

# Investment Conference Philosophy, Performance and Direction

Credit Suisse Asian Investment Conference  
Hong Kong

March 31 - April 3, 2008





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# Long-term, consistent strategies



# Coles Transaction

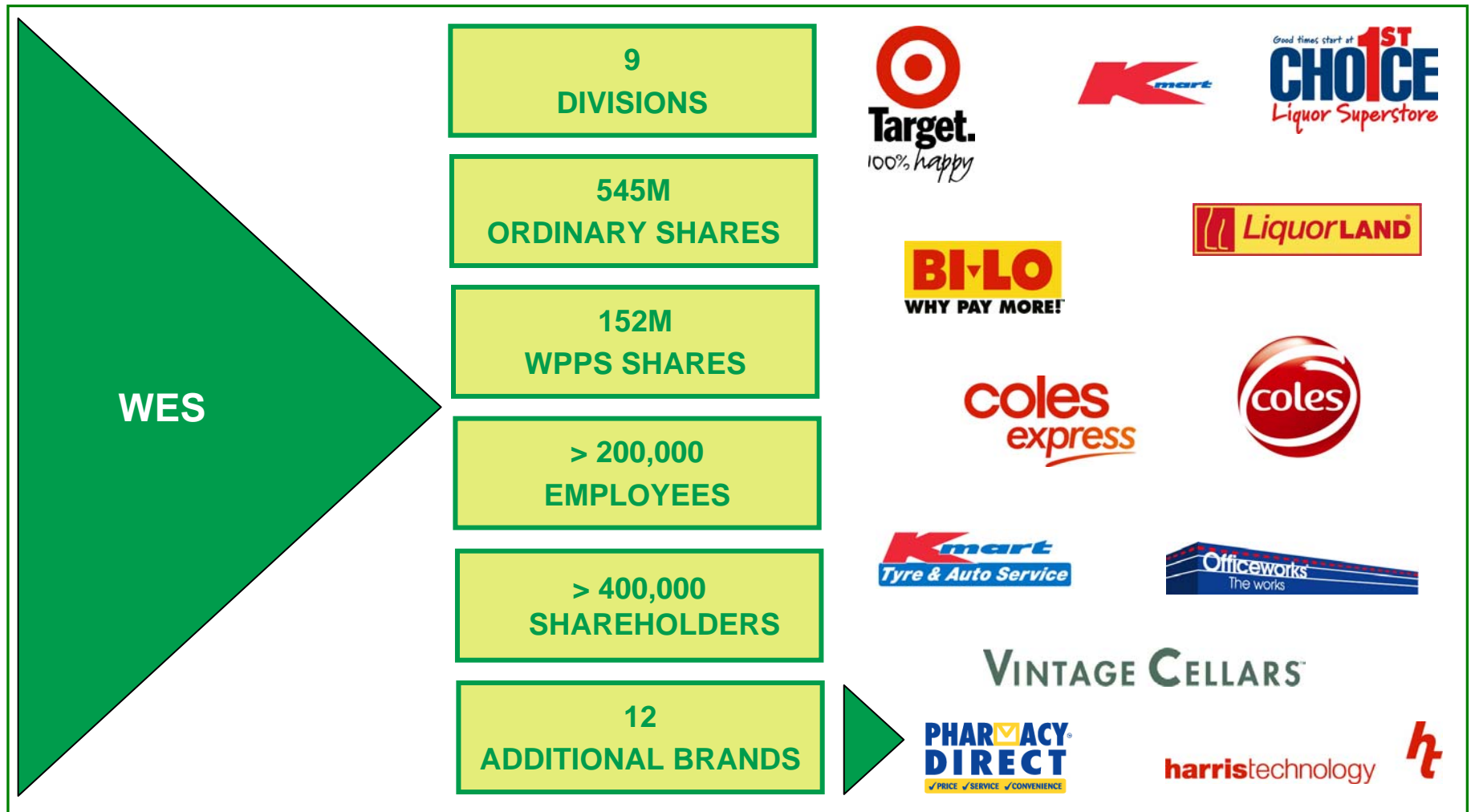


# A unique opportunity

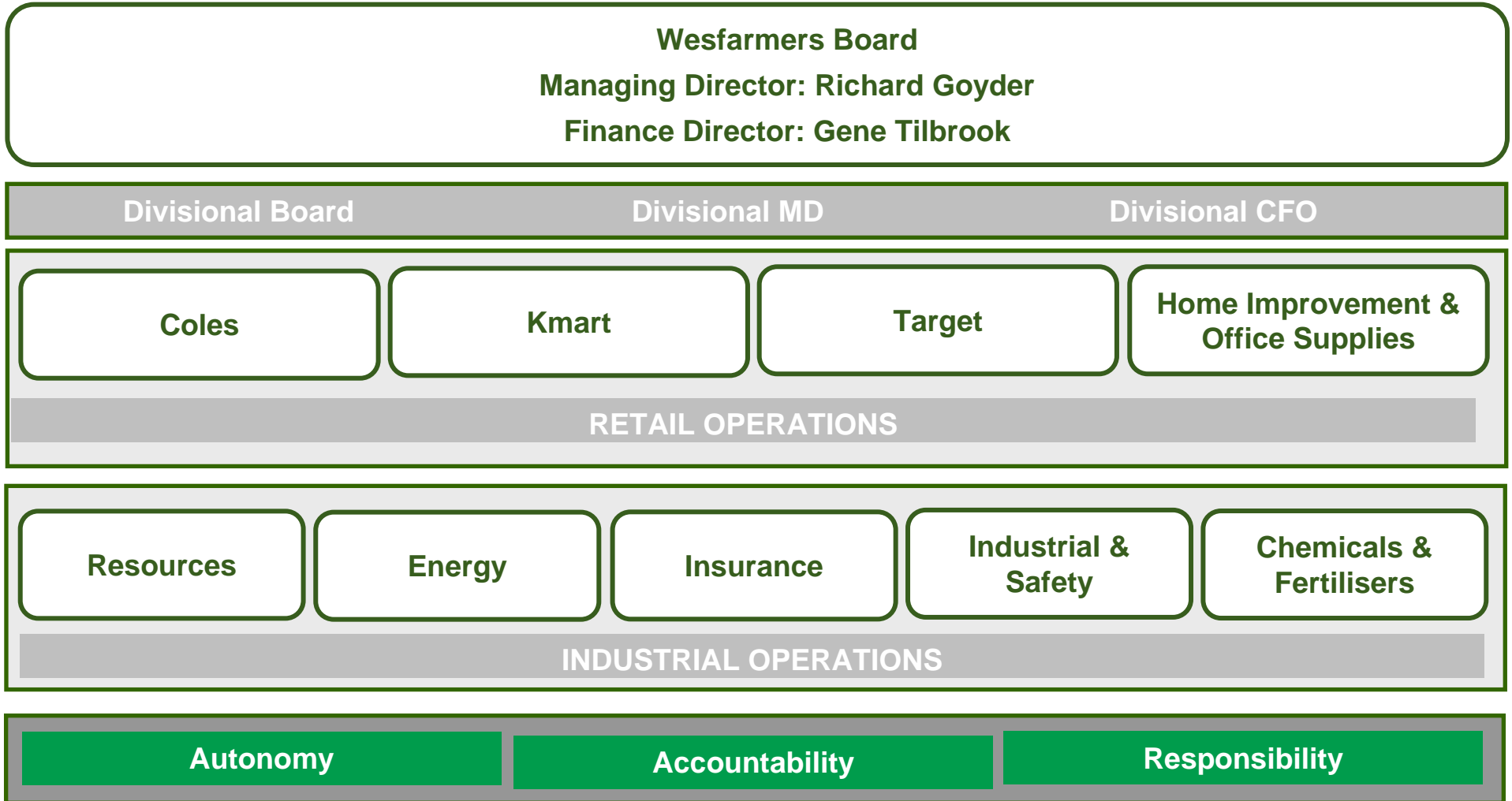
- Leading positions in a highly attractive industry structure
- Unique retail platform with an irreplaceable store network
- Wesfarmers' retail sector know-how
- Substantial opportunity to create value from the Coles businesses by improved execution



# Outcomes




# Divisional Restructure



# Divisional Autonomy

- Coles' shared service support functions are being restructured in line with Wesfarmers' model of divisional autonomy to create a more accountable business model

Wesfarmers' Divisional Autonomy Business Model	
 <b>Head Office</b>	<ul style="list-style-type: none"><li>• Specialist support from small central support office</li></ul>
<b>Divisional Management</b>	<ul style="list-style-type: none"><li>• <b>Responsible</b> for key support functions</li><li>• <b>Accountable</b> for division's performance</li><li>• <b>Rewarded</b> by reference to division's performance</li></ul>
<b>Divisional Support Functions</b>	<ul style="list-style-type: none"><li>• Report to divisional management</li><li>• Sized and structured by divisional management to optimise the success of the division</li></ul>

Key Benefits
<ul style="list-style-type: none"><li>✓ Cultural shift of focus from head office process to business operational and financial outcomes</li><li>✓ Support functions 100% focused on divisional success</li><li>✓ Opportunity to generate further reductions in corporate overhead</li></ul>





# Group Results



# Group Performance Summary

Half Year ended 31 December (\$m)	2007	2006	↕ %
Operating revenue	<b>9,808</b>	4,718	107.9
EBITDA	<b>1,266</b>	791	60.1
EBIT	<b>1,046</b>	613	70.6
Net profit after tax	<b>601</b>	392	53.3
Operating cash flow	<b>1,241</b>	477	160.2
Earnings per share (excl. employee res. shares)	<b>134.9</b>	105.8	27.5
Earnings per share (incl. employee res. shares)	<b>133.1</b>	103.6	28.5
Cash flow per share (incl. employee res. shares)	<b>274.9</b>	126.2	117.8
Dividends per share ^	<b>65</b>	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	<b>332</b>	270	23.0
Coles	<b>130</b>	-	<i>n/a</i>
Target	<b>118</b>	-	<i>n/a</i>
Kmart	<b>101</b>	-	<i>n/a</i>
Resources	<b>112</b>	168	(33.3)
Insurance	<b>64</b>	60	6.7
Industrial & Safety	<b>61</b>	51	19.6
Chemicals & Fertilisers	<b>48</b>	28	71.4
Energy	<b>48</b>	38	26.3
Other	<b>72</b>	34	111.8
<b>Divisional EBIT</b>	<b>1,086</b>	649	67.3
Corporate overheads	<b>(40)</b>	(36)	(11.1)
<b>Group EBIT</b>	<b>1,046</b>	613	70.6

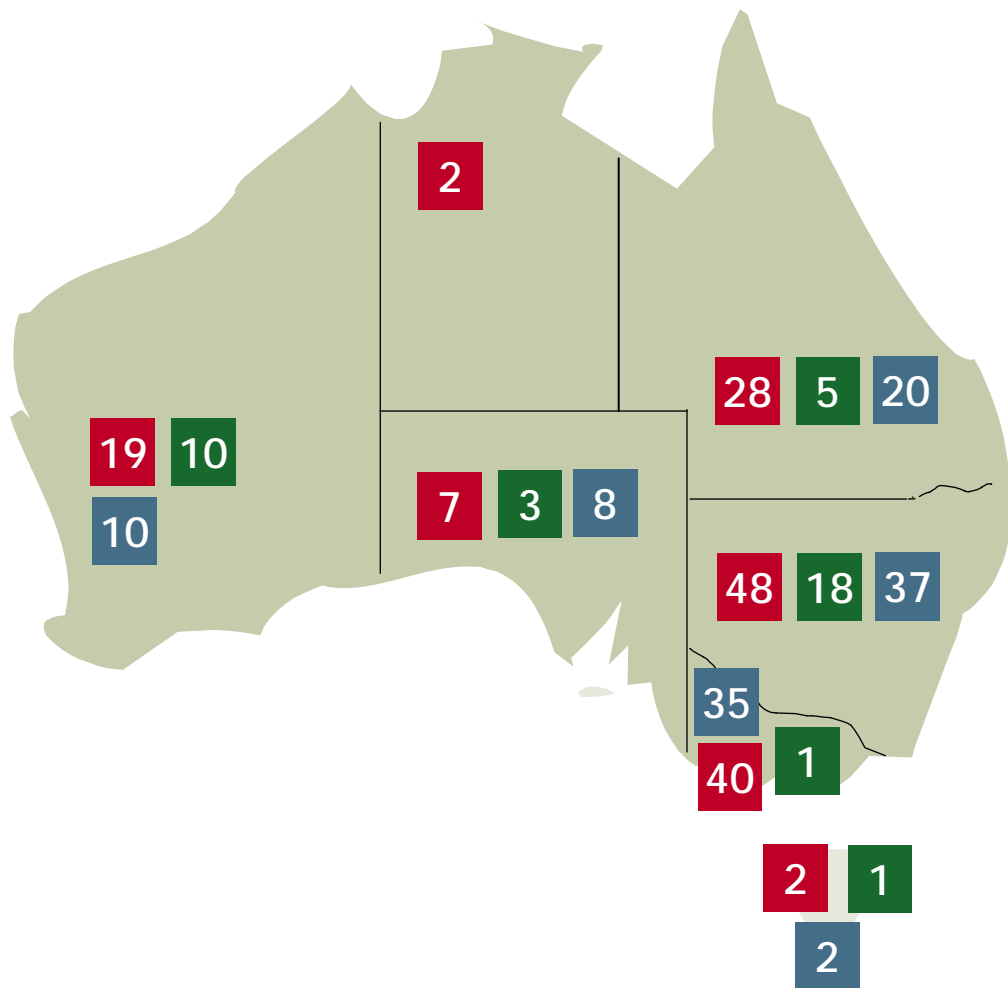
# Home Improvement & Office Supplies



**WIDEST RANGE  
LOWEST PRICES  
BEST SERVICE**



# Store Network at December 2007

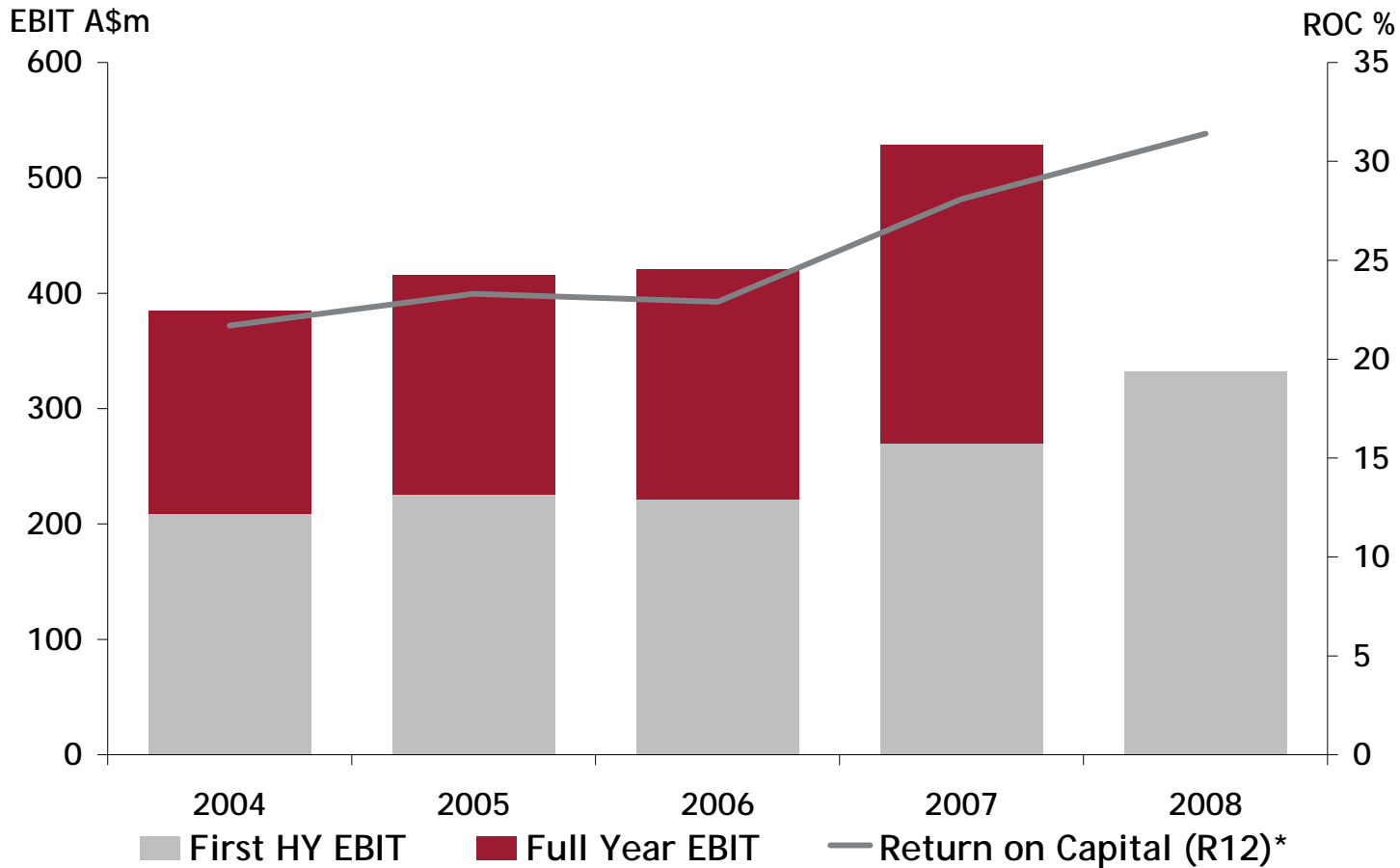


- 160 Bunnings Warehouse Stores
- 63 Small format Bunnings Stores
- 112 Officeworks Stores

Excludes 12 Trade operational sites and 10 Harris Technology stores



# Home Improvement & Office Supplies Financial Performance



**PRO-FORMA  
EBIT CONTRIBUTION  
(FY07PF)**

**23%**

**335+ stores**  
**100,000+ product lines**  
**26,000+ employees**

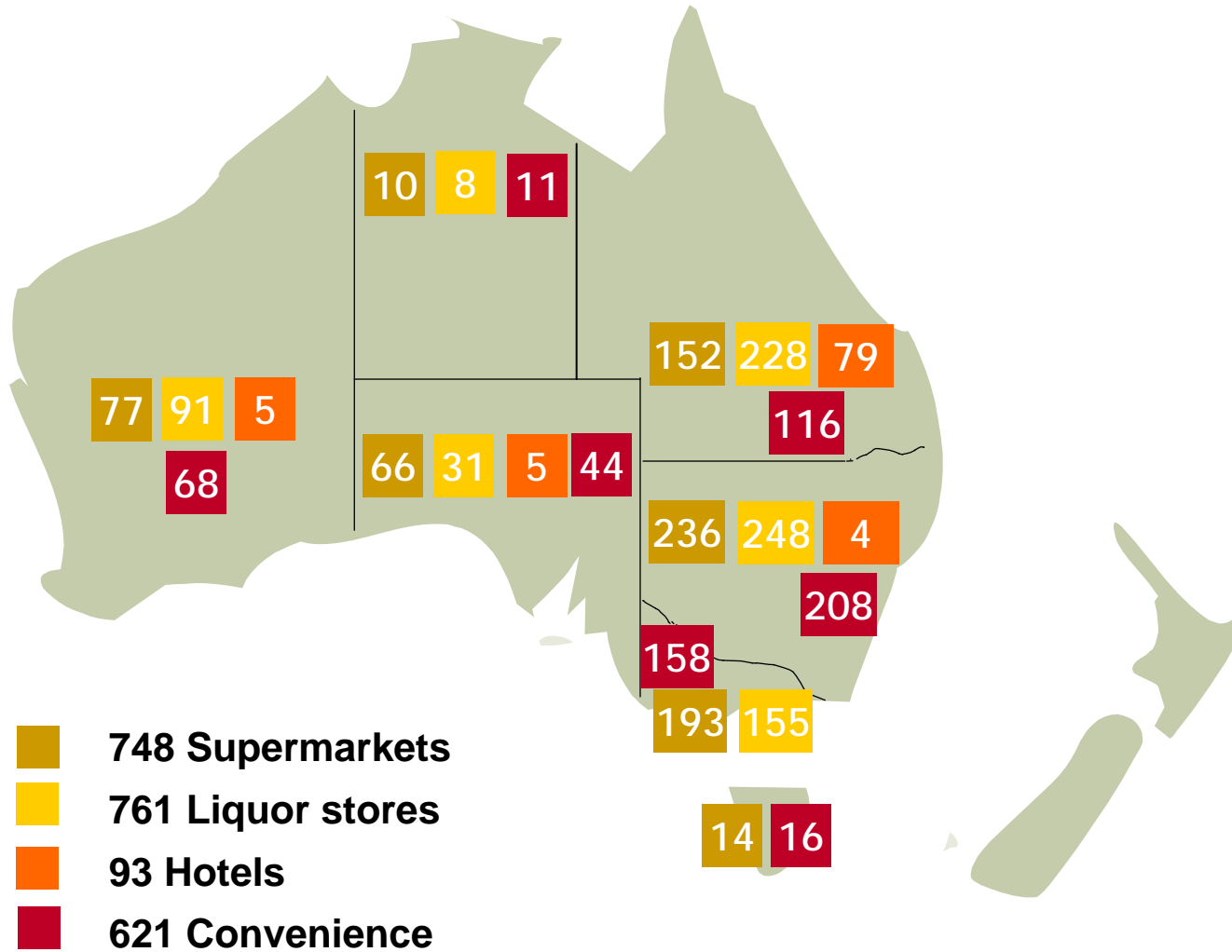
\* Excludes Officeworks acquired on 23 Nov 2007



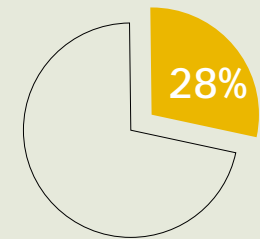
Coles



# Coles Store Network at December 2007



## PRO-FORMA EBIT CONTRIBUTION (FY07PF)



2,000+ stores & hotels  
110,000 + employees  
1.8m+ m<sup>2</sup> selling area





# Coles - Strategies



	Strategies	Details
Food	Increase store efficiencies	Greater focus on space and category management
	Innovate and improve product offer	Execute revised Fresh and house brand strategies
	Enhance customer service	Improve in-store execution - product availability and customer service Employ clear pricing, brand and simple in-store communication
	Boost supply chain	Engage with stores to capture in-store supply chain benefits
	Position for future growth	Develop refurbishment programme
Liquor	Target profit growth	Focus on 1 <sup>st</sup> Choice roll-out and performance
	Strengthen brand position	Reassess and continue to refurbish existing network Reinvigorate Liquorland's convenience and Vintage Cellars' specialist credentials
	Increase operational efficiency	Optimise product mix and in-store costs
Conv	Target higher growth sectors	Drive network expansion and refurbishments
	Increase competitive position	Expand convenience offer
	Increase process efficiencies	Optimise supply chain



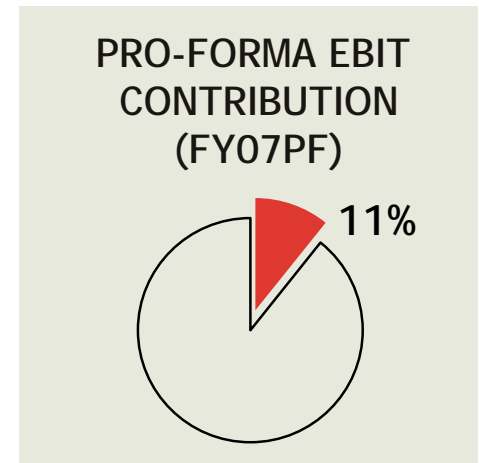
Target



 **Target.** 100% *happy*



# Target Store Network at December 2007



# Target - Strategies



Strategies	Details
Further enhance leading position in market	Strengthen position in key categories through product extensions
Access operational efficiencies	Create more flexible in-store space management
Target higher growth sectors and position for future growth	Grow network through store roll-out Implement consistent store refurbishment plans



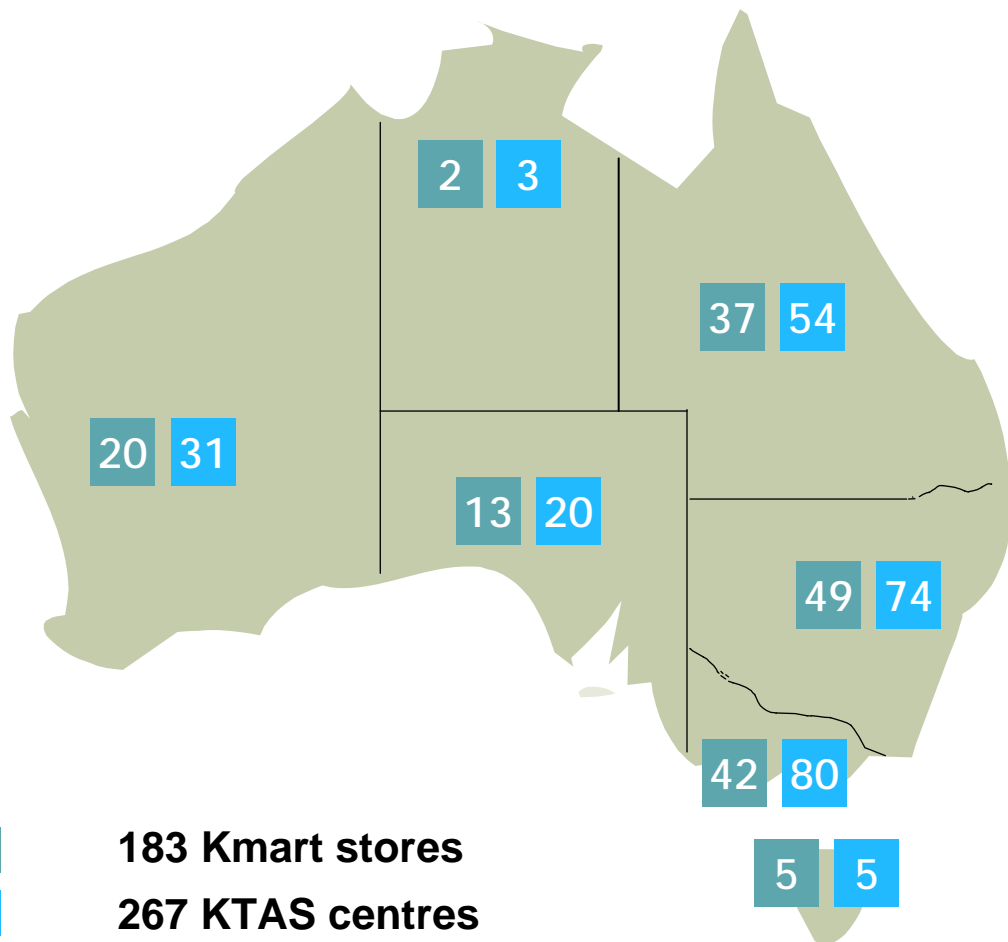
Kmart



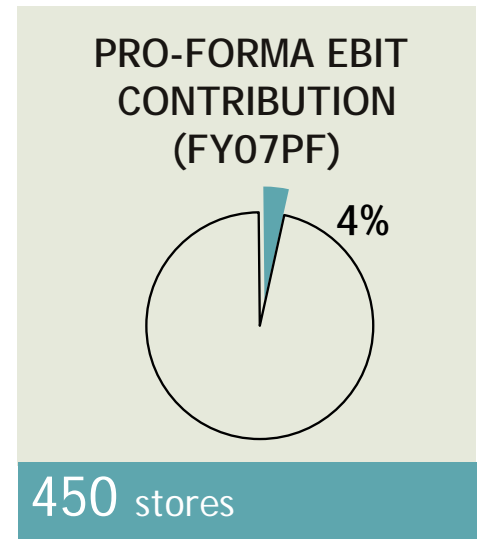
where good times start



# Kmart Store Network at December 2007



183 Kmart stores  
 267 KTAS centres



# Kmart - Strategic Review



- Strategic review now complete
- Wesfarmers retains the Kmart business, investing in its rollout and refurbishment programme
- Continue the focus on:
  - enhancing the product offering; and
  - value proposition for customers



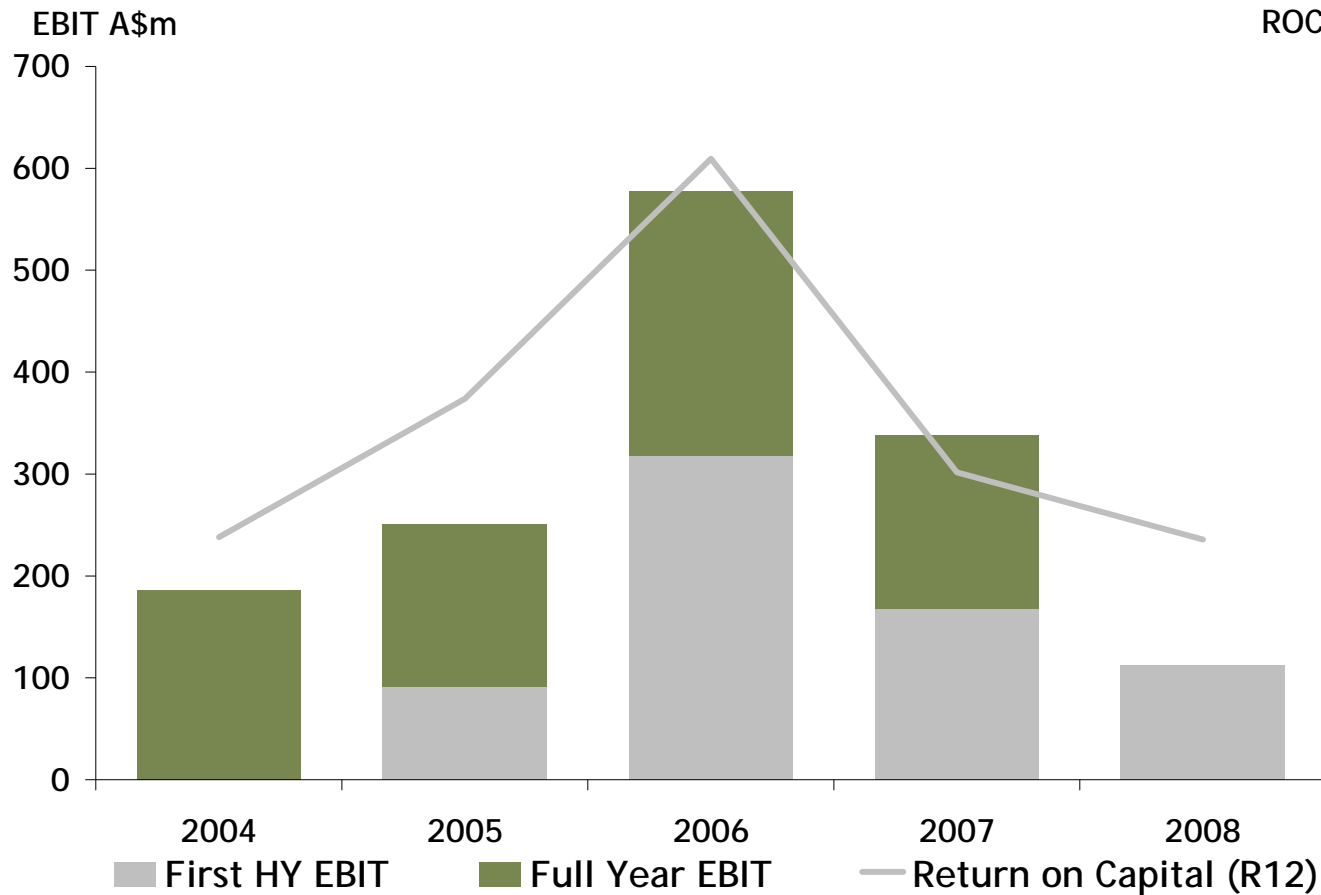
# Resources



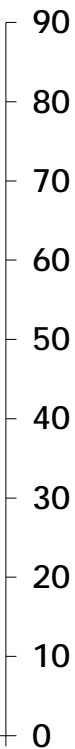


# Resources

## Financial Performance



ROC %



660 employees

3 coal mines

24 coal customers



# Insurance



  
**WESFARMERS FEDERATION**  
INSURANCE LIMITED

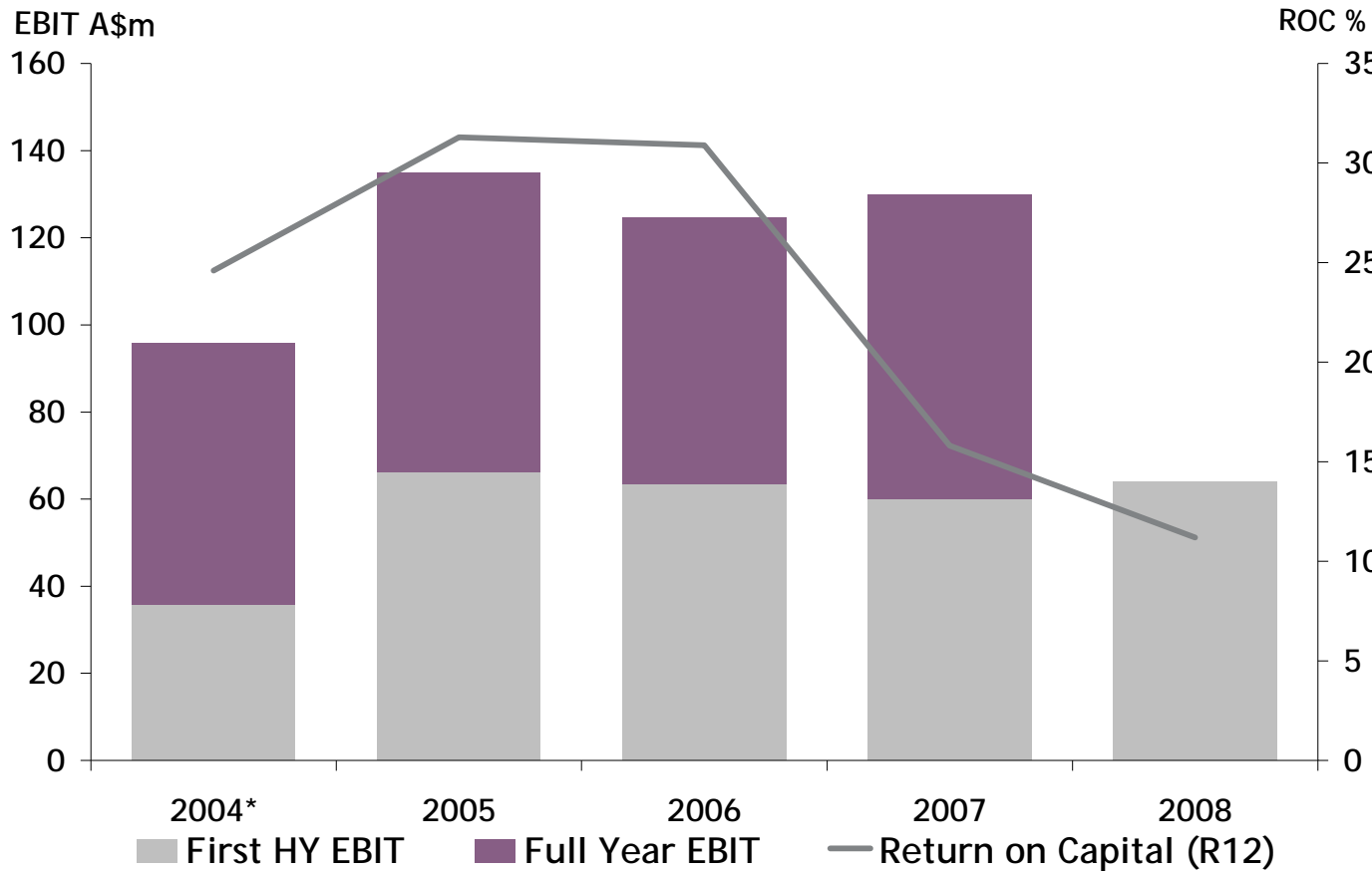
**Lumley** 

  
**OAMPS**

**CROMBIE & LOCKWOOD**  
New Zealand's Insurance Brokers



# Insurance Financial Performance



ROC %



3,000 employees  
146 locations



# Industrial & Safety Portfolio



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

## National Specialist Businesses

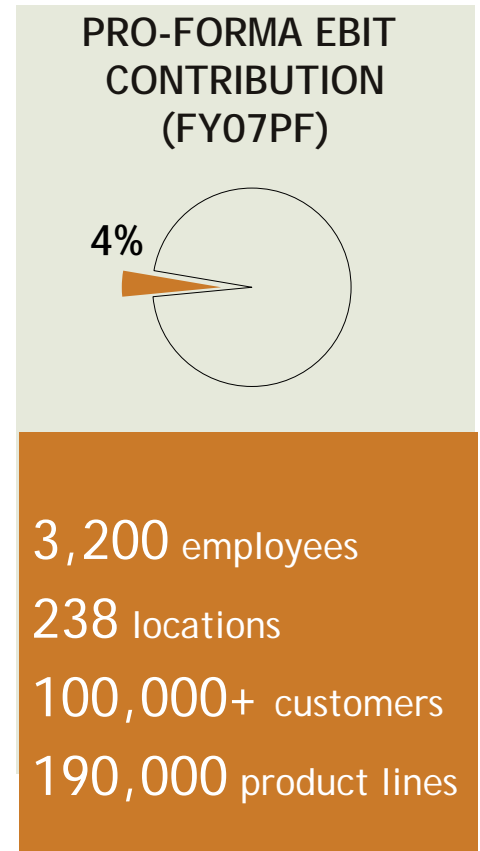
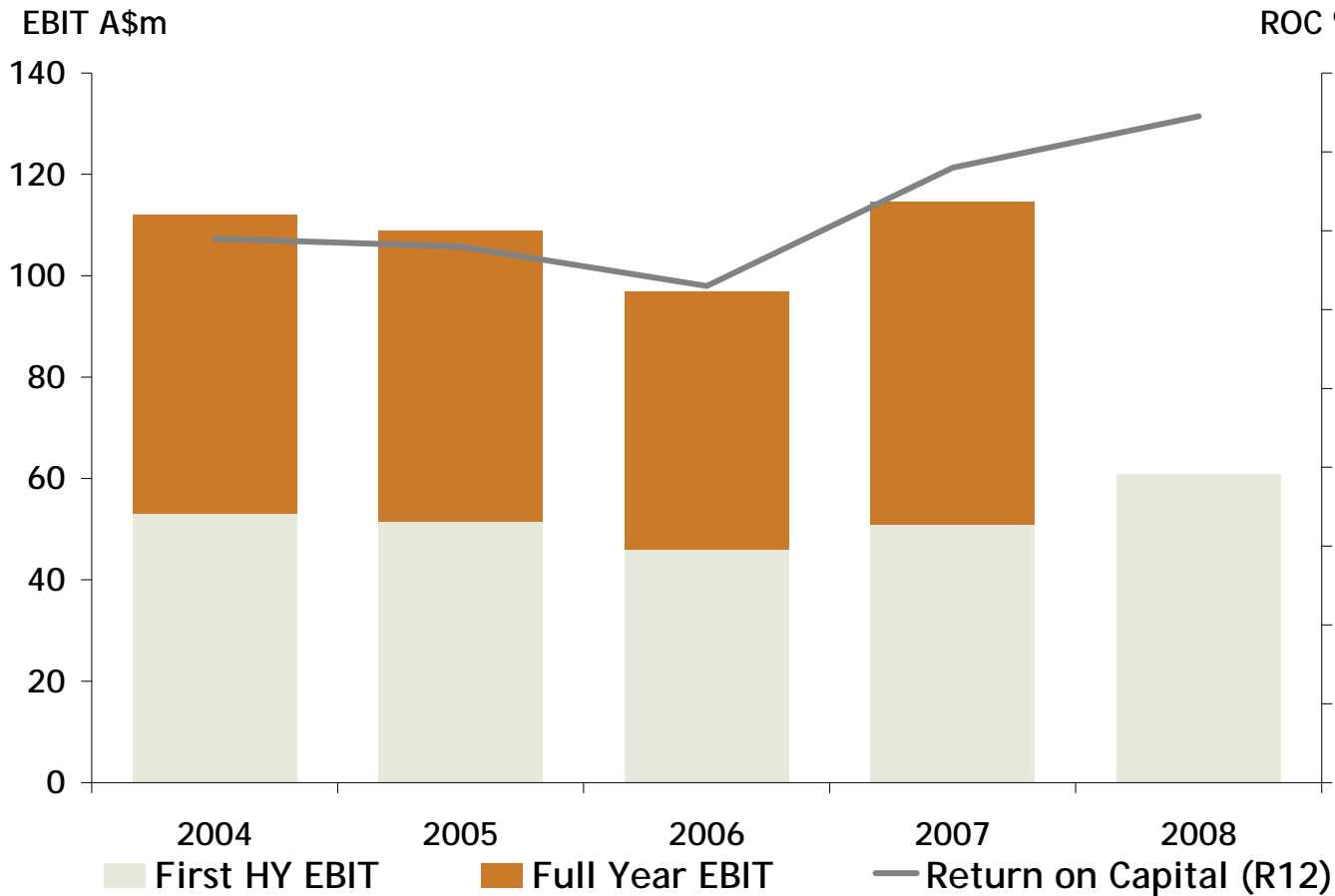
### Australia



### New Zealand



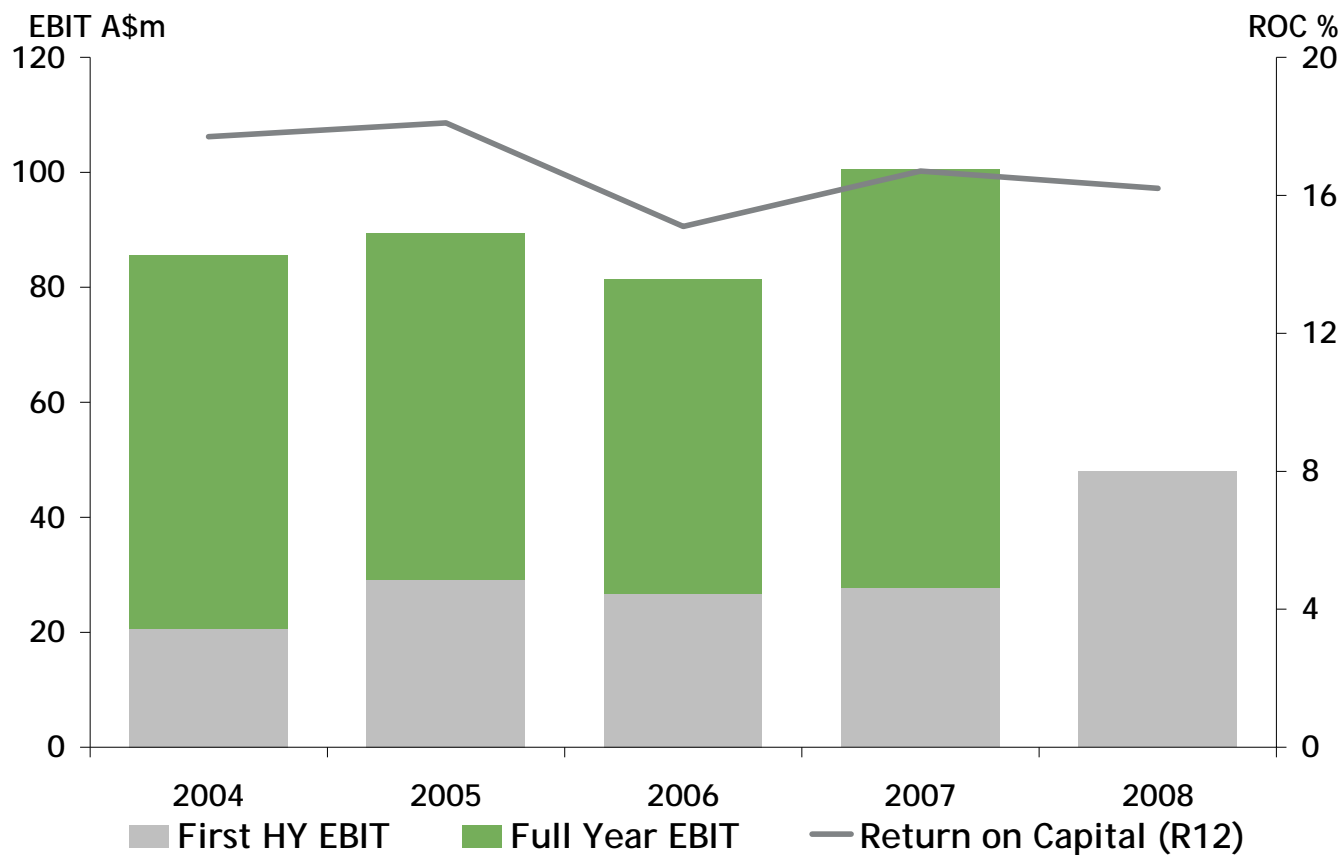
# Industrial & Safety Financial Performance



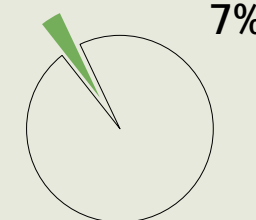
# Chemicals & Fertilisers



# Chemicals & Fertilisers Financial Performance



PRO-FORMA EBIT  
CONTRIBUTION  
(FY07PF)



730 employees

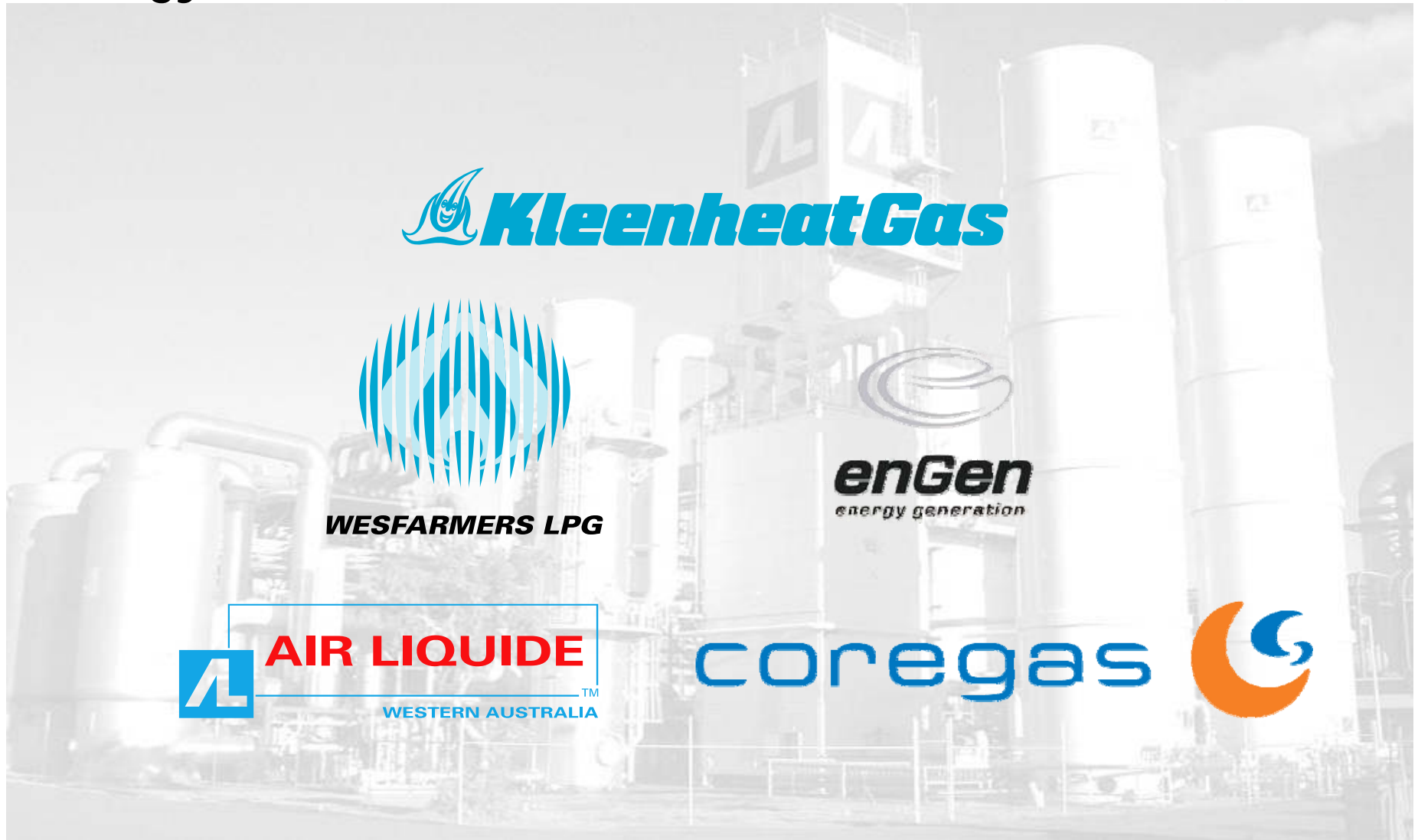
300 chemical customers

2 major fertiliser  
distributors servicing  
over 5,000 farmers

17 operational  
manufacturing plants



# Energy



 **Kleenheat Gas**



**WESFARMERS LPG**



**enGen**  
energy generation

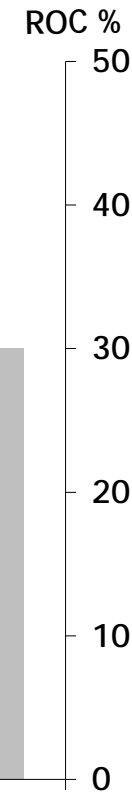
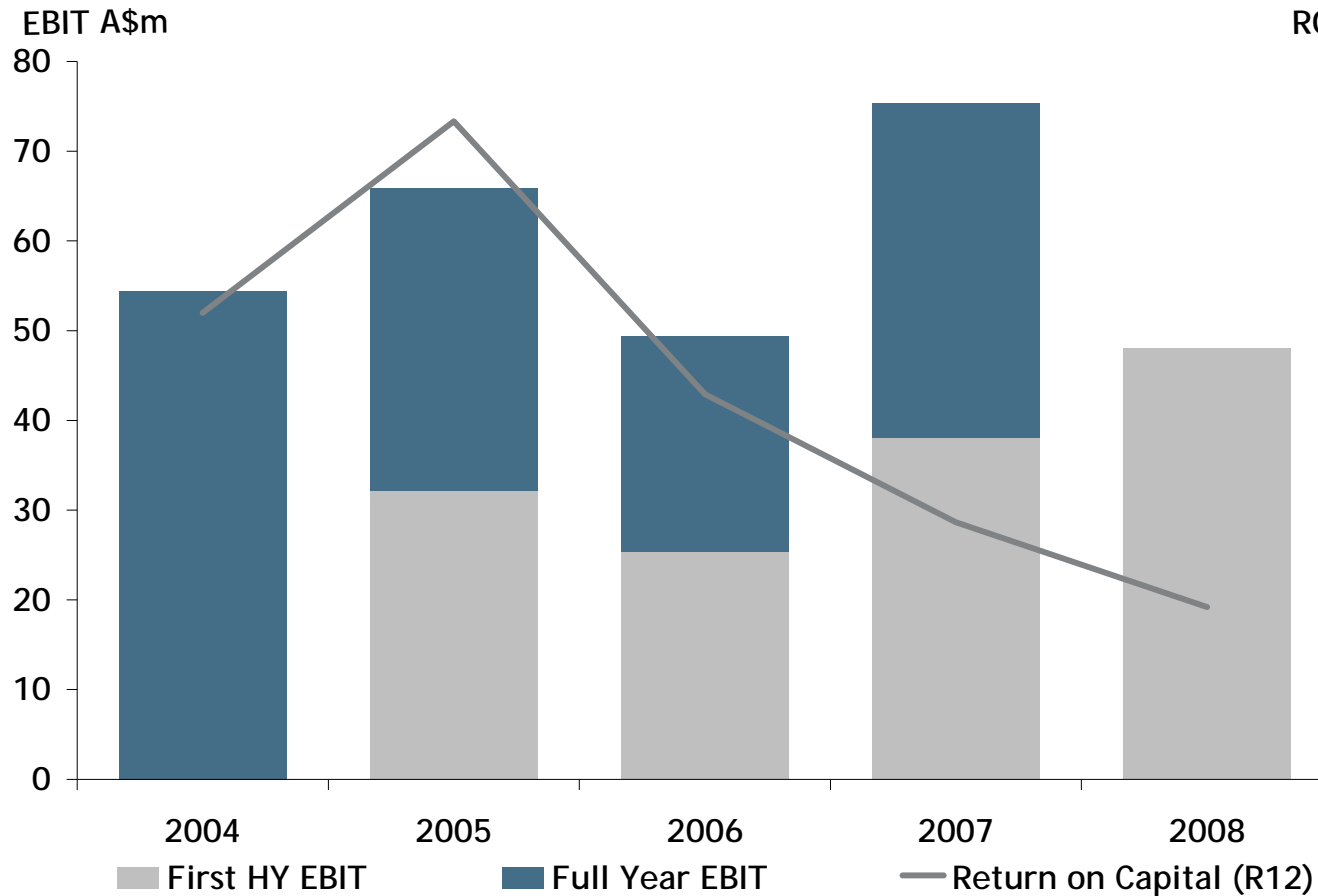
 **AIR LIQUIDE**  
WESTERN AUSTRALIA™

**coregas** 





# Energy Financial Performance



950 employees  
 279,500 gas customers  
 23 remote power stations  
 3 air separation units  
 1 LPG extraction plant  
 1 hydrogen plant



# Capital Management



# Bridge Refinancing Programme

- Wesfarmers has a A\$4bn bridge loan as part of the Coles acquisition funding
  - Due to be repaid October 2008
- A highly flexible approach is being taken given recent market volatility and potential for changing market conditions
  - A number of refinancing alternatives being pursued
  - Preparatory work well underway
- Wesfarmers remains confident that it will be able to access its preferred markets in a timely manner



# Capital Management

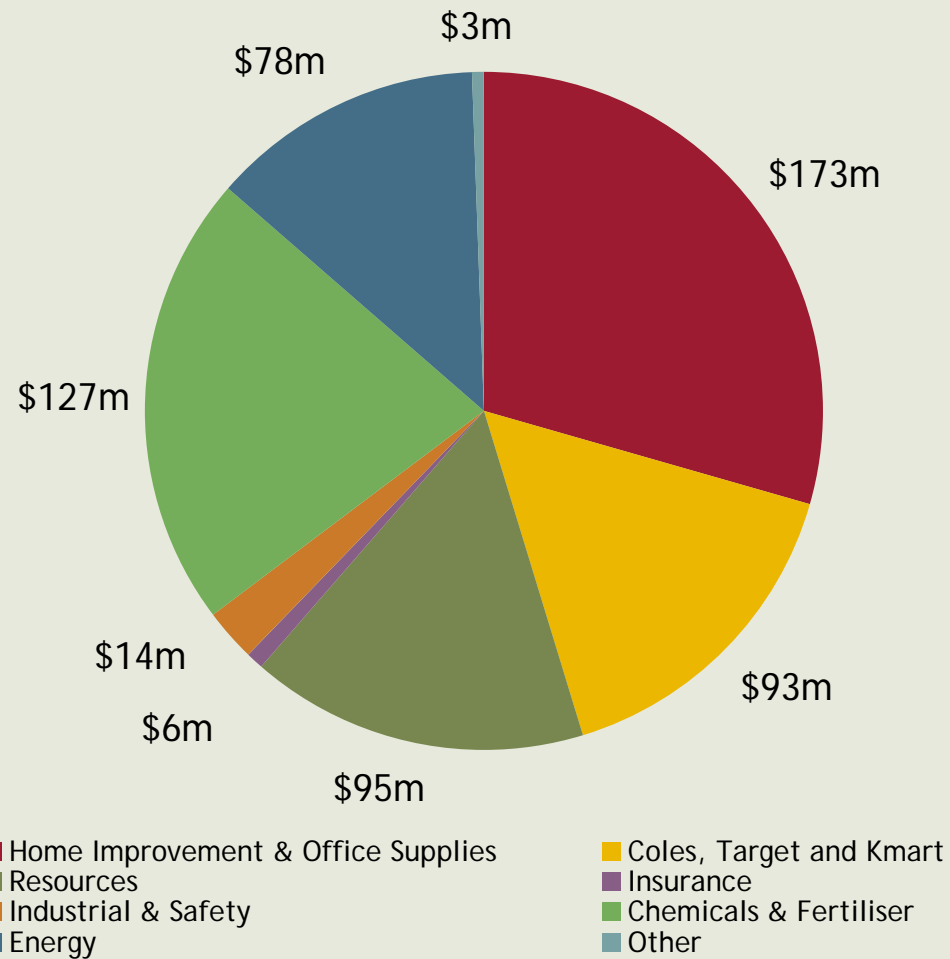
- Net Debt / Equity of 70.1% at 31 December 2007
- Cash Interest Cover Ratio (rolling 12 months) of 5.0 times
- A\$4bn to be refinanced in 2008
  - DIP, Australian and offshore debt, hybrids
- Dividend Investment Plan
  - 100% underwrite for interim dividend - 1% discount
- Franking credit position supports \$2 per share total FY08 dividend



# Capital Expenditure (1H08)



Total: A\$588m



# Outlook

- Focus on bringing about substantial change in Coles
- 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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