



**Wesfarmers**



# Investor Briefing

14 November 2006

Westin Hotel, Sydney





**Richard Goyder**

Managing Director, Wesfarmers Limited



# Agenda

9:15	Industrial and Safety
9:50	Chemicals and Fertilisers
10:25	Morning Tea
10:45	Insurance
11:20	Coal
11:55	Energy
12:25	Lunch
1:10	Home Improvement
2:00	Other Businesses and Capital Management
2:30	Q&A





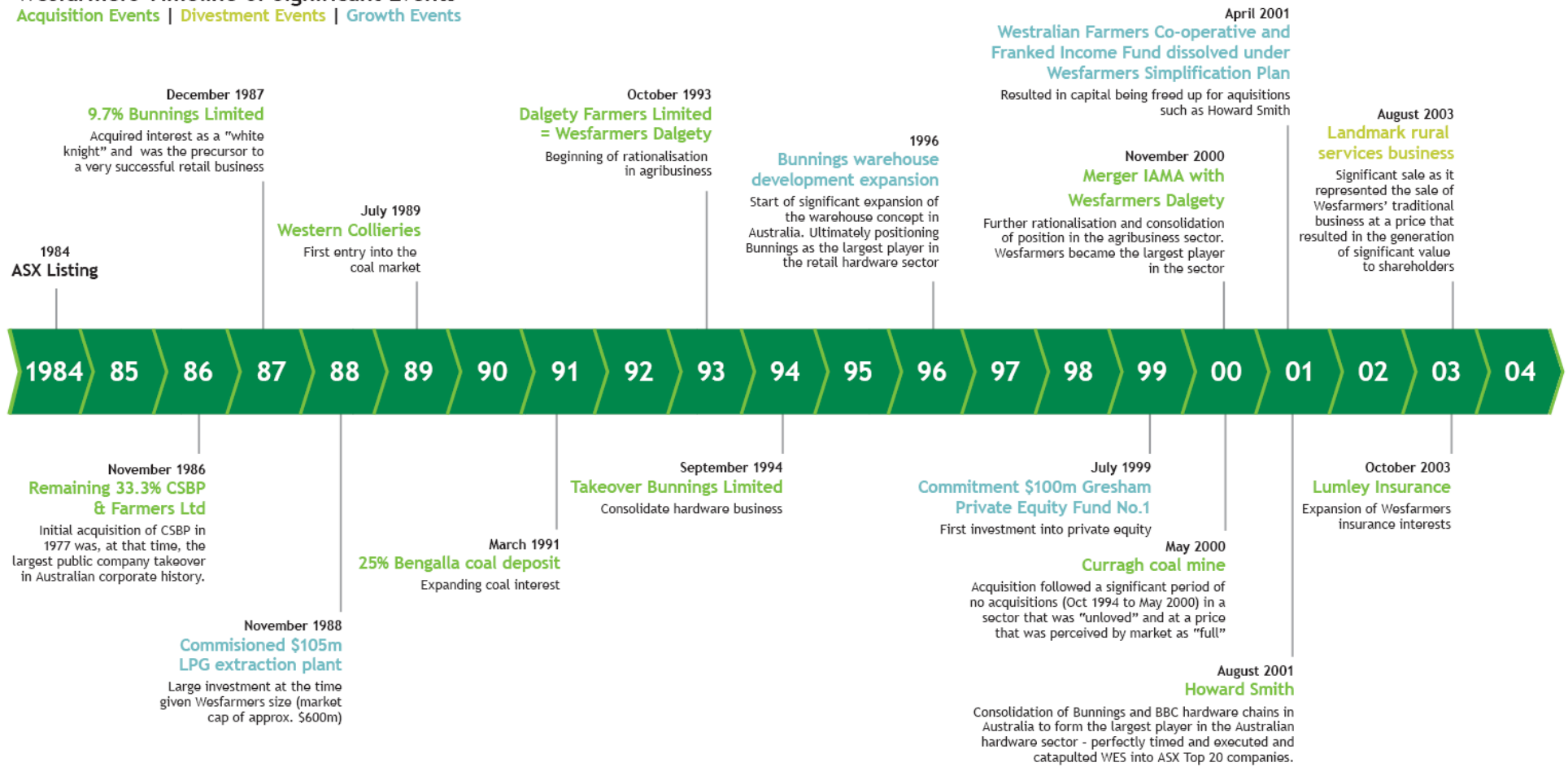
# Philosophy Based On A Single Focus

Satisfactory Return To Shareholders

# In support of this we have made 15 key decisions in 22 years...

## Wesfarmers Timeline of Significant Events

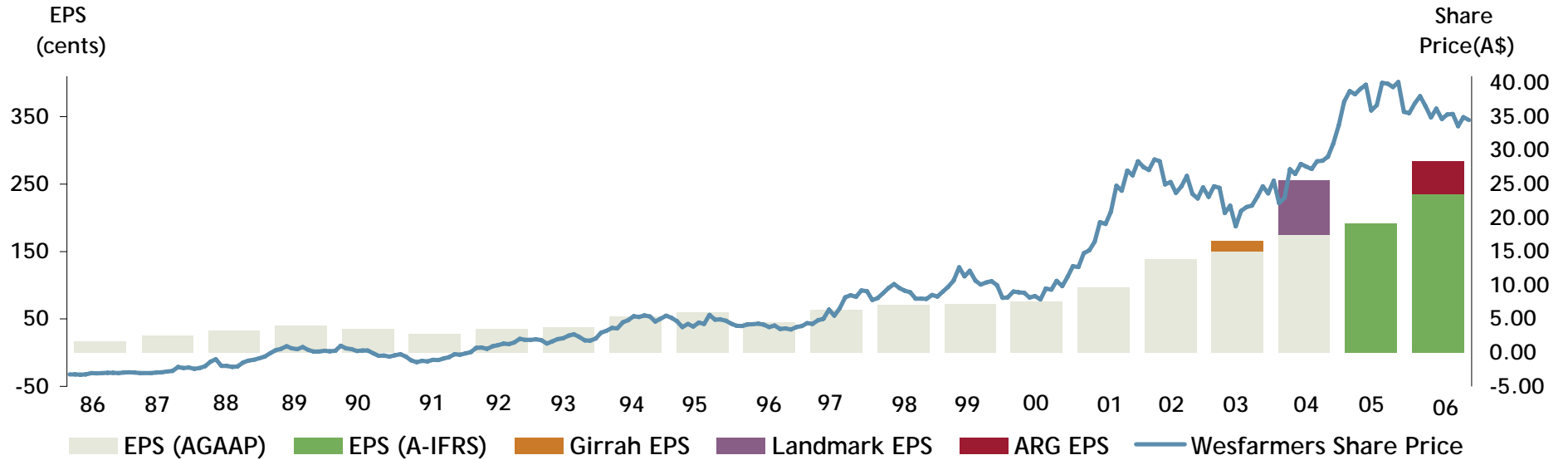
Acquisition Events | Divestment Events | Growth Events



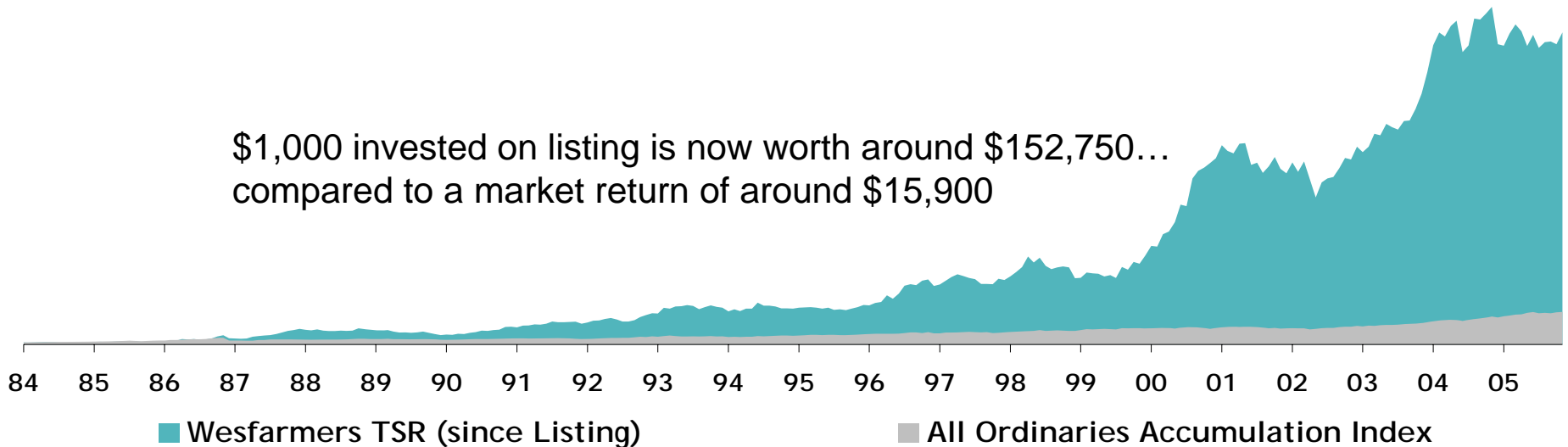
...and have refused to react to short term pressures



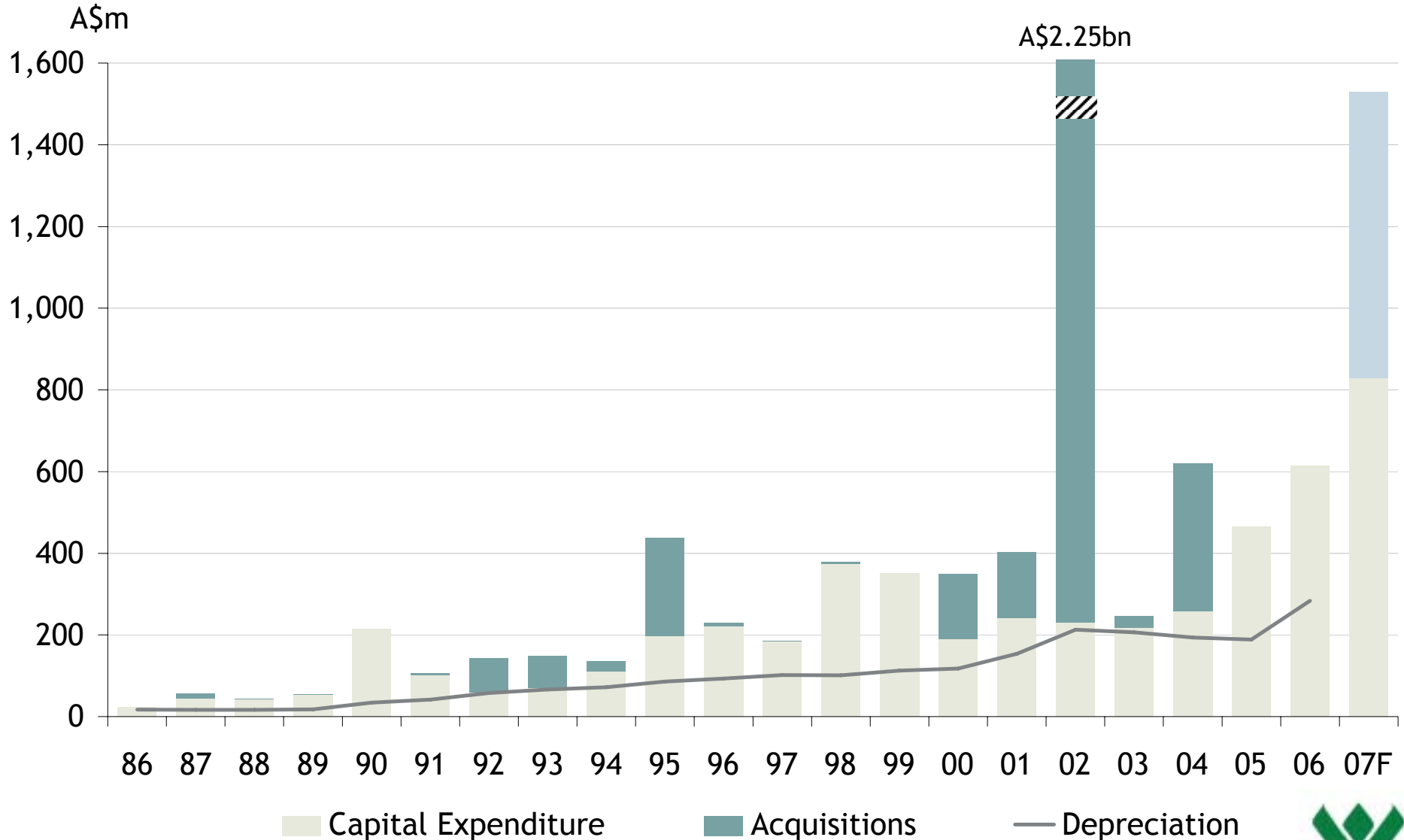
# Resulting in increasing returns



\$1,000 invested on listing is now worth around \$152,750...  
 compared to a market return of around \$15,900



# Investment has consistently exceeded depreciation





# 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

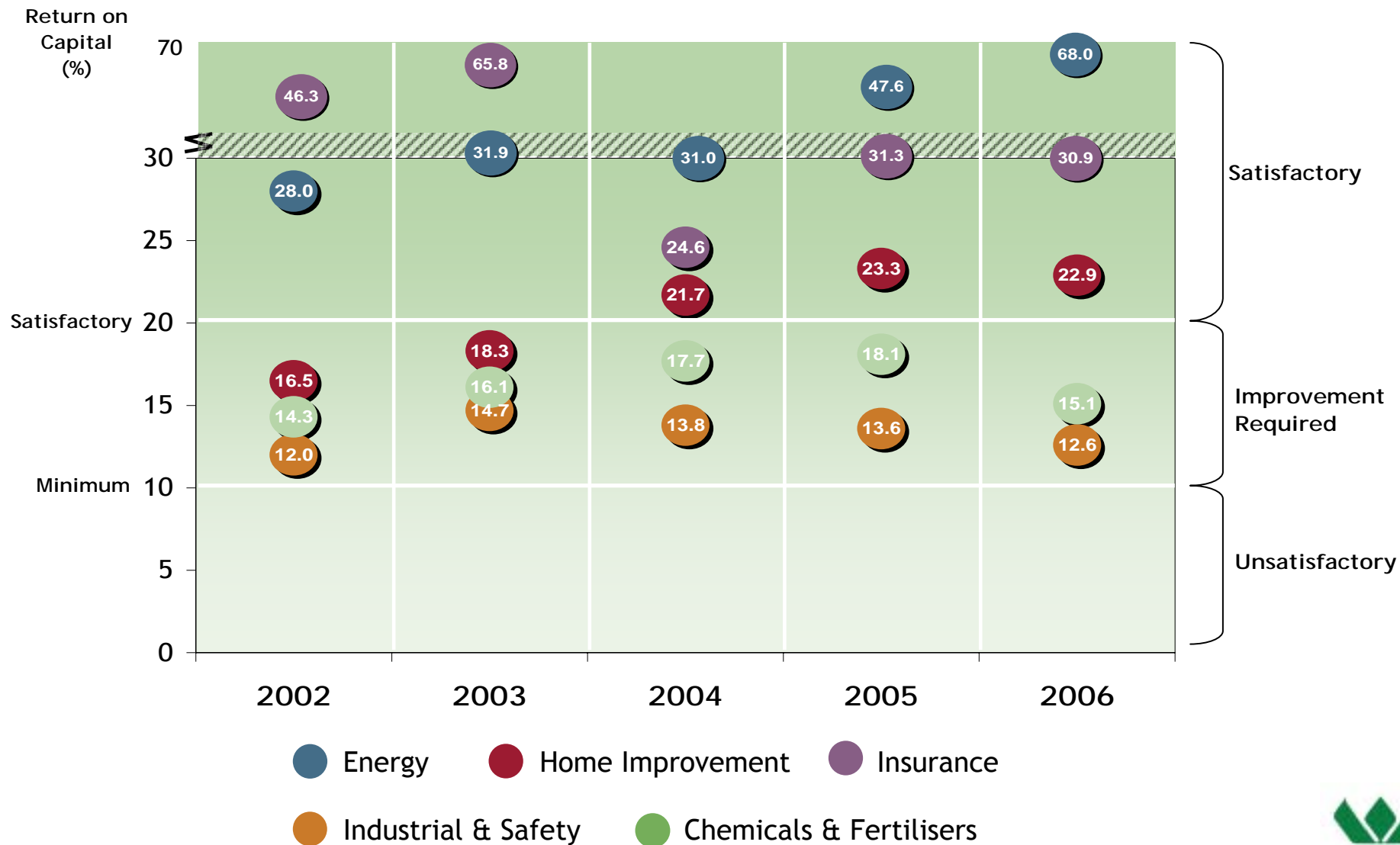
Tim Bult



# Group results



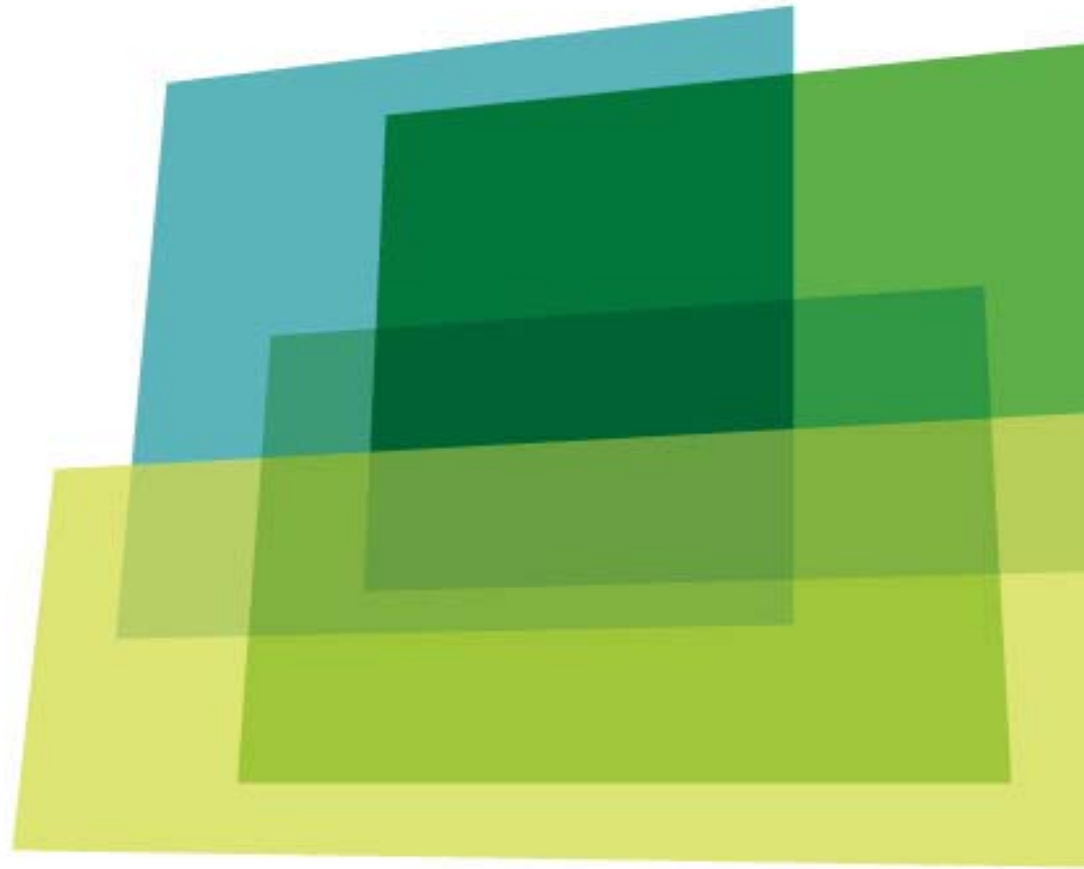
# Most divisions exceeded ROC performance target of 20% in 2006





# Industrial & Safety

Terry Bowen



# Portfolio of industrial and safety product supply and service businesses

## Core business

### **Blackwoods**

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

## National Specialist Businesses


### Australia



### New Zealand






# Blackwoods - MRO Market leader in Australia (88 locations)

Business	Market	Competition	Position
	<p><b>General Industrial Products</b></p> <p><b>A\$10b MRO market</b></p> <p><b>Top 3 industries</b></p> <ul style="list-style-type: none"> <li>• Manufacturing</li> <li>• Mining</li> <li>• Construction</li> </ul>	<p><b>Fragmented, intense competition largely from specialists</b></p> <p><b>Major competitors</b></p> <ul style="list-style-type: none"> <li>• Hagemeyer</li> <li>• Coventry</li> <li>• Crane</li> <li>• BOC</li> <li>• Heatley Industrial</li> <li>• Australian Safety</li> <li>• Independents</li> </ul>	<p><b>Market leader</b></p> <p><b>Unique offering</b></p> <ul style="list-style-type: none"> <li>• “One-stop-shop”</li> <li>• Widest range</li> <li>• Large network</li> <li>• Same to next day delivery</li> <li>• Strong e-business</li> <li>• “Find-it” service</li> </ul>







# Australian Specialists - Complementary (66 locations)

Business	Market	Competition	Position
	<p><b>Safety clothing &amp; products</b></p> <p>All industries A\$1.5b</p>	<p><b>Fragmented, intense</b></p> <ul style="list-style-type: none"> <li>• BOC</li> <li>• Aust. Safety</li> <li>• Independents</li> </ul>	<p><b>Safety specialist</b></p> <ul style="list-style-type: none"> <li>• Best range/ availability</li> <li>• Advice &amp; Training</li> <li>• Customised solutions</li> </ul>
	<p><b>Fasteners</b></p> <p>Construction, mining, manufacture A\$1.0b</p>	<p><b>Fragmented</b></p> <ul style="list-style-type: none"> <li>• Coventry</li> <li>• United, EDL</li> <li>• Independents</li> </ul>	<p><b>Fastener specialist</b></p> <ul style="list-style-type: none"> <li>• Wide range/ availability</li> <li>• Technical advice</li> <li>• Sourcing expertise</li> </ul>
	<p><b>Bearings &amp; power transmission</b></p> <p>Mining, engineering A\$0.7b</p>	<p><b>Concentrated</b></p> <ul style="list-style-type: none"> <li>• CBC BSC</li> <li>• SKF</li> <li>• AWB Statewide</li> </ul>	<p><b>PT &amp; B specialist</b></p> <ul style="list-style-type: none"> <li>• Exclusive brands</li> <li>• Shutdown specialist</li> <li>• PT design &amp; expertise</li> </ul>



# New Zealand Specialists

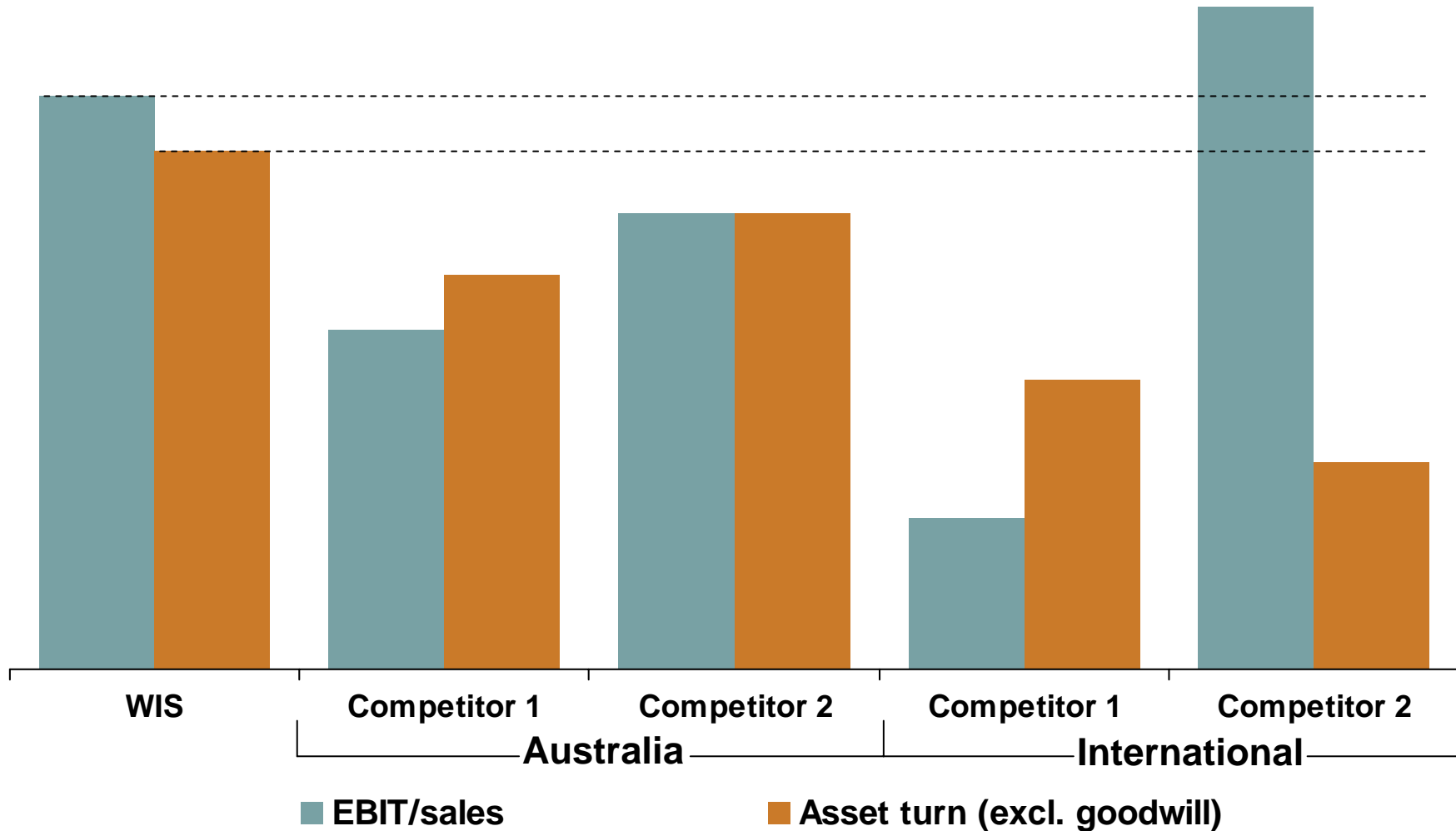
## Stable of strong industrial brands (76 locations)

Business	Market	Competition	Position
 	<p><b>Safety clothing &amp; products</b></p> <p>All Industries NZ\$0.5b</p>	<p><b>Fragmented</b></p> <ul style="list-style-type: none"> <li>• BOC</li> <li>• Snell</li> <li>• Equip Safety</li> </ul>	<p><b>#1 &amp; #2 safety specialists</b></p> <ul style="list-style-type: none"> <li>• Complementary price, range and service positions</li> </ul>
	<p><b>General industrial products</b></p> <p>All Industries NZ\$2.9b MRO market</p>	<p><b>Fragmented</b></p> <ul style="list-style-type: none"> <li>• BGH</li> <li>• Independents</li> </ul>	<p><b>General MRO + Hose &amp; conveyor specialist</b></p> <ul style="list-style-type: none"> <li>• Widest range</li> <li>• Excellent service</li> <li>• Expert advice / design</li> </ul>
	<p><b>Packaging products</b></p> <p>Retail, hospitality &amp; tourism NZ\$0.3b packaging market</p>	<p><b>Concentrated</b></p> <ul style="list-style-type: none"> <li>• Snell</li> <li>• Attwoods</li> <li>• Boise</li> </ul>	<p><b>#1 packaging specialist + hygiene &amp; safety supplier</b></p> <ul style="list-style-type: none"> <li>• Wide range</li> <li>• Excellent service</li> <li>• Expert advice</li> </ul>





# WIS has a very competitive platform



Note: profits have not been adjusted for one-off items

Source: 2006 financials (H1 2006 annualised for International competitors)



# But business performance has been constrained



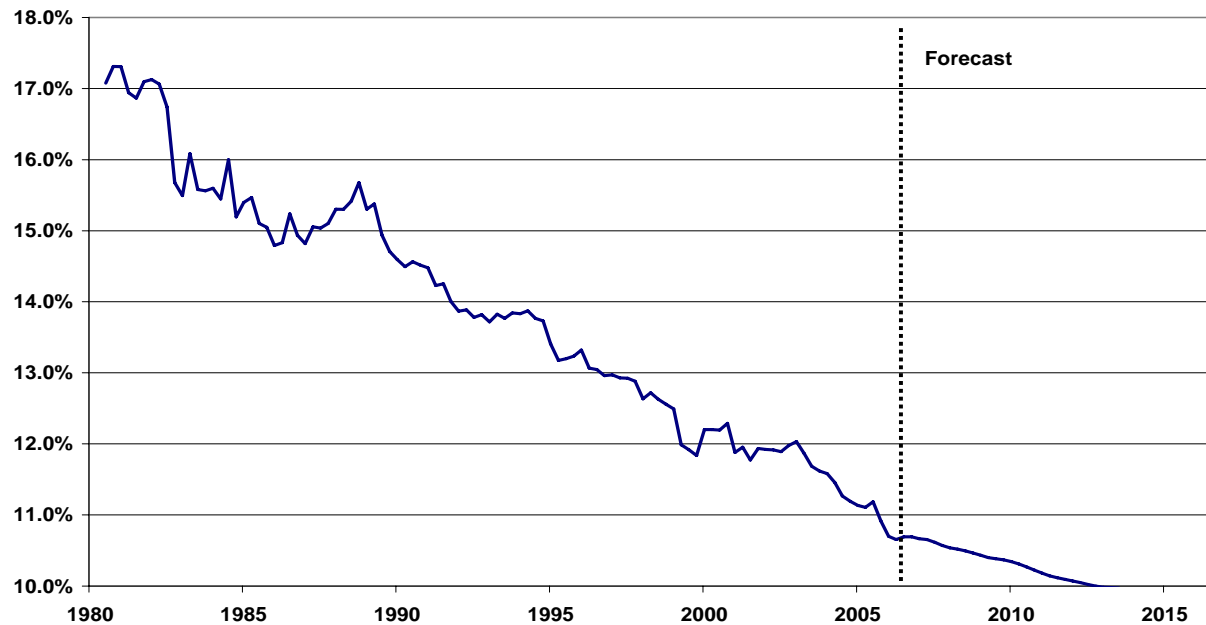
- Declining core manufacturing market
- Unsatisfactory Blackwoods Paykels performance
  - Integration difficulties
- More recently, difficult New Zealand business conditions
  - Slowing economy
  - Falling exchange rate



# Focus on capturing potential in faster growing sectors

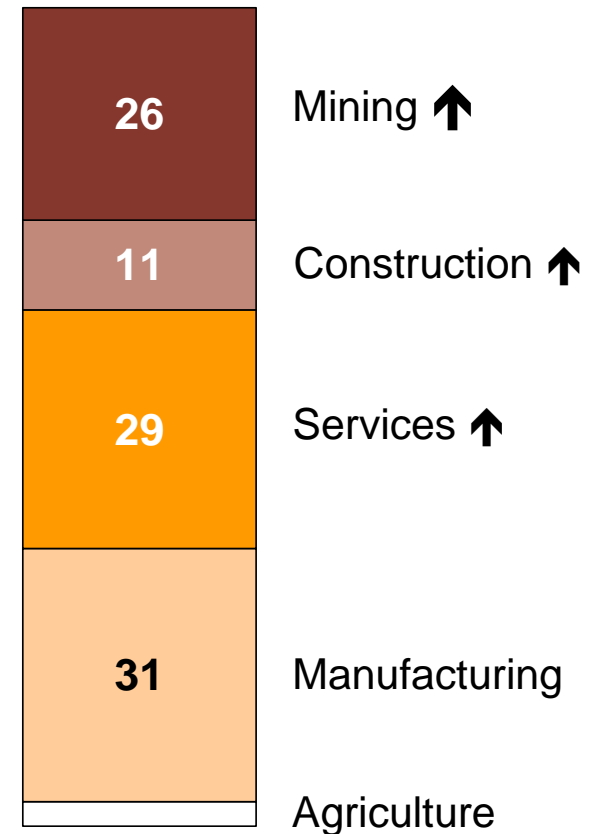
## Continued decline of manufacturing in the Australian economy (% GDP)

Manufacturing Sector Output as a Percentage of Gross Domestic Product



Data Source: Access Economics, Business Outlook June 2006.

## WIS Aus. Sales (%)



Note: services include transport, logistics, wholesale, communication, government & utilities



# Business turnaround program for Blackwoods Paykels beginning to impact

Turnaround Initiatives	Performance	Achievements (Oct 05-Oct 06)
Improve management	✓	New management introduced and stable
Improve IT performance	✓	IT platform stabilised
Improve service levels	✓ / WIP	DIFOT increased from 82.5% to 90%
Reduce cost bases	✓	Cost base down by NZ\$ 2.6m (11%), FTEs from 260 to 230, Warehousing rationalised
Improve capital mgt	✓	Capital base down by NZ\$ 8.1m (22.6%) Inventory down 18%, DSO reduced from 45 to 39
Target sales growth	WIP	Targeting return business plus non-traditional sectors

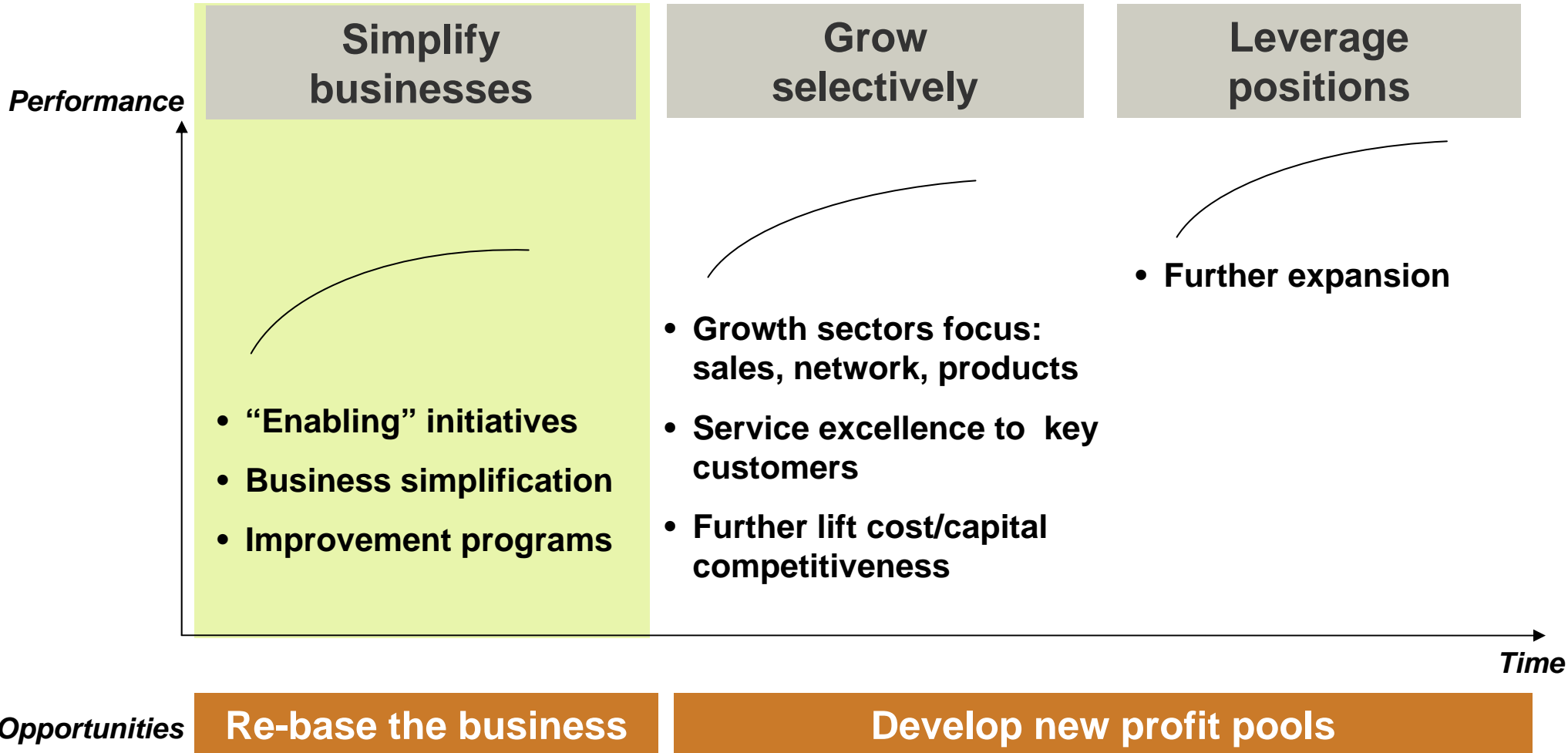


# Despite tough business conditions, reinforcing strong positions in New Zealand

- Seeking new growth opportunities
  - range extension and new sector development
- Reinforcing competitiveness
  - cost control
  - capital management, particularly inventory
- Maintaining strong expertise and service levels
  - reinforcing expertise in specific industries
  - improving customer service levels



# Strategy Update: Focus to date on strengthening the platform

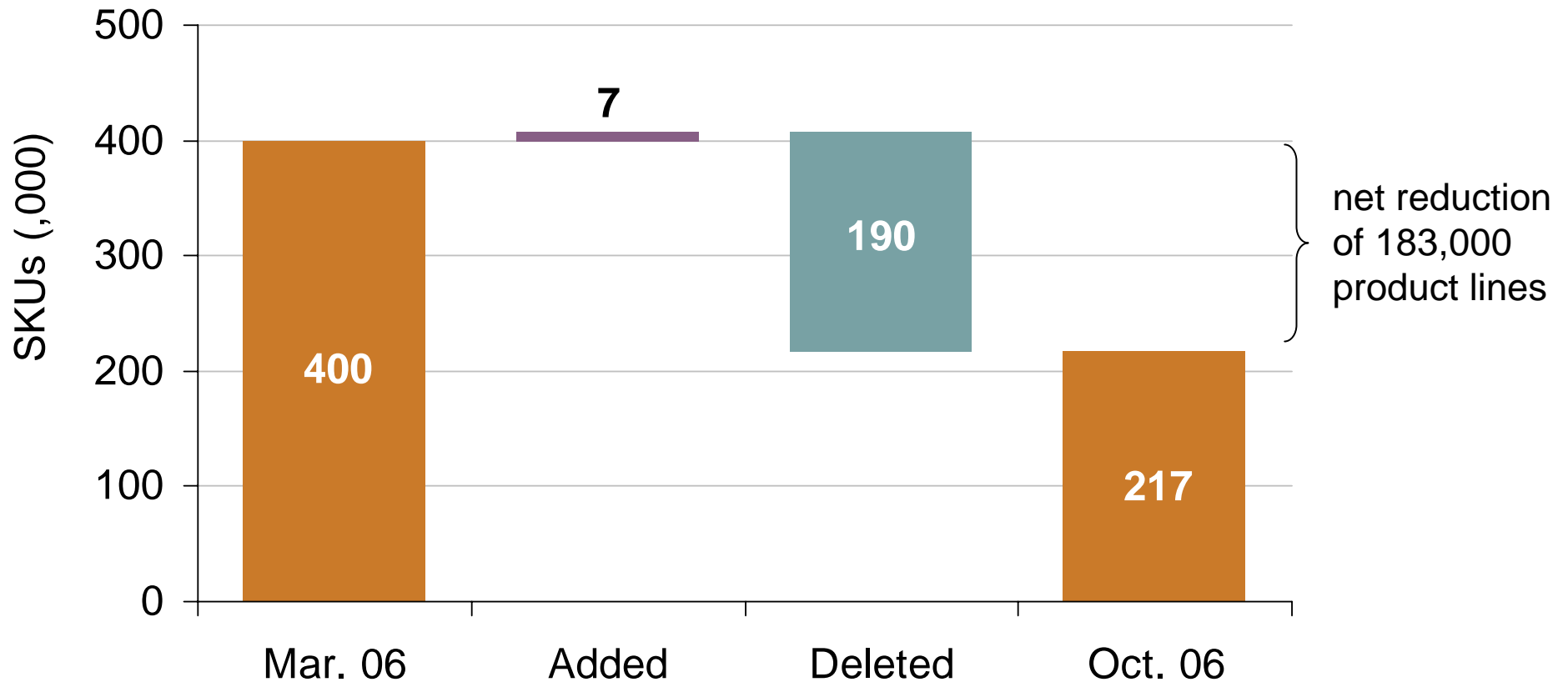


# Re-base the business: Enabling initiatives completed

Strategic Initiatives	Performance against Strategic Initiatives	Achievements
<b>Reposition businesses</b>	✓	<b><i>Division</i></b> Restructured into national business units Shared services strengthened (HR, Accounting, IT) Delivered efficiency savings: >150 non-sales employees
	✓	<b><i>Blackwoods</i></b> Restructured sales and contract teams Range rationalisation, closed 10 non-performing locations Realigned marketing and sourcing organisations
	✓	<b><i>Australian Specialists</i></b> Reorganised operations, reinforced technical capabilities Closed 6 under-performing small Protector Alsafe locations
	✓	<b><i>New Zealand Specialists</i></b> Restructured Blackwoods Paykels, closed 7 small under-performing branches; reorganised safety businesses



# Re-base the business: Business simplification well underway



Very positive impact on service delivery, no negative sales impact



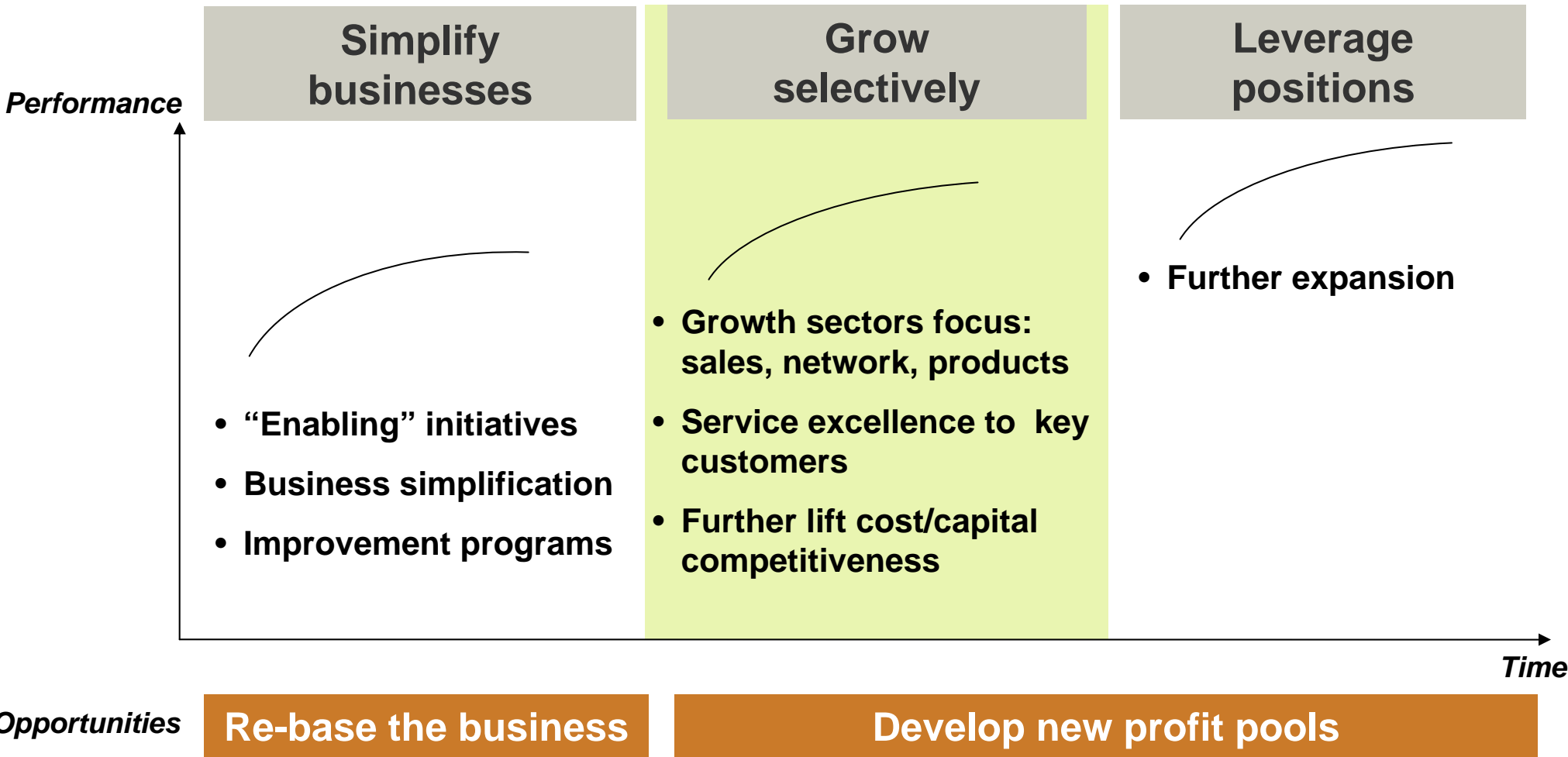


# Re-base the business: Improvement programs begin to impact

Strategic Initiatives	Performance against Strategic Initiatives	Achievements
<p><b>Redesign the sales &amp; logistics model &amp; Rapidly reduce the capital base</b></p>	<p>✓</p> <p>WIP</p> <p>WIP</p>	<p><b>Division</b>            \$65m/18% reduction in working capital (inventory, debt)            New sales incentive schemes in place            New Safety and people programmes in place</p> <p><b>Blackwoods</b>            Enhanced sales &amp; contracts skills / processes            Improved supply chain, including warehouse upgrades            e-business growth</p> <p><b>Australian and New Zealand Specialists</b>            Warehouses upgrades            Targeted improvement plans underway</p>



# Leverage stronger platform to increasingly focus on growth



# Growth Strategies underway



## Opportunities

Further penetrate  
higher growth  
sectors

## Strategic Initiatives

Additional sales force / product specialists for growth sectors

- 34 of target 50 additional positions filled over past 6 months

Network development in growth locations (across networks)

- Continued improvements in supply chain

Product and service range expansion (Blackwoods & specialists)

- Improved brand and value proposition

Review acquisition opportunities in highly fragmented market



# Growth Strategies underway



## Opportunities

## Strategic Initiatives

### **Continue to improve service to increase share of spend**

Services and incentives to grow spend across entire portfolio

- Attract, train and retain the best people in the industry
- Pricing programmes
- Expand competitive advantage in e-business channels

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### **Further lift competitiveness**

Leverage economies of scale in sourcing and shared services across businesses

- China sourcing office established to increase competitiveness

Continue capital management programmes

- Inventory, debtors, creditors

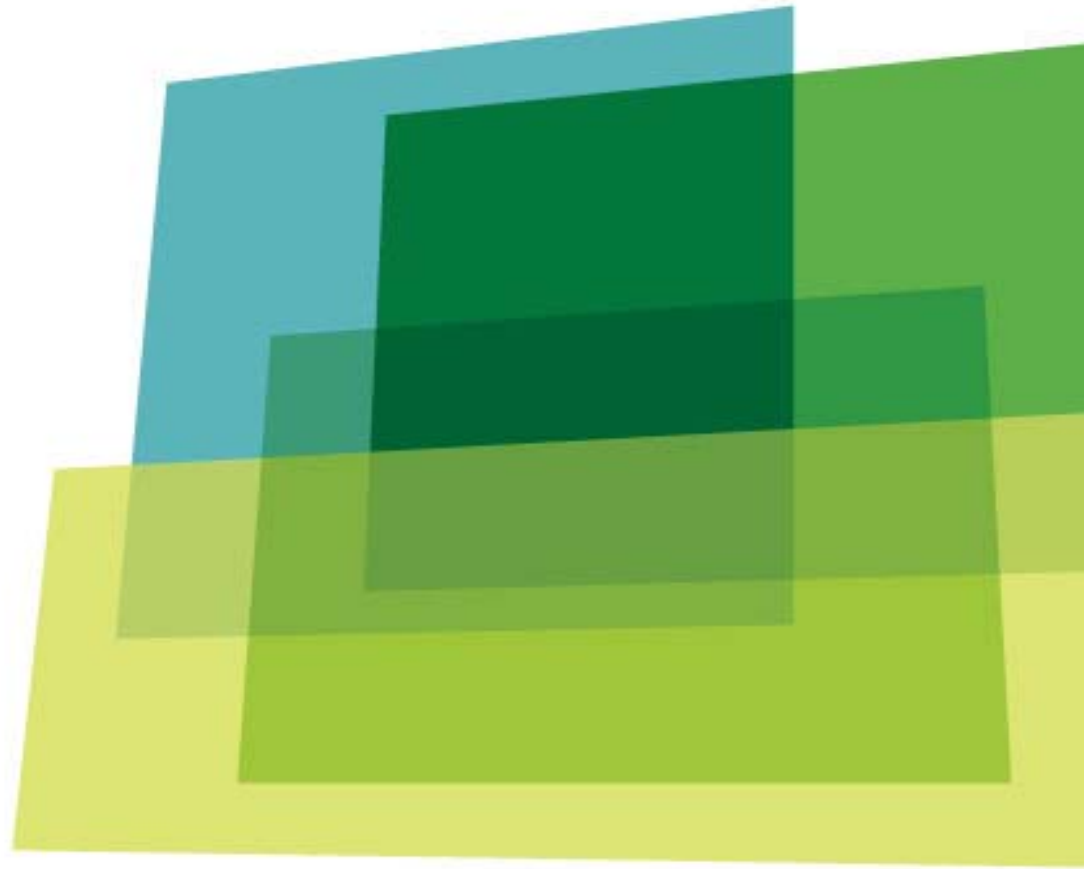


# Outlook

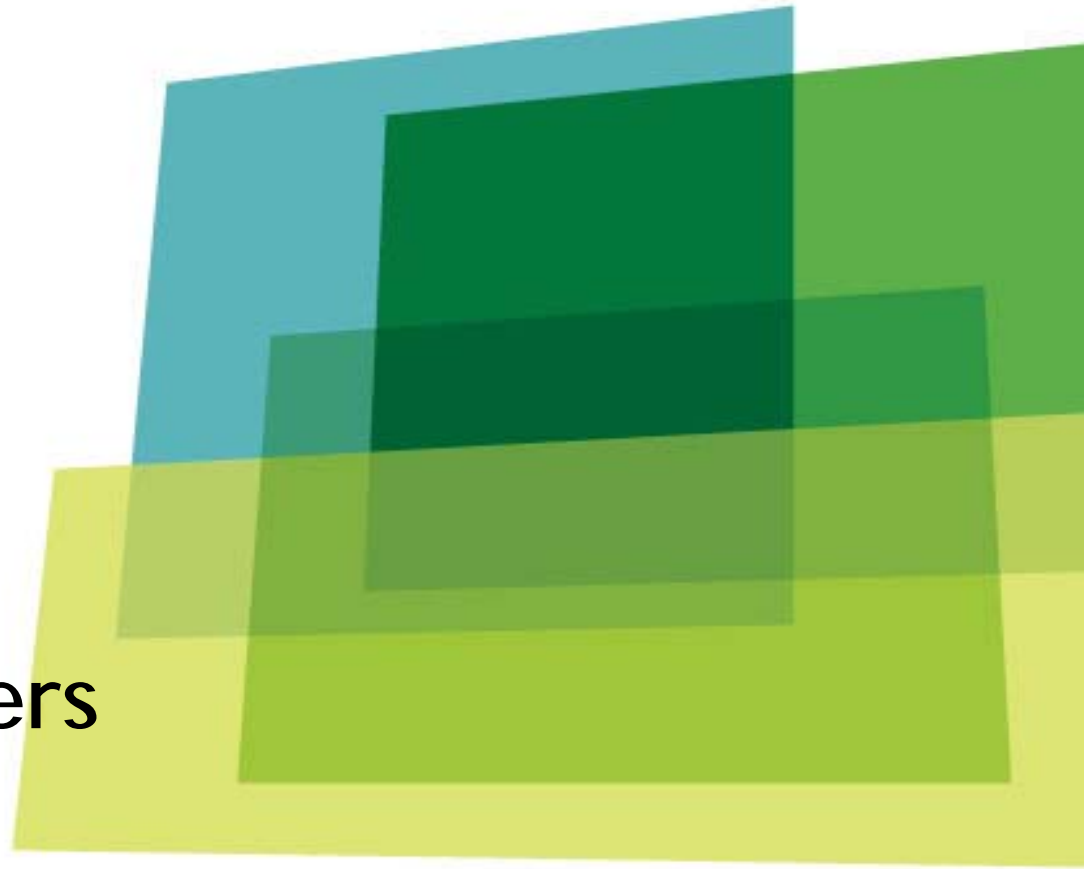


- Weak market conditions in New Zealand and manufacturing generally balanced by stronger results elsewhere
  - continued strong demand from resource customers
  - business improvement initiatives delivering benefits
- Leverage stronger foundations
  - completion of business improvement initiatives
  - reinforce Blackwoods' position
  - complemented by specialist networks in Australia and New Zealand
- Review acquisition opportunities to complement organic growth
  - reinforce exposure to growth sectors / products





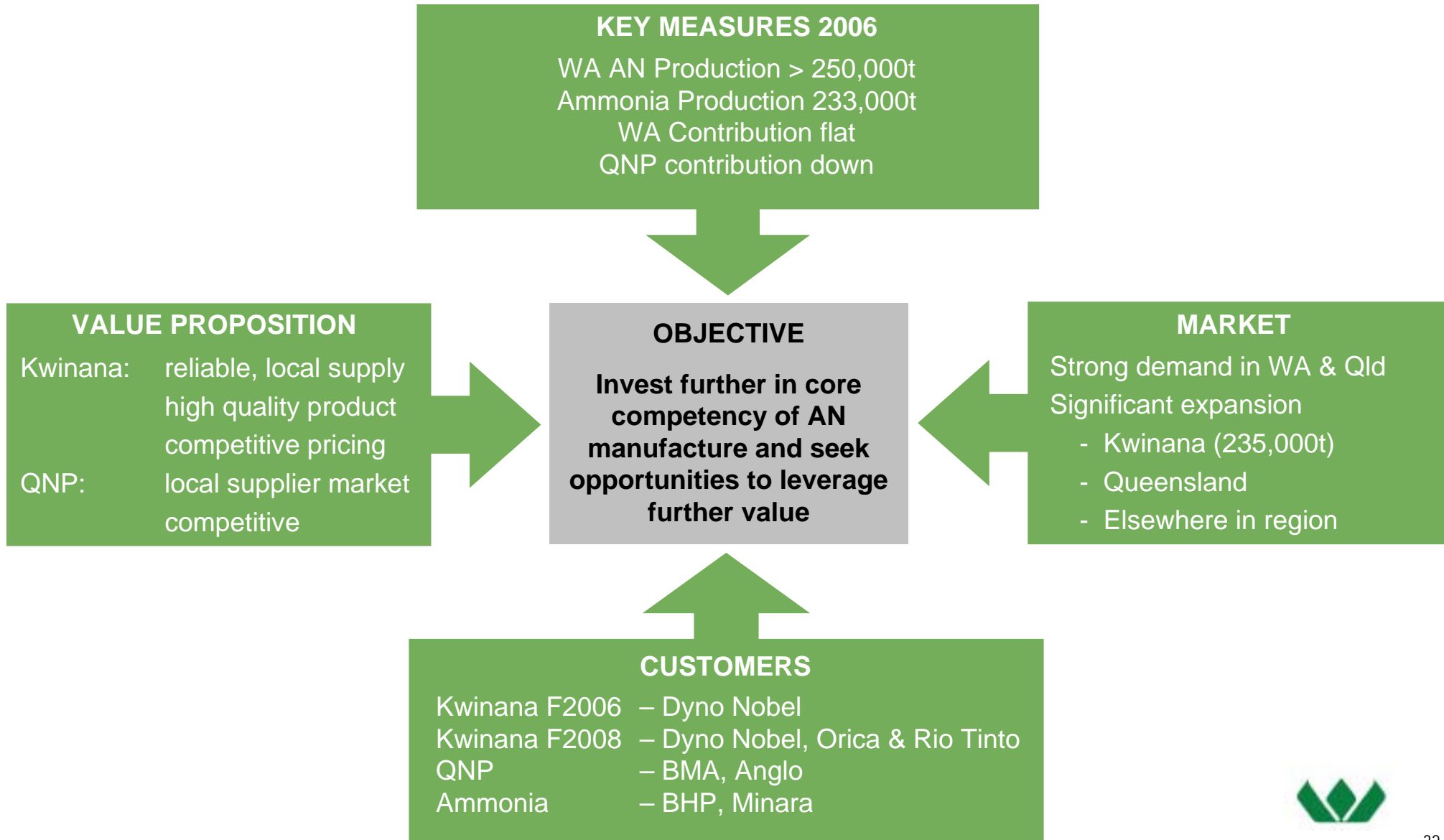
Questions



# Chemicals & Fertilisers

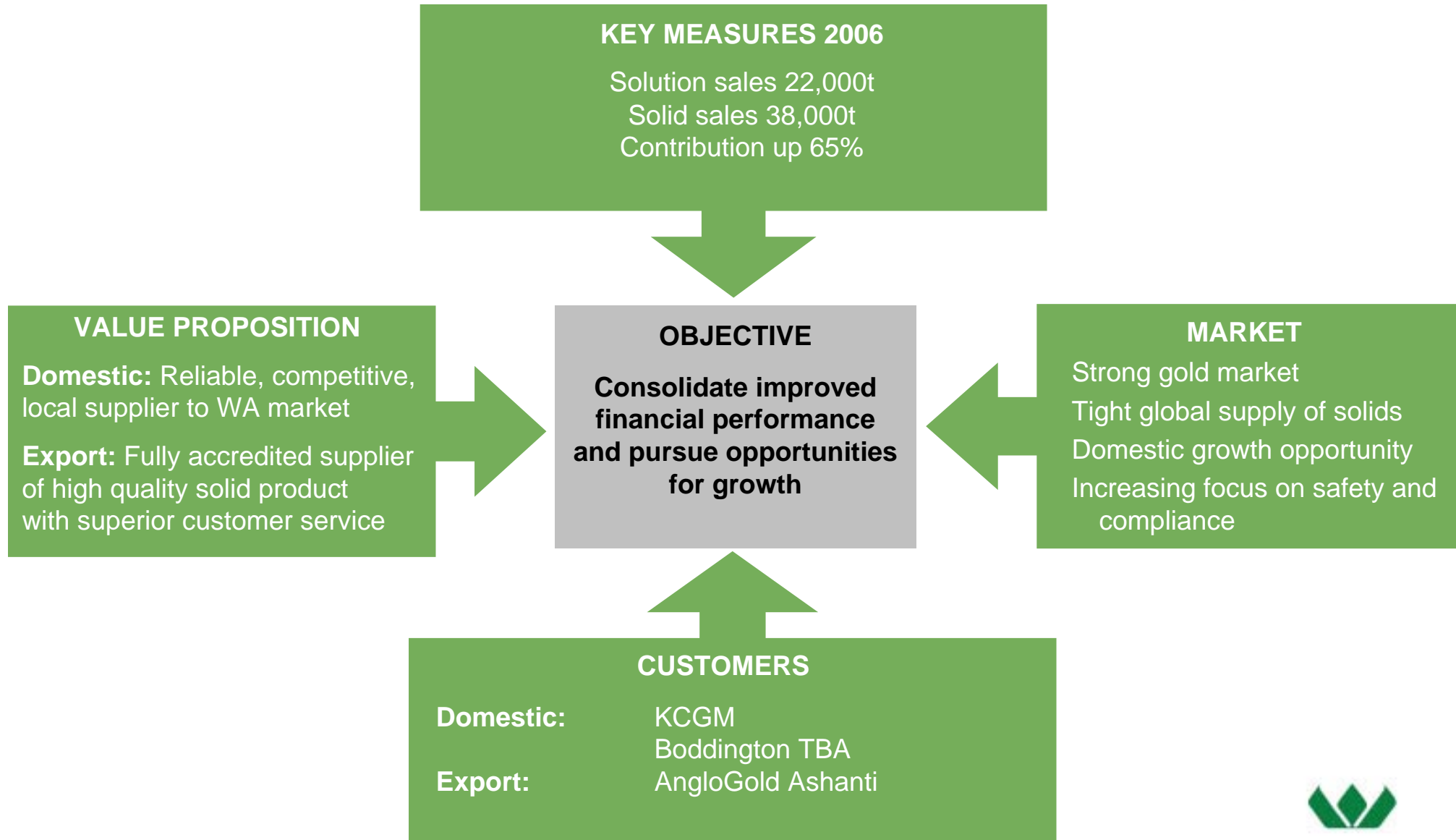
Keith Gordon

# Major supplier of ammonia and ammonium nitrate to resources sector

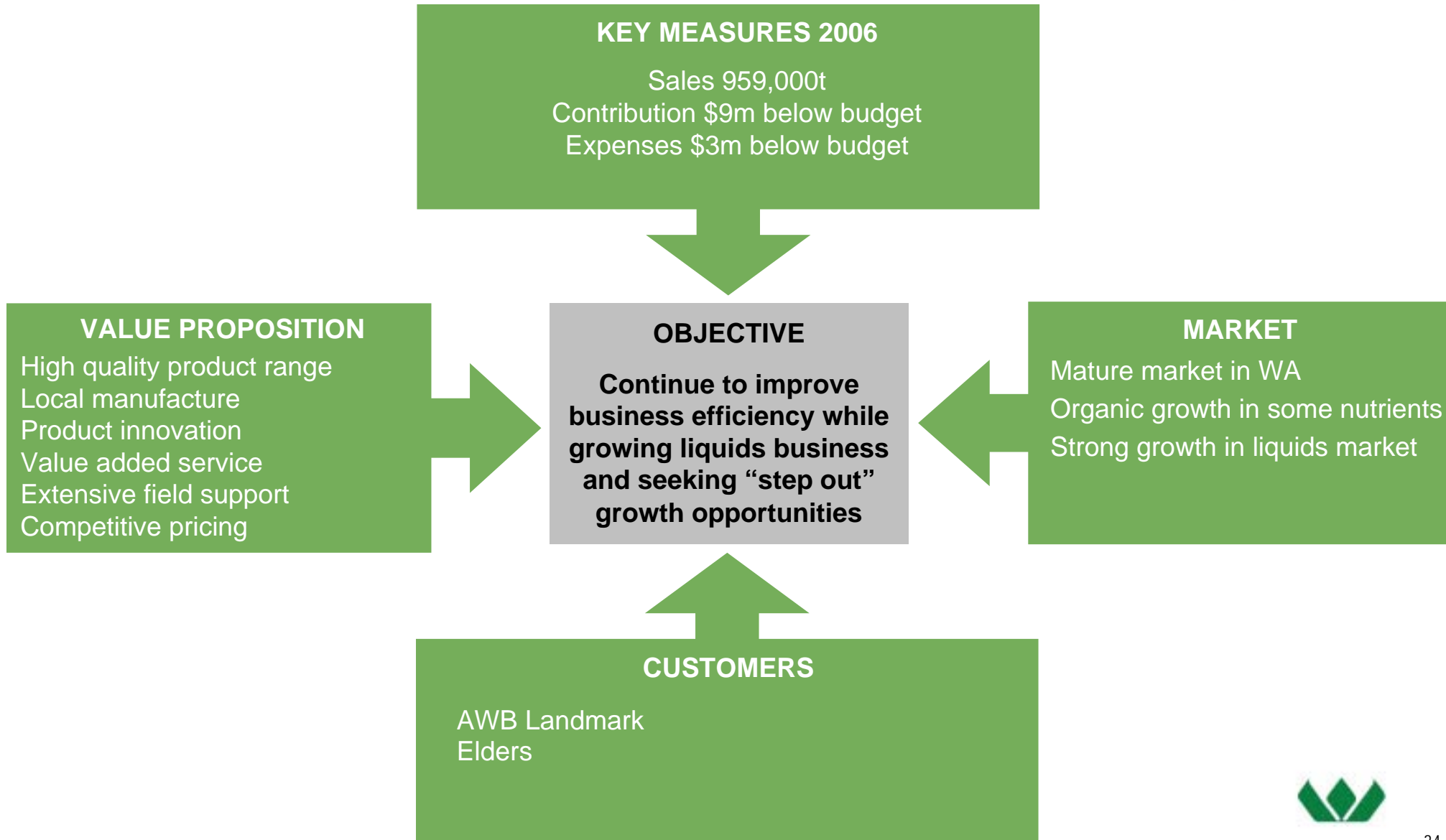




# Major supplier of sodium cyanide to gold producers in Australia and overseas

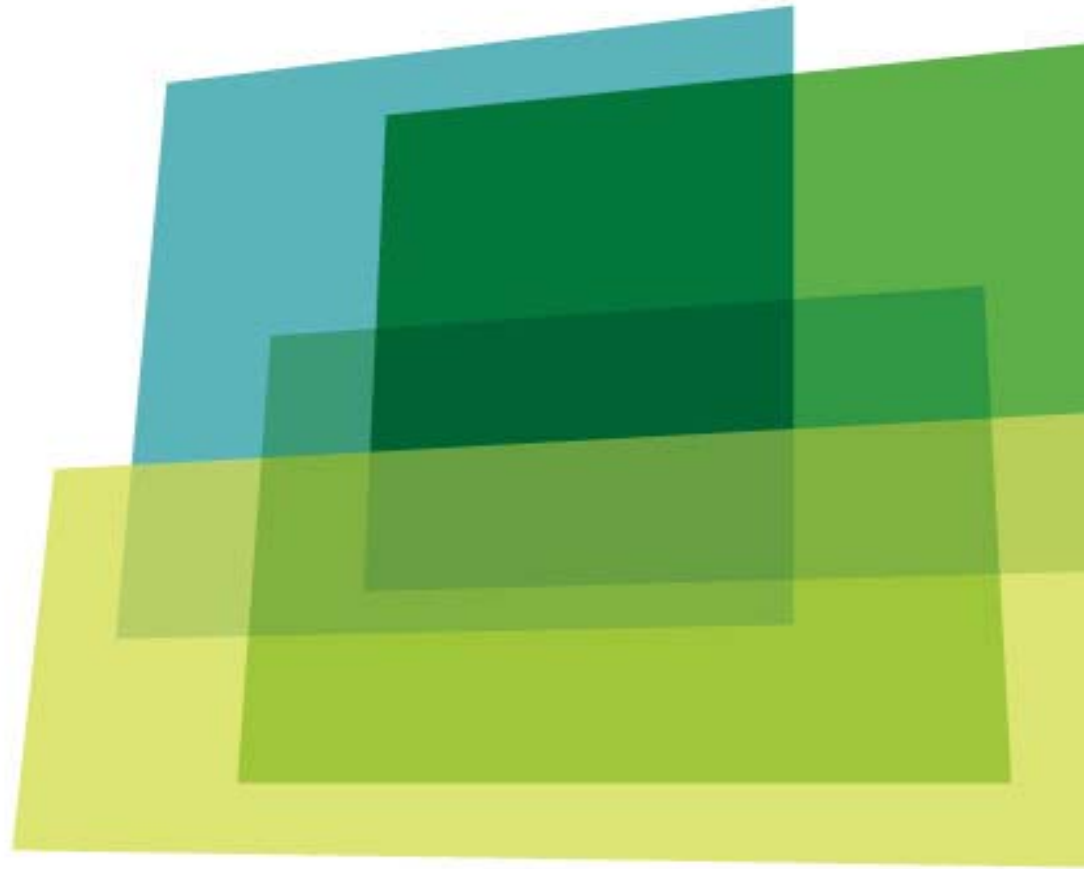


# Key supplier of fertilisers to rural sector





Chemicals



# Contribution from Kwinana AN up significantly on prior year

- Growing demand from Pilbara
- Record production >250,000t – all directed to explosives market
- Full year effect of short term contract renewal
- Ammonia production affected by gas curtailments;
- 5,000t import in January 2006;  
13,000t import in August 2006
- Gas transmission renegotiated
- Duplicating AN capacity
- Capex \$260 million
- Commissioning first half FY08
- QNP performing well in 06/07



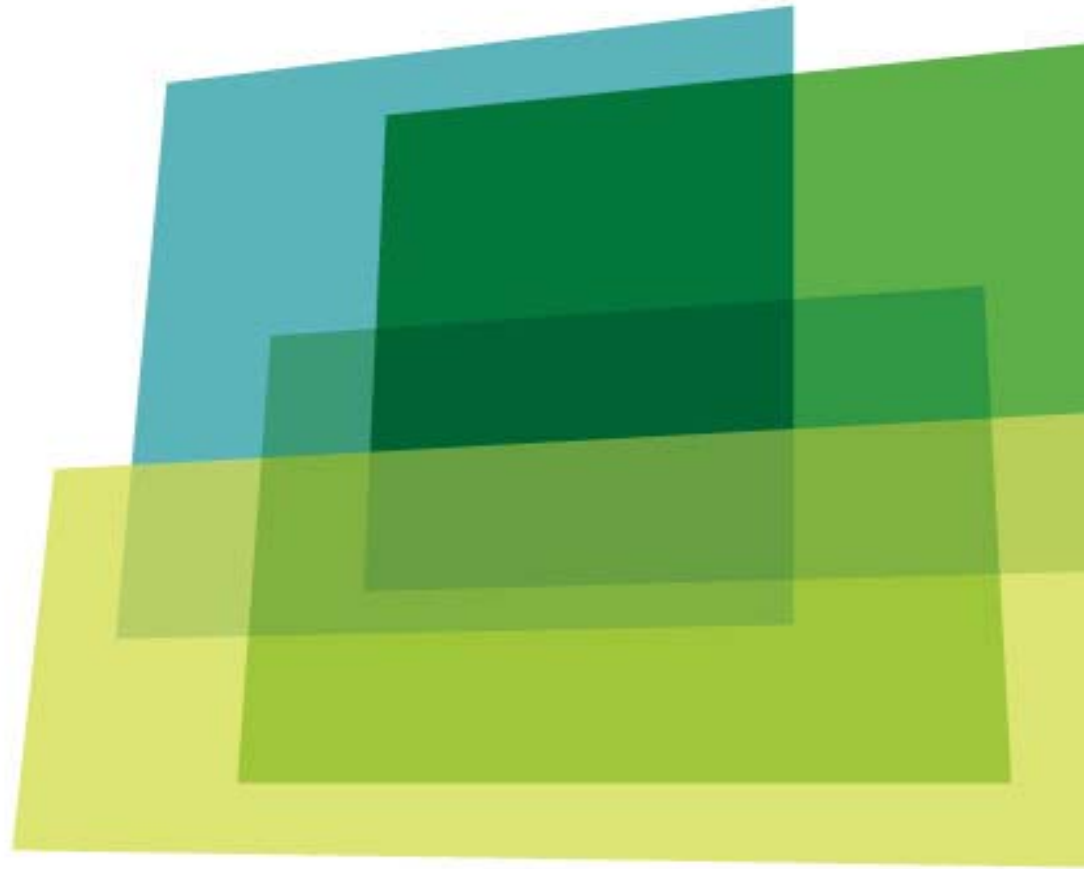
# Sodium cyanide - Improved financial performance and further growth prospects

- Contribution increased by 65% over prior year
- Record production of solid product
- Reduced working capital in export business
- Tight global market for solid sodium cyanide
- Increasing customer focus on safety and compliance
  - AGR transport system accredited under ICMI
- Opportunity to increase solution sodium cyanide sales
  - Boddington project to be commissioned in 2008/09
- AGR recognised in WA Industry and Export Awards



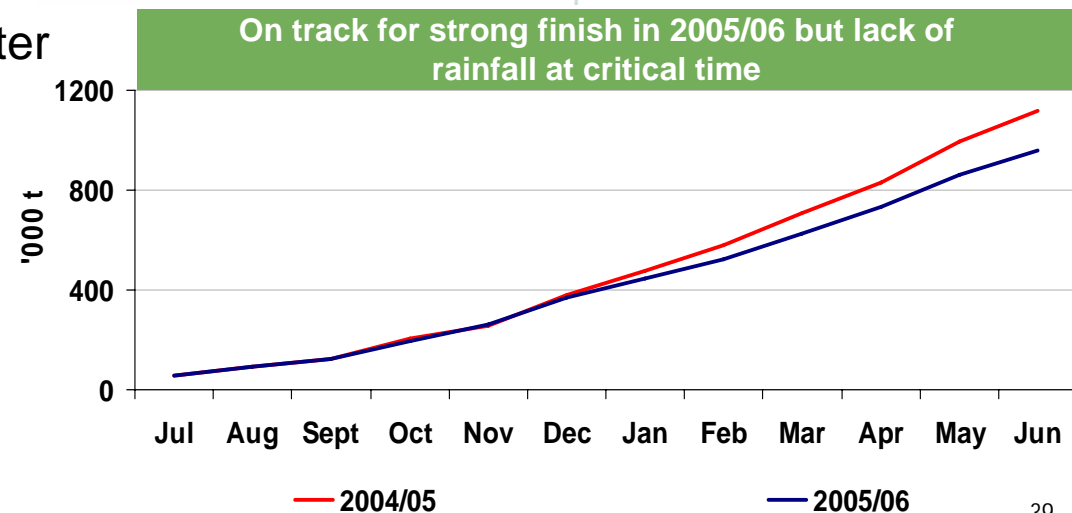
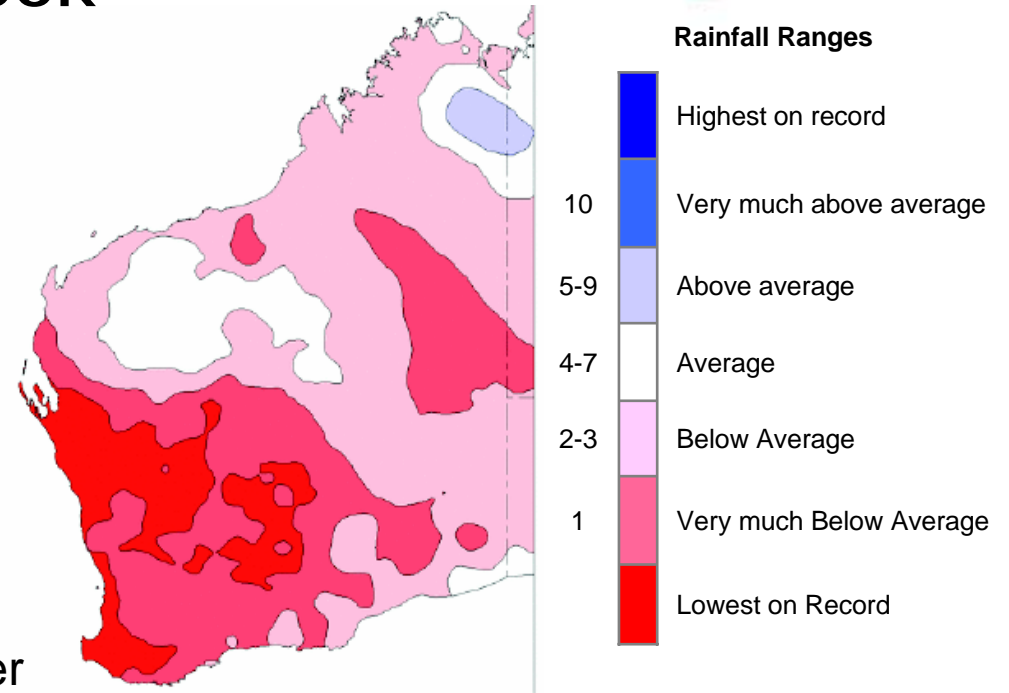


Fertilisers



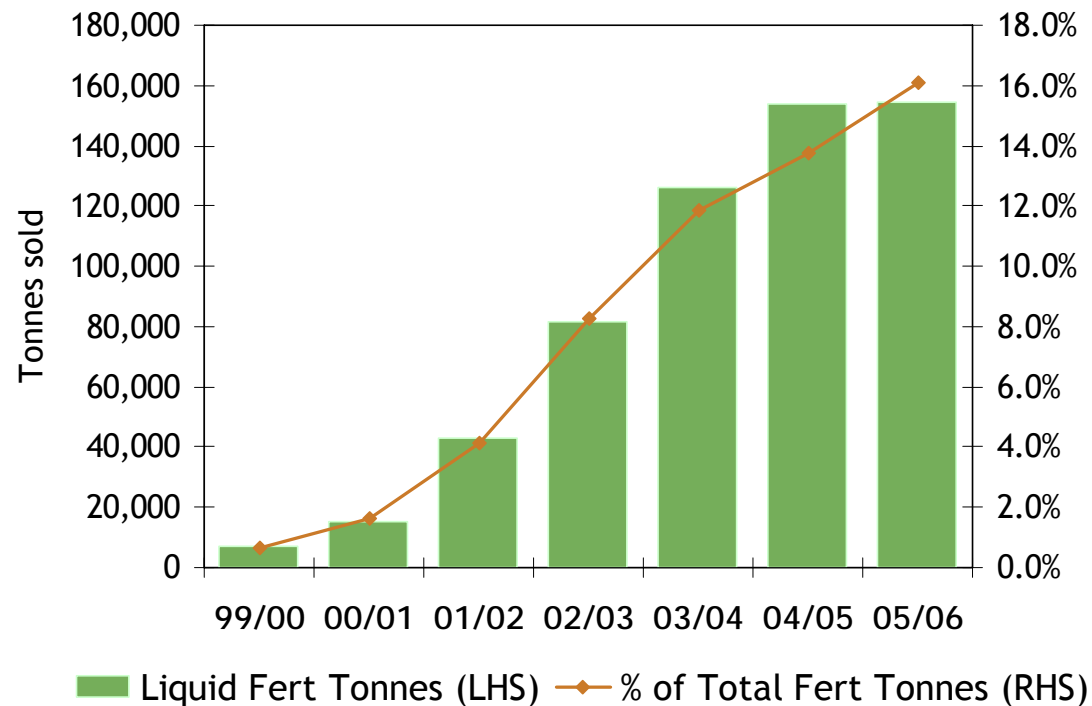
# Fertiliser business tied to seasonal conditions and rural outlook

- Focus is on improving quality of business:
  - Market share maintained throughout seasonal fluctuations
  - Pursuing liquids growth strategy
  - Expenses under constant review
  - Fixed v variable expenses a focus
- 2005/06 sales affected by drought
- 2006/07 harvest sales affected by lower back loading – will lead to even greater reliance on seasonal break
- Farmers expected to move to lower priced inputs in 2007
- Market very competitive – suppliers seeking to move stock



# Liquid fertilisers remained positive despite a lower market overall

- Sales of liquid fertiliser in 2005/06 were slightly higher than in 2004/05
- Percentage of total sales continued to increase
- CSBP is investing in liquids infrastructure in regional areas
- A manufacturing position following the AN expansion will provide:
  - Flexibility
  - Assured product quality
  - Competitive advantage





# The drought and poor harvest may impact 2006/07 sales



- High levels of closing stock on farm will influence 2006/07 volumes
- Cash flow position of farmers will result in purchases for 2007 being delayed as long as possible

We can respond through:

- Maintaining our market-focused customer offer
- Ensuring we are competitive to maintain share
- Focussing on our expenses and stock management
- Move further towards a variable cost structure where appropriate



# Progress on our chemical strategies

Strategic initiatives	Comments	
<b>Maintain and grow AN business</b>	2005/2006	Commenced expansion AN facility at Kwinana, WA increasing production capacity to 470 ktpa
	2006/2007	Complete ammonia plant shutdown Renegotiate gas transmission arrangements Evaluation of Queensland options
<b>Improve performance of sodium cyanide business and identify opportunities for growth</b>	2005/2006	Improved contribution and ROC Increased sales volumes
	2006/2007	Further manufactured volume growth Removal of consignment stock Investigate domestic growth opportunities
<b>Review position in industrial chemicals</b>	2006/2007	Sale and exit from chlor-alkali business



# Progress on our fertiliser strategies

Strategic initiatives	Comments	
<b>Continue to develop liquid fertilisers</b>	2005/2006	Completed storage upgrade at Kwinana Continued product development program Freight capacity increased Sales volume maintained
	2006/2007	Increase regional storage Expand regional formulation facilities Extend product development activity
<b>Optimise cost and capital</b>	2005/2006	Expenses managed tightly Working capital above budget due to drought
	2006/2007	Focus on expense reduction strategies Investigate opportunities to make cost base more variable



# Chemicals & Fertilisers



2005/06 Strategic initiatives	Performance against Strategic initiatives	Comments
<b>Identify and evaluate growth opportunities</b>	WIP	<p>CSBP operates in sectors undergoing significant change globally</p> <p>Dedicated business development team</p>
<b>Develop improved capabilities</b>	✓	<p>Greater investment in training</p> <p>Upgraded competency management system</p> <p>Established new compliance team</p> <p>Improved commercial capability</p>
<b>Optimal cost and capital structure</b>	WIP	<p>Reduced working capital in sodium cyanide</p> <p>Expense management in fertilisers</p>
<b>Maintain “Licence to Operate”</b>	✓	<p>Developed sustainability concept</p> <p>Continued management of legacy issues</p> <p>Regulatory compliance</p>



# Outlook

- **Chemicals**

- Continued strong demand from resource sector
- Full year benefits from sodium cyanide business improvements
- AN expansion project progressing

- **Fertilisers**

- Potentially high levels of closing stocks may influence 2006/07 volumes due to poor start to season
- Continue focus on cost control
- Drive further development of liquid fertiliser market

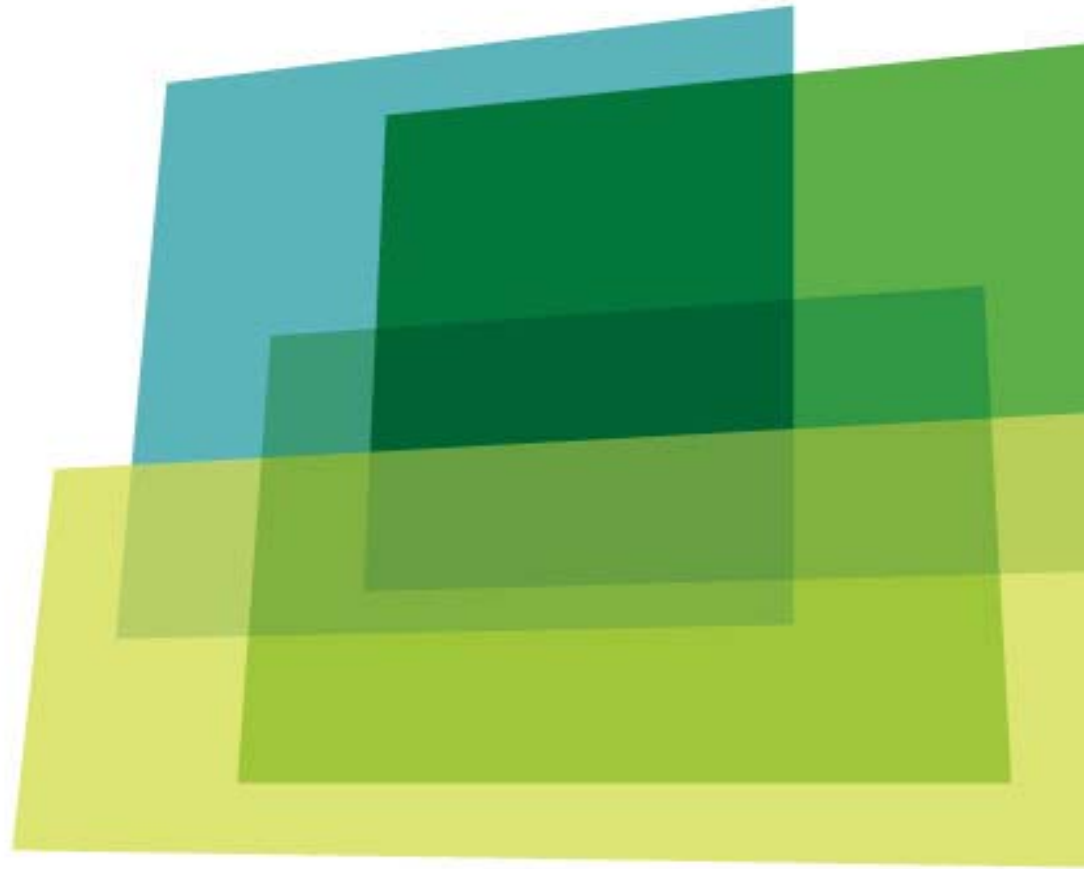
- **CSBP**

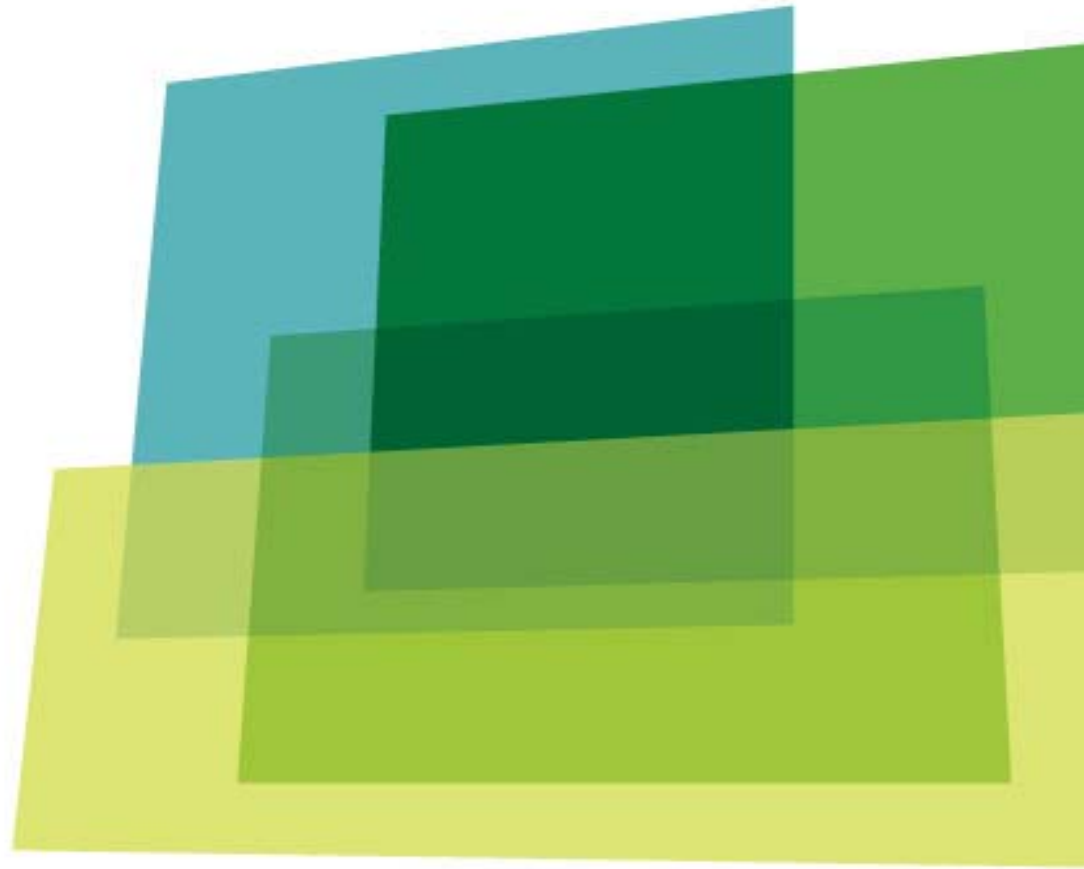
- Identify and pursue opportunities for growth





Questions

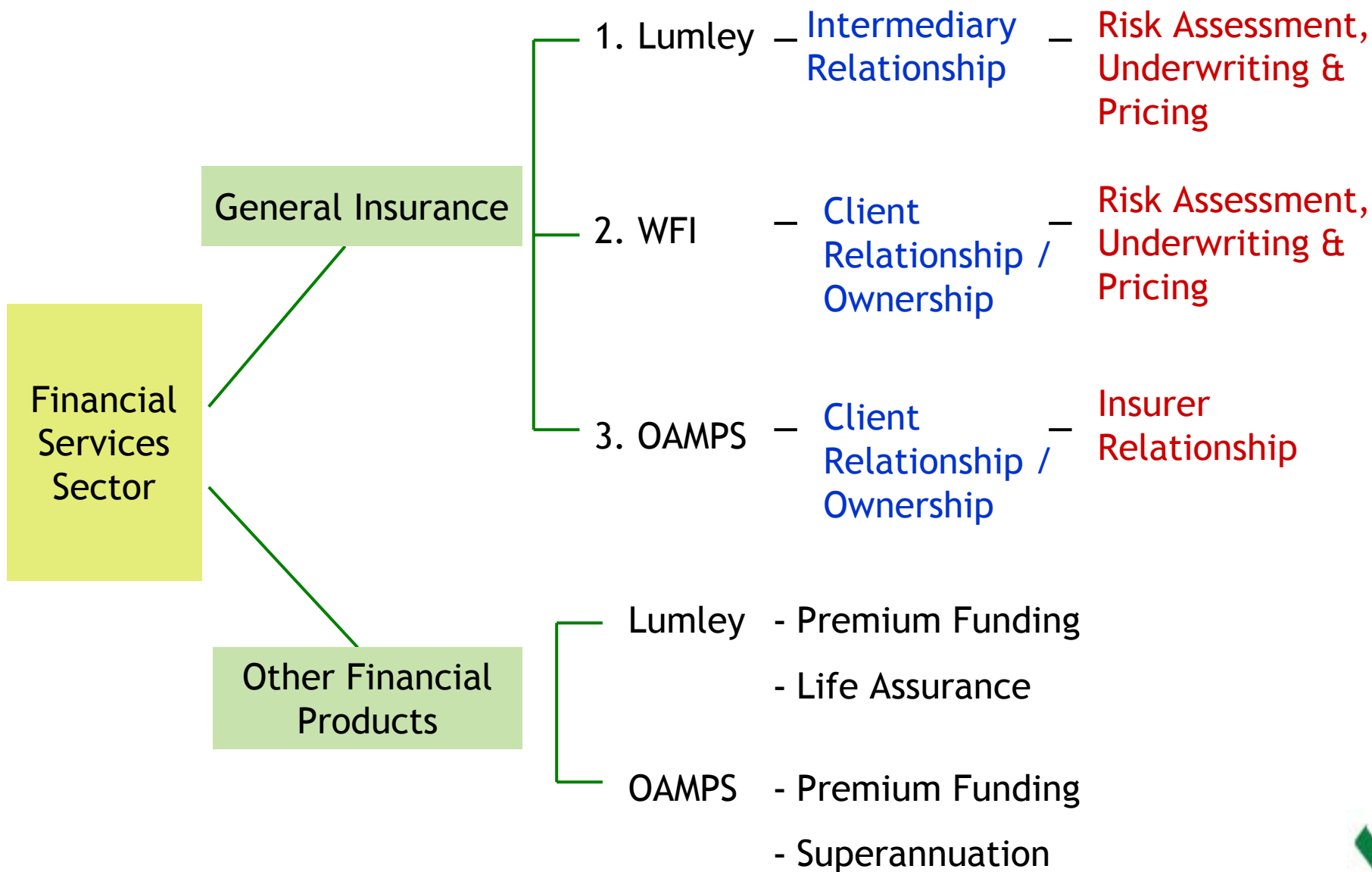




# Insurance

Bob Buckley

# WID Strategic Rationale





# Industry Distribution Channels



Distribution Channel	Product Type			
	Personal Lines		Commercial Lines	
	%	\$b	%	\$b
Direct	68.0	8.5	8.0	0.8
Brokers	8.0	1.0	66.0	6.9
Underwriting agencies	-	-	8.0	0.8
Alliance partners & affinity group	7.0	0.9	3.0	0.3
Financial intermediaries	8.0	1.0	3.0	0.3
General insurance agents	9.0	1.1	12.0	1.3
<b>Total</b>	<b>100.0</b>	<b>12.5</b>	<b>100.0</b>	<b>10.4</b>

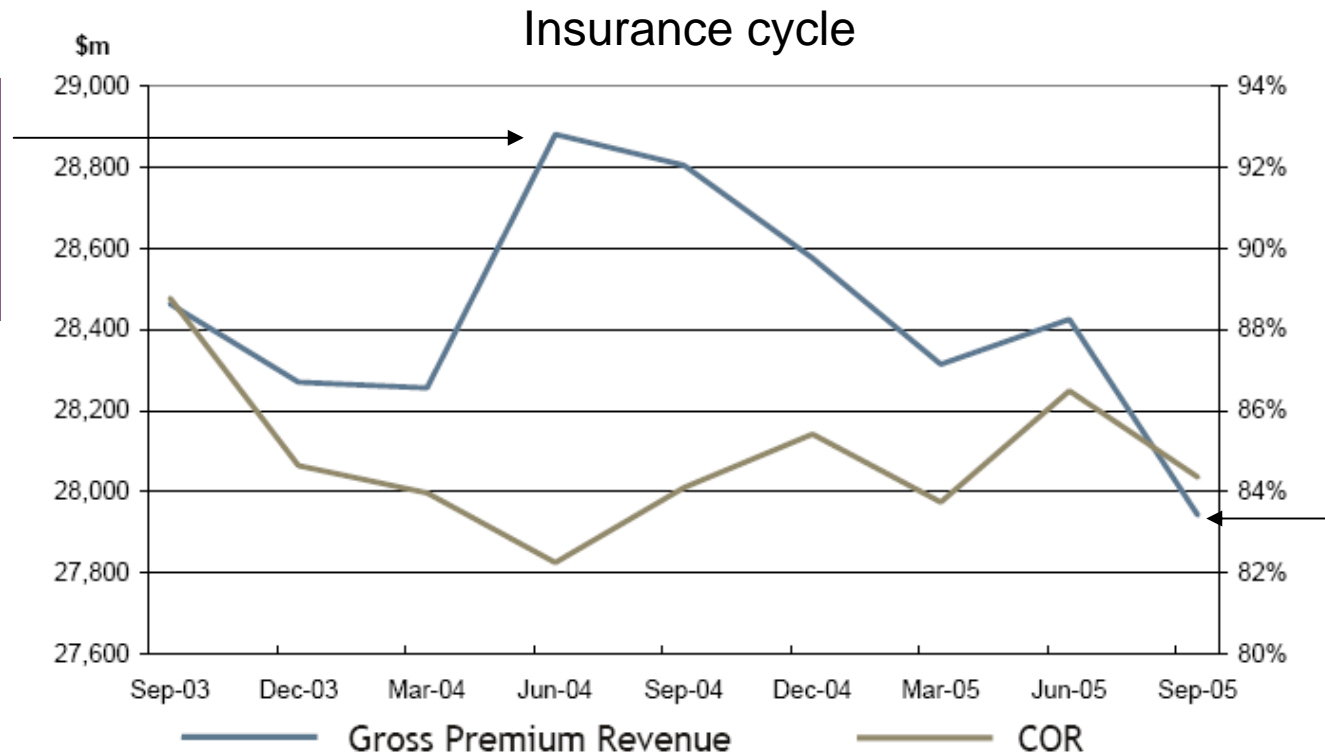
Source: APRA statistics for the 12 months to 31 December 2005 and 2005 JP Morgan Deloitte survey



# Industry in cyclical downturn



Peak of insurance cycle in June 2004 with the highest premium revenue and lowest COR



Commercial lines affected by premium rate reductions during downturn

Source: APRA



# However, WID compares favourably to industry profitability

12 months to 30 June 2006 %	WID	Competitor Average
GWP Growth	1	3
Total Reinsurance Expense (% GEP)	28	10
Net Earned Loss Ratio	60	62
Total Expenses (% GWP)	27	26
Combined Operating Ratio	88	91
Insurance Margin (% NEP)	15	15
Investment Earnings (% EBITA)	29	59

Source: Company accounts & WID calculations

Average based on results for Suncorp Metway, Promina, IAG and QBE



# New growth opportunities



- Organic growth through business initiatives
- Extend into related growth opportunities
  - Maintain focus on specialty skills and capabilities
- Investigate acquisition opportunities that satisfy investment hurdles
  - OAMPS
  - Underwriting agencies
  - General insurance competitors
  - Related Financial Services



# OAMPS Acquisition

- Proceeding with compulsory acquisition
- Provides broader engagement with the insurance sector
- Provides new growth opportunities for the Division
- Retain and build on specialist insurance skills
- Merge OAMPS underwriting systems, processes and staff with Lumley
- Provides international exposure via UK business



# Pursuing profitable growth



## Opportunities / Challenges

## 2006/07 Strategic Initiatives

**Commercial rates stabilising in Australia**

Target new segments for profitable growth

Continue building technical and expert capabilities

Sales force efforts targeted at growth sectors

**Soft pricing continuing in New Zealand**

Focus on profitable sectors and maintain technical rates

**Drought is affecting rural Australia**

Maintain key alliances and relationship with clients

Increase marketing and sales efforts

**Acquisition opportunities**

OAMPS acquisition is proceeding

A number of new opportunities are under assessment

**SUN/PMN Acquisition**

Maintain business focus on specialty segments



# Outlook

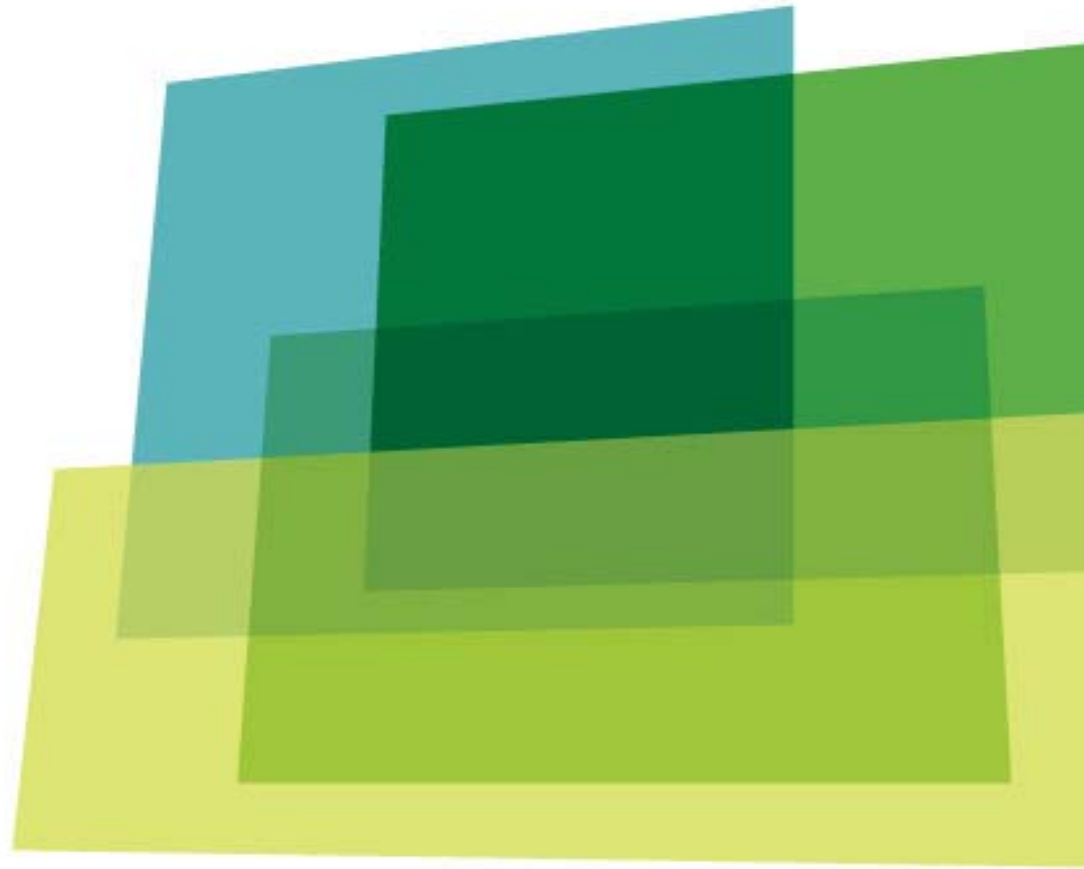


- Further consolidation in the general insurance sector in Australia
  - SUN/PMN
  - Continued aggregation of brokers
- All business units experiencing high level of competition
  - Investment in sales capability
  - Maintain disciplined underwriting
- Claims patterns returning to historic levels
  - Decrease in insurance margin
- Compliance workload increasing
  - Compliance costs to increase
- Climate change
  - An emerging risk
  - Participate in industry analysis and response





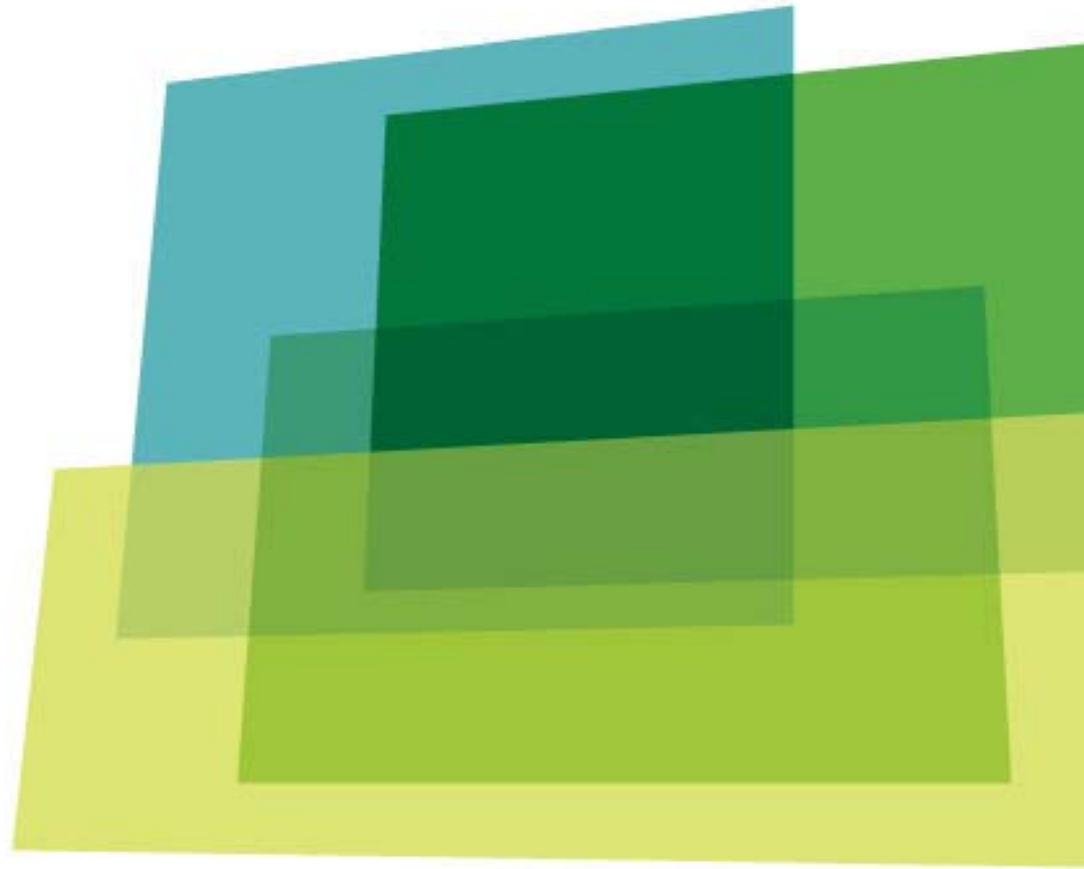
Questions







**Coal**  
Stewart Butel



# Wesfarmers Coal



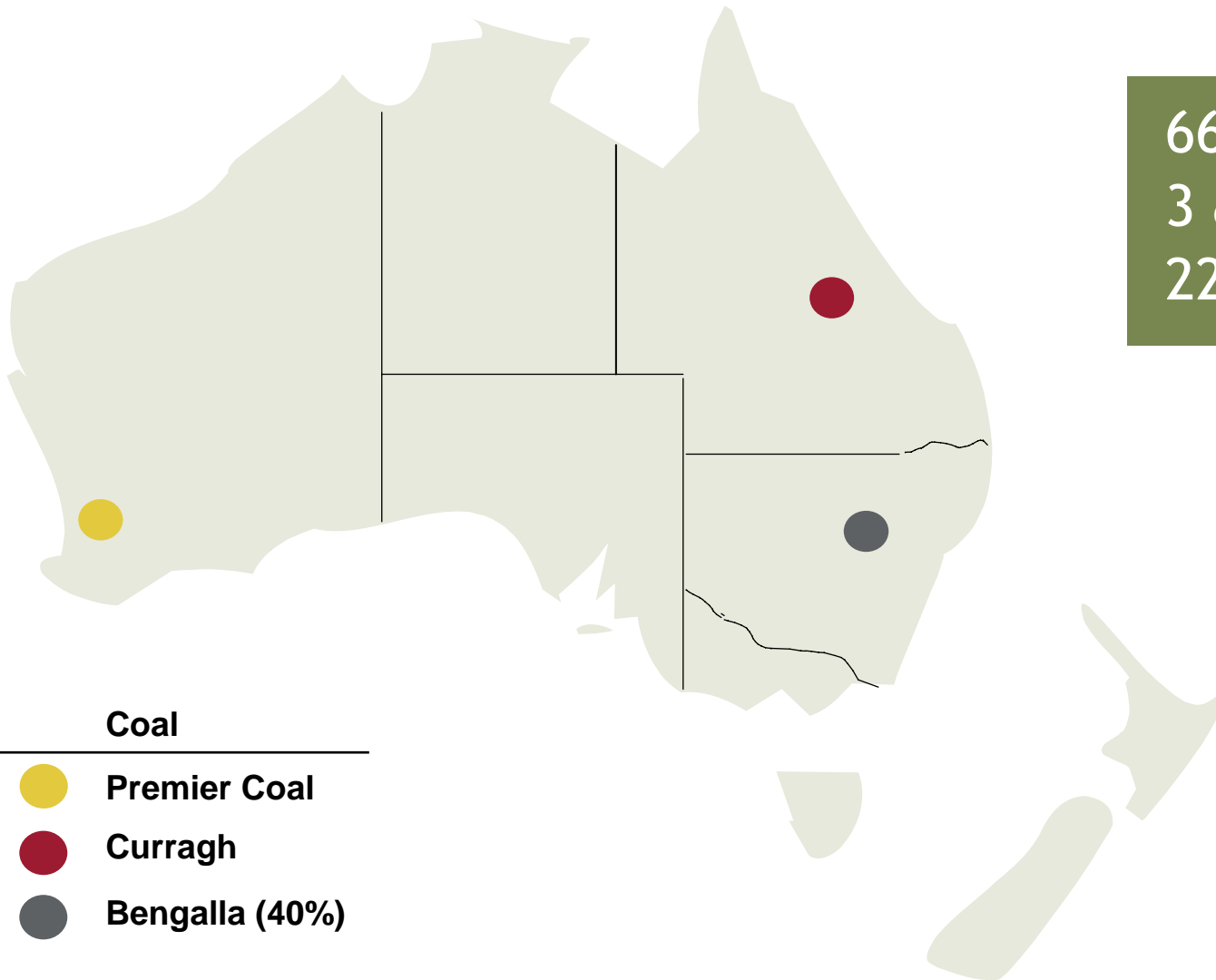
**URRAGH**

 **Premier Coal**

 **BENGALLA**



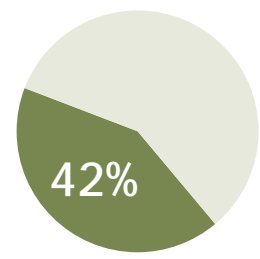
# Wesfarmers Coal - locations



660 employees  
3 coal mines  
22 coal customers

- Coal**
- Premier Coal
  - Curragh
  - Bengalla (40%)

CONTRIBUTION  
TO GROUP EBIT



# Financial Performance



Year Ended 30 June (\$m)	2006	2005
Revenue	1,304.2	763.7
EBIT *	577.8	251.2
R12 Capital employed	737.5	522.7
ROC (%) *	78.3	48.1

\* Based on preliminary allocation of overheads



# Coal - sales

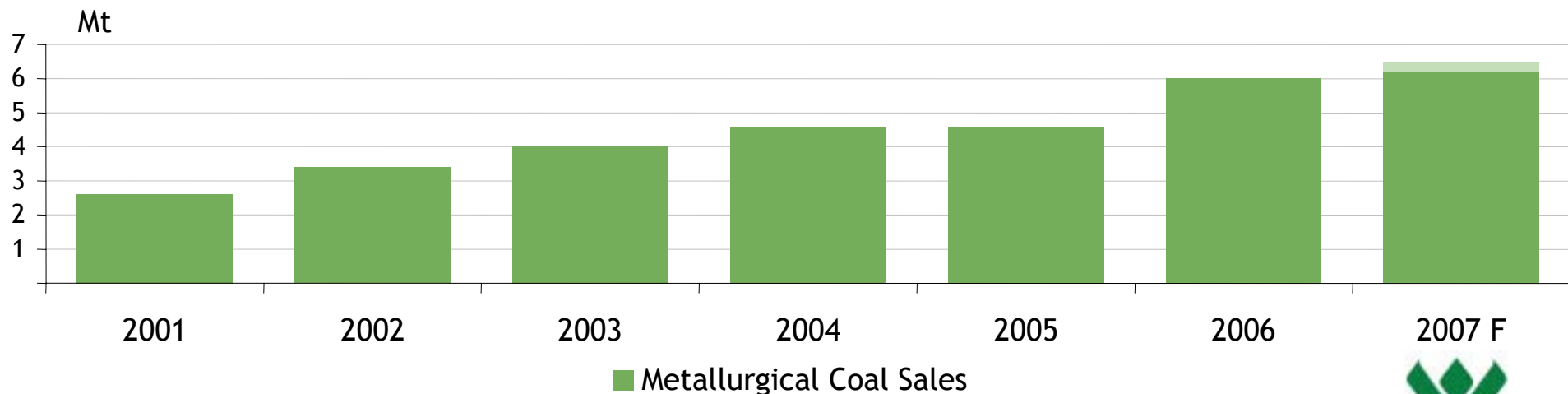
## Coal Sales Volumes by Mine (2006)

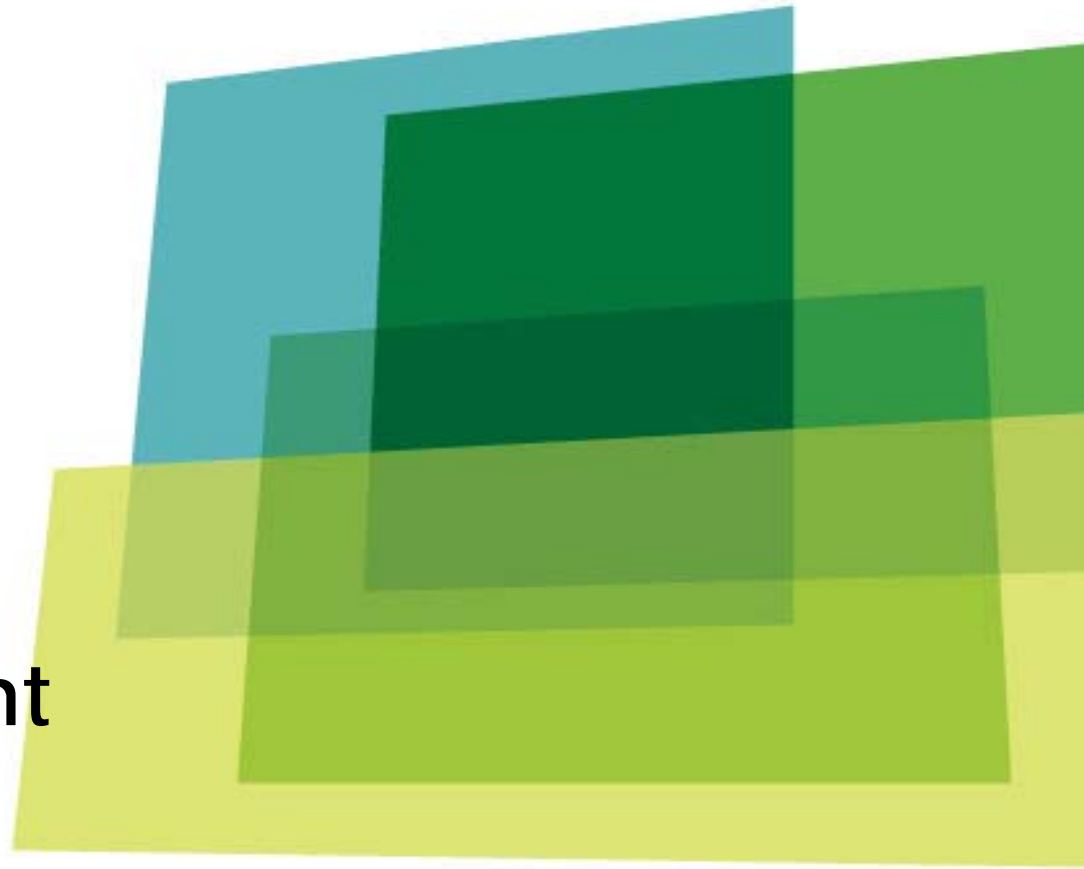
Mine (mtpa)	Domestic Steaming	Export Steaming	Metallurgical	Total
Curragh, QLD	2.6	-	6.0	<b>8.6</b>
Premier, WA	3.7	-	-	<b>3.7</b>
Bengalla*, NSW	1.0	4.3	-	<b>5.3</b>
<b>Total</b>	<b>7.3</b>	<b>4.3</b>	<b>6.0</b>	<b>17.6</b>



\* Represents 100% share; Wesfarmers ownership 40%

## Curragh Historic and Forecast Metallurgical Coal Sales





**Business environment**

# Continued industry growth challenge

- Availability / cost of key inputs
- Global shortage of earthmover tyres
- Availability / cost of skilled labour
- Industry-wide capital over-runs and delays
- Infrastructure constraints
- Water availability



# Curragh production costs

year ending Sep 06 vs year ending Sep 05



- Continued pressure on costs
- Some scale benefits

	Increase
Total cash production cost *	20%
Total production volume	19%
<b>Cash production cost per product tonne *</b>	<b>1%</b>

\* excludes Stanwell rebate

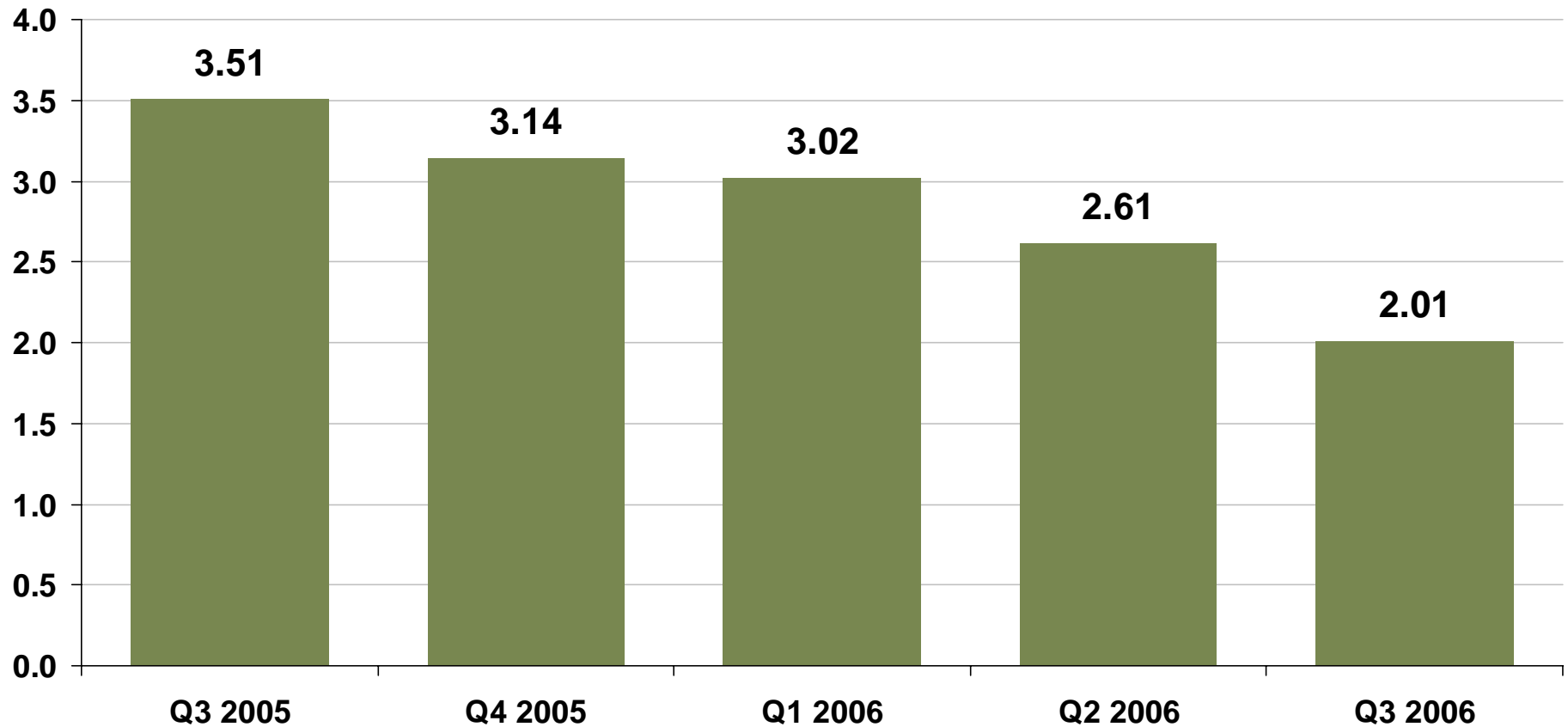




# Improving Curragh's CHPP performance



**Average hours per day downtime**  
(excludes shutdowns)



# Scale and pace of change at Curragh

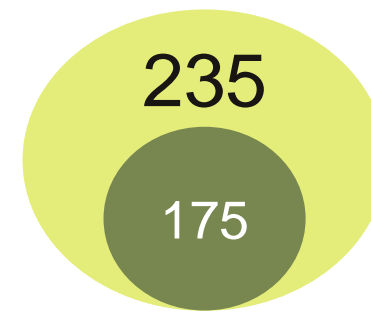
2003/04 vs 2005/06

**Man-hours ↑82%**



Million hours

**Total Waste ↑35%**



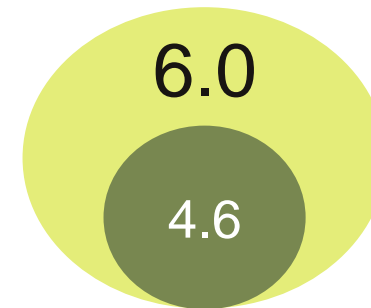
Million tonnes

**Product Output ↑25 %**



Million tonnes

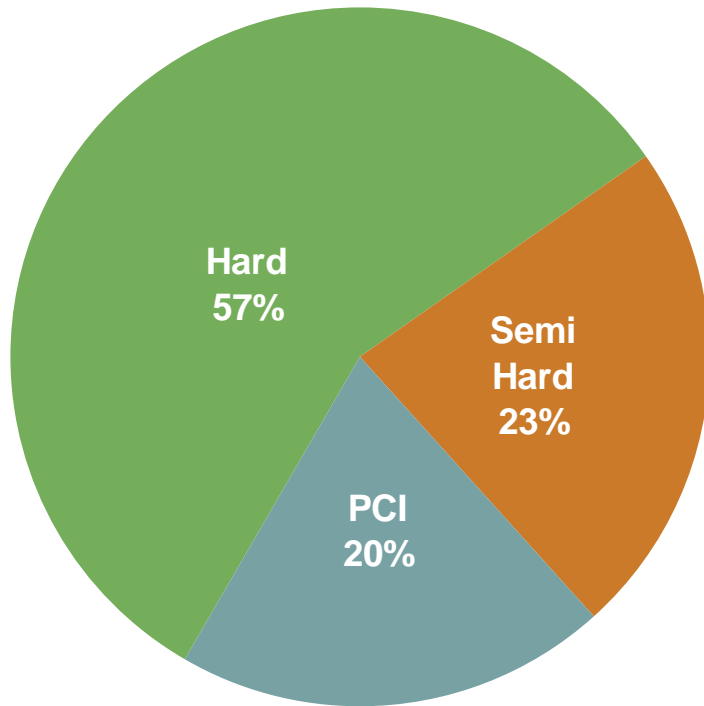
**Export Sales ↑30%**



Million tonnes

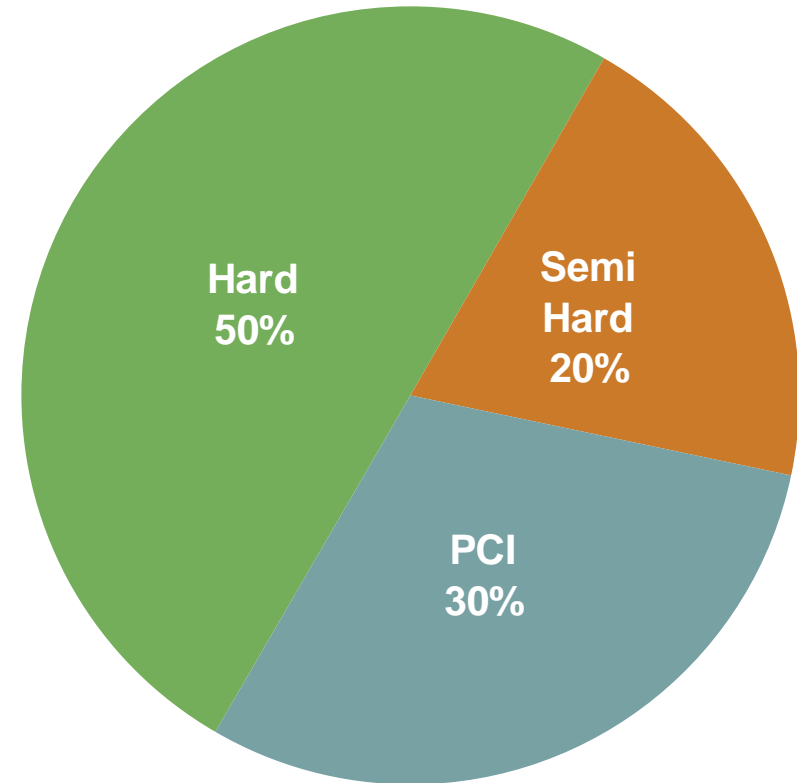


# Curragh metallurgical sales mix



**2005/06**

**6.0 million tonnes**



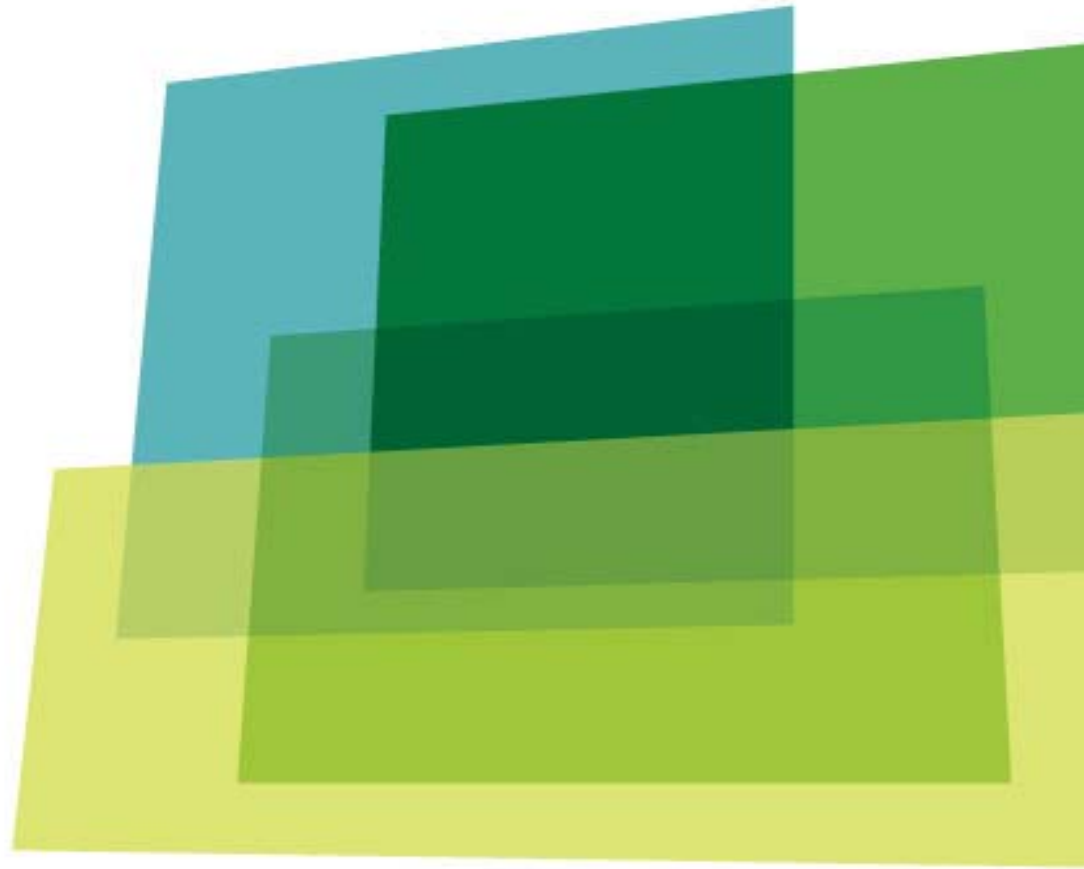
**2006/07 estimate**

**6.2 to 6.5 million tonnes**





# Strategies



# Curragh North development



- Mine development completed - Dec 2005
- Conveyor commissioning - Dec 2006
- Project on budget at \$360 million



# Premier Char Plant development

- R & D demonstration plant
- 50,000 tonnes per year
- Commissioning Dec 2006
- On time and on budget
- Focus on market development



# Bengalla expansion

- Amending development consent
- Potential expansion from 8.7 to 10.7 mtpa ROM
- Increase export sales
- Consistent with port and rail capacity
- Decision to expand Q1 2007



# Coal strategies



## Opportunities / Challenges

## 2006/07 Strategic initiatives

### **Strong export customer demand**

Maximise Bengalla and Curragh production

### **Cost pressures**

Continue best practice production cost per product tonne

### **Infrastructure constraints**

Closely monitor and capture opportunities to export as soon as capacity becomes available

### **Increase coal production**

Curragh North materials handling project completion  
Curragh metallurgical coal sales 6.2mt to 6.5mt for 06/07

### **Extend product and market reach**

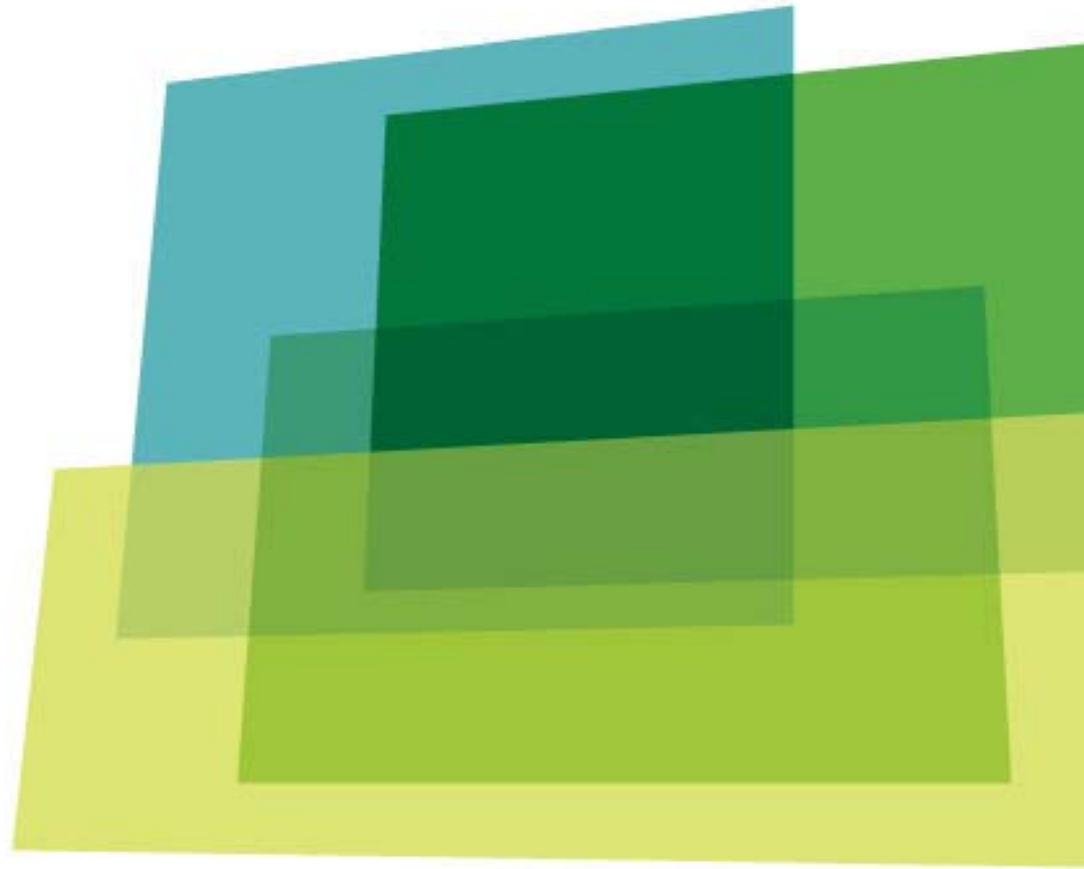
Evaluate acquisitions that offer economies of scale or downstream benefits







Outlook



# Gladstone Coal Delivery System (GCDS) - Performance update

- Rail and port system constraints as predicted
  - Performance at around 93% of contract (July to October)
- Capital works completion dates unchanged
  - Port third dump station (November 2006)
  - Rail track duplication (July 2007)
- Expect rail constraints to continue into 2007
- Curragh contracted GCDS capacity at 7.0 mtpa
  - 7.5 mtpa from July 2007



# Metallurgical Coal Sales

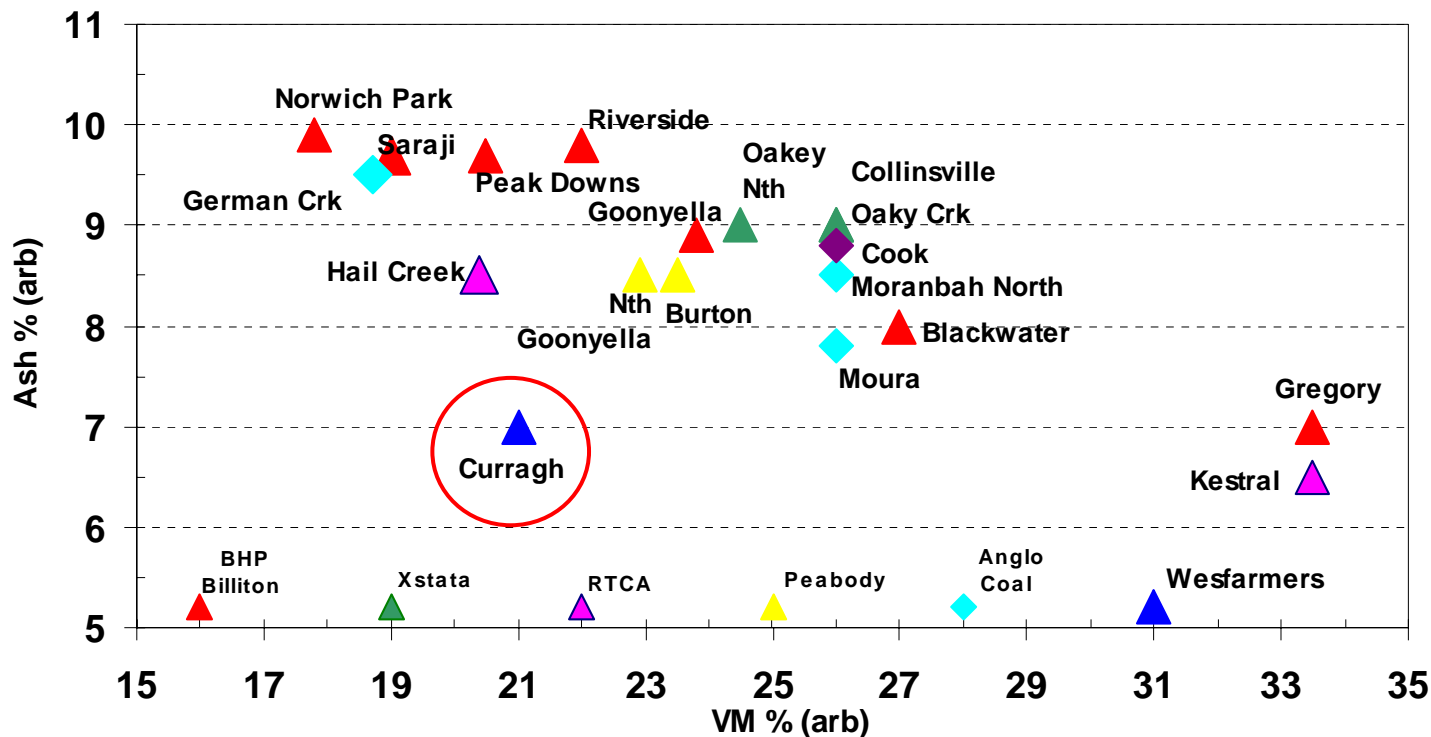


- 2006/07 metallurgical sales estimate unchanged
  - Range 6.2 mt to 6.5 mt
  - Strong shipping nominations
- All metallurgical sales under “annual priced” contracts
  - No short-term / spot sales
- 2007/08 price negotiations with customers
  - To commence in coming months
  - Curragh coking coal quality well positioned

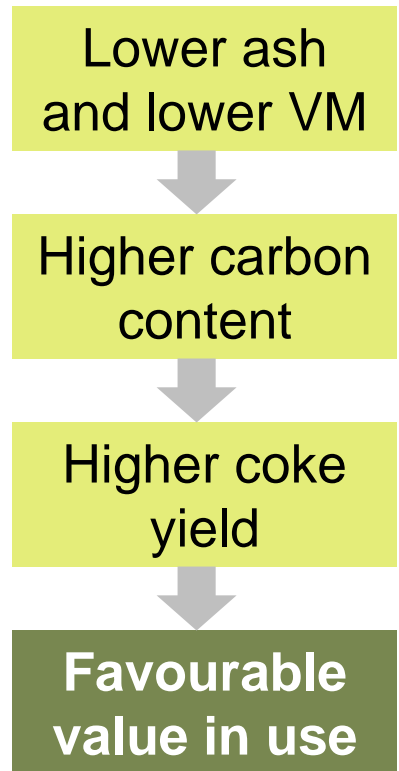


# Queensland Hard Coking Coal Coal Quality

- QLD hard coking coal - ash vs volatile matter (VM)



Source: Barlow Jonker 2006



- Curragh low VM / low ash is unique in QLD and Australia



# Queensland Hard Coking Coal

## Curragh Advantages

- Lowest ash / low VM coking coal
  - Niche product quality with high coke yield
- Lowest “Al<sub>2</sub>O<sub>3</sub> in coal” content
  - Important to balance increasing Al<sub>2</sub>O<sub>3</sub> in iron ores
- High cold coke strength (Micum Index)
  - Appreciated by customers
- Only low VM coking coal from Port of Gladstone
  - Provides diversification of risk for customers



# Coal Outlook

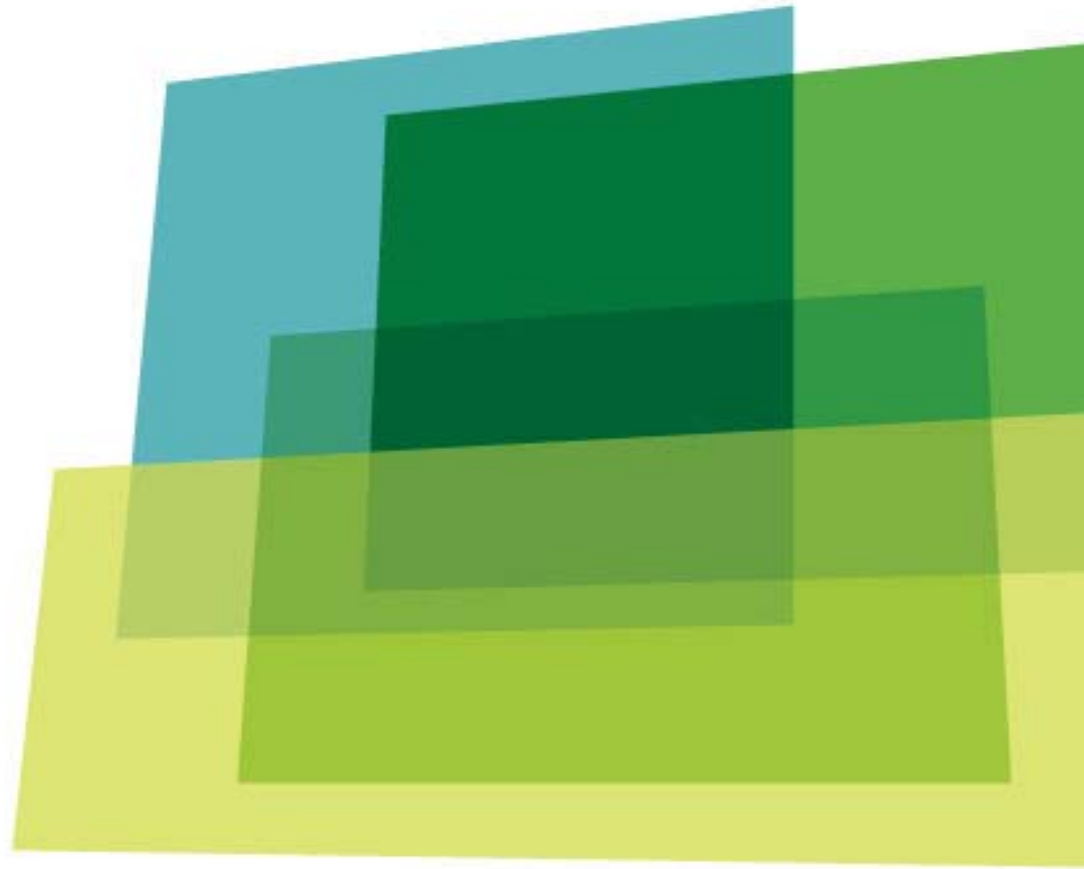


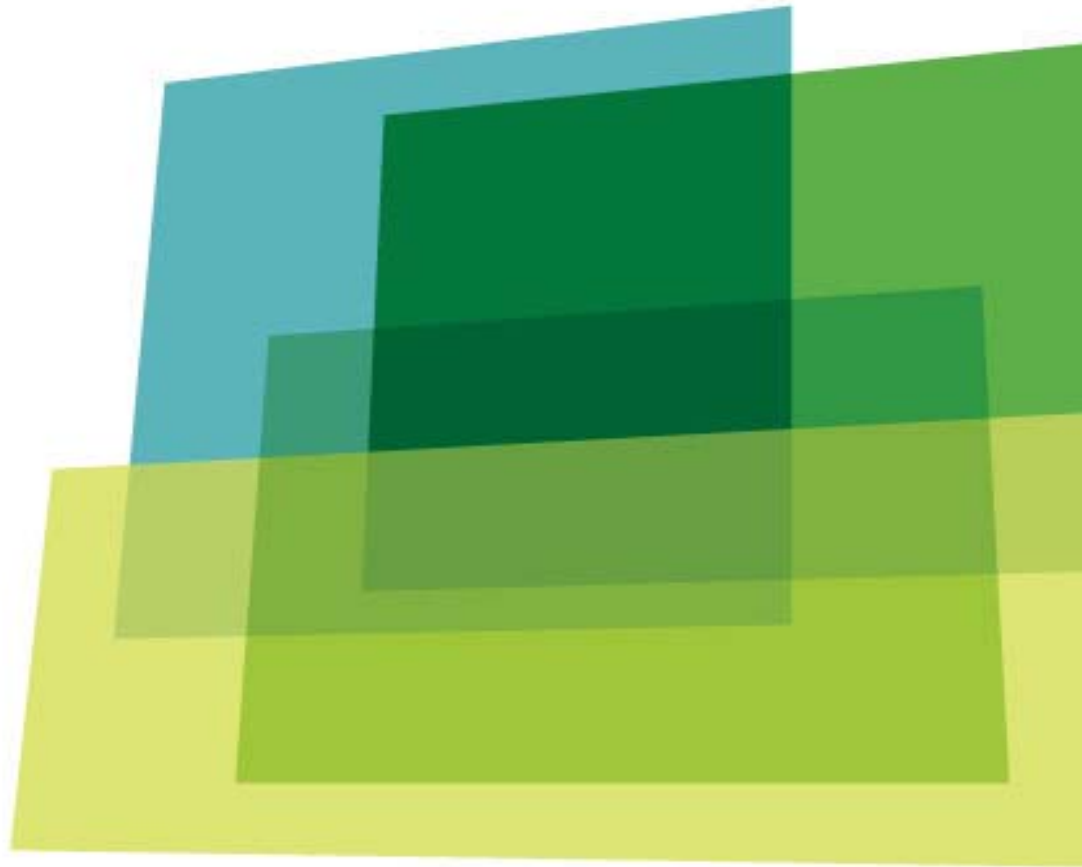
- Rail and port system constraints continue in 2006/07
- Curragh metallurgical sales – range 6.2 mt to 6.5 mt in 2006/07
- Curragh North Development Completion
- Input cost and availability pressure to continue
- Water availability becoming critical in eastern Australia





Questions





# Energy

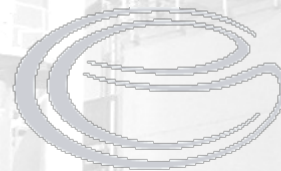
Tim Bult



# Wesfarmers Energy



**WESFARMERS LPG**



**enGen**  
energy generation



# Financial Performance

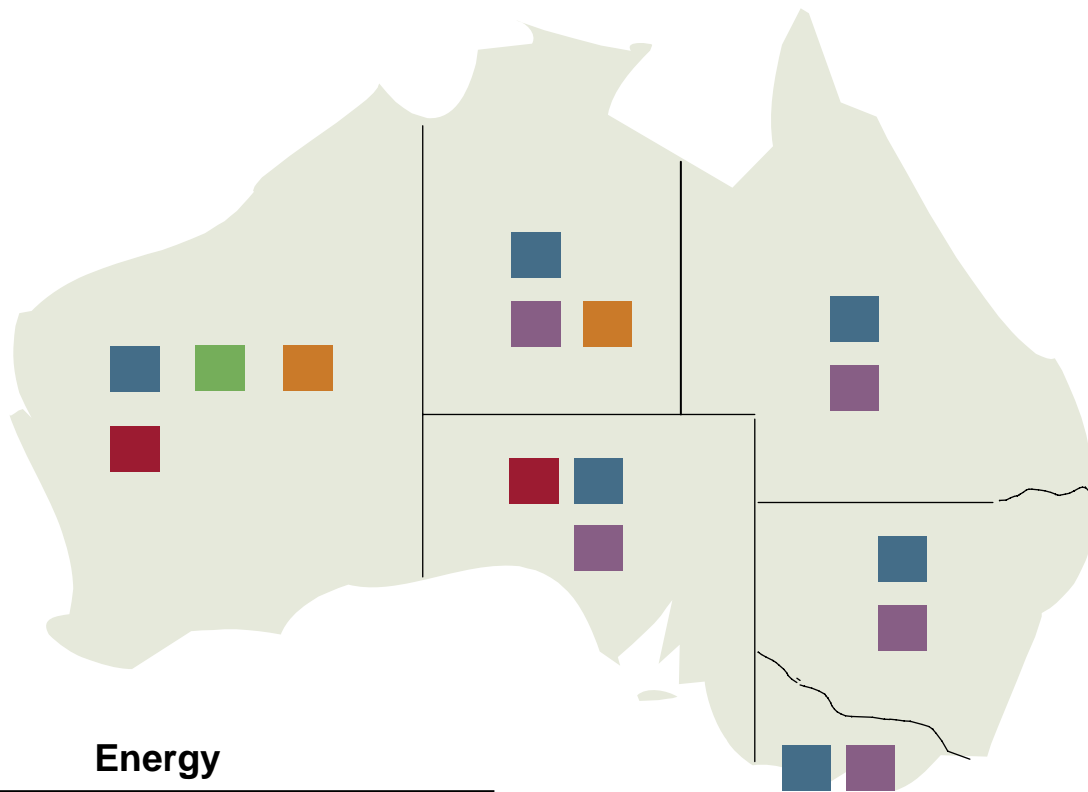


Year Ended 30 June (\$m)	2006	2005
Revenue	371.9	397.7
EBIT *	49.4	65.9
R12 capital employed	184.2	143.7
ROC (%) *	26.8	45.8

\* Based on preliminary allocation of overheads








# Energy - locations



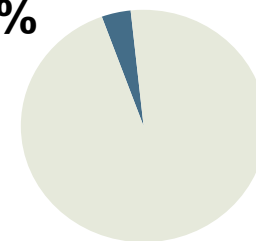
740 employees  
1,300 gas locations  
265,000 gas customers  
17 remote power stations  
2 air separation units

## Energy

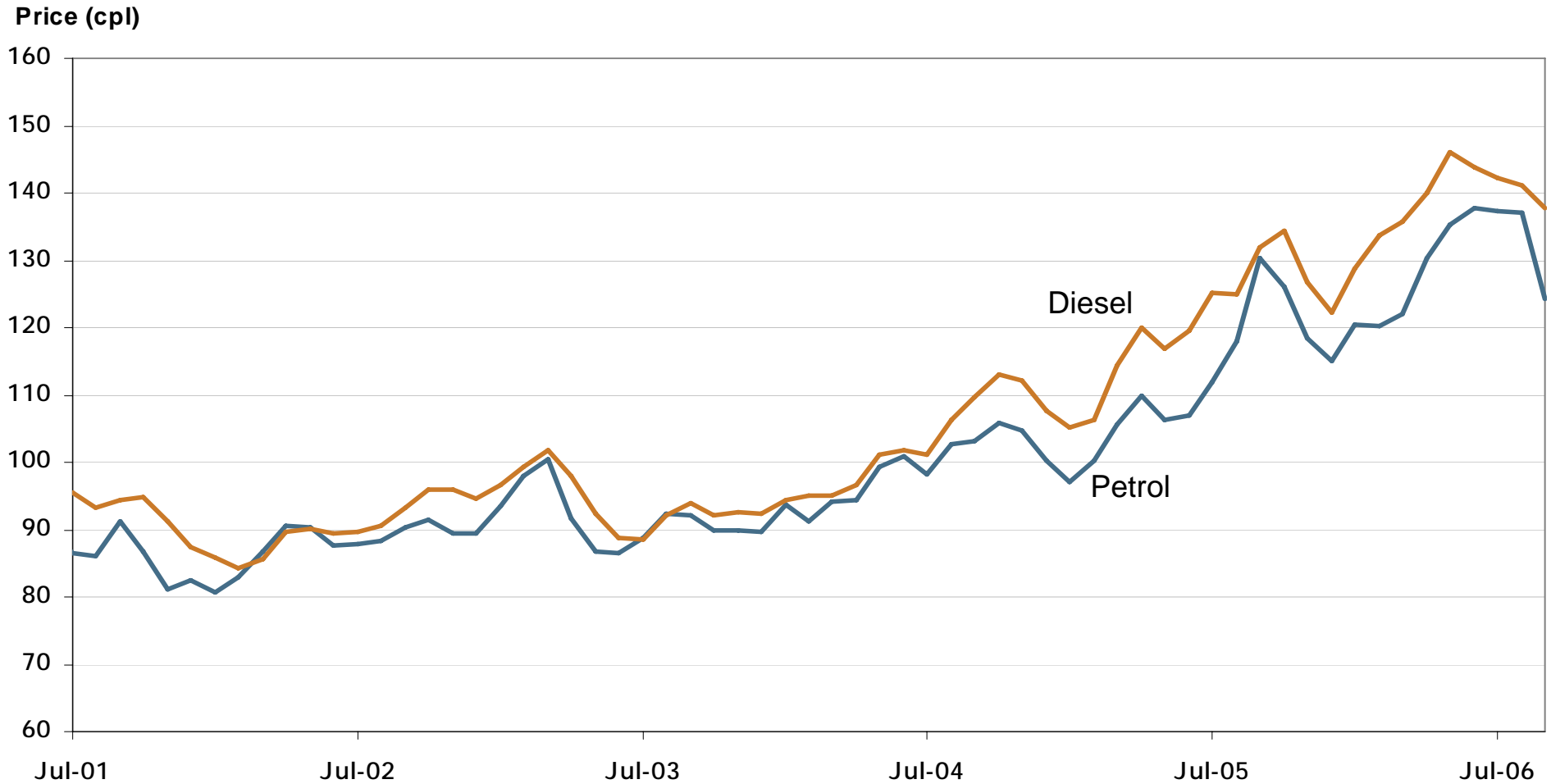
-  Kleenheat Gas
-  Wesfarmers LPG
-  Air Liquide WA
-  enGen
-  Unigas

## CONTRIBUTION TO GROUP EBIT

4%



# Alternative fuel opportunities

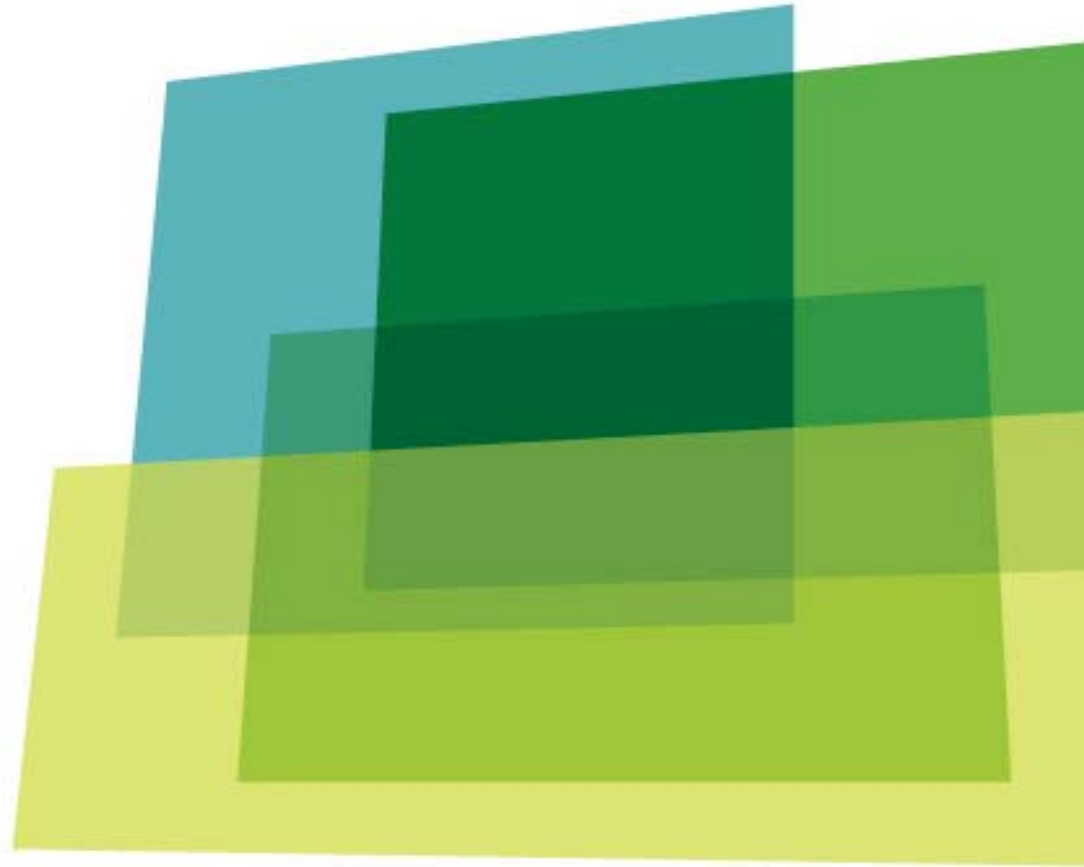


**High fuel prices create opportunities for LPG and LNG**





LPG

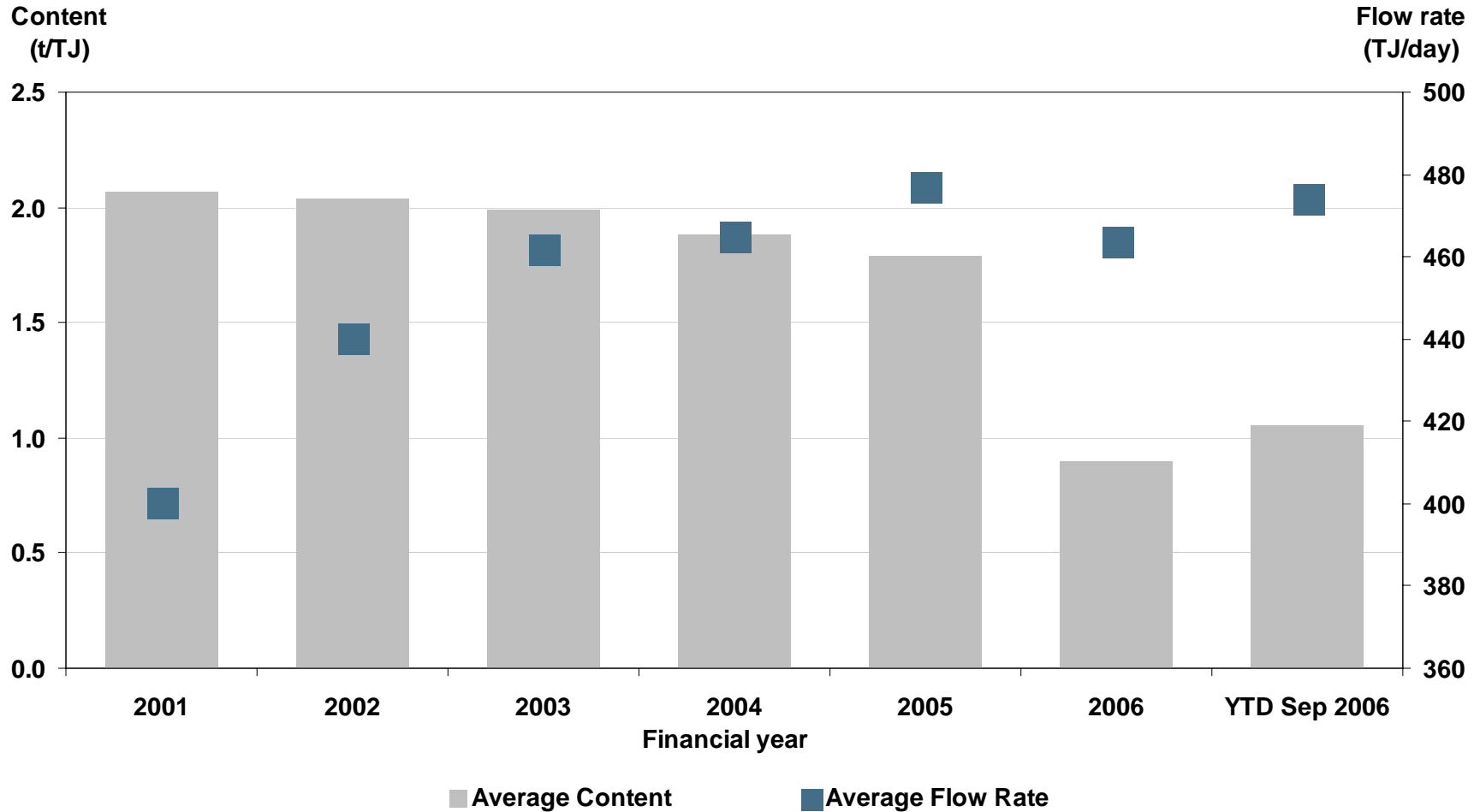


# LPG - production

- WLPG operating satisfactorily
- LPG content remains uncertain
- Production depends on feed gas volumes and LPG content
- Evaluate options to:
  - enhance certainty
  - deliver on higher production



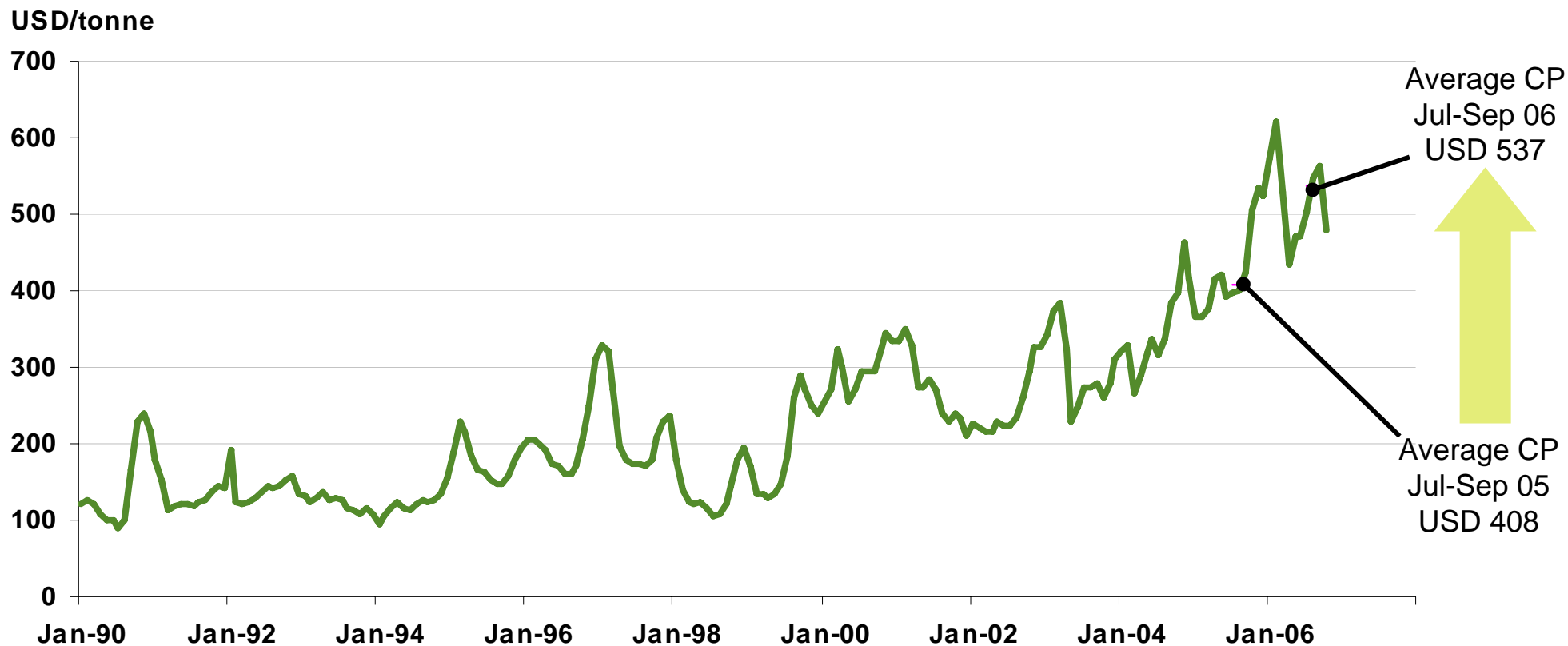
# LPG content at W LPG



**W LPG operating satisfactorily despite modest LPG content**



# Record high world LPG prices



Leading to volume and margin pressure on Kleenheat Gas





# LPG - sales and distribution

- Implement lower cost business model
  - Focus on “controllable” costs
- Develop growth products
  - Kwik-Gas (cylinder exchange market)
  - Autogas growth on back of high petrol prices and government subsidies



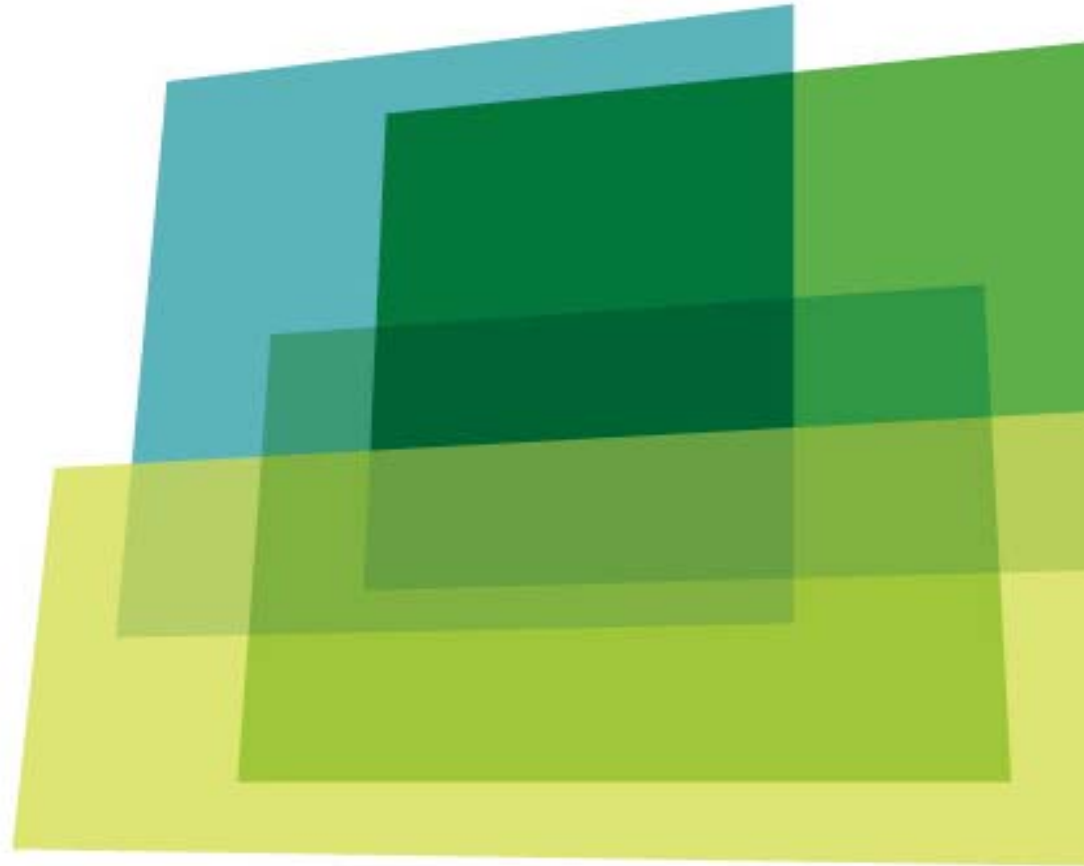
**UNIGAS**  
for  
AUTOGAS

 **Kleenheat Gas**

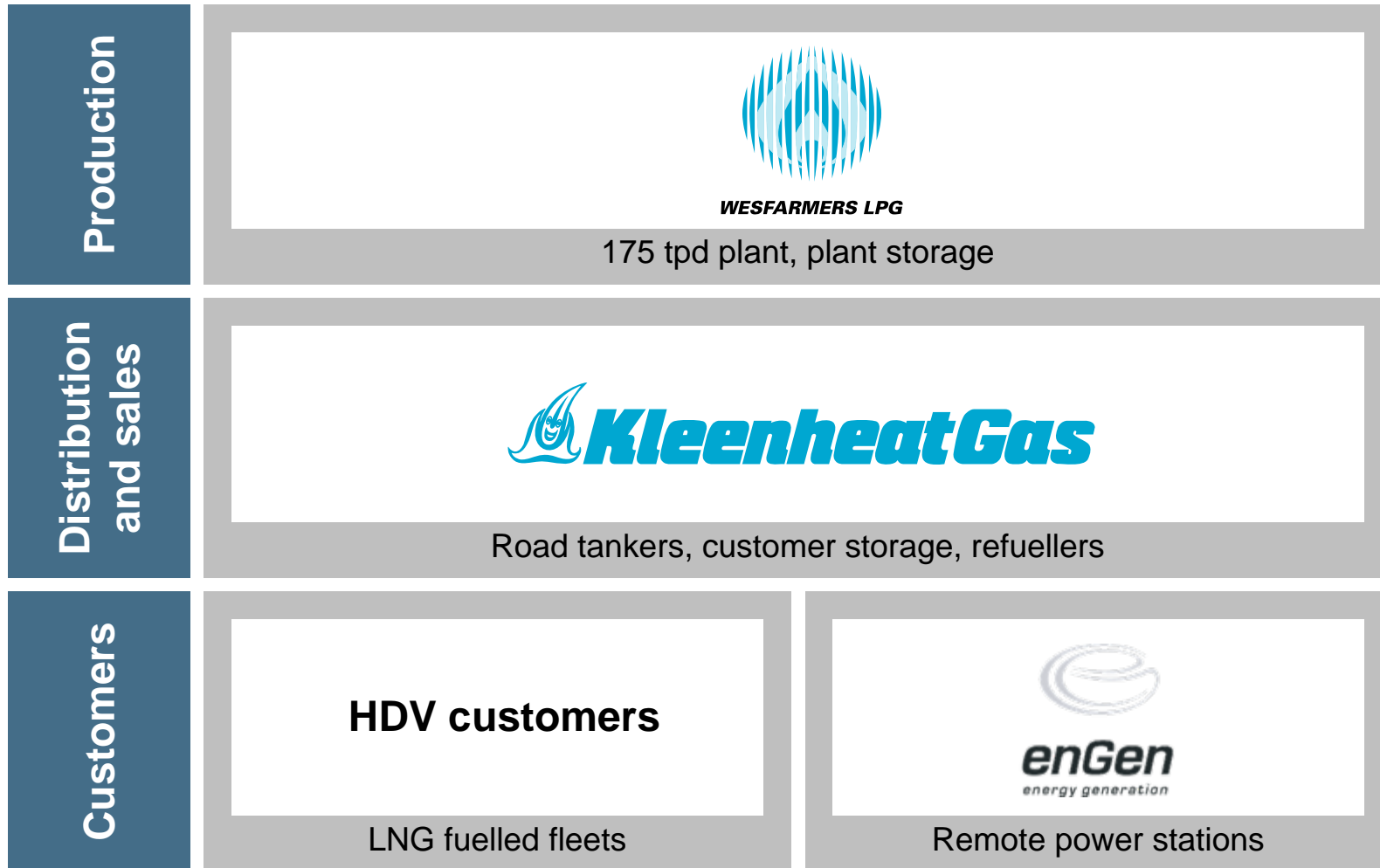




LNG



# LNG - \$138 million vertically integrated project



# LNG - production

- Wesfarmers investing \$138 million in new LNG project
- Plant to be built at W LPG
  - Construction started November 2006
  - Completion first quarter 2008
- Plant volumes largely contracted
- Exploring opportunities to expand LNG network nationally



WESFARMERS LPG



# LNG - sales and distribution

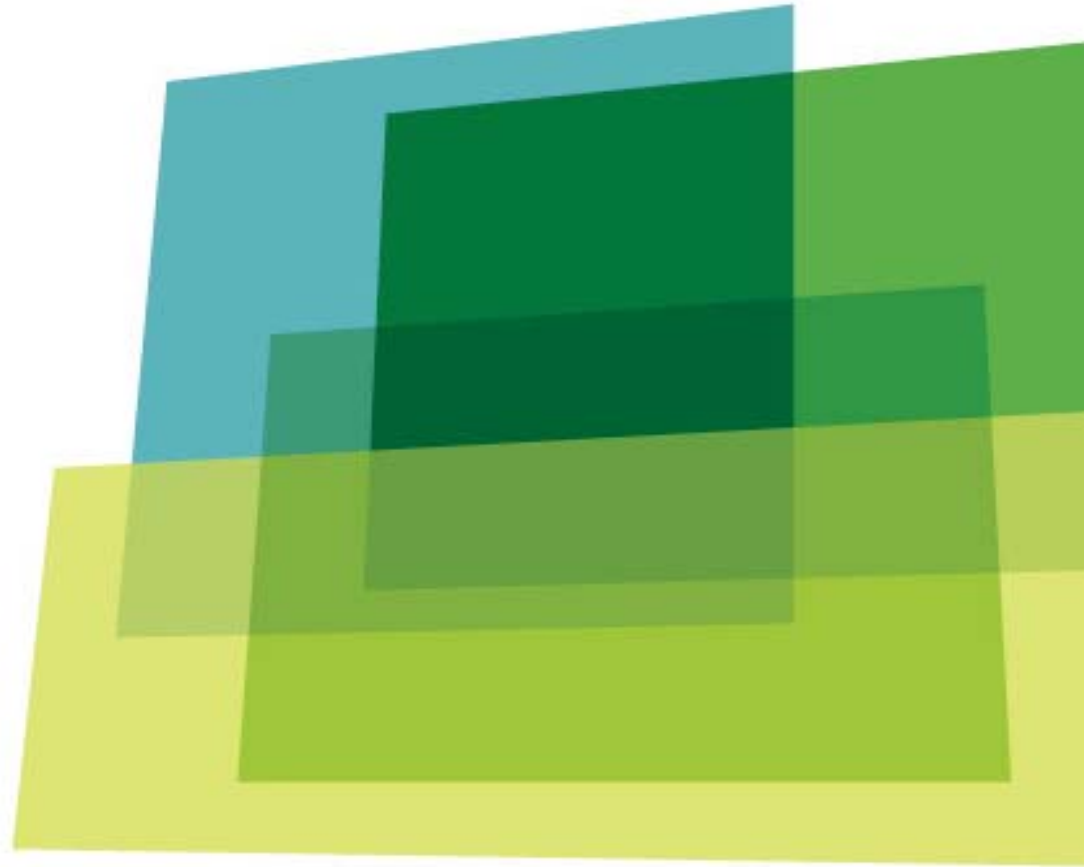


- Distribution to customers by road
- Kleenheat developing HDV customer base
  - Currently 70 trucks, 12 million km travelled
  - About 200 trucks serviced from new plant
- enGen using LNG for remote power
  - Sunrise Dam (AngloGold Ashanti)
  - Darlot (Barrick)

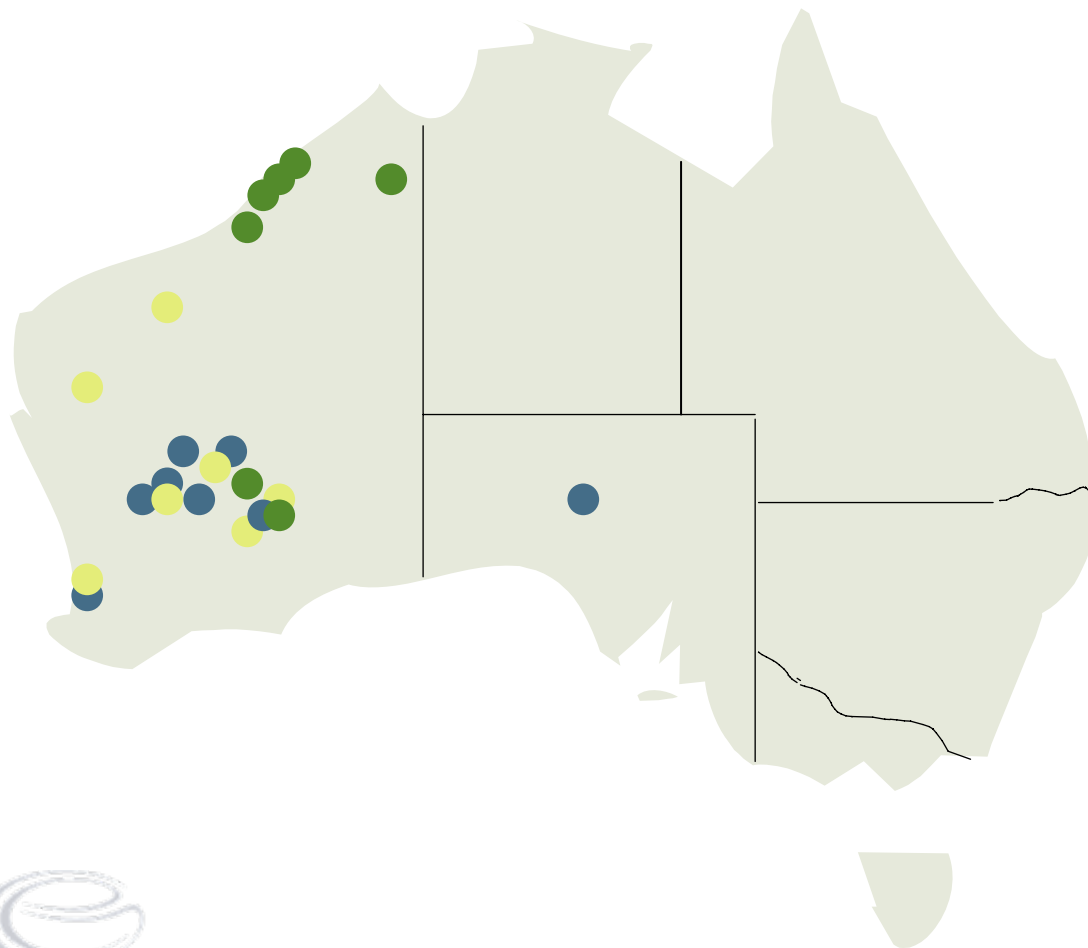




Power generation



# Power generation - locations



- Power stations
- Built / expanded in 12 months to Sep 2006
- Contracted to be built / expanded

17 remote power stations  
7 to be built / expanded  
100 MW generation capacity



# Power generation

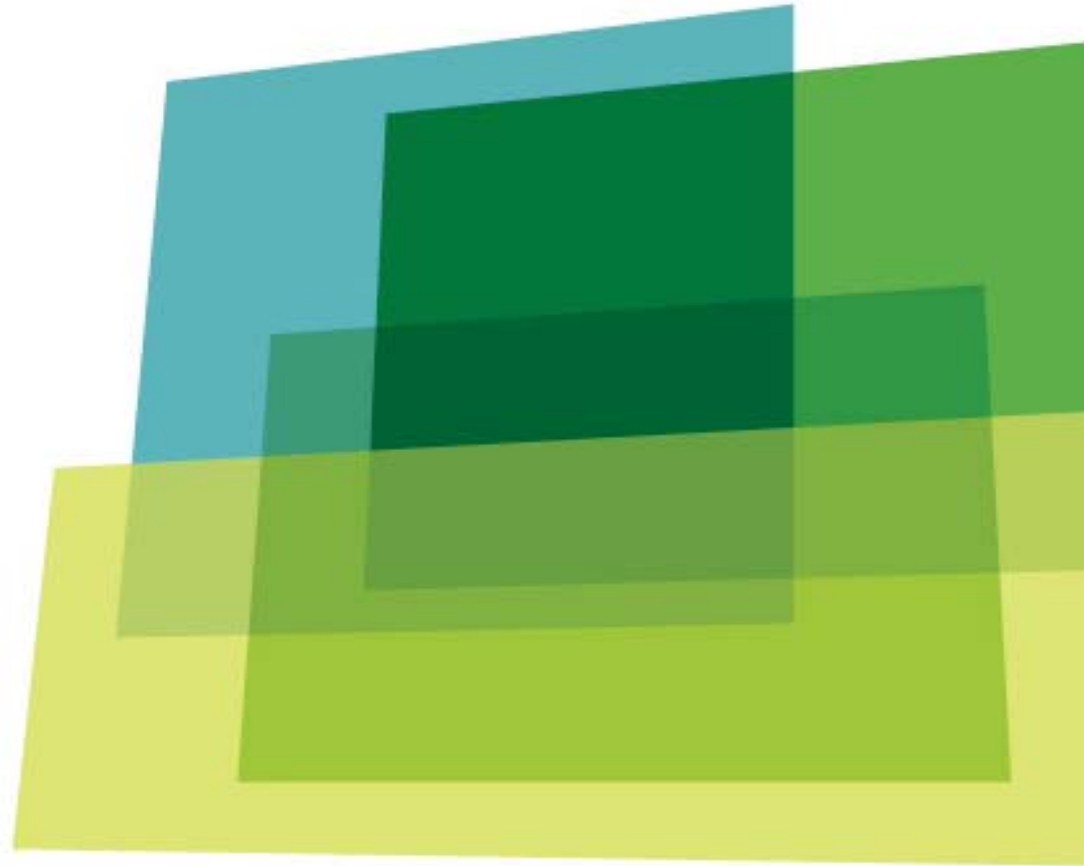
- enGen delivered new / expanded power stations in 2005/06:
  - Gascoyne Junction
  - Hill 60
  - Laverton
  - Menzies
  - Wiluna
  - Wodgina
- Deliver new WA power stations:
  - 5 power stations for the Aboriginal & Remote Communities Power Supply Project
  - Sunrise Dam and Darlot gold mines as part of \$138 million LNG project







Industrial gases



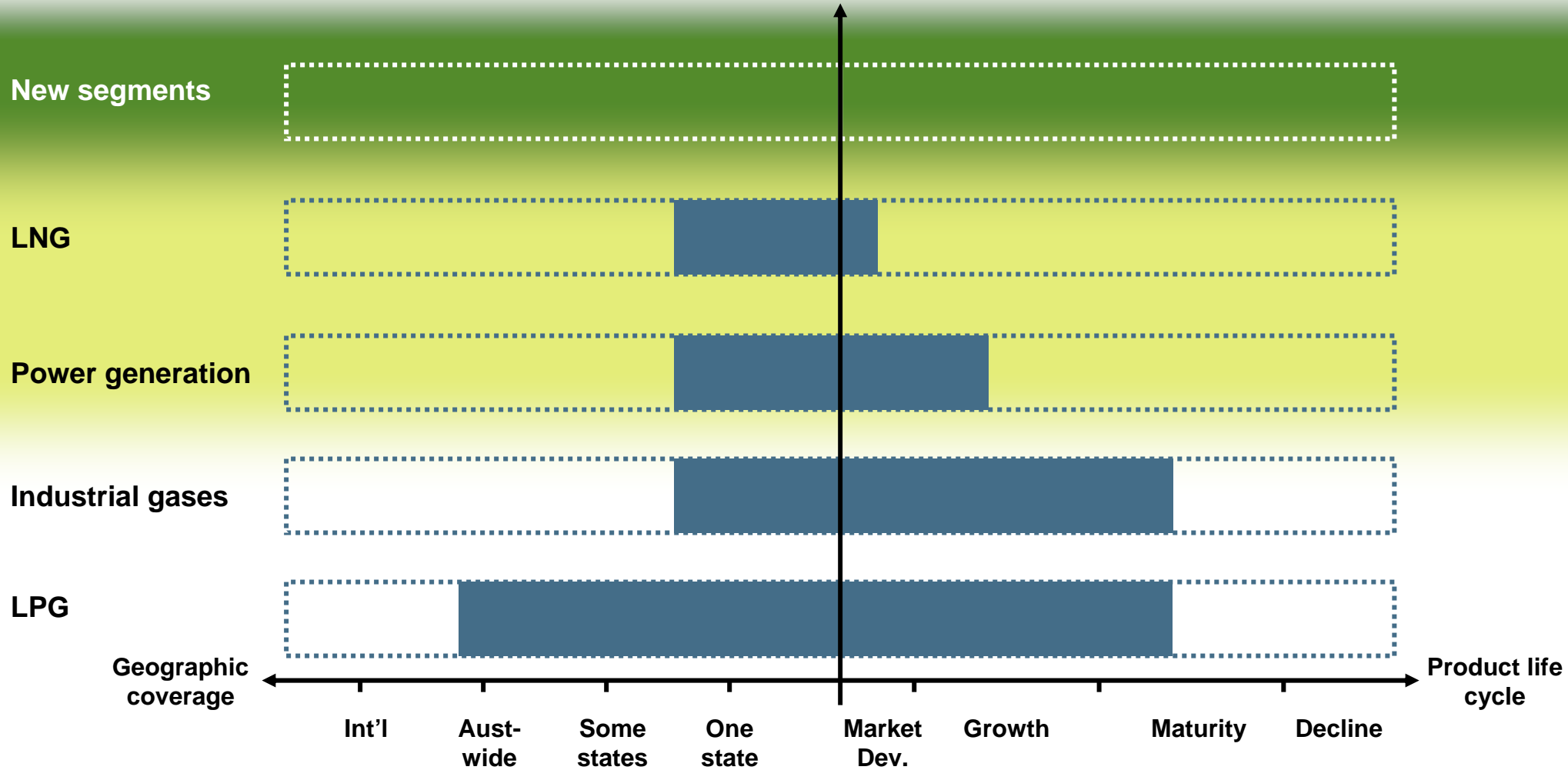
# Industrial gases



- Production
  - Hismelt air separation unit completed first full year of operations
  - Evaluate other project opportunities
- Sales and distribution
  - Grow the current core gas business
  - Focus on oil and gas industry customers



# Energy's growth platform



# Outlook

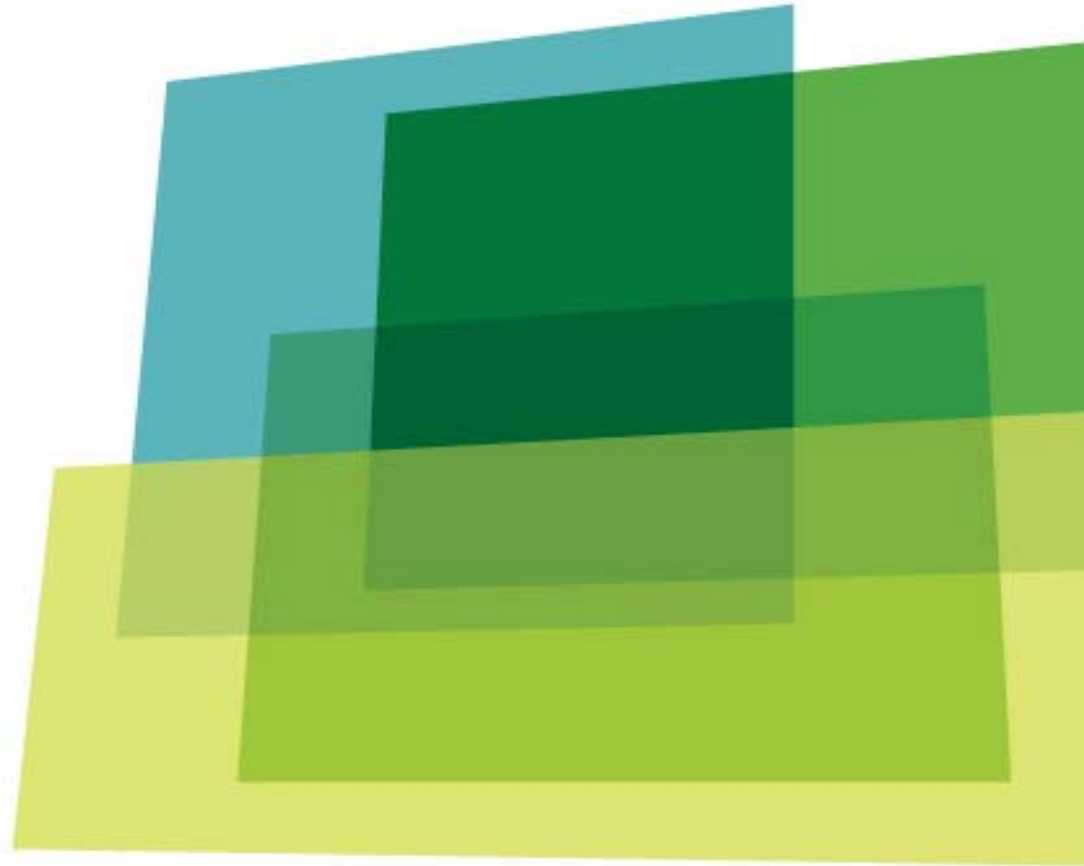


- Energy businesses performing solidly
  - YTD earnings in line with or above last year
  - Outlook dependent on Saudi CP and LPG content
- Pursue sustainable business improvement
- Implement / develop current growth opportunities
  - Remote power stations
  - \$138 million LNG project
  - Kwik-Gas
  - Autogas
- Positioned to capture future growth opportunities





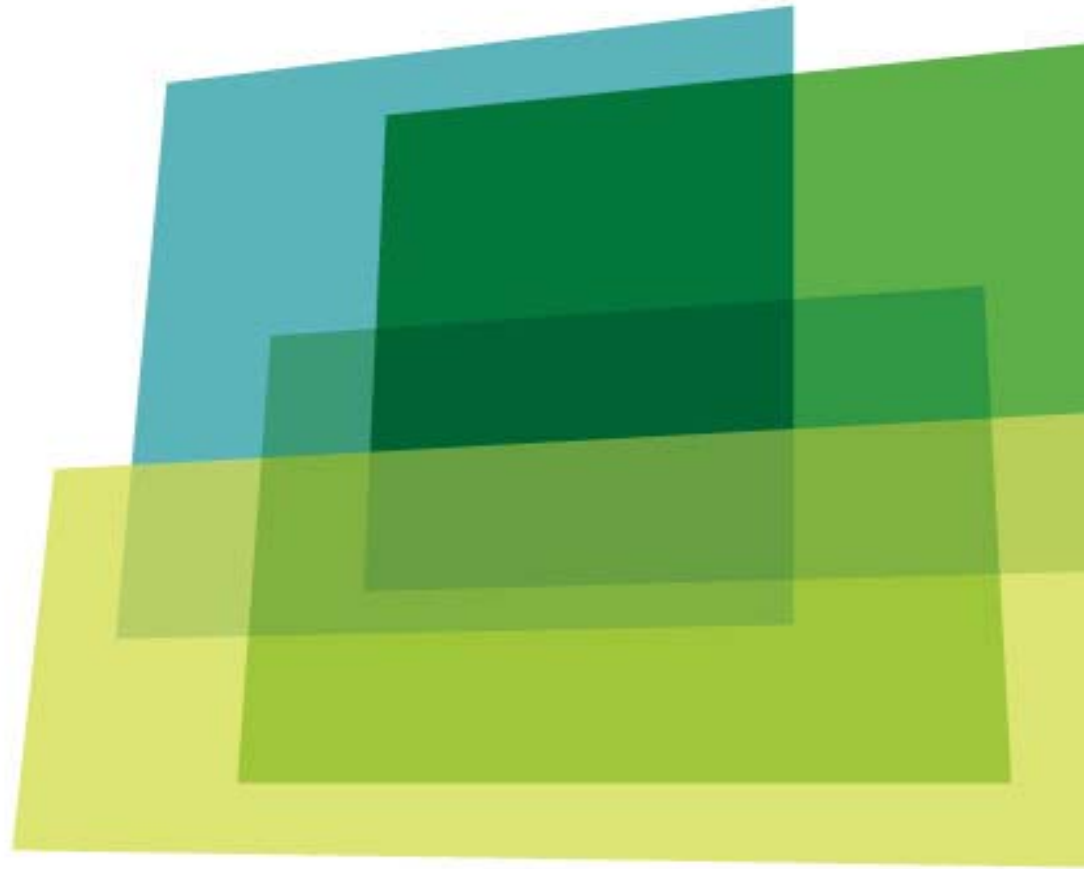
Questions





# Home Improvement

John Gillam





**BUNNINGS**  
warehouse



# Agenda



- Background
- Trading Results
- Strategies
- Other News
- Outlook





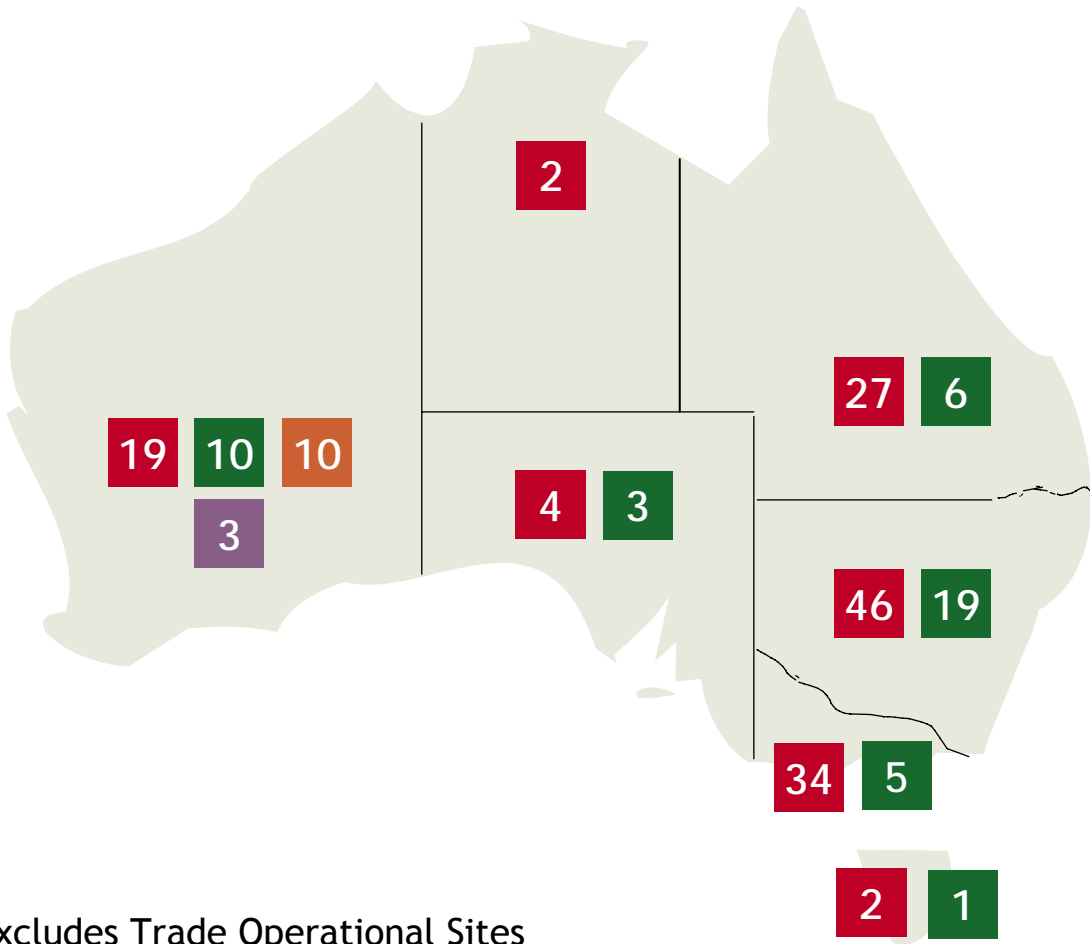
Background



**WIDEST RANGE**  
**LOWEST PRICES**  
**BEST SERVICE**



# Store Network at November 2006



- 146 warehouse stores
- 69 small format stores
- 10 WA Salvage stores
- 3 HouseWorks stores

Excludes Trade Operational Sites



# Store Network Movements



	Open at June 2006	Opened	Closed	Open at November 2006	Under development
<b>Bunnings Stores</b>					
Warehouse format	142	4	0	146	11
Smaller format	69	3	3	69	1
WA Salvage Stores	13	0	3	10	0
HouseWorks Stores	2	1	0	3	0
<b>Bunnings Trade Operations</b>					
Distribution Centres	7	0	0	7	1
Trade focused stores	3	0	0	3	0



# Trading Results



Year Ended 30 June (\$m)	2006	2005	↑↓ %
Revenue	4,275.5	4,065.4	5.2
EBIT	420.5	415.7	1.1
Share Plan & Store Refit Expense	27.7	5.1	
Comparative EBIT	448.2	420.8	6.5
ROC (%)	22.9	23.3	(0.4)
CAPEX	222.3	183.9	20.9

<u>2006 Trading Breakdown</u>	1H 06	2H 06	FY2006	FY2005
Comp Store Cash Sales Growth	2.7%	7.5%	5.1%	5.6%
Credit Sales Growth	(0.2%)	3.2%	1.5%	(1.9%)

# 2006 Performance Highlights



- Significant network enhancement
  - 12 new warehouse stores, 3 small format store openings
  - 32 store upgrades, lifting offer consistency and widening range
  - New South Wales focus and re-branding in New Zealand
- Solid progress on major retail strategies
  - Merchandising, advertising, supply chain and systems
- Trade business restructure
  - Established trade distribution network
  - Positive space and service impacts in store network
  - Earnings dilutive



# Q1 Trading Update



- 13.1% cash store-on-store growth
  - Good performance in all regions
  - Lifting both customer numbers and average sale
  - Cycling against weak Q1 06
- Trade market tighter
  - Tough conditions in key housing construction markets
  - Better performance in smaller contractor segment



# Strategies

1. **Focus on retail drivers**
2. **Develop store network**
3. **Grow trade business**
4. **Help team members perform better**
5. **Upgrade business systems**
6. **Drive business improvements**



# Strategies



## 1. Focus on core retail drivers

- **Range**
  - Format and innovation driving **WIDEST RANGE**
  - Expanding market size
- **Price**
  - Strong cost focus delivering **LOWEST PRICES**
  - Productivity loop
- **Service**
  - Best people and services providing **BEST SERVICE**





# Strategies



## 1. Focus on core retail drivers

- **Range**
  - New ranges expanding market size
  - Targeting growth in areas of low-share
    - Flooring, lighting, plumbing, kitchens
  - Widening and re-shaping offer in existing ranges
  - New “special orders” now Australia wide



**“Build your own kitchen from only \$1,998”**



Bunnings has a range of Flatpack kitchens to suit your style and budget. You can mix and match different colours and designs to find the perfect fit for your home, plus our modular, self-install system helps keep the price of your kitchen down low.

We can give you all the advice you need and prices start from only \$1,998. Installation available, see in store for details. \*Some styles not available in all stores but can be ordered in. To order visit our Special Orders desk in store. Click, compare and apply now extra.

**BUNNINGS warehouse**

**LOWEST PRICES ARE JUST THE BEGINNING...**

**“We’ve now got carpet”**



**Full carpet measure, quote and installation service**  
 • New Box Hill Warehouse flooring department • All your flooring needs under one roof

RUGS	CARPET	TILES	LAMINATE FLOORING
<p><b>Wilora</b> 100% Wool Twist Heavy Duty Domestic Rug \$3142 <sup>00</sup> <sub>00</sub> <b>PER</b> M<sup>2</sup></p> <p><b>Alto</b> Tactical Solution Day Night Extra Heavy Duty and Soles 10 Year Warranty Rug \$2175 <sup>00</sup> <sub>00</sub> <b>PER</b> M<sup>2</sup></p>	<p><b>Harwich</b> 100% Polyester Super Low Pile Heavy Duty Carpet \$1363 <sup>00</sup> <sub>00</sub> <b>PER</b> M<sup>2</sup></p> <p><b>Calais</b> Loop Pile 10 Year Warranty Rug \$954 <sup>00</sup> <sub>00</sub> <b>PER</b> M<sup>2</sup></p>	<p><b>Impulse</b> Textured Neutral Heavy Duty Domestic Rug \$2596 <sup>00</sup> <sub>00</sub> <b>PER</b> M<sup>2</sup></p> <p><b>Maylak</b> High Pile Heavy Duty Domestic Rug \$1995 <sup>00</sup> <sub>00</sub> <b>PER</b> M<sup>2</sup></p>	<p><b>BOX HILL</b></p> <p>PH: 8478 0800</p>

**BUNNINGS warehouse**

**LOWEST PRICES ARE JUST THE BEGINNING...**

Choose from our **EVEN BIGGER** range and have it delivered direct to your home.

# FIRE FIGHTING PLANS & EQUIPMENT



**SPECIAL  
ORDERS**

Choose from our **EVEN BIGGER** range and have it delivered direct to your home.

# HYDROTHERAPY WITH SPAS



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ORDERS**

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# DOORS & DOOR FURNITURE



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ORDERS**

Choose from our **EVEN BIGGER** range and have it delivered direct to your home.

# LIGHTING & CEILING FANS



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ORDERS**

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# SHEDS AND OUTDOOR STRUCTURES



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ORDERS**

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# OUTDOOR LIVING & ENTERTAINING



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ORDERS**



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# WATER STORAGE & SOLAR SOLUTIONS



**SPECIAL  
ORDERS**



**BUNNINGS  
warehouse**

**LOWEST PRICES  
ARE JUST THE  
BEGINNING ...**

**BUNNINGS  
warehouse**

**LOWEST PRICES  
ARE JUST THE  
BEGINNING ...**



# Strategies



## 1. Focus on core retail drivers

- **Service**
  - Lifting customer service
    - Business improvement work benefits
  - Improving services





**LOWEST PRICES  
ARE JUST THE  
BEGINNING ...**



**SPECIAL  
ORDERS**



**D.I.Y.  
WORKSHOPS**



**FREE D.I.Y.  
BROCHURES**



**EXPERT  
ADVICE**



**COLOUR  
MATCHING**



**FREE  
TINTING**



**COLOUR  
CONSULTANT**



**WE WILL  
INSTALL**



**COURTESY  
TRAILER**



**SAME DAY  
DELIVERY**



**GAS  
SWAP**



**HIRE  
SHOP**



**WE CUT  
TIMBER**



**WE CUT  
KEYS**



**WE SHARPEN  
TOOLS**



**KIDS  
PLAYGROUND**



**HARDWARE  
CAFE**



**OPEN  
7 DAYS**

# Strategies



## 2. Develop store network

- Warehouse store rollout continues
  - 10 to 14 warehouse stores openings per year
  - Opportunistic openings of small format stores
  - Adapting warehouse format for inner urban areas
- Accelerated store upgrades and refits programme
  - Lifting store environment for better customer experience
  - Intensive work achieving offer consistency
  - Supports range expansion and enhancement work
  - Achieving better space utilisation



# Strategies



## 2. Develop store network

- Good progress in 2006/07 warehouse rollout programme
  - 6 open by Xmas, full year target 12-14
- Accelerated upgrades and refits programme
  - Touching around 20% of the total store network
  - Reducing sales disruption and one-off costs



# Strategies



## 3. Grow trade business

- 2 distinct market segments
  - store network servicing pick-up “tradie” business
  - Trade DC’s servicing delivered-to-site “builder” business
- Clarity leading to immediate gains with “tradies”
- Increased Frame & Truss capacity adds value for “builders”
- Targeting profitable market share growth
- Solid progress in tough market conditions







## 4. Help team members perform better

- Lifting investment in development programmes
- Supporting improved performance
  - Product and technical knowledge
  - In-store i-learning investment
  - Provide better customer service
- Continuing strong safety programme



# Strategies



## 5. Upgrade business systems

- \$55m systems upgrade project well advanced
- Phase 1 work in-line with cost expectations
  - Scalable infrastructure successfully installed in 2005/06
  - New inventory mgt and distribution centre systems
  - Completion deferred Feb / Mar 2007 to avoid peak trading
- Phase 2 preparation running in parallel with phase 1 testing
- Project expanded to include new labour scheduling system
  - Pilot programme underway
  - Advise capex and timing post pilot



# Strategies



## 6. Drive business improvements

- Effectiveness of in-store processes lifting
  - Redeploying hours to customer service
- Pleasing supply chain enhancements
- Better business disciplines providing positive benefits
  - Ongoing shrinkage and stock management improvements
- Achieving a lower cost of doing business
  - Supports pricing objective for customers



# Other Activities



## WA Salvage

- WA Salvage network to close in 1<sup>st</sup> half of calendar 2007
  - Stock clearance underway
  - EBIT impact of approx. \$6-8m to be taken-up in Dec 06

## HouseWorks

- Affordable, contemporary homewares, furniture & lighting offer
  - Offer still evolving
  - 3rd store opened last month
  - Absorbing establishment costs



# Outlook

- **Maintaining strong focus on core retail drivers**
  - Range, price and service
- **Continued network development**
  - Busy agenda, new stores, upgrades and refits
- **Reducing the cost of doing business**
- **Improved retail trading conditions**
  - Volatility concerns remain





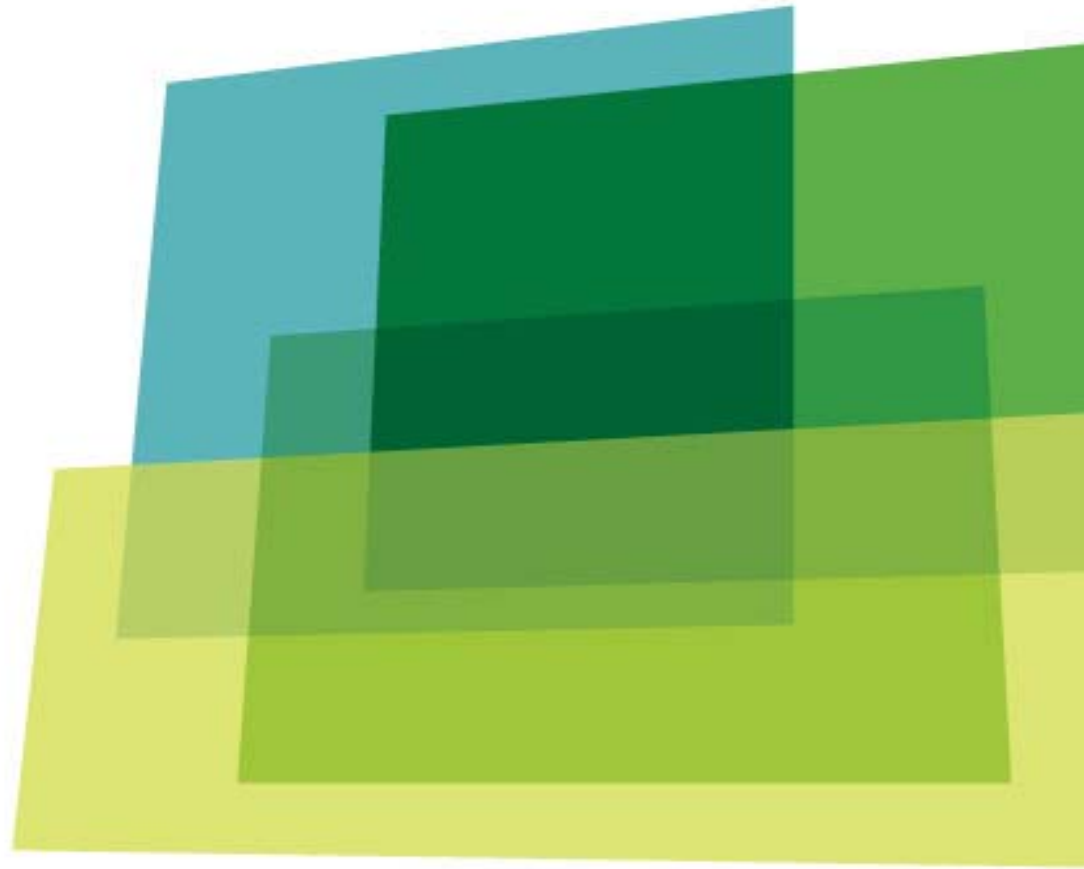
# Questions





# Other Businesses

Gene Tilbrook



# Wespine (50%)



## Strategic Issues

## Strategies and Achievements

Long term, consistent supplies

- Evaluating options post 2012

Regional competitiveness

- Increasing sawmill capacity by 15% to 430,000 m<sup>3</sup> pa; commissioning Q4 06/07
- Tuning new dry mill
- Evaluating new products and processes

Safe, stable workforce

- LTIFR below three
- Addressing turnover





# Gresham Private Equity

## Fund 1

- Current investment A\$27.3m
- 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

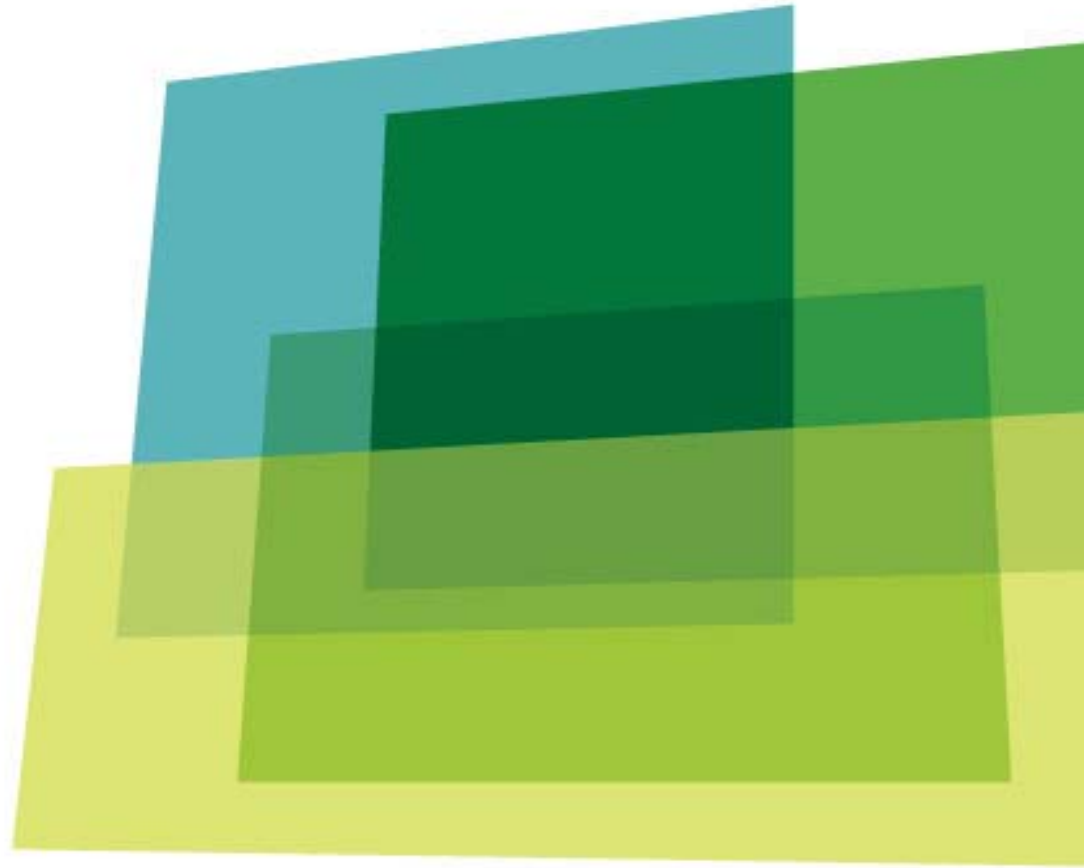
- Wesfarmers' current commitment A\$150m; Capital invested A\$63.9m
- Witchery acquired in July 2006

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





# Capital Management



# Capital Management

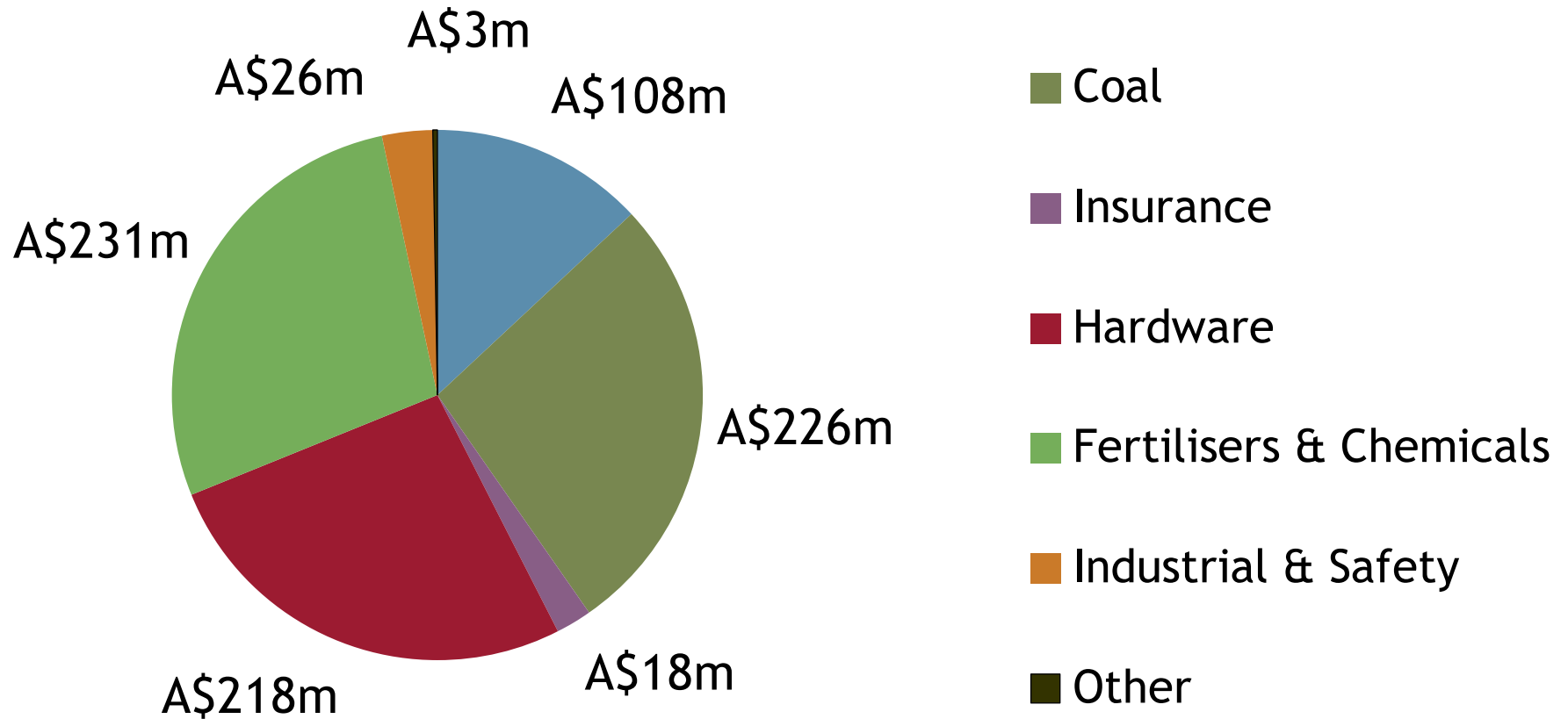


- Funding OAMPS takes the ND:E ratio to the high end of preferred range
- Cash flow cover remains strong
- If further acquisitions are made and capital expenditure continues strongly, additional equity will be raised
- Focus is to match capital structure to funding requirements



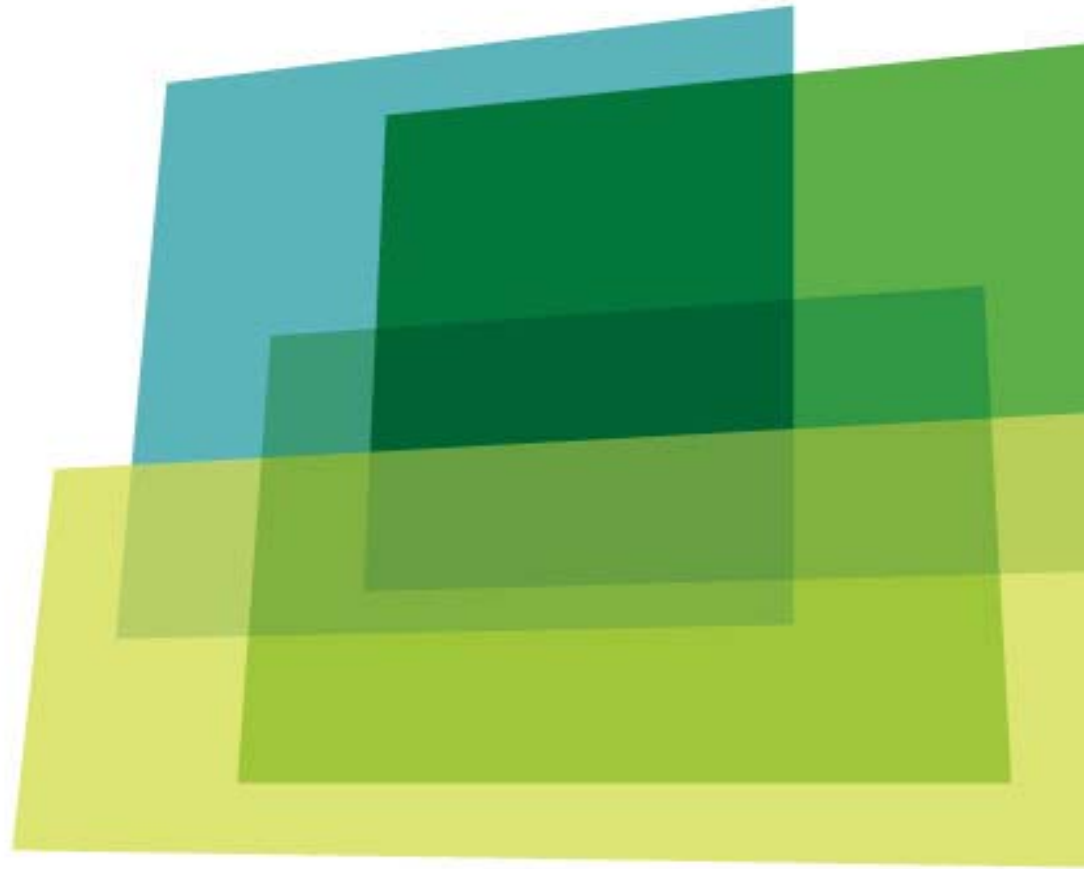
# 2006/07 Capital Expenditure Budget

A\$830m





# Financial Summary



# Breakdown of reported result

Share of net profit of associates included in EBIT Year ended 30 June (\$m)	Holding %	2006	2005
<b>Associates:</b>			
ARG	50	16.5	16.1
Gresham Private Equity – Fund 1	50	11.7	5.9
Gresham Private Equity – Fund 2	67	(1.6)	(2.7)
Gresham Partners	50	2.7	4.7
Wespine	50	9.8	9.9
Bunnings Warehouse Property Trust	23	17.0	18.1
Oversea and General	50	1.2	0.9
Tax on ARG, GPG and Wespine		(8.9)	(8.0)
<b>Total (excluding sale of ARG)</b>		<b>48.4</b>	<b>44.9</b>



# Breakdown of reported result

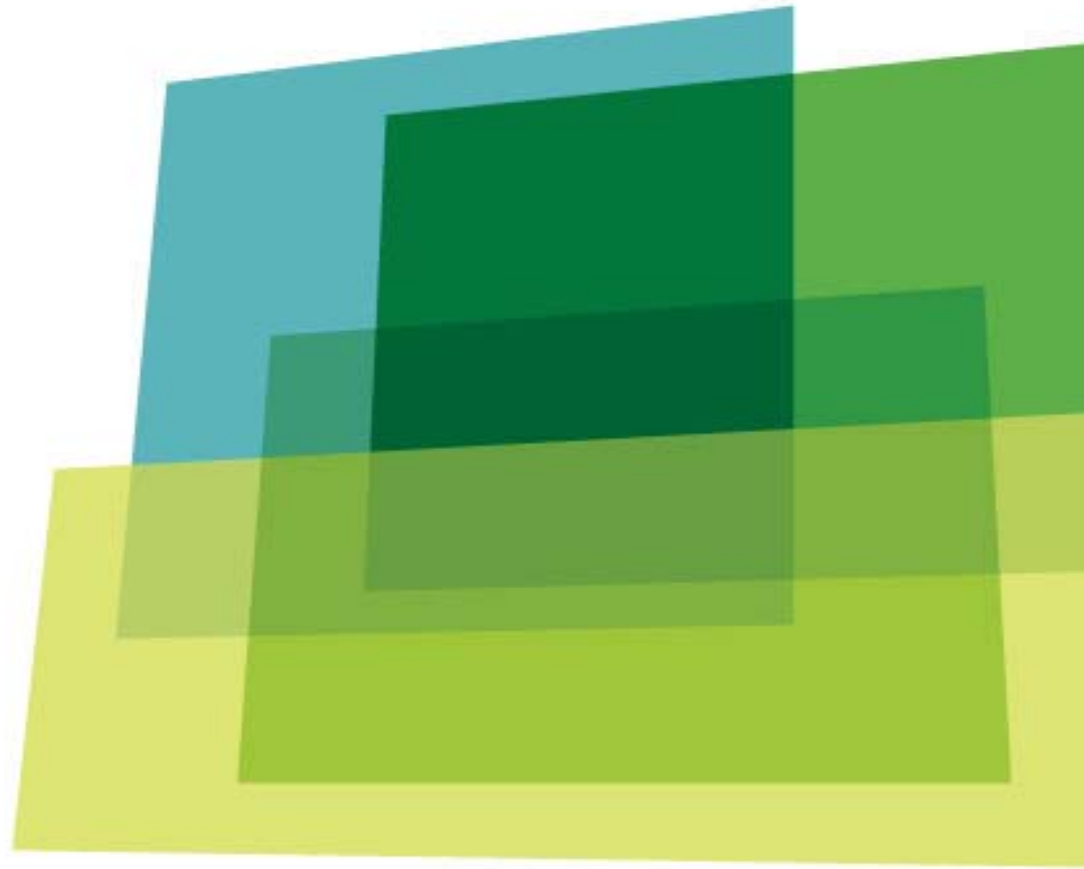
Contribution to reported profit before tax	2006	2005
Year ended 30 June (\$m)		
Divisional EBIT	1,350.7	1,065.9
Profit from associates	48.4	44.9
Other EBIT	23.8	12.2
Profit on sale of ARG	234.9	-
<b>Group EBIT</b>	<b>1,657.8</b>	<b>1,123.0</b>
Less: Corporate overheads	(50.4)	(47.7)
Consolidation adjustment	(6.5)	(4.5)
Finance costs		
- expense net of capitalisation	(119.5)	(103.1)
- discounts	(14.3)	(1.1)
<b>Reported profit before tax</b>	<b>1,467.1</b>	<b>966.6</b>







Questions



## Q & A

Richard Goyder  
Managing Director, Wesfarmers Limited

Gene Tilbrook  
Finance Director, Wesfarmers Limited





**Wesfarmers**

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