

# Wesfarmers Limited November 2002





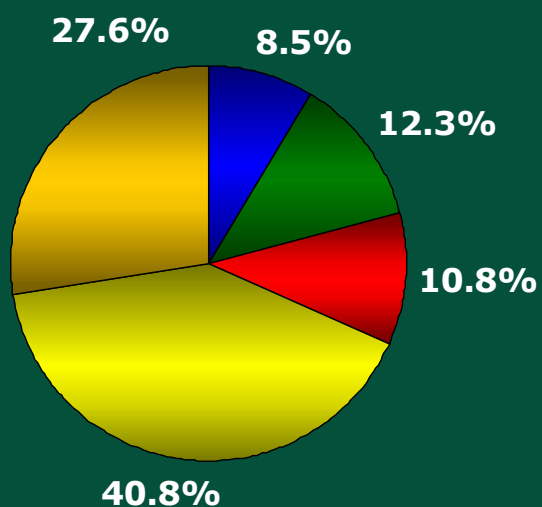
# Background and Corporate Strategy



# Divisional EBIT (before Goodwill Amortisation)

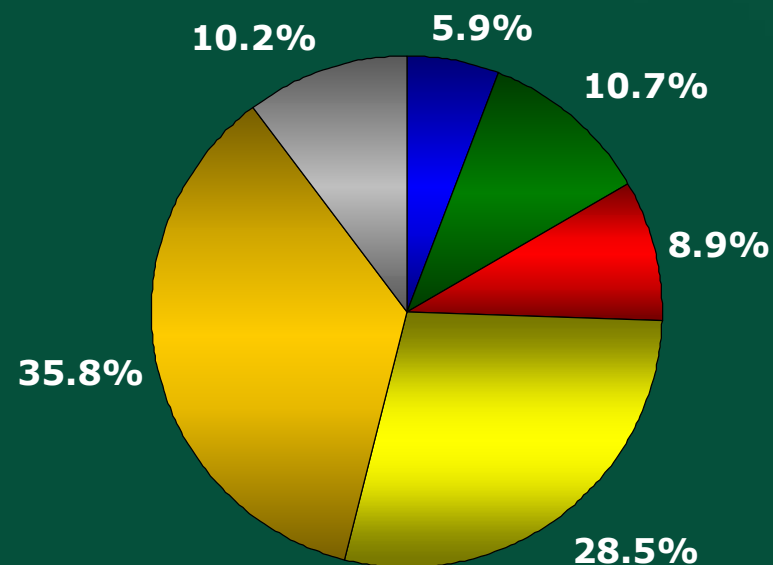
2000/2001

\$488 million



2001/2002

\$831 million



# Objective – Philosophy – Strategies

## Objective

To provide a  
satisfactory  
return to  
shareholders

## Growth Philosophy

Logical  
Incrementalism

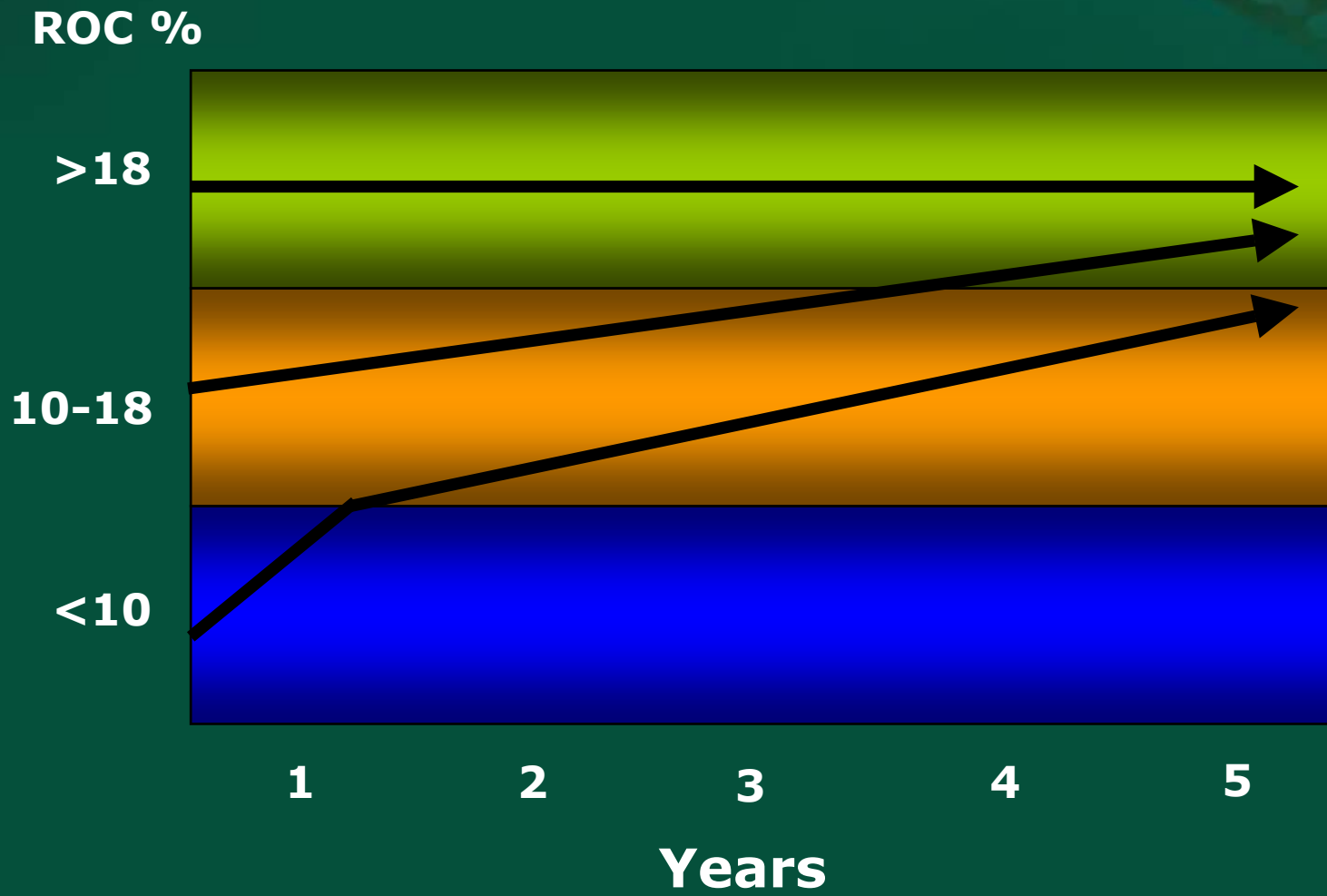
## Growth Strategies

1. Improve performance of existing businesses
2. Expand existing businesses
3. Portfolio Management

# Integrated Shareholder-Focused Systems

- Objective setting
- Performance measures
- Performance targets
- Management accounts
- Cash management
- Corporate planning
- Project evaluation
- Remuneration

# Divisional Performance Requirements

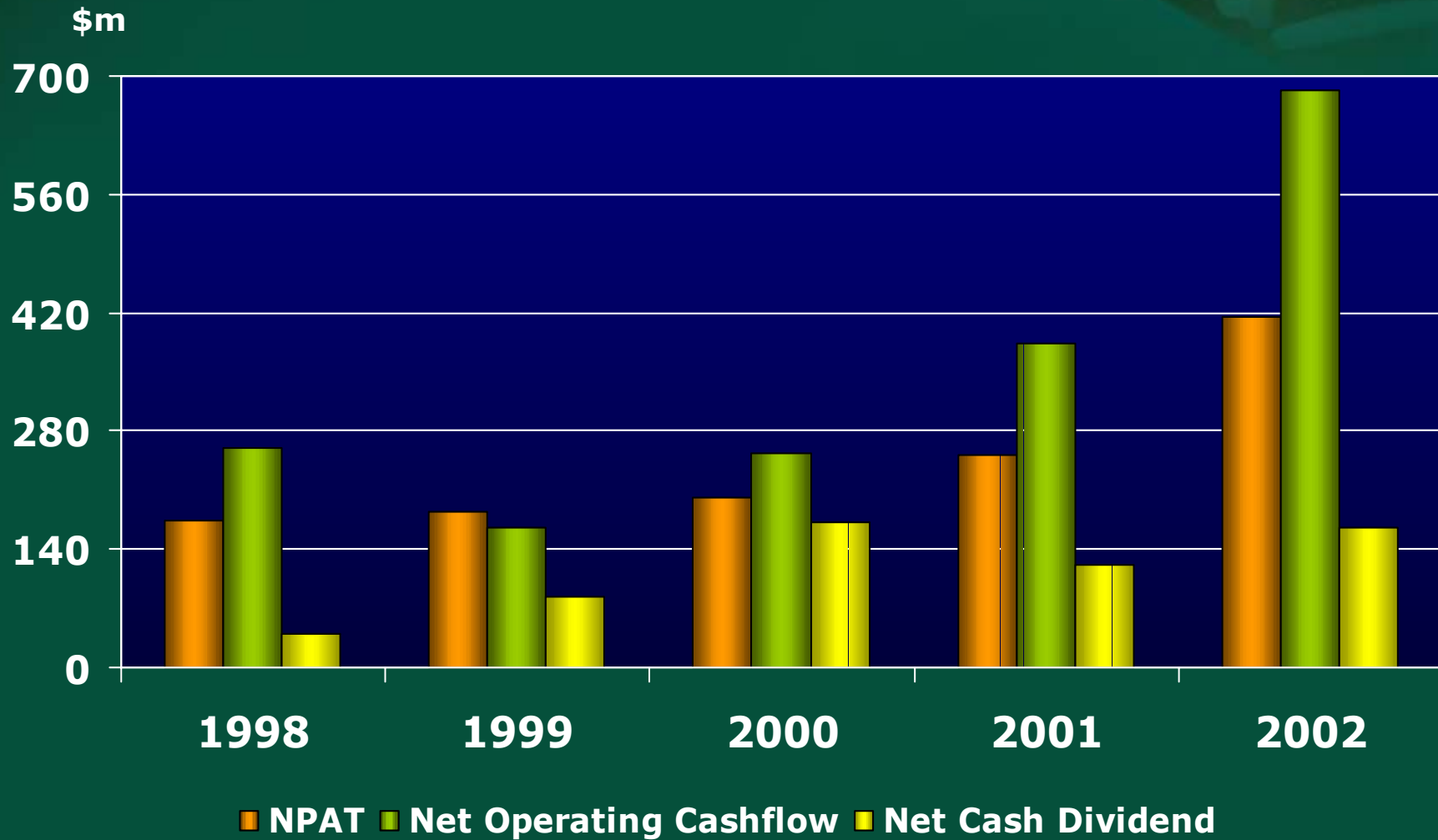


# Divisional ROC and Capital Employed

| <b>Results for 12 Months Ended<br/>30 June 2002</b> | <b>EBIT<br/>(\$m)</b> | <b>Capital<br/>Employed<br/>(\$m)</b> | <b>ROC<br/>2002<br/>(%)</b> | <b>ROC<br/>2001<br/>(%)</b> |
|---|-----------------------|---------------------------------------|-----------------------------|-----------------------------|
| <b>Hardware</b>                                     | <b>250.5</b>          | <b>1,841.4</b>                        | <b>13.6</b>                 | <b>23.9</b>                 |
| <b>Energy</b>                                       | <b>236.5</b>          | <b>845.7</b>                          | <b>28.0</b>                 | <b>24.4</b>                 |
| <b>Rural Services and Insurance</b>                 | <b>80.1</b>           | <b>494.1</b>                          | <b>16.2</b>                 | <b>15.5</b>                 |
| <b>Industrial and Safety</b>                        | <b>61.7</b>           | <b>708.5</b>                          | <b>8.7</b>                  | <b>-</b>                    |
| <b>Fertilisers and Chemicals</b>                    | <b>73.3</b>           | <b>488.3</b>                          | <b>15.0</b>                 | <b>10.4</b>                 |

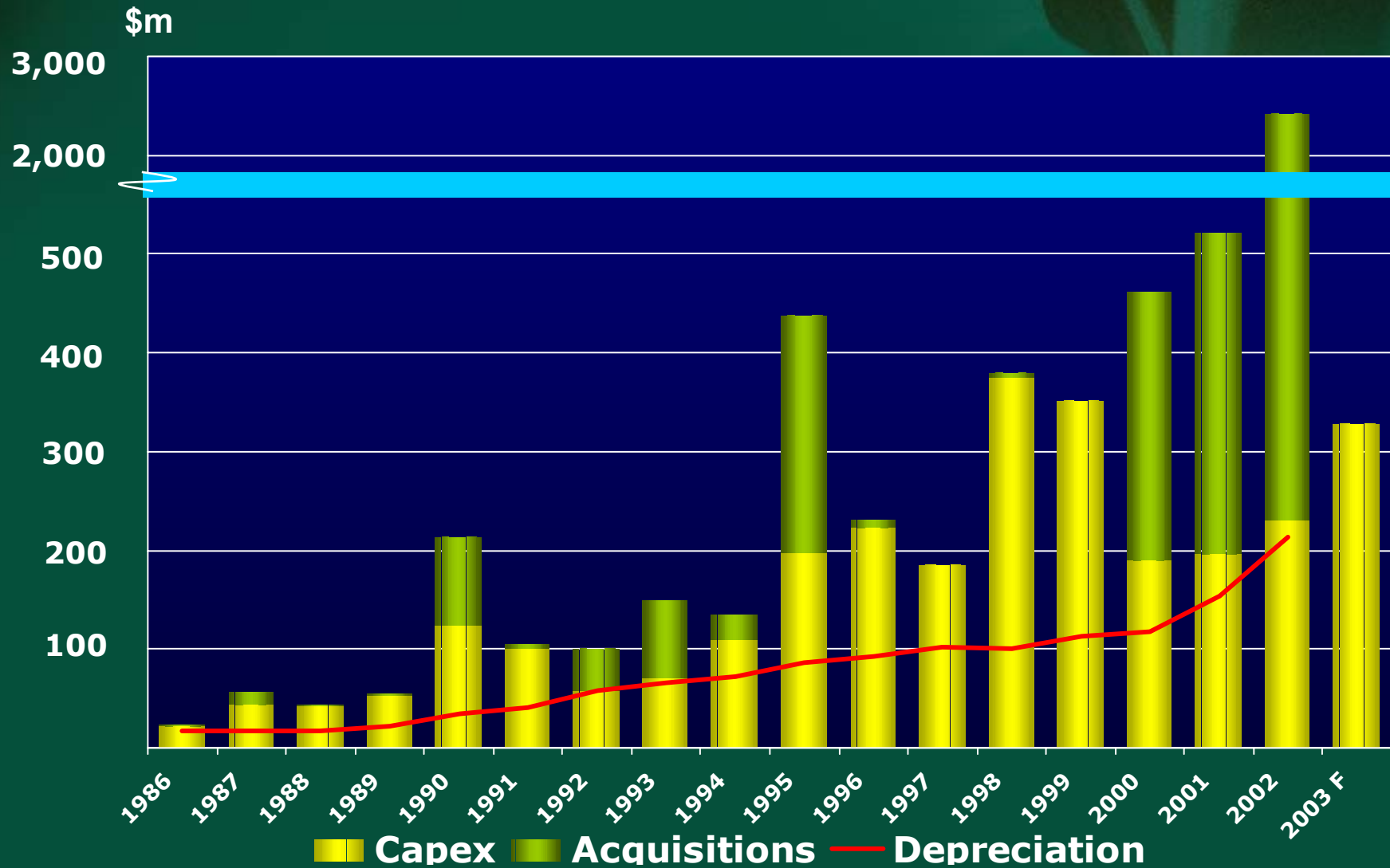


# NPAT, Net Operating Cash flow & Net Cash Dividend (30 June)

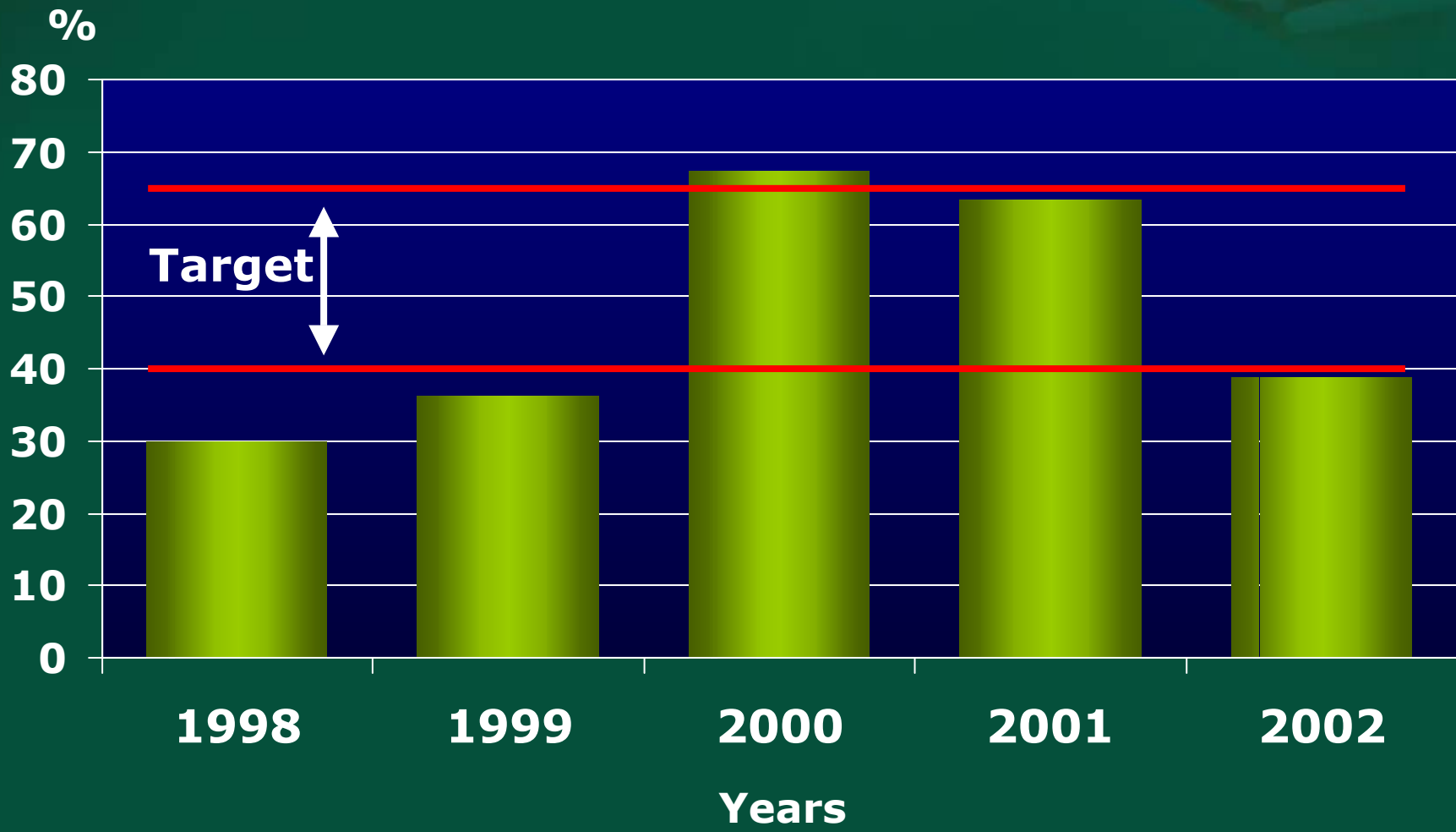




# Capital Expenditure and Depreciation

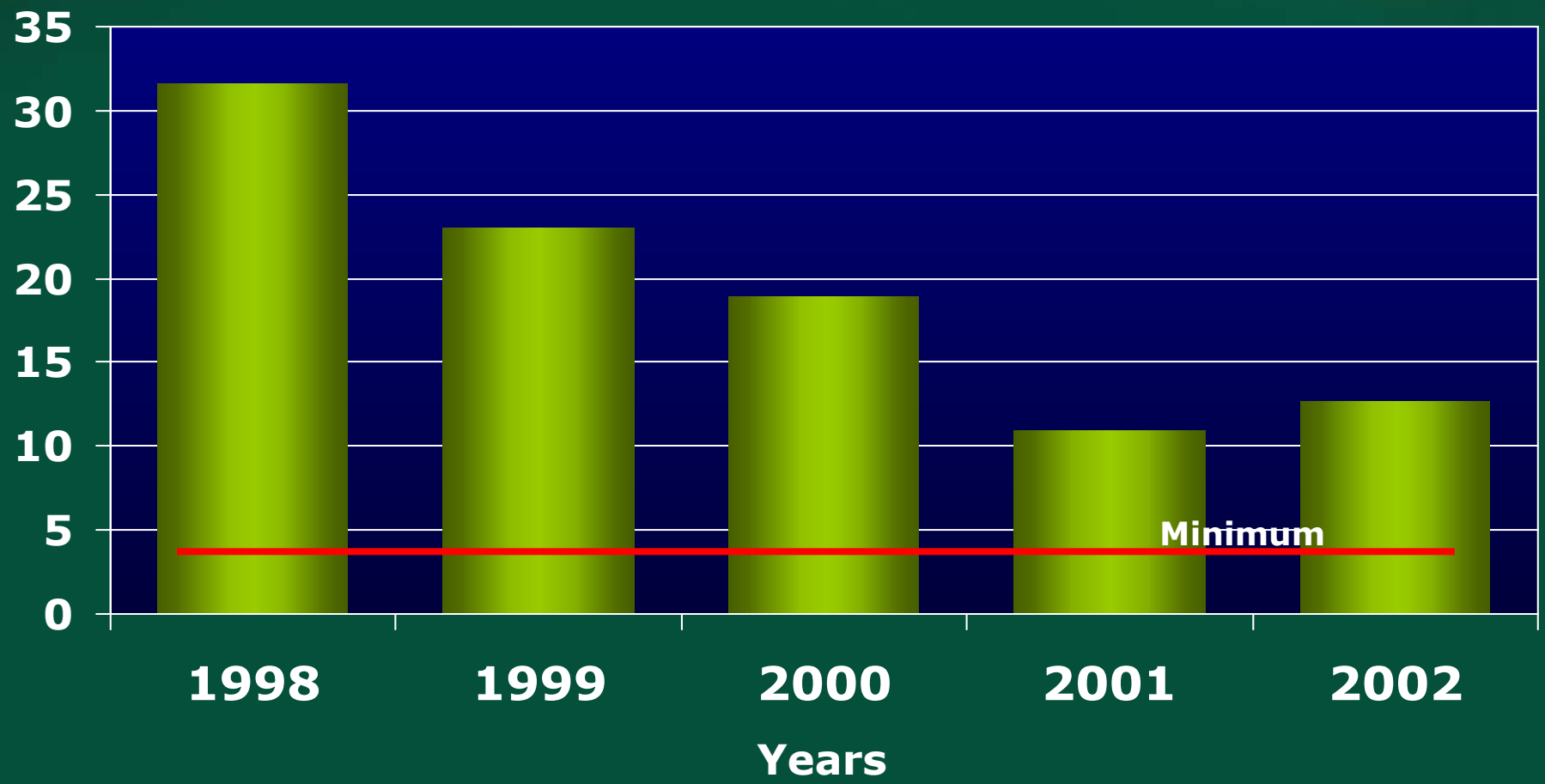


# Net Debt / Equity (30 June)



# Interest Cover (30 June)

times



# Share Price Vs Operating Profit After Tax





# Key Success Factors

1. Financial focus
2. Strict disciplines
3. Building growth-enabling competencies
4. Culture

# Financial Performance & Outlook

Three Months to 30 September 2002



# Performance Summary

| <b>3 Months to 30 September (\$m)</b>                        | <b>2001</b> | <b>2002</b> |
|--|-------------|-------------|
| Operating Revenue  | 1,662       | 1,815       |
| Net Profit (before Goodwill Amortisation)                    | 93.8        | 122.8       |
| Goodwill Amortisation  | (14.5)      | (21.4)      |
| Net Profit (after Goodwill Amortisation)                     | 79.3        | 101.4       |
| Earnings Per Share (cents)<br>(before Goodwill Amortisation) | 29.3        | 33.0        |

## Divisional EBITA

| 3 Months to 30 September (\$m) | 2001         | 2002         |
|--------------------------------|--------------|--------------|
| Hardware                       | 50.2         | 78.1         |
| Energy                         | 61.1         | 62.3         |
| Rural Operations & Insurance   | 12.3         | 19.7         |
| Industrial & Safety            | 17.5         | 31.8         |
| Fertilisers and Chemicals      | 4.5          | 6.0          |
| Other                          | 17.9         | 10.0         |
| <b>Total</b>                   | <b>163.5</b> | <b>207.9</b> |



## 3 Month Highlights

- Strong growth in Hardware
- Satisfactory performance - Coal
- Strong performance from Gas businesses
- Synergy and scale benefits in Rural businesses
- Strong premium income growth – Insurance
- Strong growth on 2001 – Industrial Products
- Solid performance from Fertilisers and Chemicals

# Key Business Activities



# Hardware

- Bunnings – Australia's largest supplier of home improvement and building products
- 237 retail outlets in Australia & New Zealand
  - Including 112 warehouse stores
- Sales of \$3.1 billion
- Rollout 8 to 12 warehouse stores per annum

# Hardware

## Key Issues

- Focus on integration of BBC and growth of network
- Revenue and earnings growth dependent on the strength of retail and trade sectors going forward



## Energy - Coal

- 3.6mt domestic steaming at Collie, WA
- 6.0mt domestic steaming & export coking at Curragh, QLD
- 5.2mt export steaming at Bengalla, NSW (40% owned)
- Two thirds of coal production under long term contract

## Energy - Gas

- 370,000t LPG extraction plant in WA, for domestic & export
- Australia-wide LPG distribution business – Kleenheat
- JV with Elgas for East Coast auto gas operations
- 76% interest in StateWest Power
- 40% interest in Air Liquide WA industrial gases

# Energy – Key Issues

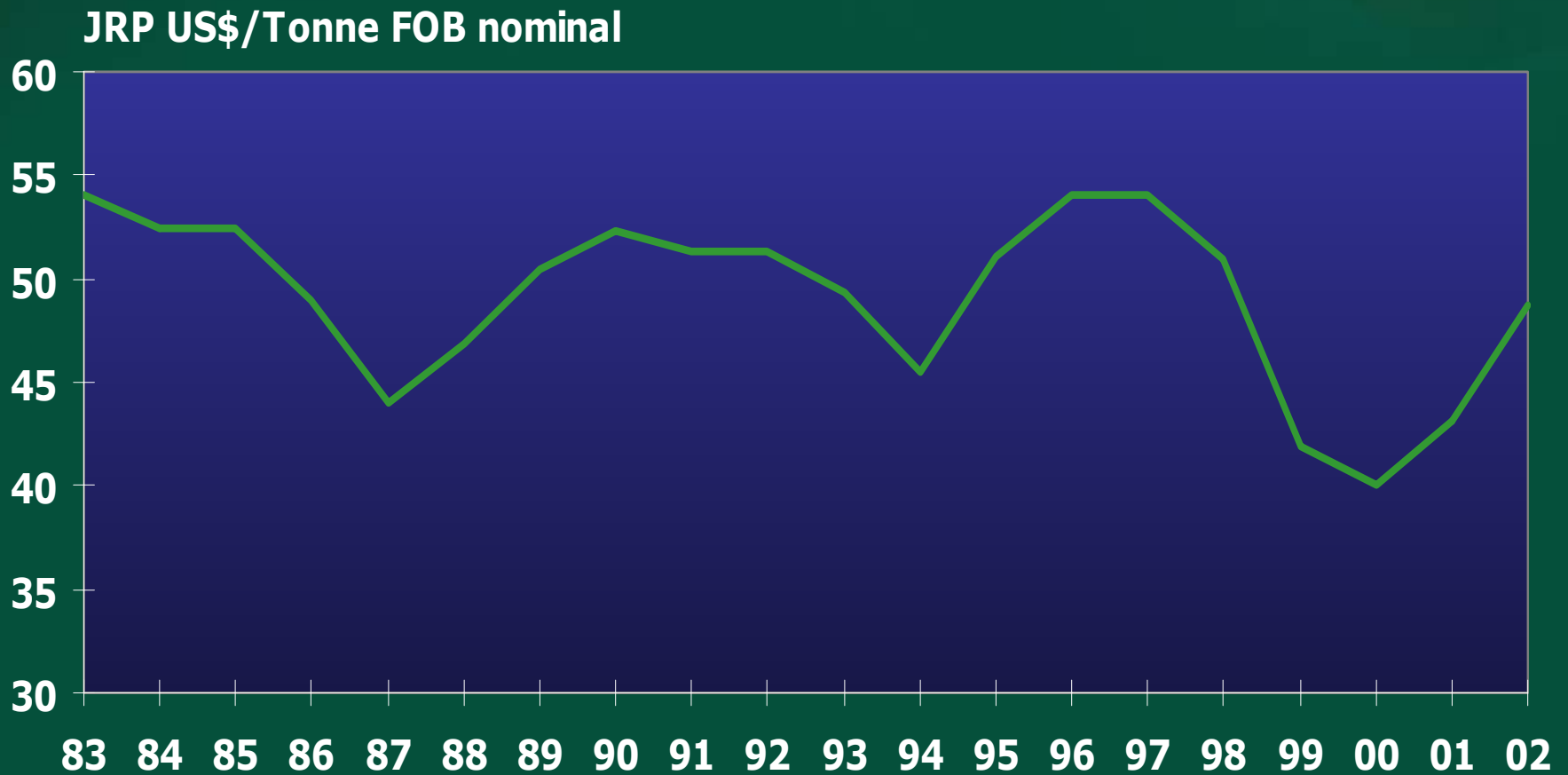
## Coal

- Coal volumes and prices
- Premier restructuring

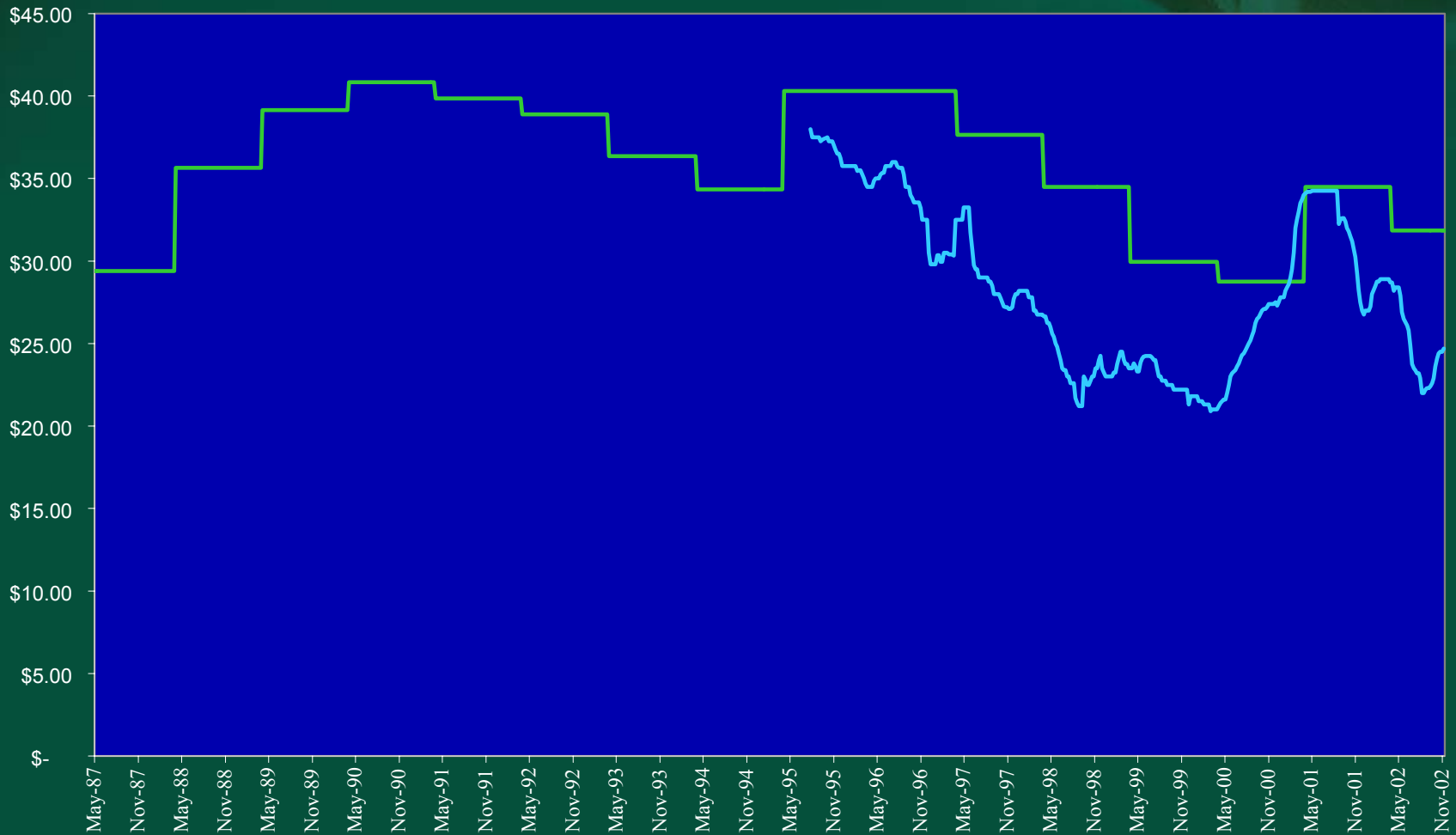
## Gas

- Higher LPG prices

# Hard Coking Coal Prices Japan Benchmark



# Thermal Coal Prices

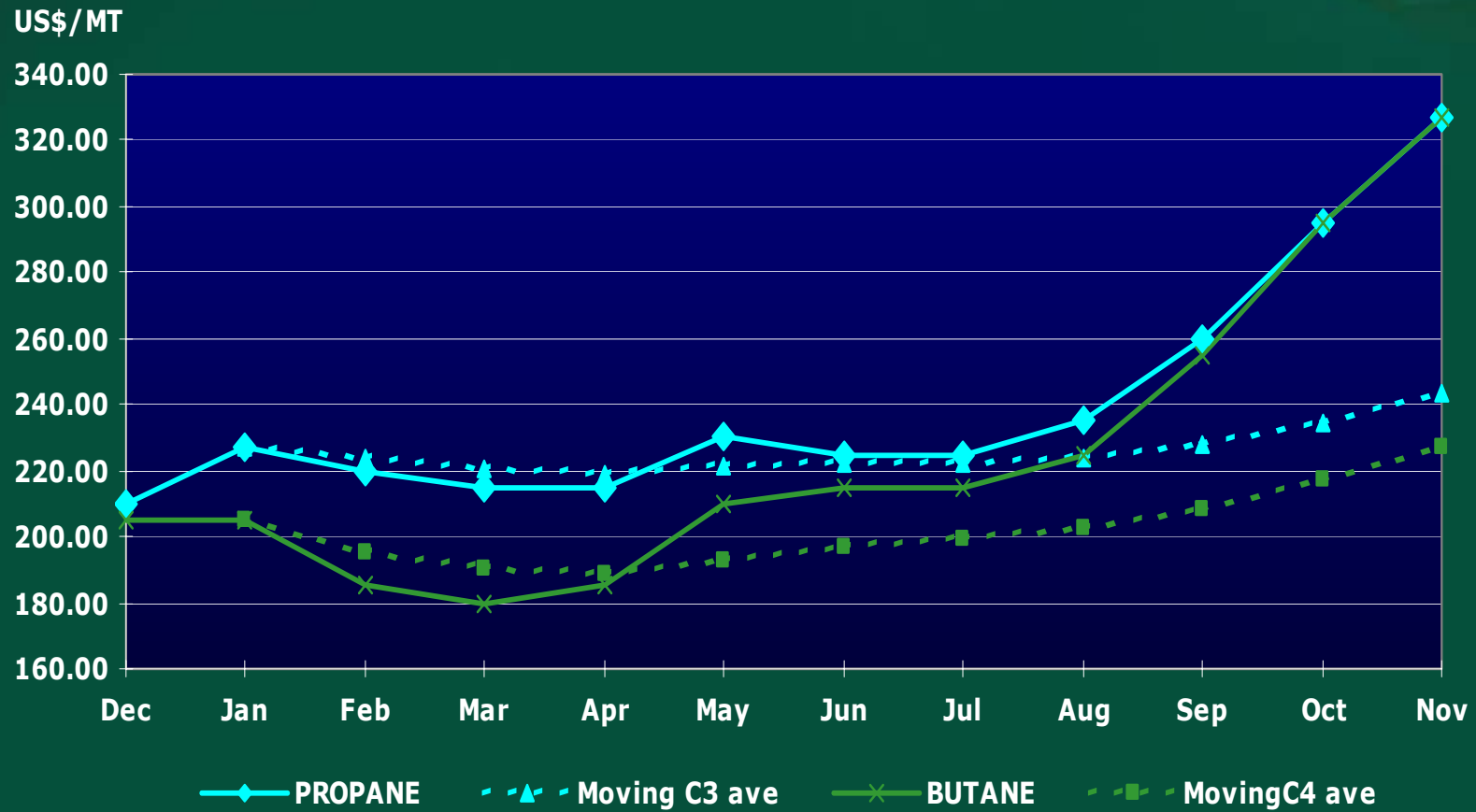


Source: Barlow Jonker

JPU Reference Price (US \$/t) Spot Price (US \$/t)



# LPG Prices CP 2002



# Rural Operations & Insurance

- Approximately 420 branches & agencies across Australia
- Services include:
  - Wool and livestock agency
  - Merchandise and fertiliser sales
  - Real estate
  - Insurance and finance
- Integration of IAMA operations proceeding as planned
  - Full benefits of merger expected in years ahead
  - Strong customer retention

# Rural Operations & Insurance

## Key Issues

- Dry seasonal conditions
- On-going management of cost savings and capital

# Industrial & Safety Products

- Acquired as part of the Howard Smith takeover
- Australia's market leaders in supply of Industrial & Safety Products
- More than 260 outlets in Australia and New Zealand
- Revenue & earnings in line with expectations

# Industrial & Safety Products

## Key Issues

- Commencement of major infrastructure projects
- Improve or divest under performing assets – Horans Steel business sold in August 2002
- Continue to refine distribution network
- Emphasis on Operation Deliver to enhance service offering, including B2B opportunities



# Fertilisers & Chemicals

- Fertiliser production for WA agricultural market
- Ammonia, ammonium nitrate, sodium cyanide and industrial chemicals production

# Fertilisers & Chemicals

## Key Issues

- Patchy seasonal conditions
- Industry rationalisation

# 2003 Outlook



## Outlook for 2003

- Overall positive outlook
- Continued strong revenue and earnings growth in Hardware
- Coal and gas earnings growth subject to international price trends
- Rural division – drier seasonal conditions, focus on managing costs and achieving scale benefits

## Outlook for 2003 (cont.)

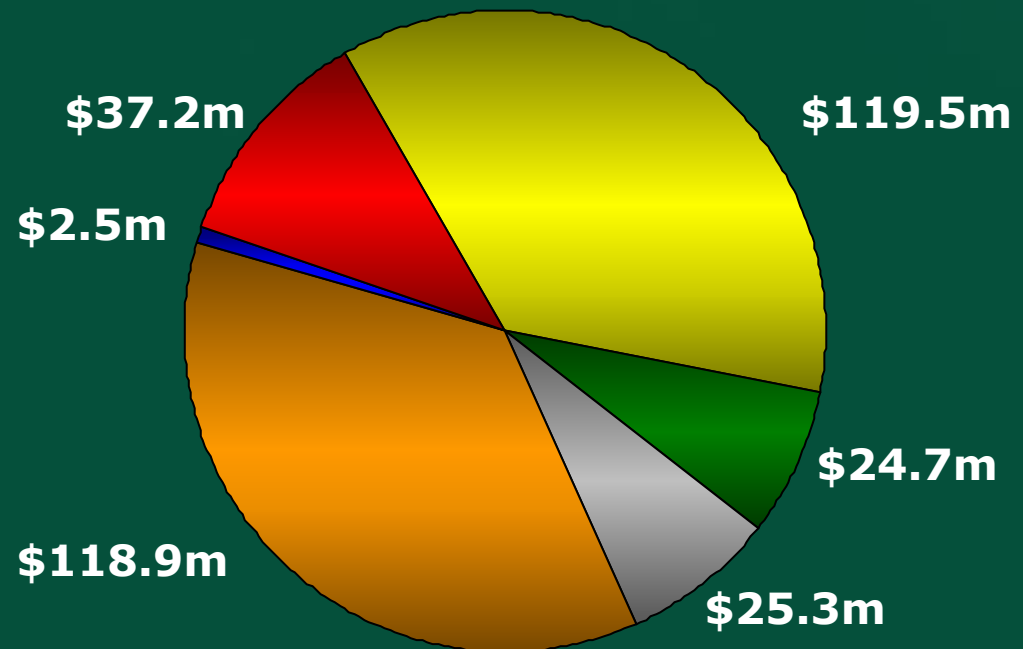
- Improving trading conditions for Industrial and Safety businesses
- Increased profits from chemicals business
- Continued scale down of the Sotico operations



# Capital Expenditure Programme

June 2003 Proforma

Total \$328.1m



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

