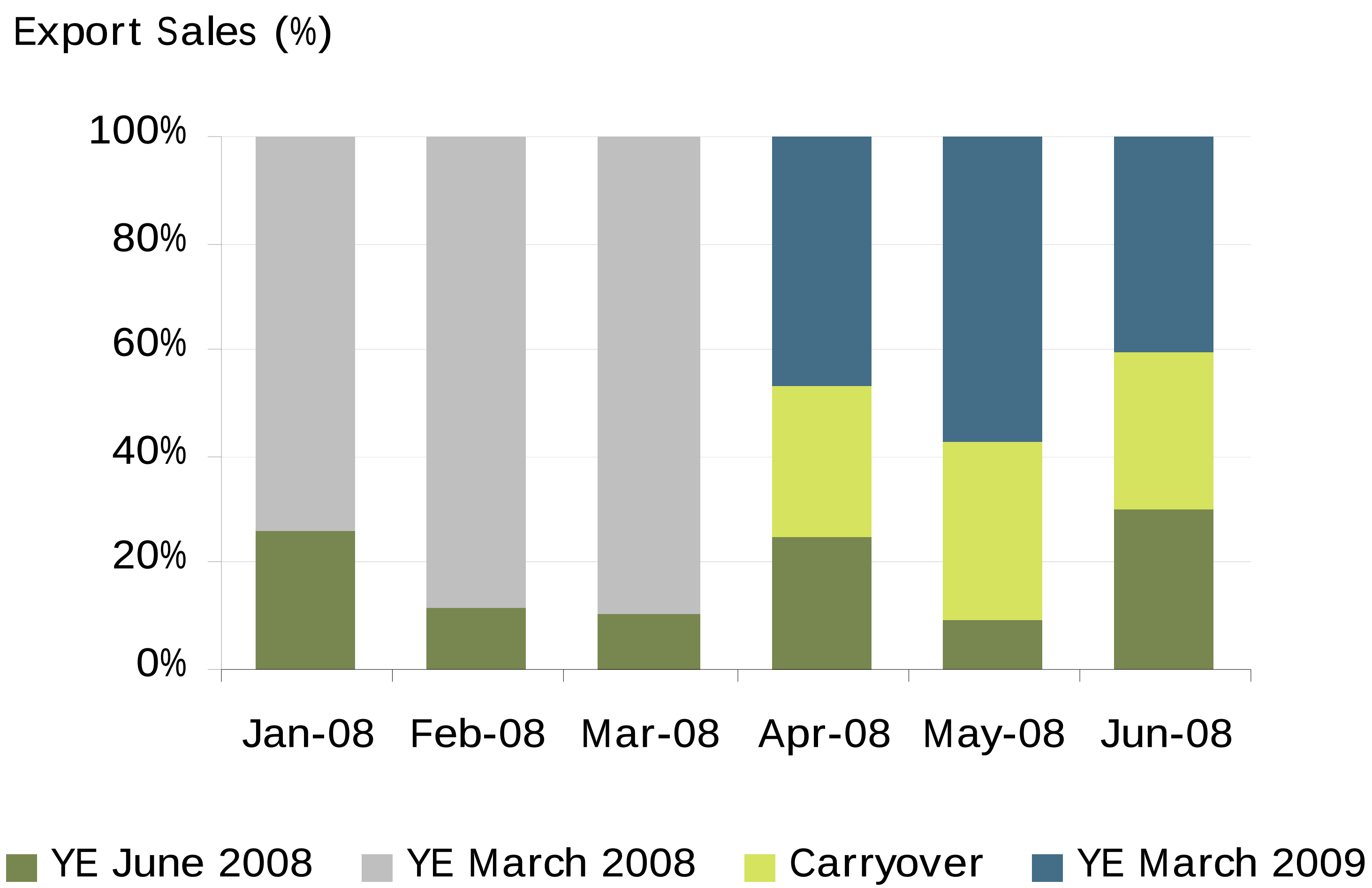
* excludes Stanwell rebate and tonnage-related costs (demurrage, rail, port and royalties)

# Demurrage

- Ongoing high demurrage costs due to constrained export coal chains



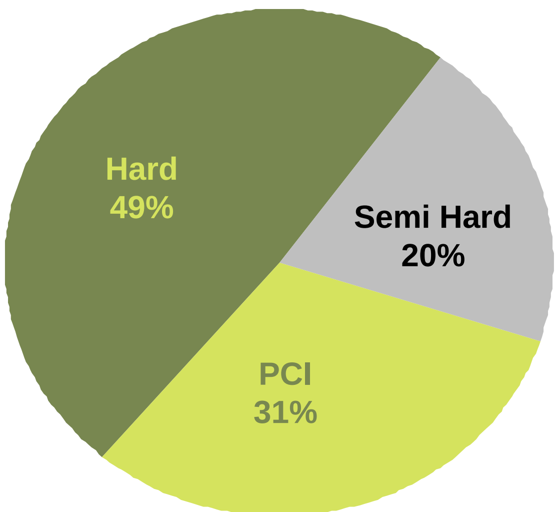
# Curragh “Carryover” Volumes Outlook

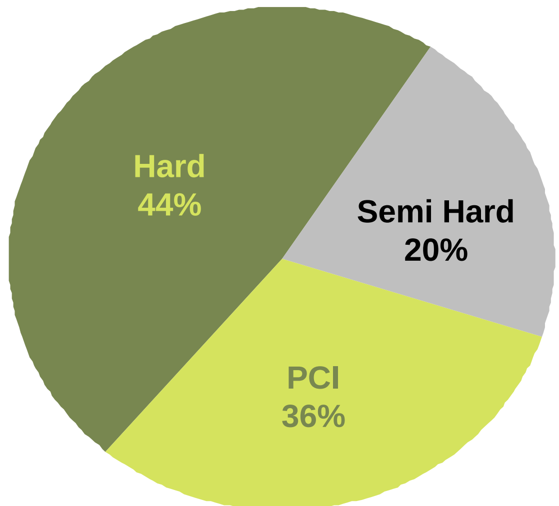


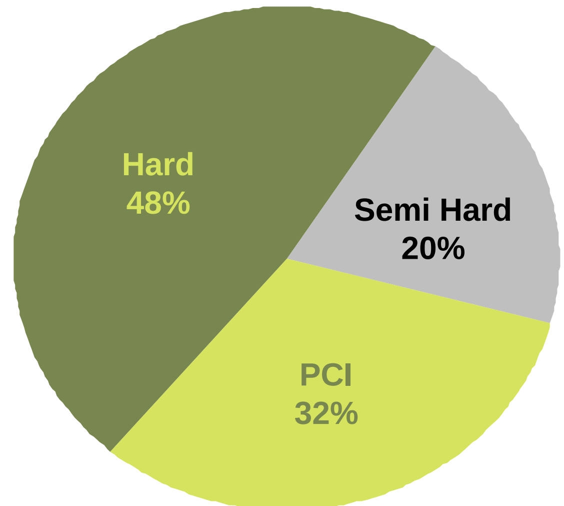

**Carryover 556kt**

# Curragh Metallurgical Sales Mix

- Strong demand for PCI Coal in 1H08; FY09 mix is expected to revert to higher Hard Coking Coal %




**2006/07**

**6.5 million tonnes**

**2007/08 estimate**

**6.1 to 6.5 million tonnes**

**2008/09 estimate**

# Wesfarmers Curragh Hedging Profile

| Year end 31 Dec | Current proportion of US$ revenue hedged* | Average A$ / US$ hedge rate |
|---|---|---|
| 2008 | 79% | 0.7610 |
| 2009 | 68% | 0.7777 |
| 2010 | 47% | 0.7710 |
| 2011 | 25% | 0.7802 |
| 2012 | 13% | 0.8050 |

* calculated using known contract outcomes and long run pricing and volume assumptions

* further hedging to be undertaken once 2008/09 prices are finalised

# Gladstone Coal Delivery System
## Performance update

- Port capital works now completed
- Wiggins Island Terminal proposed 2012
  - EIS approval granted
  - Feasibility study through 2008
  - Potential 75mtpa
- Forecast ongoing rail constraints into 2008/09
  - Additional below track duplication works
  - Capacity de-rated to about 90 per cent of contract
- Forecast Curragh metallurgical sales 6.1 – 6.5mt in 2007/08

# Newcastle Coal Delivery System
## Performance update

- Restricted system capacity ongoing
  - Large vessel queues and demurrage expense
- Capacity balancing system extended to 31 December 2008
  - Independent referee to mediate delivery system agreement
- Nominated export capacity 95mt
  - Demand will exceed this capacity
- Announced port expansions to increase capacity from 2010
  - PWCS 113mtpa
  - NCIG 33mtpa

# Resources Outlook

- Strong market outlook for 2008/09
- Constrained export coal logistics remain
- Ongoing high demurrage cost
- Awaiting 2008/09 price negotiation outcomes
  - Spot export coal prices increasing
  - 556kt Curragh carryover tonnage impact in Q4 2007/08
- Forecast Curragh metallurgical sales 6.1 – 6.5mt in 2007/08
  - Impact of major flood event in January 2008
  - Higher volume of PCI in Metallurgical sales mix in 2007/08
- Feasibility studies to expand Curragh and Bengalla continue

# Insurance

# Insurance Performance Summary

| Half Year ended 31 December* ($m) | 2007 | 2006 | ↕ % |
|---|---|---|---|
| Gross Written Premium Underwritten | 618 | 546 | *13.2* |
| EBITA Underwriting | **38** | 61 | *(37.7)* |
| EBITA Broking | **28** | 4 | *n.m.* |
| EBITA Other | **5** | (2) | *n.m.* |
| **EBITA Insurance Division** | **71** | 63 | *12.7* |
| EBIT Insurance Division | **64** | 60 | *6.7* |
| Net Earned Loss Ratio (%) | **67.4** | 59.9 | *(7.5)pt* |
| Combined Operating Ratio (%) | **98.1** | 90.5 | *(7.6)pt* |
| EBITA Margin (Broking) (%) | **27.4** | 15.2 | *12.2pt* |

*2007 incl. 6 mths of OAMPS' (2006: 2 mths) and 6 mths of Crombie Lockwood (2006: nil)

# Insurance Highlights

- Increased frequency of severe weather events
- Continued acquisition of small broking operations in Australia, NZ and UK
- Completed rollout of OAMPS brand across all Australian broking operations
- Integration phase completed with portfolio transfer from AIIL to Lumley
- Record crop season for WFI due to high grain prices
- Broking operations meeting expectations despite the soft market

# Underwriting Performance Summary

| Half Year ended 31 December* ($m) | 2007 | 2006 | ↕ % |
|---|---|---|---|
| Gross Written Premium | **618** | 546 | *13.2* |
| Net Earned Premium | **464** | 406 | *14.3* |
| Net Claims | **(313)** | (243) | *(28.8)* |
| Net Commission and Expenses | **(142)** | (124) | *(14.5)* |
| Underwriting Result | **9** | 39 | *(76.9)* |
| Insurance Margin | **27** | 54 | *(50.0)* |
| **EBITA** | **38** | 61 | *(37.7)* |
| EBIT | **35** | 59 | *(40.7)* |
| Net Earned Loss Ratio (%) | **67.4** | 59.9 | *(7.5)pt* |
| Combined Operating Ratio (%) | **98.1** | 90.5 | *(7.6)pt* |
| Insurance Margin (%) | **5.6** | 13.2 | *(7.6)pt* |

* Includes 6 months of AIIL in 2007 (2006: 2 months)

# Broking Performance Summary

| Half Year ended 31 December* ($m) | 2007 | 2006 | ↕ % |
|---|---|---|---|
| Commission and Fee Income | **85** | 18 | *n.m.* |
| Other Income | **18** | 8 | *n.m.* |
| Total Income | **103** | 26 | *n.m.* |
| Expenses | **(75)** | (22) | *n.m.* |
| **EBITA** | **28** | 4 | *n.m.* |
| Amortisation of Identifiable Intangible Assets | **(5)** | (1) | *n.m.* |
| EBIT | **23** | 3 | *n.m.* |
| EBITA Margin (%) | **27.4** | 15.2 | *12.2pt* |

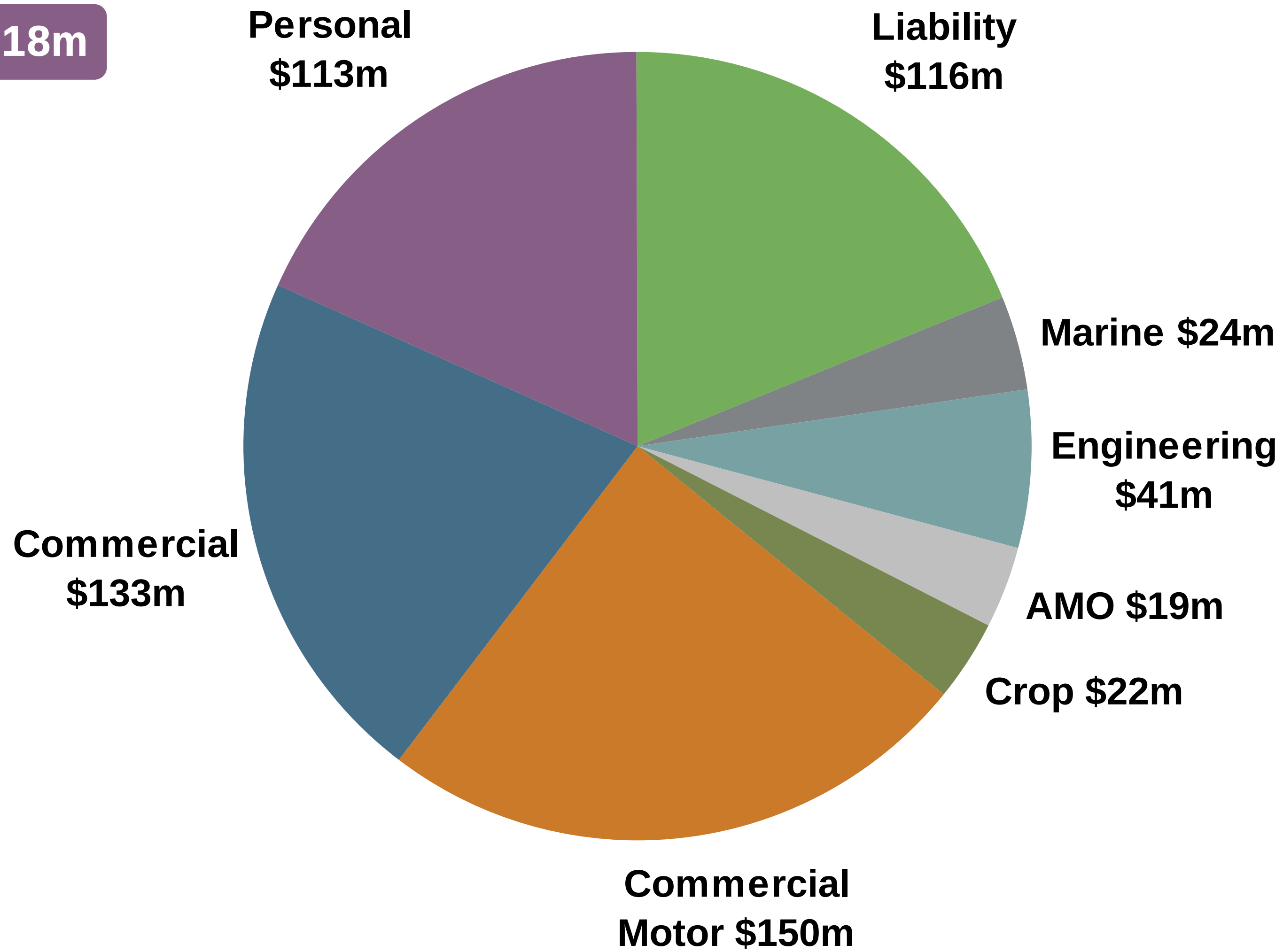
* Incl. 6 mths of OAMPS' (2006: 2 mths) and 6 mths of Crombie Lockwood (2006: nil)

# Underwriting KPIs

| Half Year ended 31 December (%) | 2007 | 2006 | ↕ %pt |
|---|---|---|---|
| Gross Earned Loss Ratio | **69.6** | 63.3 | *(6.3)* |
| Net Earned Loss Ratio | **67.4** | 59.9 | *(7.5)* |
| Reinsurance Expenses (% GEP) | **23.6** | 24.1 | *0.5* |
| Exchange Commission (% RI excl XOL) | **24.9** | 28.2 | *(3.3)* |
| Commission Expense (% GWP) | **13.5** | 14.2 | *0.7* |
| Total Earned Expenses (% GEP) | **28.1** | 28.5 | *0.4* |
| Combined Operating Ratio (% NEP) | **98.1** | 90.5 | *(7.6)* |
| Insurance Margin (% NEP) | **5.6** | 13.2 | *(7.6)* |

# Gross Written Premium (underwriting)
(for the six month period to 31 December 2007)

Total $618m



# Insurance Outlook

- Premium rates in Australia and NZ stabilising
- Restructuring of Lumley NZ operations to improve underwriting performance
- Continue programme of selective acquisitions that meet investment criteria
- Difficult claims environment will remain if current La Niña weather continues

# Industrial & Safety

Wesfarmers

# Industrial & Safety Performance Summary

| Half Year ended 31 December* ($m) | 2007 | 2006 | ↕ % |
|---|---|---|---|
| Revenue | 642 | 580 | *10.7* |
| EBITDA | **66** | 58 | *13.8* |
| Depreciation & Amortisation of PPE | **(5)** | (7) | *28.6* |
| **EBIT** | **61** | 51 | *19.6* |
| EBIT margin (%) | **9.5** | 8.8 | *0.7pt* |
| ROC (R12 %) | **16.9** | 13.7 | *3.2pt* |
| Safety (R12 LTIFR) | **4.9** | 4.1 | |

* 2007 includes Bullivants for 6 months (2006: 1 month)

# Industrial & Safety Highlights

- Operating revenue improved by 10.7% to $642m
  - Growth in all businesses
  - Inclusion of Bullivants
- Earnings increased by 20% to $61m
  - Improvement in most businesses including New Zealand
  - Benefits of global sourcing and business improvement initiatives
- Return on Capital increased to 16.9% (last year 13.7%)
  - R12 capital employed slightly lower than last year despite the addition of Bullivants

# Industrial & Safety Portfolio

## Australia

| | |
|---|---|
| Blackwoods | *MRO “All your workplace needs”* |
| Protector Alsafe | *Safety* |
| Bullivants HANDLING SAFETY | *Materials Handling, Lifting, Rigging* |
| mullings FASTENERS | *Fasteners* |
| MOTION INDUSTRIES | *Engineering* |

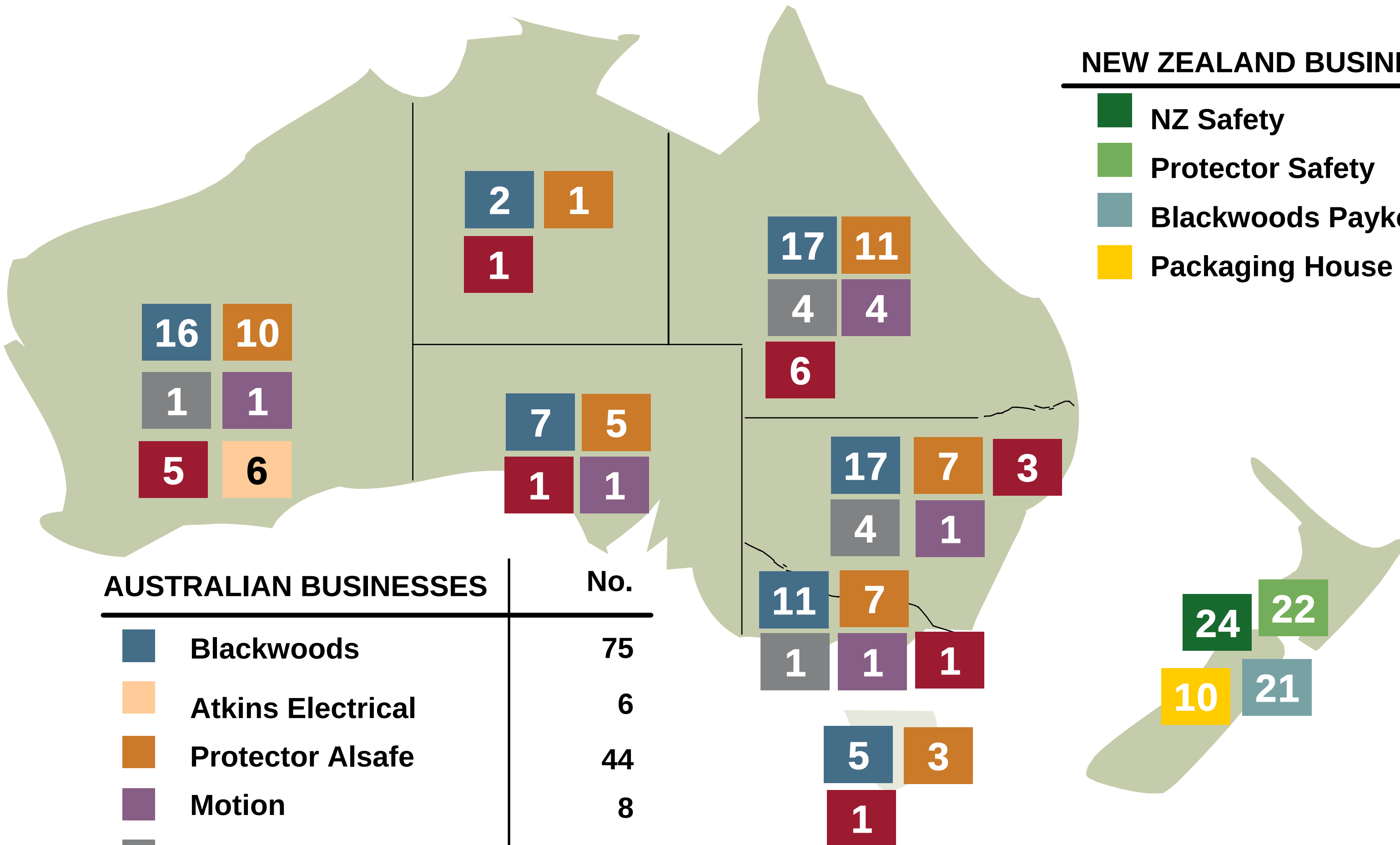
## New Zealand

| | |
|---|---|
| Blackwoods Paykels NZ'S LARGEST RANGE OF ENGINEERING SUPPLIES AND TECHNICAL SERVICES | *MRO, Hose & Conveyor* |
| NZ Safety Specialists in Safety & Protection<br>protectorsafety | *Safety* |
| Packaging House Building partnerships, delivering solutions | *Packaging & Hygiene* |

MRO: Maintenance, Repair and Operating

# Industrial & Safety - Distribution Network

238 locations (161 Australia, 77 New Zealand)




| NEW ZEALAND BUSINESSES | No. |
|---|---|
| NZ Safety | 24 |
| Protector Safety | 22 |
| Blackwoods Paykels (NZ) | 21 |
| Packaging House | 10 |

| AUSTRALIAN BUSINESSES | No. |
|---|---|
| Blackwoods | 75 |
| Atkins Electrical | 6 |
| Protector Alsafe | 44 |
| Motion | 8 |
| Mullings | 10 |
| Bullivants | 18 |

As at 31 December 2007

# Business Activity Highlights

- Improved safety performance with continued GetSAFE implementation
- Enhanced customer service levels, particularly delivery performance
  - Supply Chain effectiveness improved
  - Distribution Centres & network upgrades on track
  - DIFOT improved by 9 percentage points over 12 months
  - “2007 Best Industrial Supply Chain Management Award” in Australia (IBIS World / Logistics Magazine)
- Good progress on business improvement initiatives
  - Robust infrastructure in place to deliver clear, competitive and consistent pricing
  - Increasing impact of Shanghai based sourcing office

# Business Activity Highlights (cont.)

- Smooth transition of Bullivants
- Successful Sales and Marketing initiatives
  - Improving “win rate” on new and existing contracts
  - Product ranges extensions
  - Rollout of National services: Protector Alsafe accredited training services, Blackwoods on-site services
  - General catalogues supplemented by market, product and customer-specific catalogues
  - Growth in B2B / B2C customers
- Improved capital management, continuing reduction in slow moving inventory
- Continuing focus on people development and reward

# Industrial & Safety Outlook

- Market conditions remain mixed
  - Continued demand from resources and infrastructure in WA and QLD
  - Manufacturing conditions remain subdued in Australia and New Zealand
- Ongoing strong competition and scarcity of skilled labour
- However satisfactory growth is expected
  - More competitive foundations
  - Strong ongoing focus on business improvement initiatives e.g. global sourcing
  - Each business firmly focused on customer service and profitable growth
  - Ongoing review of acquisition opportunities

# Chemicals & Fertilisers

Wesfarmers

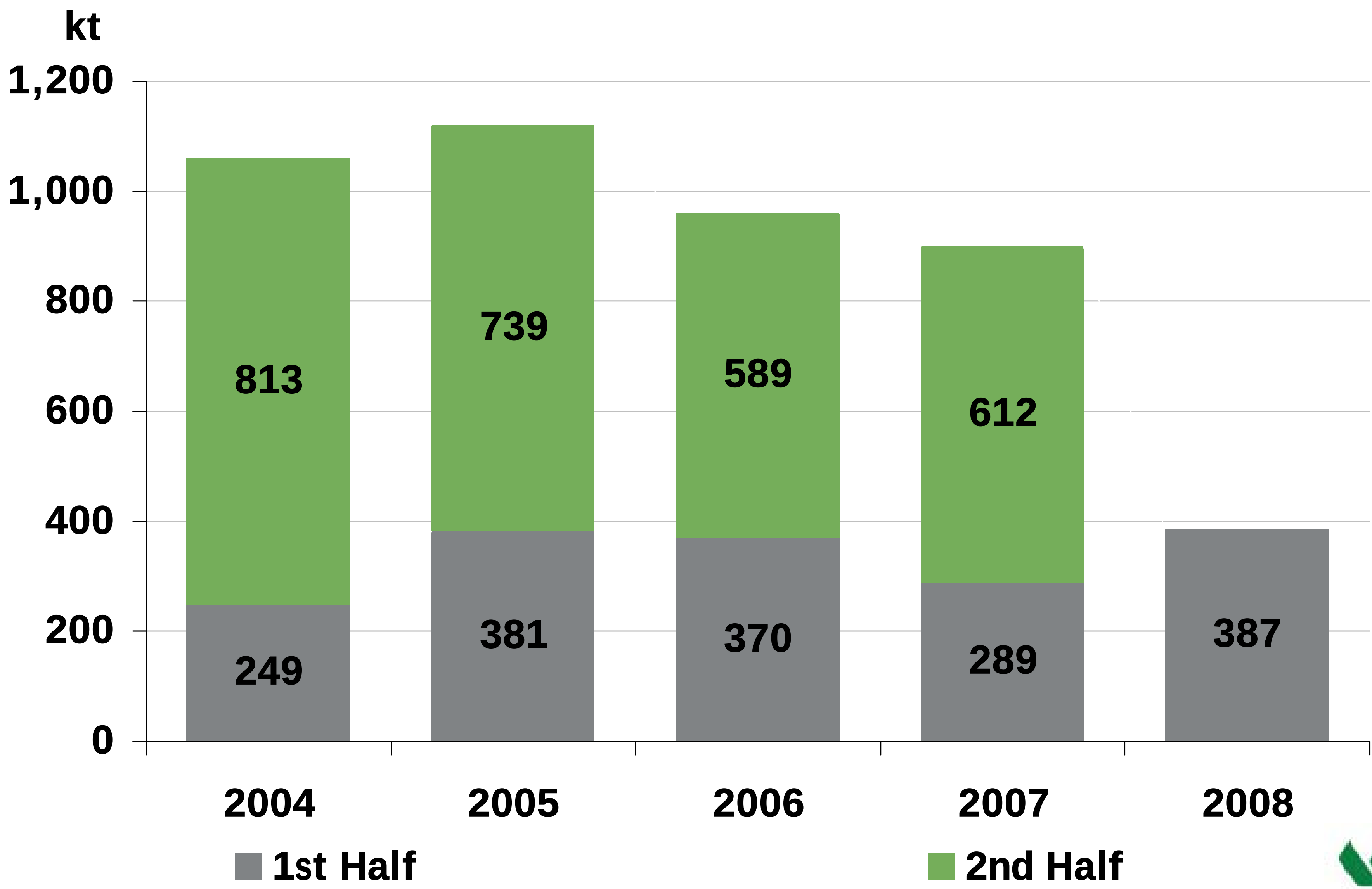
# Chemicals & Fertilisers Performance Summary

| Half Year ended 31 December ($m) | | 2007 | 2006 | ↕ % |
|---|---|---|---|---|
| Revenue | Chemicals | **218** | 125 | *74.4* |
| | Fertilisers | **173** | 106 | *63.2* |
| | | **391** | 231 | *69.3* |
| EBITDA | | **69** | 46 | *50.0* |
| Depreciation & Amortisation of PPE | | **(21)** | (18) | *(16.7)* |
| **EBIT** | | **48** | 28 | *71.4* |
| Sales Volume (‘000t): | Chemicals | **281.4** | 227.6 | *23.6* |
| | Fertilisers | **386.6** | 289.4 | *33.6* |
| ROC (R12 %) | | **16.2** | 14.9 | *1.3pt* |
| Safety (R12 LTIFR) | | **2.9** | 6.0 | |

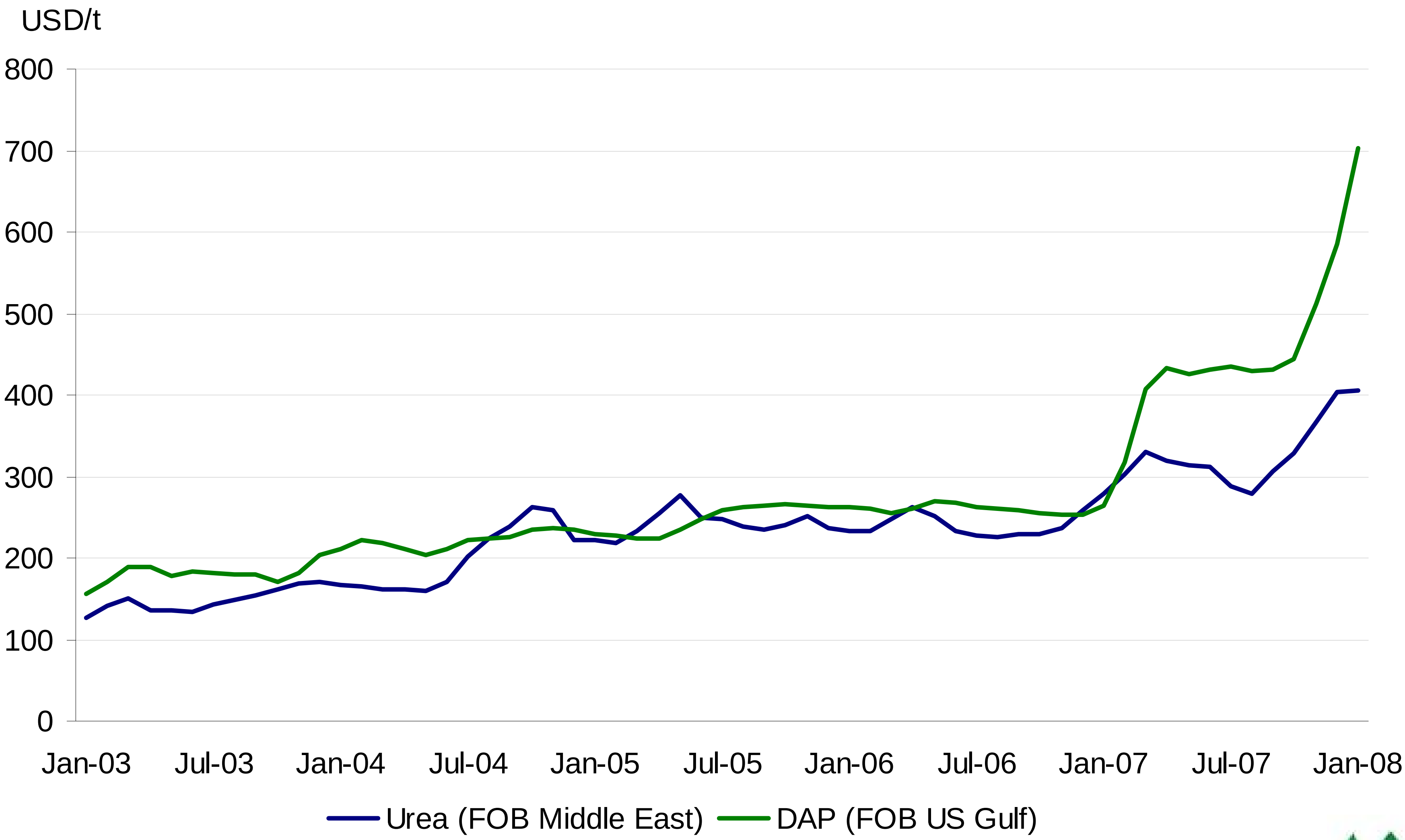
# Chemicals & Fertilisers Highlights

- EBA successfully renegotiated
- Ammonia plant production ahead of last year despite performance problems
- Higher production, sales and earnings from AN despite delay in expansion
- Good performance from Australian Vinyls (acquired Sept ’07)
- Improved sodium cyanide earnings; more consistent plant performance
- Higher fertiliser volumes at higher pricing
- Sale of chlor alkali business recorded in 1H07 result
- AN expansion project
  - Nitric acid plant operational
  - AN for Flexi-N production

# Fertiliser Sales



# Global Fertiliser Pricing



# Chemicals & Fertilisers Outlook

- Demand for mining chemicals remains strong
- Demand for PVC strong
- Completion of new prill plant in May 08
  - Additional prill production
  - Total cost of AN expansion of around $400 million
- Seasonal break critical for fertiliser sales
- $15 million investment to debottleneck sodium cyanide production progressing
- QNP debottleneck on track (Sept ’08), finalising customer contracts

# Energy

# Energy Performance Summary

| Half Year ended 31 December* ($m) | 2007 | 2006 | ↕ % |
|---|---|---|---|
| Revenue | 281 | 222 | *26.6* |
| EBITDA | **66** | **51** | *29.4* |
| Depreciation & Amortisation^ | **(18)** | **(13)** | *(38.5)* |
| **EBIT** | **48** | **38** | *26.3* |
| ROC (R12 %) | **12.0** | **33.2** | *(21.2pt)* |
| LPG production (kt) | **82.3** | **93.8** | *(12.3)* |
| Safety (R12 LTIFR) | **3.0** | **1.1** | |

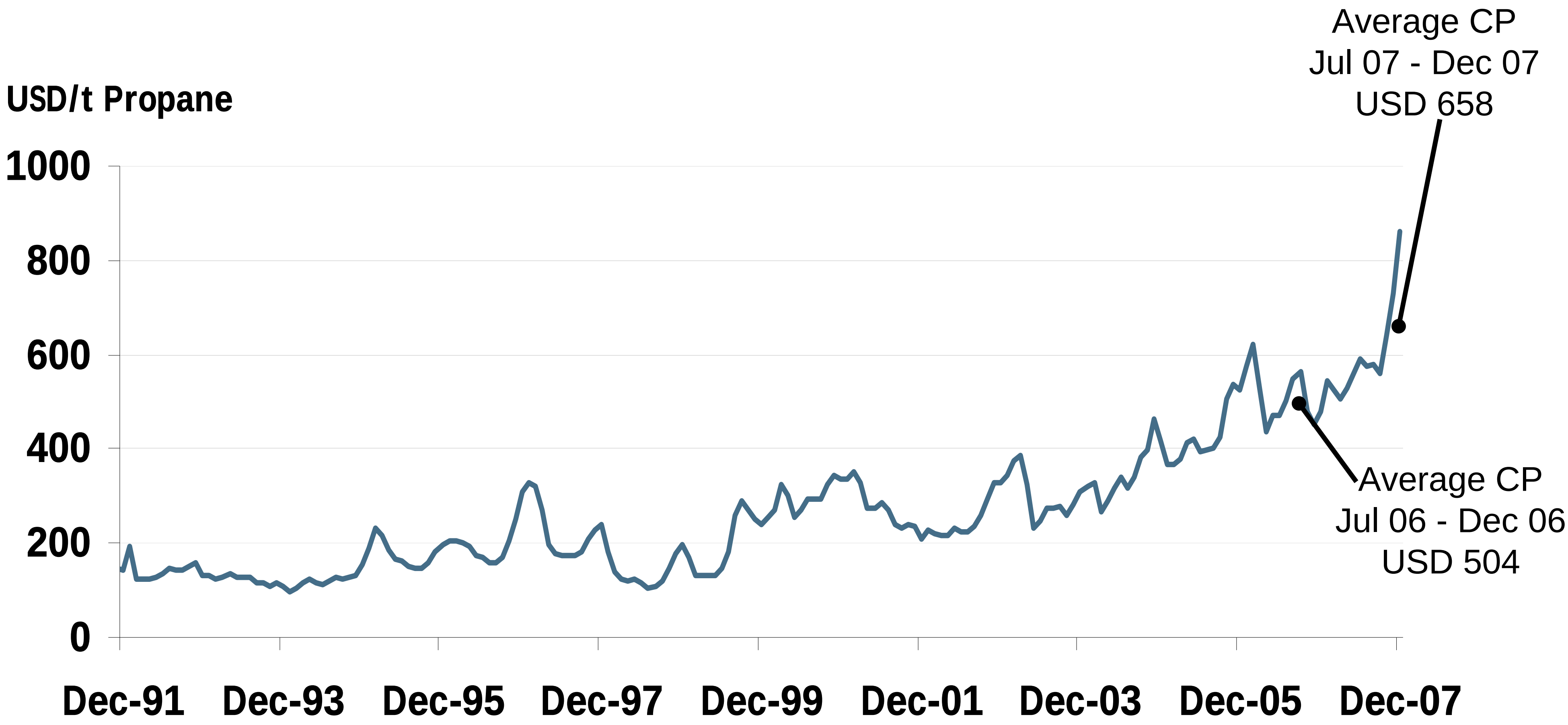
* Includes Coregas in 2007 for 6 months (2006: nil)

^ Amortisation of intangibles in 2007 of $0.7m (2006: nil)

# Energy Highlights

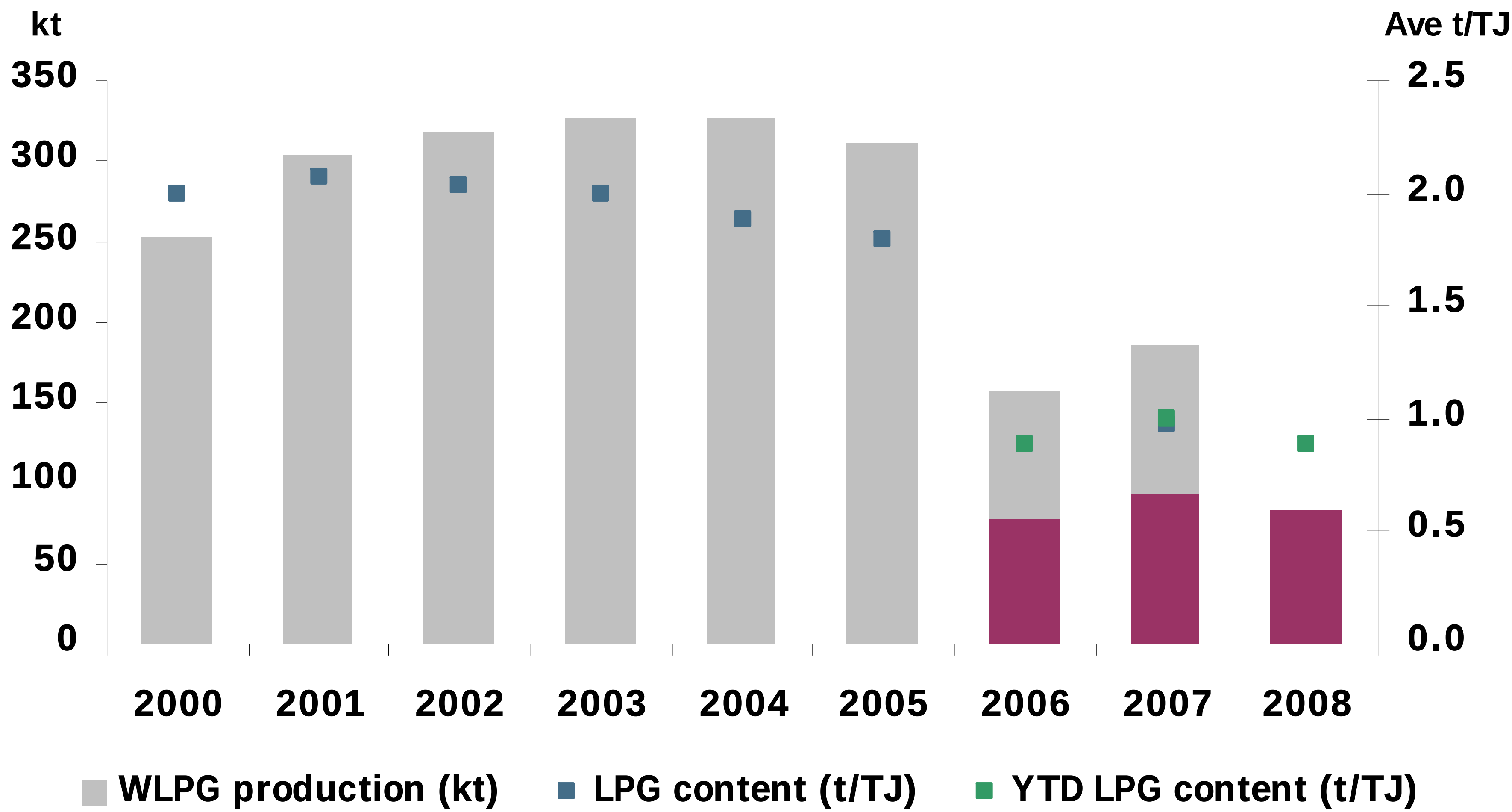
- WA LNG project remains on budget
- Good progress on industrial gas supply projects
- Record high energy prices
- Agreement to sell UNIGAS interest
- Integration of Coregas complete
- Appointment of new General Manager at Coregas

# World LPG prices – Saudi CP




**Continued volume pressure on Kleenheat Gas**

# LPG Production




**Year to date WLPG production 12% below previous year**

# LNG Project

- Construction delays – commissioning now scheduled for May
- Cost pressure but project remains on budget
- LNG road tankers construction on track
- Power station construction progressing well

# Energy Outlook

- Full year contribution from Coregas
- Dependent on:
  - international LPG prices
  - gas flow rates
  - LPG feed rates
- LPG export sales – second half expected to be in line with last year
- Lower autogas sales
- Contributions from LNG project due in 2008/09

# Other Businesses

# Other Business Performance Summary

| Half Year ended 31 December ($m) | Holding% | 2007 | 2006 |
|---|---|---|---|
| **Associates:** | | | |
| Gresham Private Equity - Fund 1 | *50* | **3** | 0 |
| Gresham Private Equity - Fund 2 | *67* | **23** | (1) |
| Gresham Partners | *50* | **5** | 2 |
| Wespine | *50* | **3** | 4 |
| Bunnings Warehouse Property Trust | *23* | **8** | 26 |
| Tax on relevant associates | | **(4)** | (4) |
| **Associates Sub-total** | | **38** | 27 |
| Coles dividend (on April 2007 stake) | | **32** | - |
| Other* | | **2** | 7 |
| **Total** | | **72** | 34 |

* Includes corporate interest & investment income, BPML, self insurance

# Breakdown of reported result

| Half Year ended 31 December ($m) | 2007 | 2006 |
|---|---|---|
| Divisional EBIT | **1,014** | 615 |
| Profit from associates | **38** | 27 |
| Other EBIT | **34** | 7 |
| Corporate overheads | **(40)** | (36) |
| **Group EBIT** | **1,046** | 613 |
| Less: Finance costs | | |
| - expense net of capitalisation | **(244)** | (58) |
| - discounts* | **(6)** | (5) |
| **Reported profit before tax** | **796** | 550 |

* relates mainly to Stanwell rebate

# Gresham Private Equity

**Fund 1**

- Norcros divested, with some deferred consideration
- Current investment $31m
- Exit of Riviera expected within several years
- Gross cash realised IRR 30+%

| CURRENT INVESTMENT PORTFOLIO |
| --- |
| *Riviera*<br>*Ocean Cruisers* |

# Gresham Private Equity

**Fund 2**

- Wesfarmers' current commitment $180m; Capital invested $141m
- New Investments:
  - Barminco
  - Experiential Group
- Revaluations are to Wesfarmers' earnings

# Gresham Private Equity

**Fund 2**

## CURRENT INVESTMENT PORTFOLIO

### *Noel Leeming*

*electrical retailer (New Zealand)*

Noel Leeming
www.noelleeming.co.nz

### *Australian Pacific Paper Products*

*manufacturer & distributor of disposable nappies (Australia)*

APPP
Australian Pacific Paper Products

### *GEON (Pacific Print Group)*

*leading commercial printing business (NZ + Aust)*

GEON

### *Witchery*

*women's fashion apparel*

WITCHERY

### *Barminco*

*contract mining services*

Barminco

### *Experiential Group*

*Leisure travel services*

E G
Experiential Group

# Outlook

# Outlook

- Focus on bringing about substantial change in Coles
- One-off transaction/restructure costs in 2H08 expected; too early to quantify
- Continuing good results in most businesses
- Impact of higher interest rates and fuel price volatility
- Strengthening coal price outlook
- $4bn to be refinanced

Wesfarmers

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