



# Investor Briefing

11 November 2004

InterContinental Hotel, Sydney



# Wesfarmers Industrial and Safety

Bob Denby  
Managing Director



# Presentation Outline



- Overview of the business
- Progress in 2004/05
- Strategies
- Business outlook

# Overview of the business



# Business Environment



- Two market segments
  - Industrial Products - Maintenance Repair & Operating (MRO)
  - Safety Products
- Wesfarmers Industrial and Safety is the market leader in highly fragmented markets

## WIS Estimated Market Share

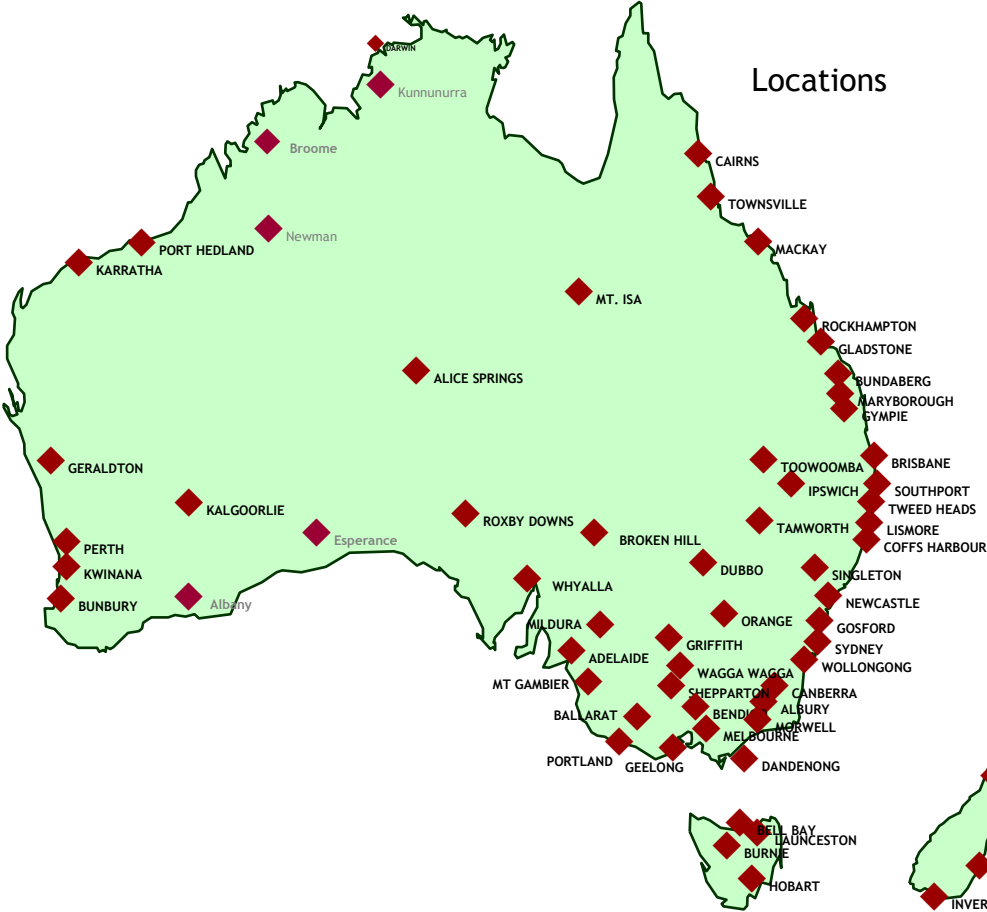
	Industrial Products	Safety Products
Australia	7%	25%
New Zealand	7%	45%



## Blackwoods



# Distribution Network



◆ **TRADING STYLES:**

◆ Blackwoods	65
◆ Atkins	3
◆ Blackwoods Atkins	21
◆ Bakers	6
◆ Motion	10
◆ Metals	1
◆ Mullings	9
◆ Protector Alsafe	55
◆ NZ Safety (NZ)	24
◆ Protector (NZ)	22
◆ Packaging House (NZ)	11
◆ Blackwood Paykels (NZ)	27
<b>TOTAL</b>	<b>254</b>

◆ **BRANCHES**

◆ NSW	38
◆ VIC	29
◆ QLD	38
◆ WA	39
◆ SA	13
◆ TAS	10
◆ NT	3
◆ NZ	84
<b>TOTAL</b>	<b>254</b>

# Progress in 2004/05





## Progress in 2004/05



- July - October EBITA marginally below last year
- Industrial Products experienced continued sales growth in Queensland and Western Australia with tight market conditions in NSW and Victoria
- Protector Alsafe difficult trading conditions continue
- Established New Zealand businesses performed well
  - Blackwood Paykels below expectations
- Competitive pressure continues on trading margins

## Progress in 2004/05 (cont.)



- Rollout of 8 new trade centres
  - Qld - Kawana Waters, Rockhampton, Coopers Plains
  - NSW - Coffs Harbour, Dubbo
  - SA - Edwardstown
  - WA - Osborne Park, Bayswater
- New distribution centre
  - Wiri (Safety New Zealand)

# Strategies



- Increase sales and market share
  - increase e-business sales
  - improve brand positioning
  - increase sales in direct imported products
  - network expansion (ie trade centres)

# Trade Centre



# Trade Centre





# Trade Centre



# Safety Shop



# Strategies



- Reduce expense to sales ratio
  - optimise the distribution network
  - improve information system
- Reduce working capital
  - reduce debtor days
  - reduce inventory
- Improve safety performance





- **Australia**

- Market conditions remain solid, with strong spending in the mining & infrastructure construction industries
- Increased competition and tightening margins

- **New Zealand**

- Continued solid market conditions

# Chemicals and Fertilisers

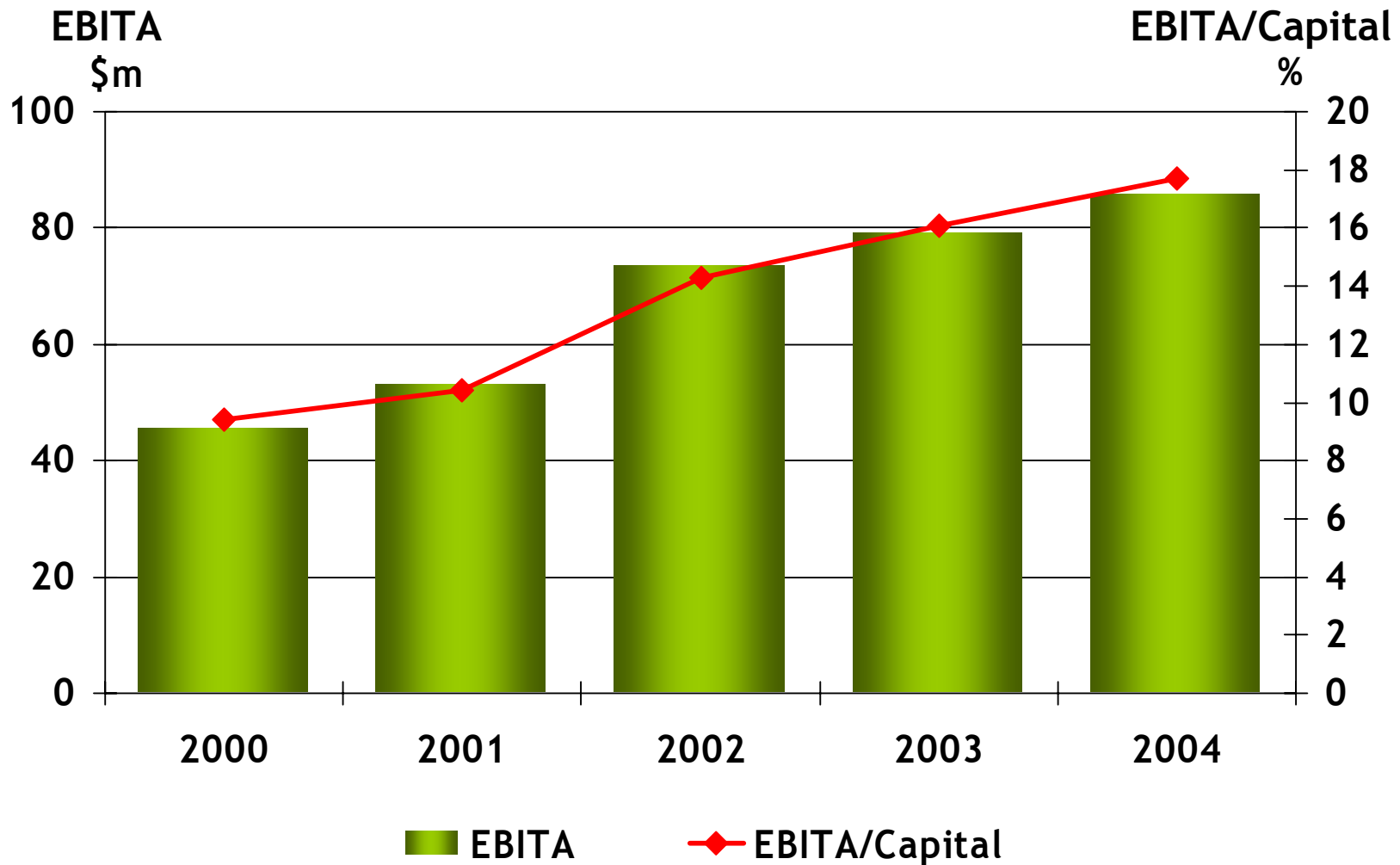
Keith Gordon  
Managing Director





- Manufacturer of mining & processing chemicals
  - ammonia, ammonium nitrate, sodium cyanide, chlorine
- Manufacturer and importer of fertilisers
  - phosphate, nitrogen, potassium and compounds
- Manufacturing operations at:
  - Kwinana, Albany and Esperance (WA), Moura (Qld)
- 550 employees
- Post 1999, around 60% of EBITA generated from chemicals activities

# EBITA and EBITA/Capital 5 Year Trend

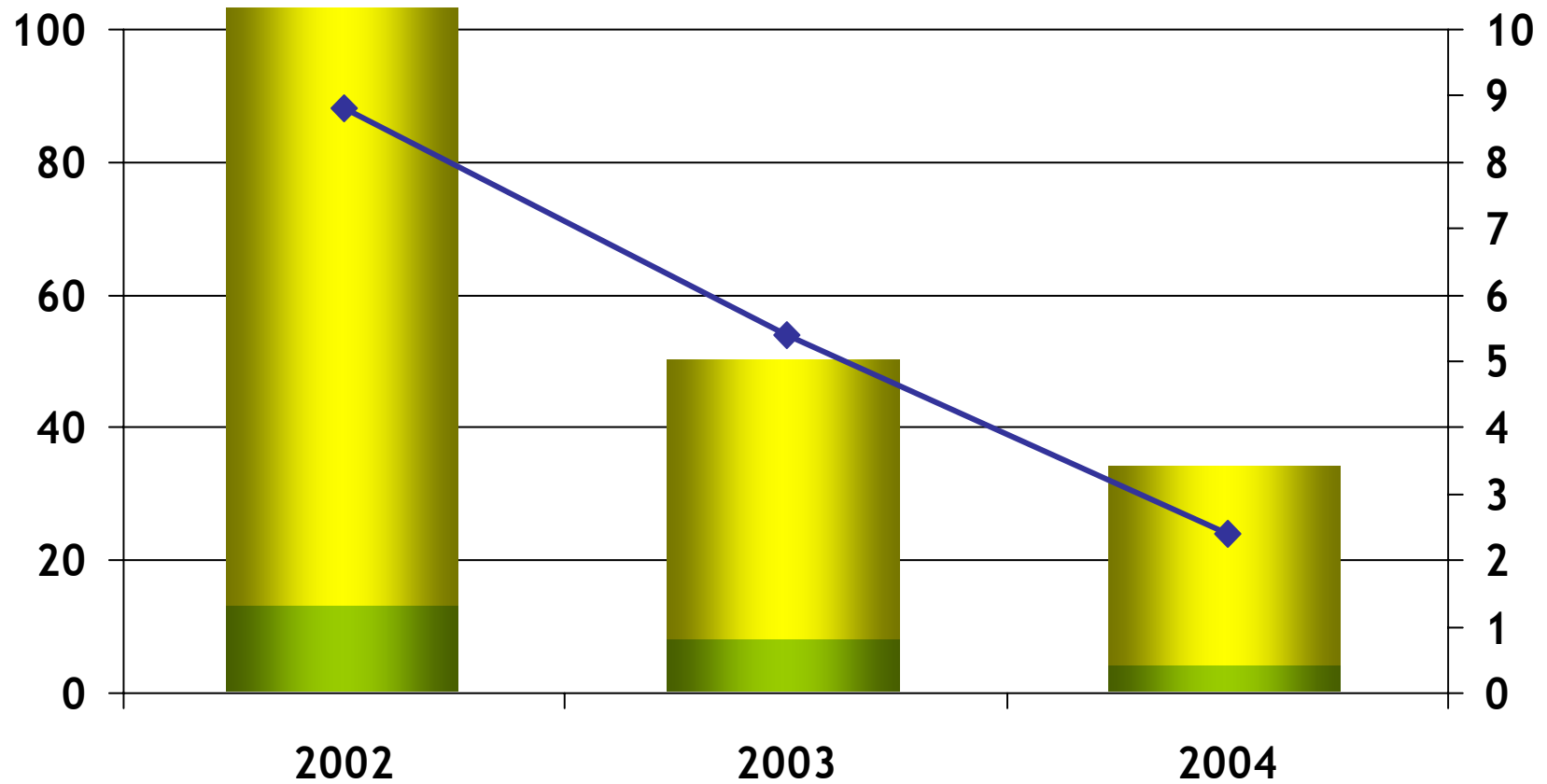


# Safety



## Injuries

## R12 LTIFR



■ Lost Time Injuries

■ Workplace Injuries

◆ R12 LTIFR

# Chemicals



Investor Briefing

# Chemicals Background



- **Ammonia**
  - Sole WA manufacturer (capacity 260,000 tpa)
  - 40,000 tonnes import / export storage terminal
  - Product sold to nickel industry and export markets
  - Significant quantity consumed internally



- **Ammonium Nitrate**

- Sole WA manufacturer (capacity 235,000 tpa)
- distribution for mining explosives via Dyno Nobel
- Flexi-N liquid fertiliser consumes balance of production
- Queensland Nitrates plant at Moura (capacity 185,000 tpa)



# Chemicals Background



- **Sodium Cyanide**

- Australian Gold Reagents - sole WA manufacturer
- Solution plant capacity 48,000 tpa
- Solid sodium cyanide plant capacity 20,000 tpa
- Strong Australian market position
- Developing export markets for solid product

- **Industrial Chemicals**

- Baseload production of chlorine for WA Water Corporation
- Traded products



- Profitably build on existing businesses
  - examining AN production expansion opportunity
  - sodium cyanide debottlenecking underway
  - ammonia plant debottlenecking complete
- Evaluate growth opportunities
  - exploit core competencies
  - expand product range in existing markets
  - assess opportunities in new markets

# Ammonium Nitrate Expansion



- Location
- Feasibility study scope
- Environmental approvals
- Capital expenditure estimated at \$140 million
- Commissioning expected in 2007
- Market opportunities

# Chemicals Outlook



- Generally strong resource sector conditions
  - Iron ore expansion in Pilbara
  - Coal expansion in Bowen Basin
  - Opportunities available in gold sector
  - Nickel volumes driving ammonia sales
  - Outlook underpins additional investment in chemical manufacturing

# Fertilisers



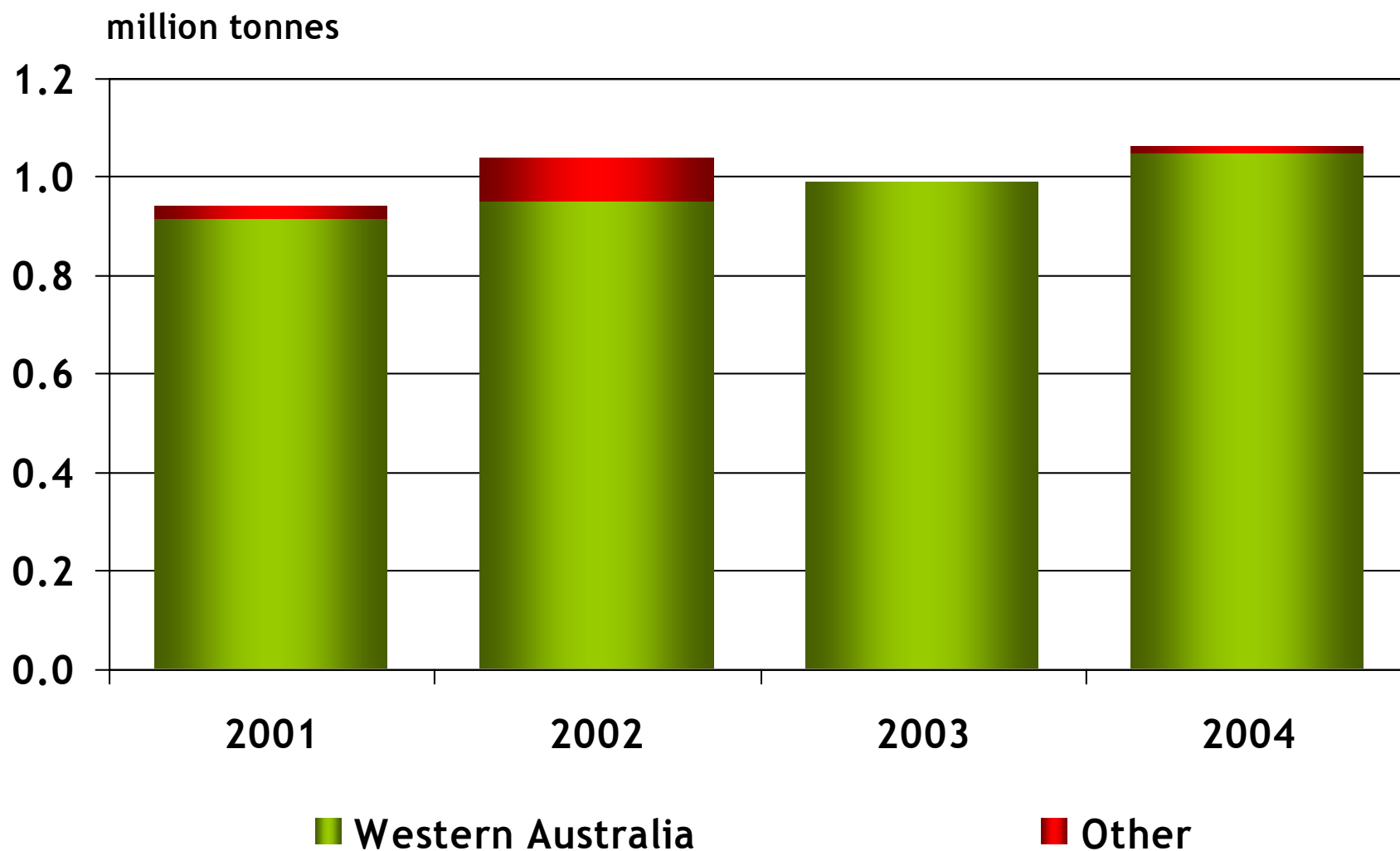
Investor Briefing

# Fertilisers Background



- Unmatched infrastructure in WA market
  - volume growth readily handled
- Extensive distribution network
  - commission based reward structure
  - AWB Landmark, Elders & independents
  - all collections ex-CSBP facilities
- CSBP market support
  - field staff supporting distribution network and account managing key customers
  - agronomic advisory services, product development, soil and plant testing services.

# Fertilisers 4 Year Sales Volumes



# Fertilisers Strategies



- Profitably build core WA business
  - manufacturing and supply chain opportunities
  - strengthen sales channel
- Product and service leadership
  - differentiated products
  - optimise liquids growth
  - best service and technical support
  - competitive pricing
- Develop markets beyond WA for proprietary products



# Fertilisers Outlook



- Anticipate cautious start to 2005 season
  - 2004 harvest impacted by frost and dry finish
  - strong Australian dollar
- Sales programme underway
  - Successful launch of 3 year contract
  - enhanced range of products and services
- Continued growth in liquid fertiliser

# Wesfarmers Insurance Division

Bob Buckley  
Chief Executive Officer

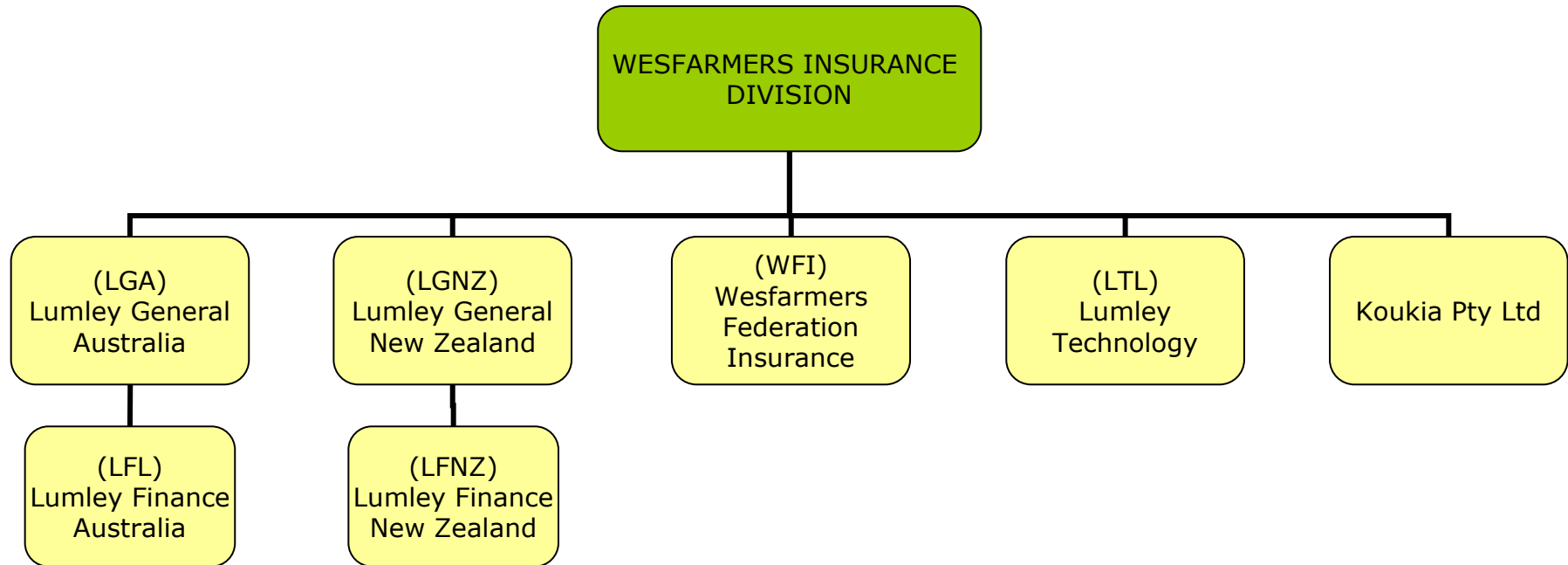


# Agenda



- Wesfarmers Insurance Division overview
- Description of business units
- Insurance industry analysis
- Achievements
- Outlook

# Wesfarmers Insurance Division



# Lumley General Australia

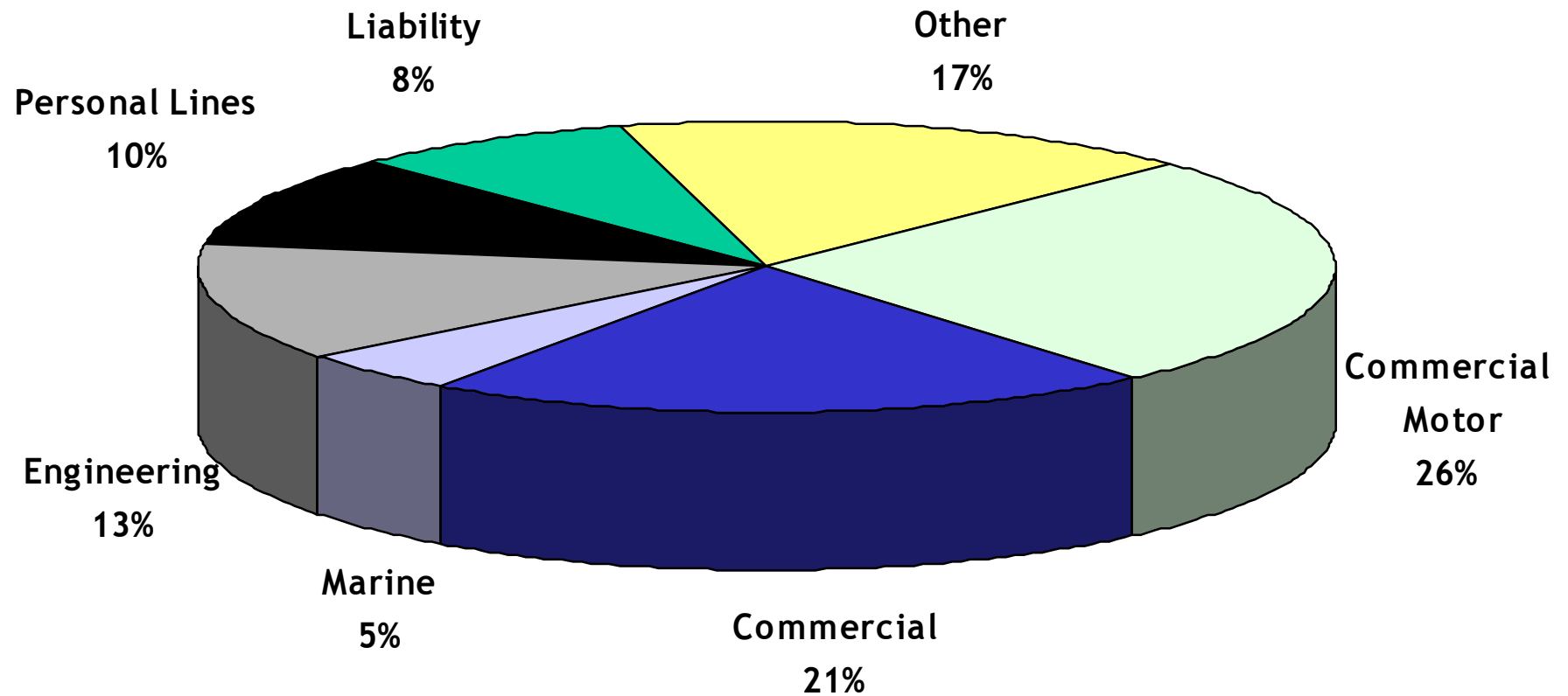


- Specialised skills and products
- Short tail focussed
- Ranked 9 in Australian market
- 2004 Gross Written Premium of \$543m
- Strong focus on underwriting

# LGA - Gross Written Premium by line of business



Gross Written Premium for 12 months to 30 June 2004 = \$543m



# Lumley General New Zealand

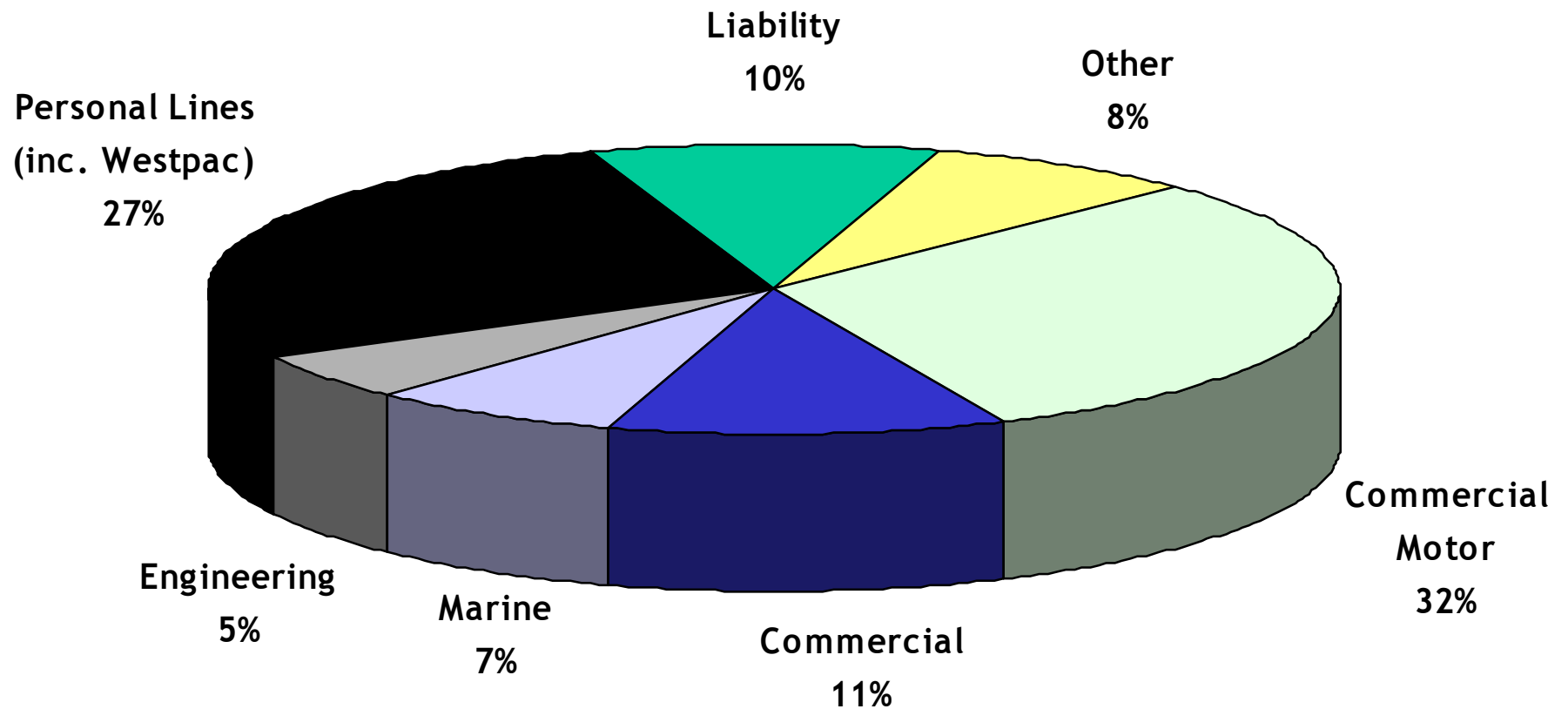


- Specialised skills and products
- Short tail focussed
- Ranked 3 in New Zealand market
- 2004 Gross Written Premium of A\$235m
- Strong focus on underwriting
- Increasing support from intermediaries

# LGNZ - Gross Written Premium by line of business



Gross Written Premium for 12 months to 30 June 2004 = A\$235m





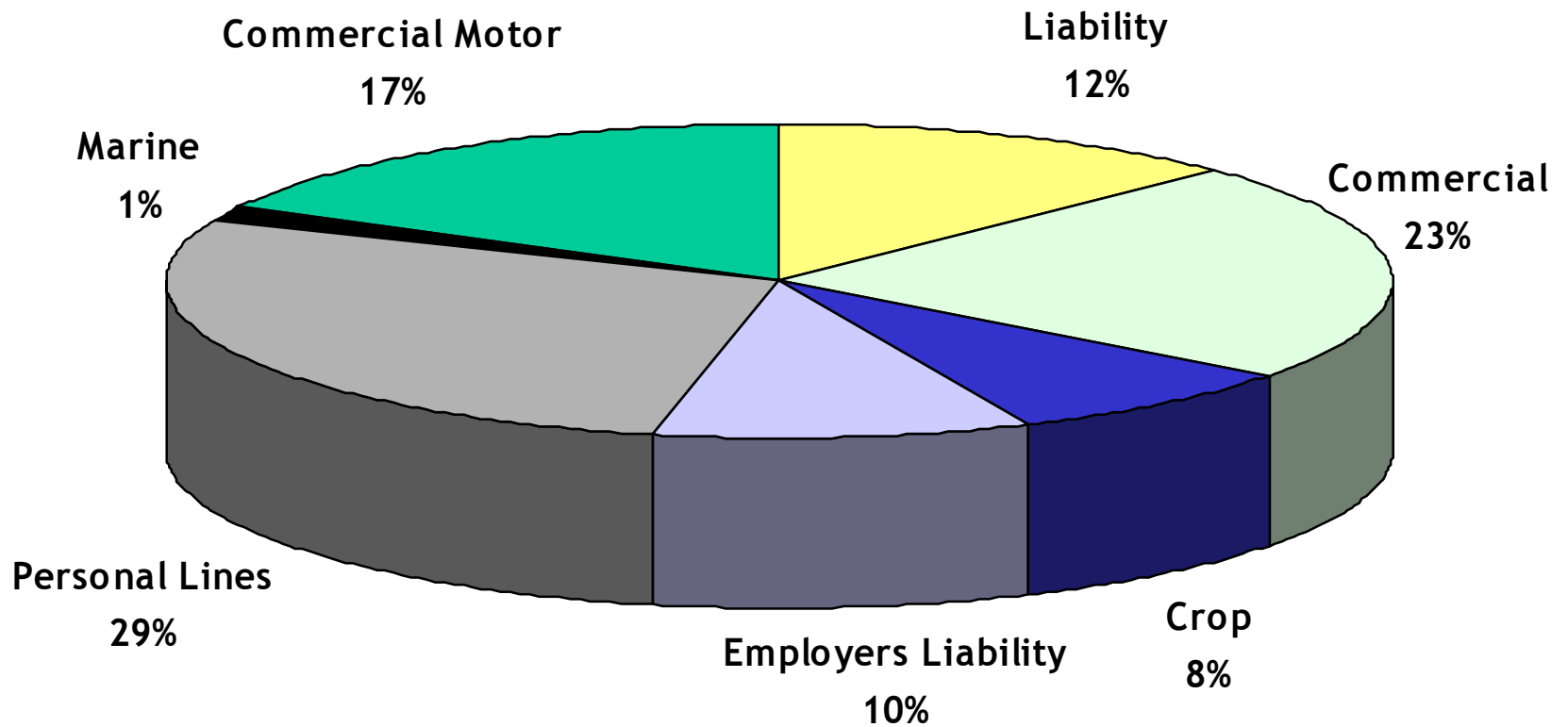


- Specialist niche insurer
- Focused on rural and small business sectors in Australia
- Ranked 14 in Australian market
- Ranked 2 in rural market after IAG/CGU
- 2004 Gross Written Premium of \$248m

# WFI - Gross Written Premium by line of business



Gross Written Premium for 12 months to 30 June 2004 = \$248m



# Koukia



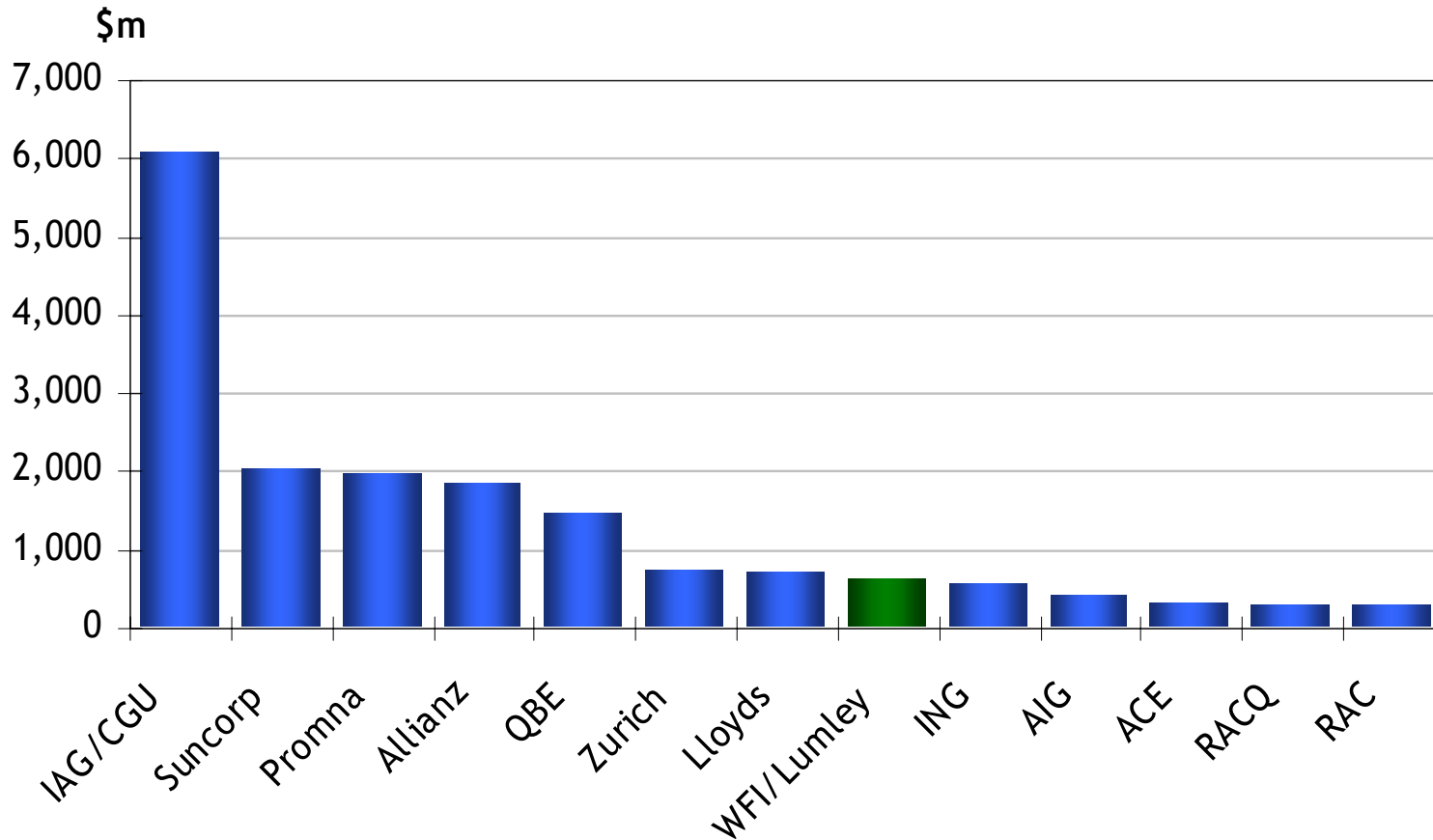
- Insurance software specialist
- Wesfarmers ownership 60%
- Will be deployed as WFI and LGNZ platform
- Growing prospect pipeline for future sales

# Industry Analysis



- Top 12 Insurers

Gross Earned Premium



Source : Deloitte and Trowbridge 2003

# Industry Analysis

(WID results include full 12 month contribution from Lumley)



At 30 June 2004 \$m	IAG (full year)	QBE (6 months)	PMN (6 months)	WID (full Yr)
Reinsurance expense (% GEP)	6.6	21.8	10.7	37.5
Reinsurance expense (excl AMO)	6.6	21.8	10.7	32.0
NELR (%)	66.8	62.0	59.2	58.1
COR (%)	91.2	90.8	93.5	87.0

# Achievements



- Financial targets for 1<sup>st</sup> year exceeded
- Implementation of Wesfarmers' systems
  - Uniform risk management approach
- Restructure of Lumley Technology
- Formation of WID infrastructure team
  - Modest IT synergies achieved

## Achievements (cont.)



- Reinsurance review progressing
- Favourable claims outcome
- WES financial targets exceeded
- Cultural alignment achieved
- Management programme introduced for senior executives

# Outlook



- Continuing favourable claims experience
- Competitive environment
- Some rate reductions
- New Zealand growth moderating
- Financial performance above target



# Business Development / ARG / Gresham Private Equity Fund

Gene Tilbrook  
Executive Director, Business Development



# Outline



- Australian Railroad Group
- Gresham Private Equity

# ARG

50% Interest with Genesee and Wyoming





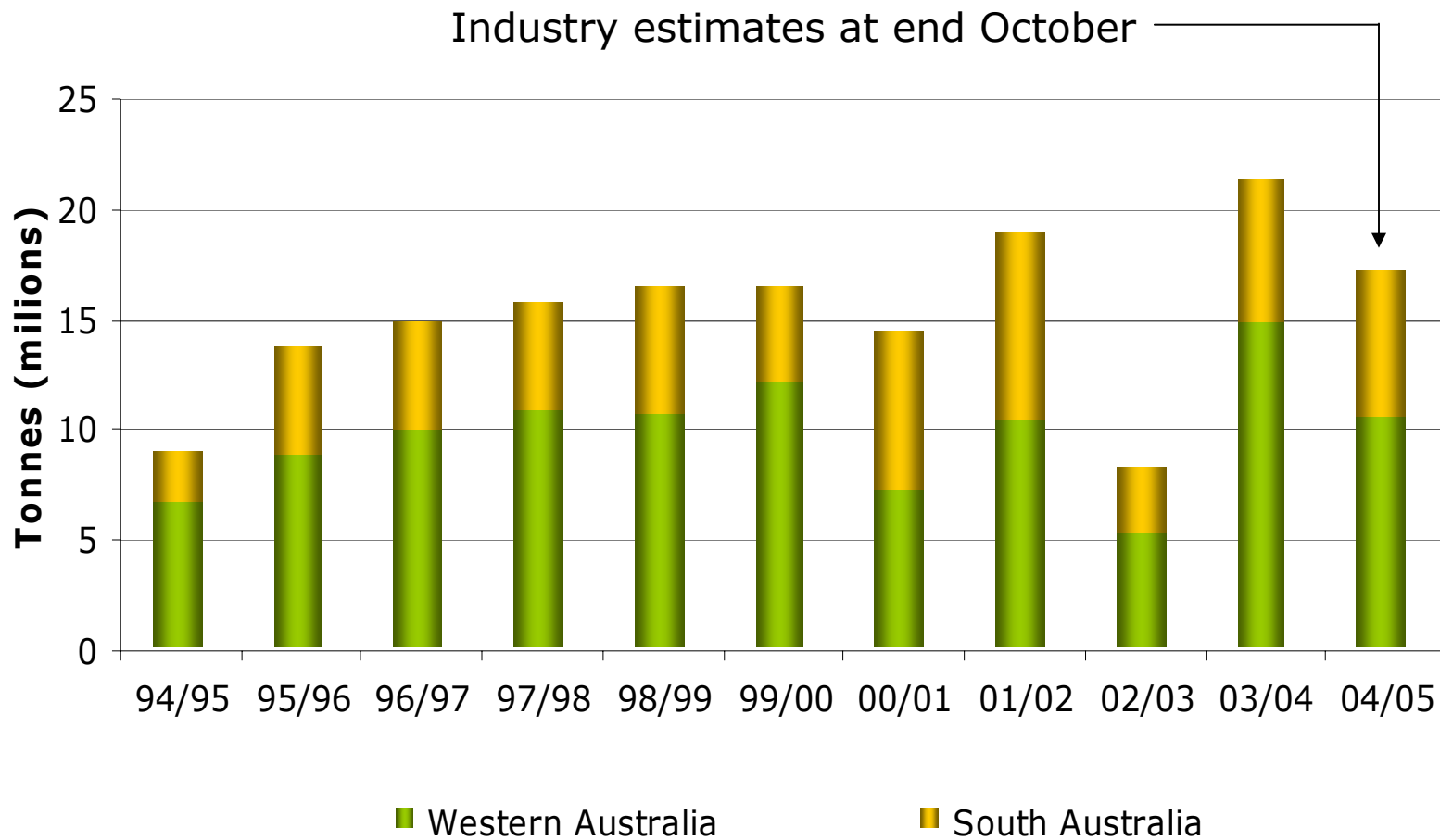
- Revenue and earnings up strongly (p.c.p. had low grain harvest)
- Other tonnage growth mainly in iron ore
- Rising fuel costs continue to erode earnings
- Continue safety focus
- Lack of train drivers

# ARG Outlook



- Average grain season expected

# Grain Harvests in WA and SA

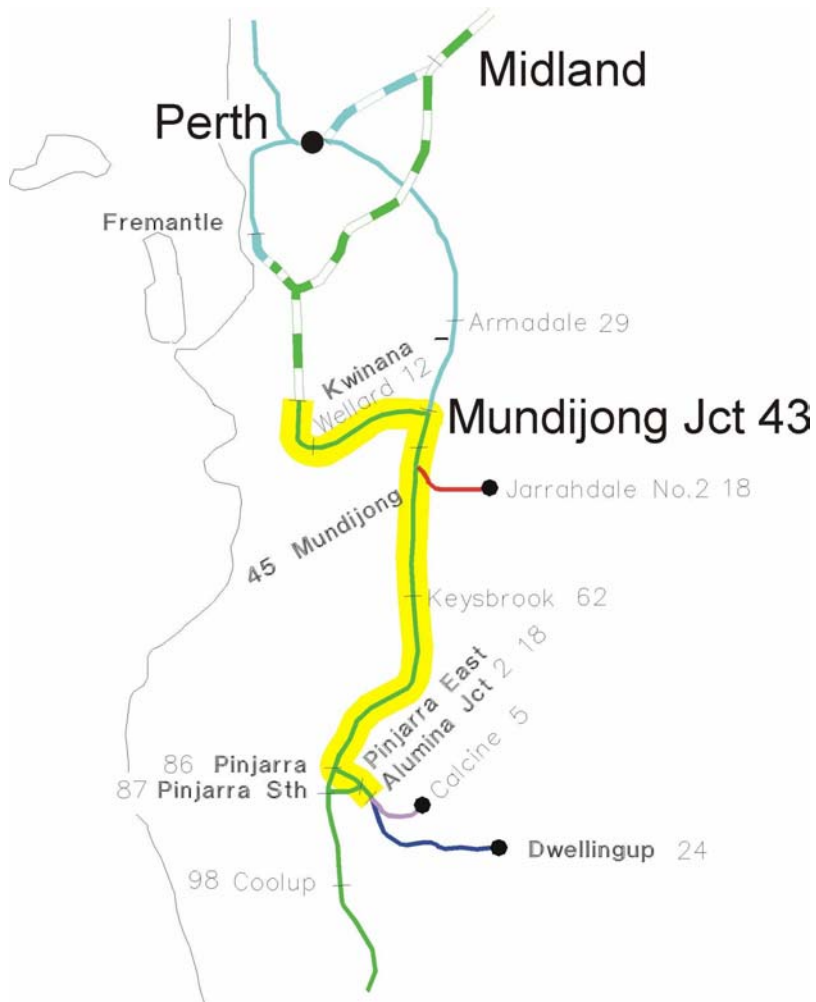


# ARG Outlook



- Average grain season expected
- Strong minerals tonnages
- Continuing safety and incident management
- Ongoing capital expenditure

# ARG Capital Expenditure



- South West line upgrade
- Highest tonnage sector
- \$27m in 04/05





# Gresham Private Equity



# Gresham Private Equity Fund 1

## 50% Interest



- No divestments to date this financial year
- Current capital investment by Wesfarmers: \$40m
- Net Fund IRR to date running at approx. 35% pa
- Five investments remain

# Gresham Private Equity Fund 1

## Remaining Investments



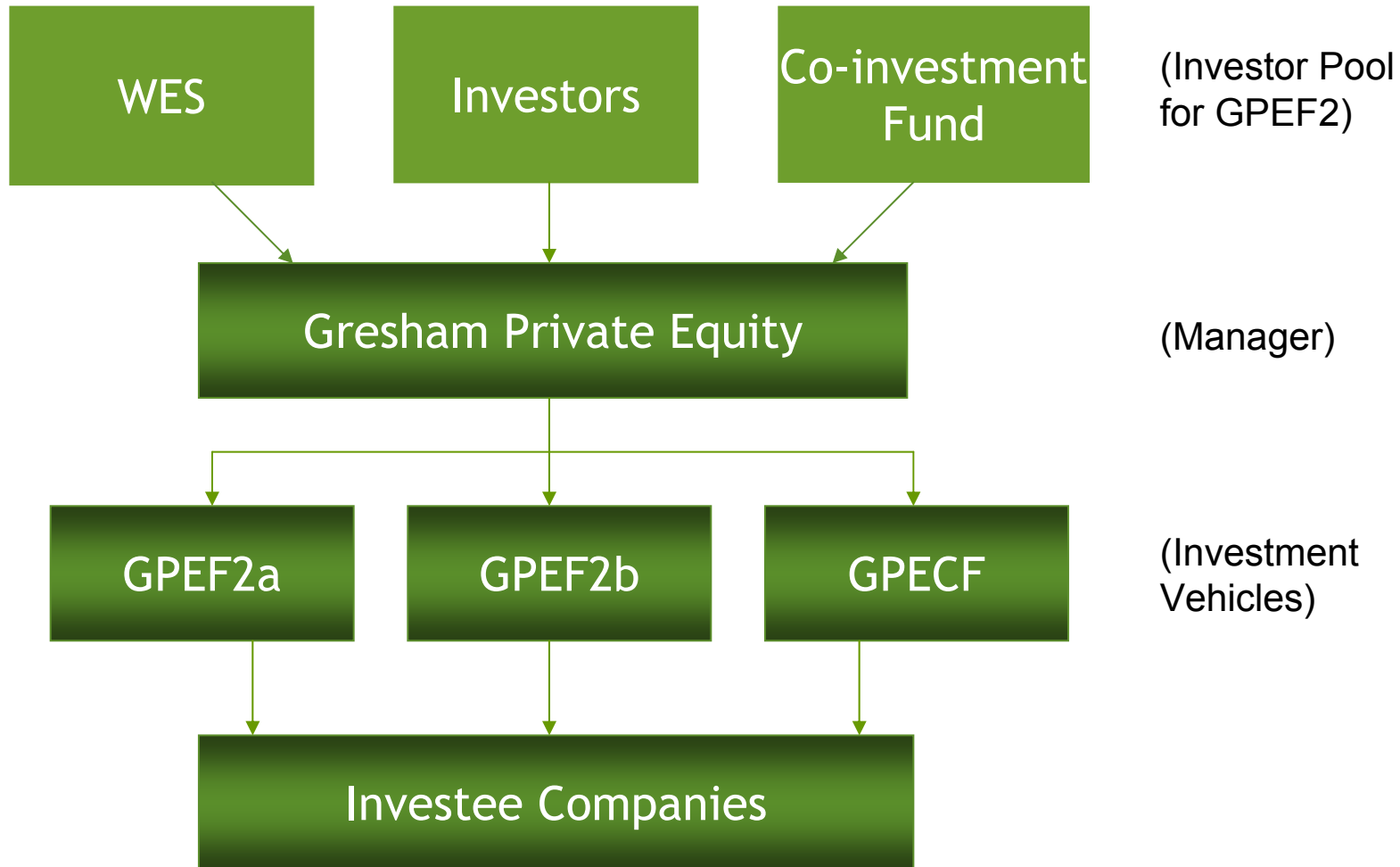
- EROC - contract mining and tunnelling
- Norcross - building materials, coatings
- Riviera - luxury cruisers
- Virgin Active - health clubs
- Raywood - vehicle dispatch systems

# Gresham Private Equity Fund 2



- Wesfarmers has committed \$100m to Fund 2
- Further commitments from Wesfarmers of up to \$50m dependent on reaching target capital of \$300m - \$350m
- Co-investment (retail) fund has \$102m commitments
- Fund 2 currently has total capital of \$241m (including Co-investment Fund)
- GPEF2 and GPECF participate pro rata in all investments

# Gresham Private Equity Fund 2 Structure



# Gresham Private Equity Fund 2

## First Investment



- Noel Leeming - NZ's leading electrical retail business
- Acquired for NZ\$138.5m
- Wesfarmers' investment to date is \$16m

# Business Development



# Bunnings

John Gillam  
Managing Director





The logo for Bunnings Warehouse is centered on a dark teal background. It features the word "BUNNINGS" in a large, white, bold, sans-serif font. The letter "B" is stylized with an orange diagonal stripe. Below "BUNNINGS", the word "warehouse" is written in a white, lowercase, sans-serif font, set against a solid orange rectangular background. The orange background for "warehouse" has a jagged, roof-like top edge that aligns with the peaks of the letters in "BUNNINGS".

**BUNNINGS**  
warehouse

# Agenda

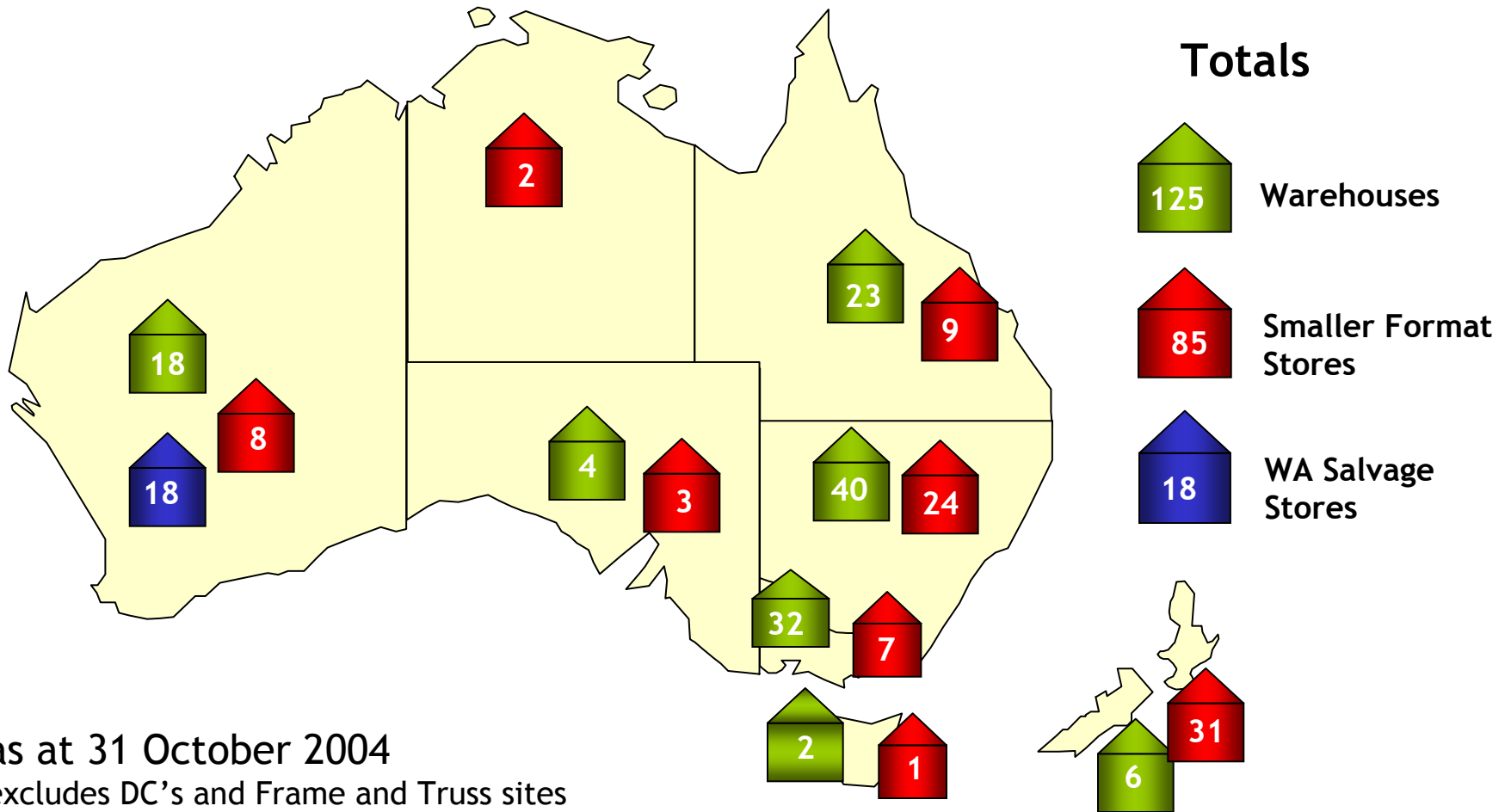


1. Background
2. 2003/04 Achievements
3. Progress in 2004/05
4. Strategies
5. Outlook



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

# Current Store Network



# 2003/04 Achievements



## Segment Result

	2003	2004	Change
Revenue (\$m)	3,474.5	3,845.7	10.7%
EBITA (\$m)	349.0	392.1	12.3%
Amortisation (\$m)	50.1	50.1	0.0%
EBIT (\$m)	298.9	342.0	14.4%
EBITA/Sales Ratio	10.0%	10.2%	0.2%
LTIFR	18.3	14.5	

# 2003/04 Achievements



- Strong EBITA result despite slowing sales
  - Excellent response to New Zealand branding
  - Good margin performance
  - Tight expense control
  - Continued strength in Qld & WA
  - Improving NSW
  - Challenging Vic & SA

# 2003/04 Achievements



- Cash store on store growth 11%
  - 4<sup>th</sup> quarter cash store on store growth 7%
- Opened 12 warehouses
  - upgraded 15 other stores
- Opened 2 new distribution centres
- Recruited over 4,000 team members

## Progress in 2004/05



- July - October store on store cash growth 8%
- Tighter trade market
- 2 new warehouse openings year to date
- Strong direction within business
  - Range, trade, new systems and supply chain



# Strategies



1. Focus on retail drivers
2. Store network development
3. Trade business
4. Team members
5. Business systems
6. Business improvement



## 1. Focus on core retail drivers

- Range
  - Innovation driving **WIDEST RANGE**
- Price
  - Strong cost focus delivering **LOWEST PRICES**
  - Productivity loop
- Service
  - Best people delivering **BEST SERVICE**



## 2. Store network development

- Continue 8 to 12 new warehouse openings
  - Additional smaller store developments
- Format and development adaptability
- Store upgrades and refits
- Relocate low performing sites



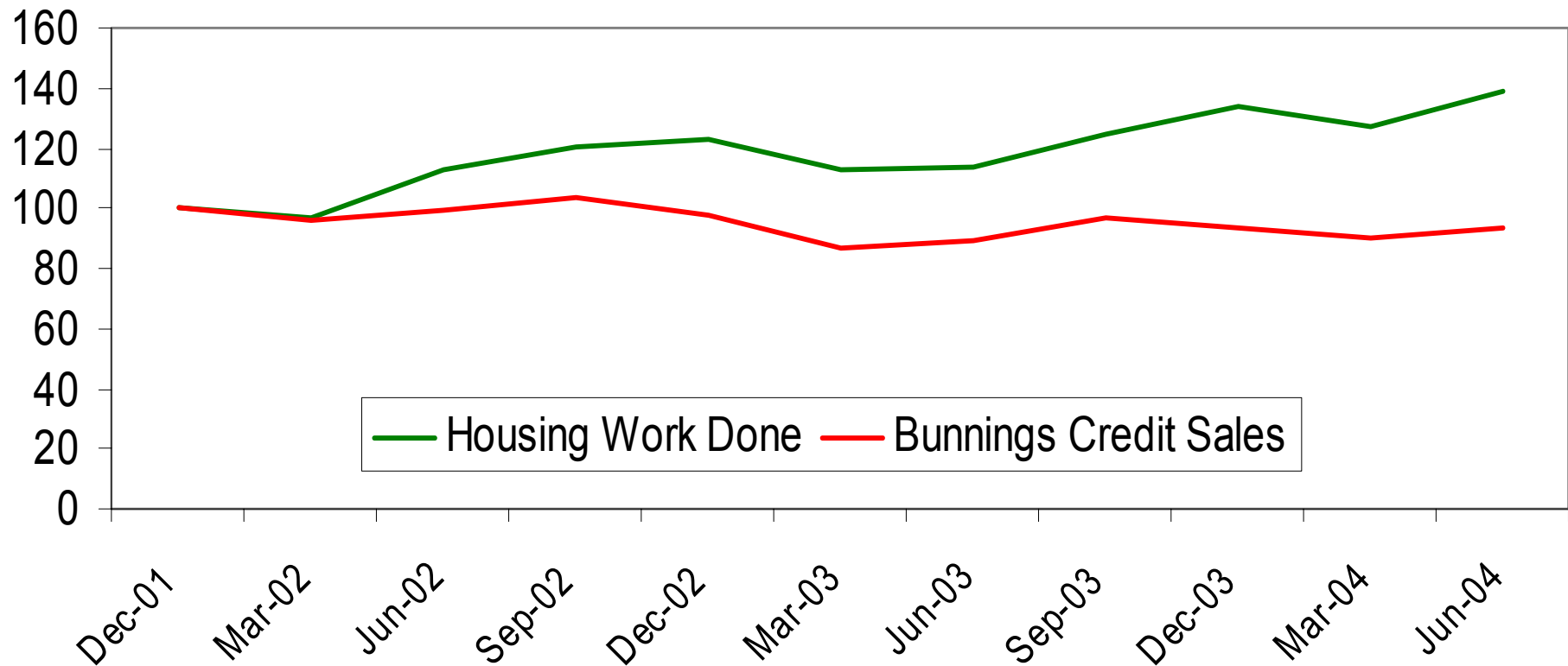
## 3. Trade business

- Stronger focus, increased resources
- Implementing business plan
  - Trade Distribution Centres
- Targeting profitable market share growth

# Strategies



## Bunnings Credit Sales vs National Housing Work Done\* (Indexed to 100)



\*ABS 8752.0 (Houses Only)



## 4. Team members

- Attracting, developing and engaging quality people
  - Reduction in key operational vacancy rates
- Development investment
  - Accelerated Management Development
  - Corporate “University” and e-learning systems
- Continuing strong safety focus



## 5. Business systems

- Major systems upgrade
  - Preferred vendor selected
  - Implementation planning underway
- 3 year phased program
- 1<sup>st</sup> phase deliverables
  - New inventory management system
  - New distribution centre systems



## 6. Business improvement

- Warehouse Administration Review (W.A.R.) project
- Supply chain focus
  - Increased resources and focus
  - Store deliveries working group formed
    - Bunnings, suppliers, logistics provider
    - Pilot programme early 2005



# Outlook



- Ongoing strong consumer confidence
- Competing retail demands
- Declining new housing starts



## Forecast Calendar Year Growth Rates

Indicator	2004	2005
1. Private Consumption	+6.0%	+5.1%
2. Alterations and Additions to Dwellings	+8.4%	+3.9%
3. Housing Starts	-1.0%	-10.0%

Sources: 1 & 2 BIS Shrapnel; 3 Housing Industry Association



## Summary

- Strong focus on key strategic platforms
  - Range, price and service
- Driving costs down through business improvements
- Renewed trade focus



# Wesfarmers Energy

David Robb  
Managing Director





**WESFARMERS LPG**



**STATEWEST POWER**





### Coal

- Production 12.8 million tonnes
- Sales 12.6 million tonnes
- Customers 33
- Employees 903

### Gas / Power

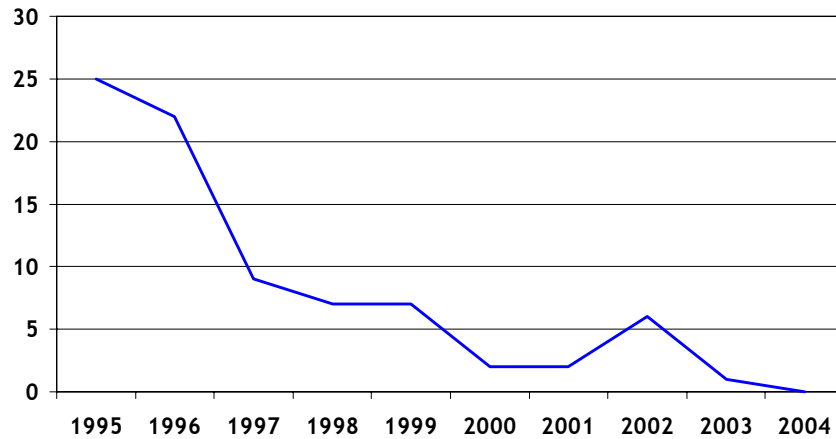
- Direct customers 235,000
- LPG Production 0.33 million tonnes
- LPG Sales 0.59 million tonnes
- Generation 378 Gwh
- Employees 894

# Safety

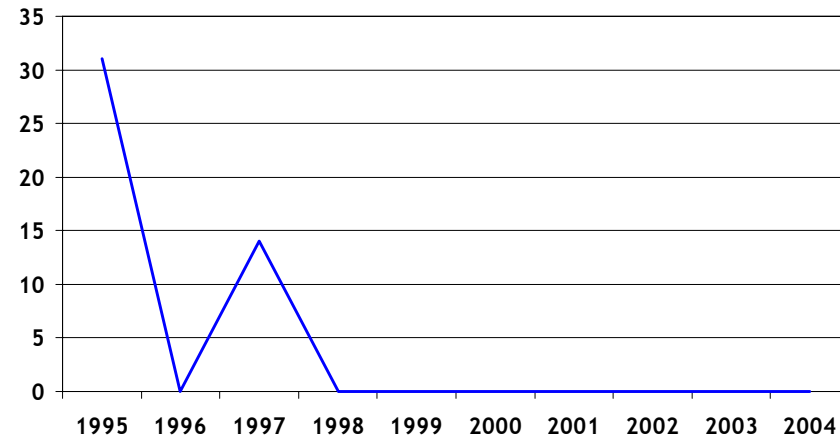
## LTIFR



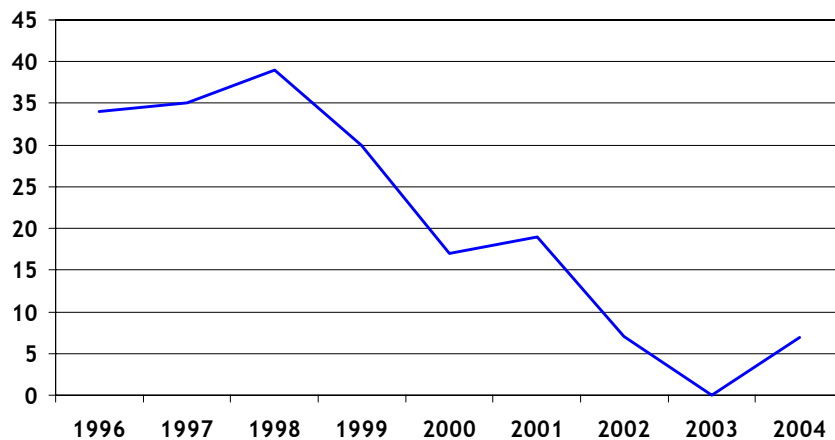
### Kleenheat Gas



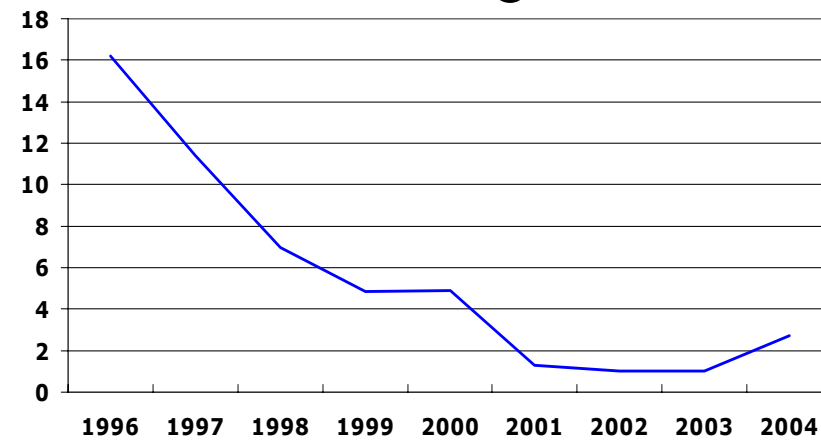
### WLPG



### Premier



### Curragh





# Strategy Summary



- Premier - contracts, new markets, unit costs
- Curragh - Curragh North delivery and optimisation
- Bengalla - JV Alignment, mine plan, sales mix
- KHG - “focus on fundamentals” III
- WLPG - flexible operation
- ALWA - delivering new projects

# Strategy Progress



- Premier
  - mineral sands sales
  - shortlisted for PPP2 (300<sub>MW</sub> base load)
  - Western Power coal supply
- Curragh
  - Curragh North on track
  - first coal March 2005
- Bengalla
  - alignment improved
  - value adding projects

# Strategy Progress



- KHG
  - volumes up
  - margins under pressure
- WLPG
  - post 2005 negotiations continue
- ALWA
  - plant on schedule but Hismelt delayed
  - revenue stream commenced



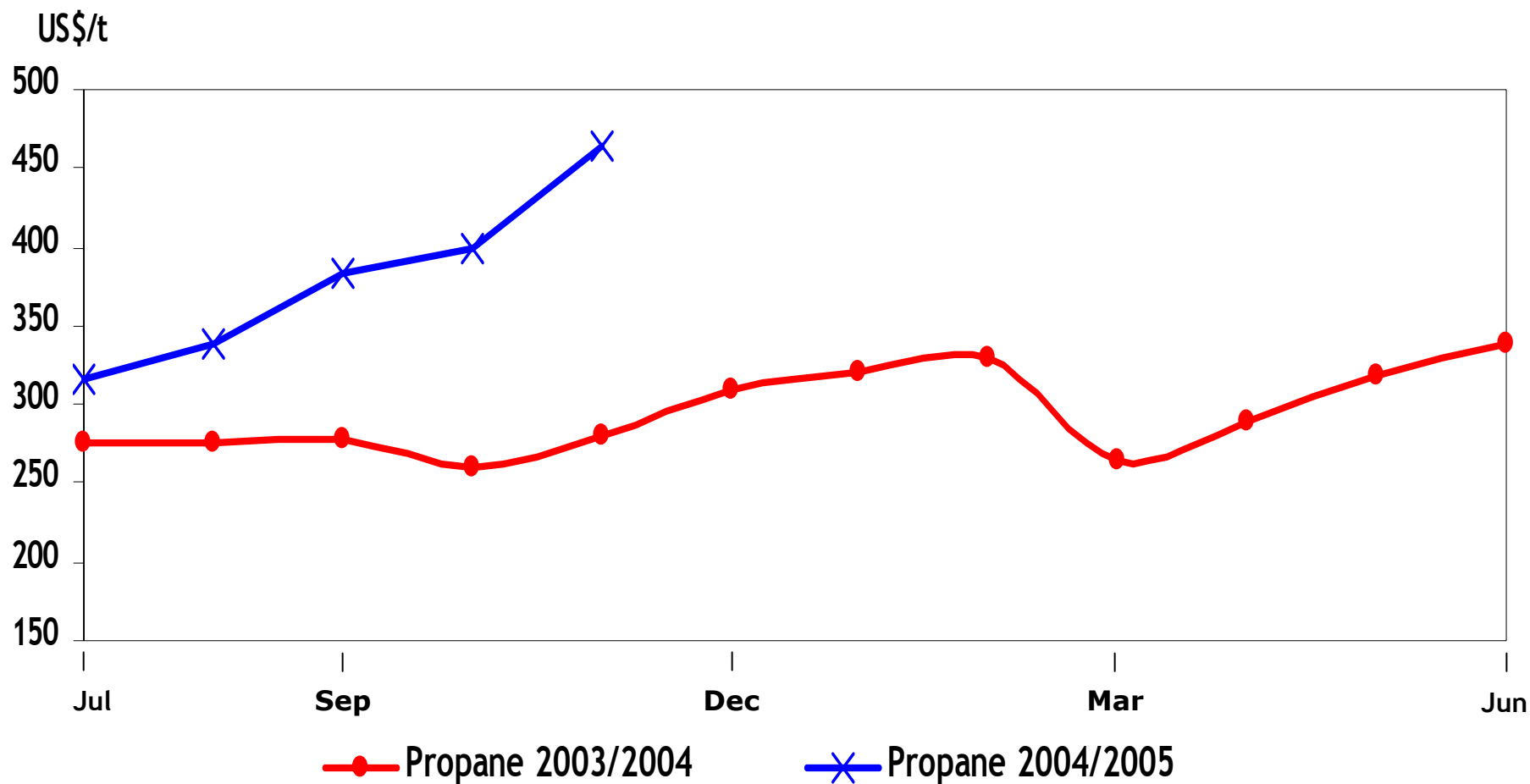
## Gas/Power

- High international LPG prices
- Increased electricity sales

## Coal

- Strong demand
- Higher coking coal prices
- Adverse exchange rate movement

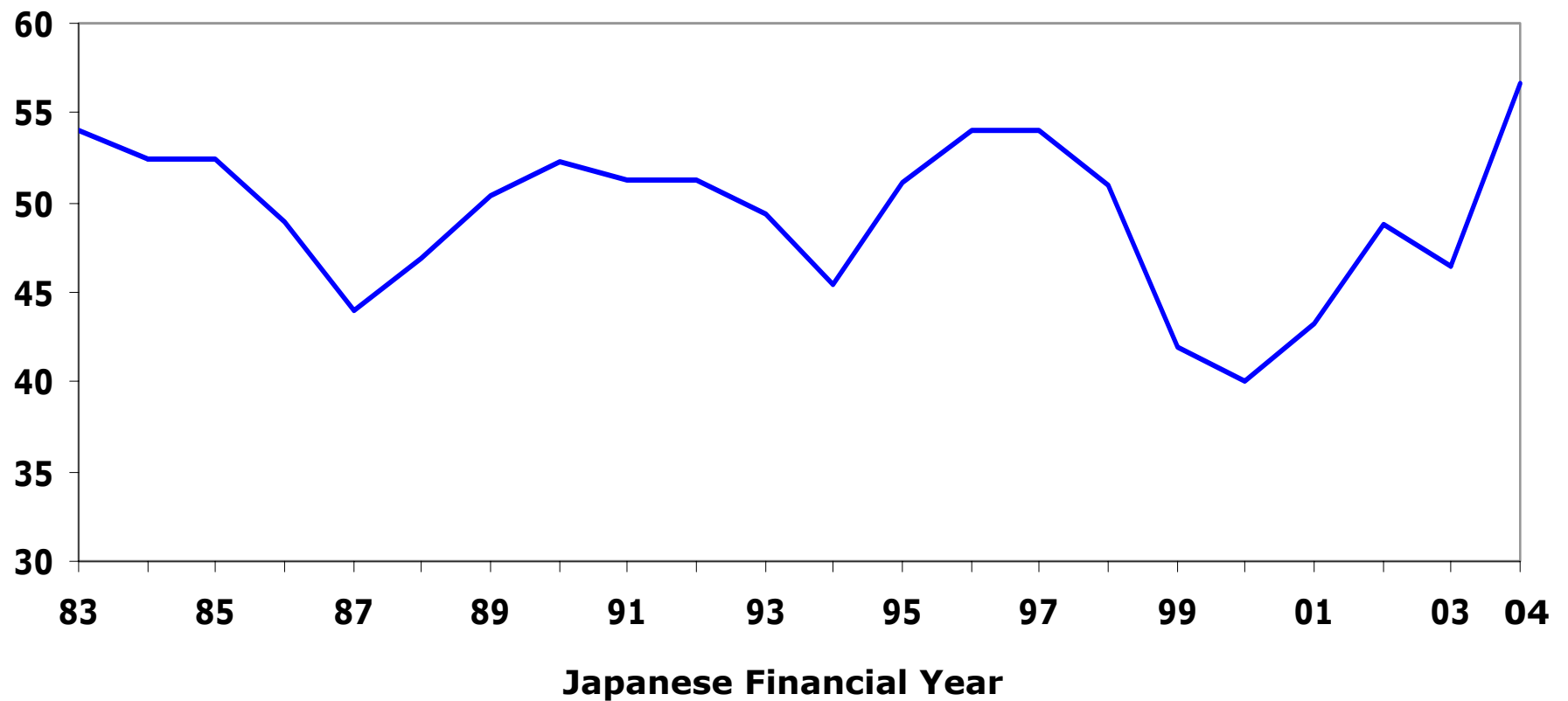
# Saudi Contract Price



# Hard Coking Coal Prices



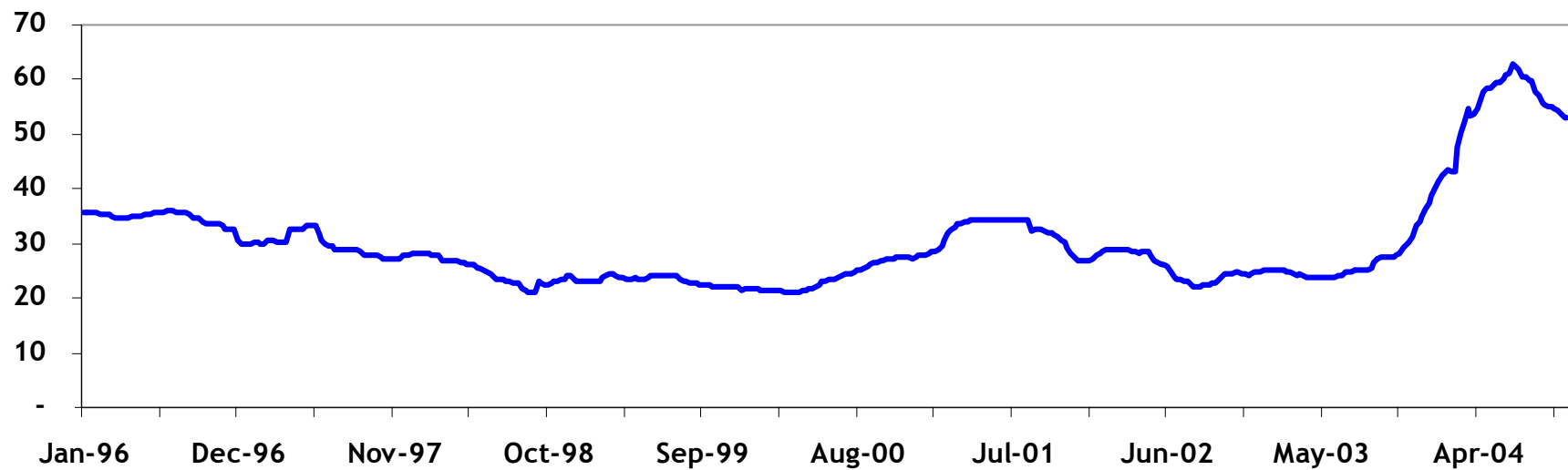
JRP US\$/Tonne FOB nominal



# Thermal Coal Prices



US\$/Tonne FOB nominal



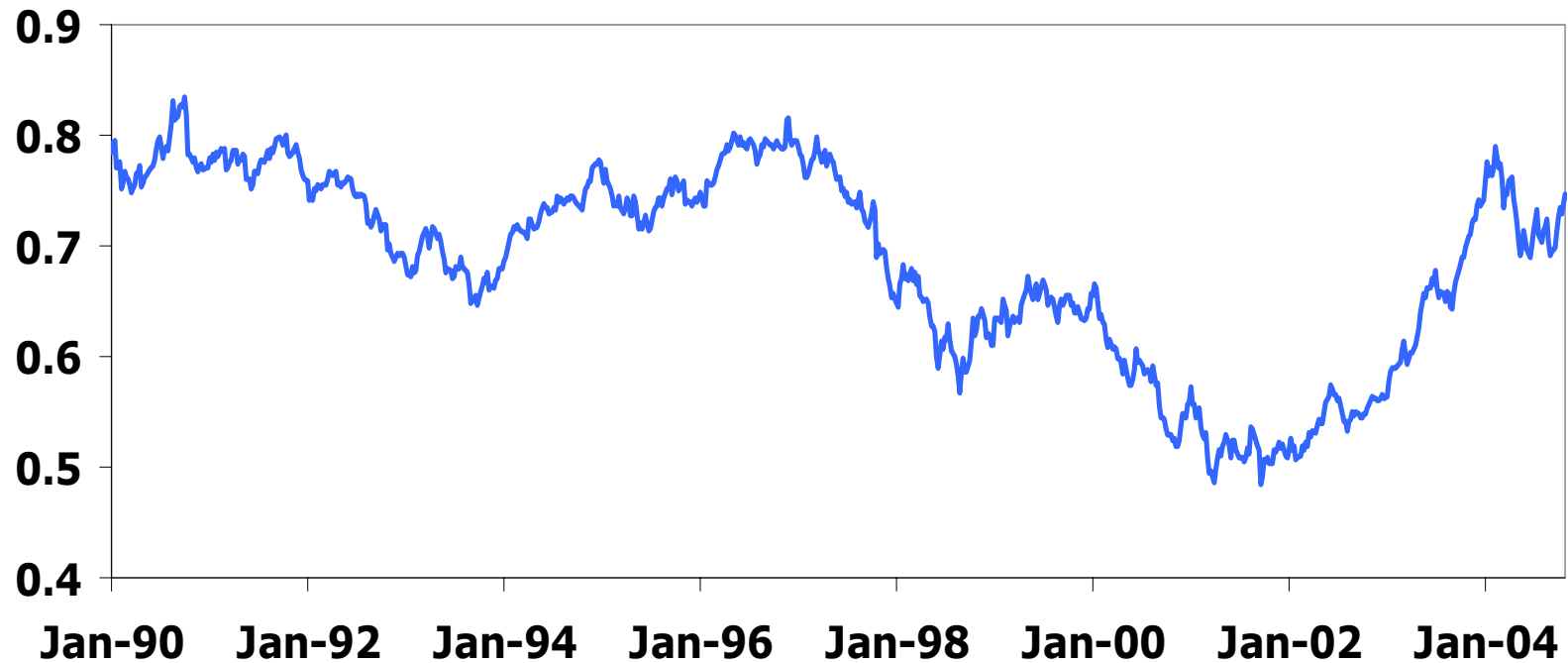
— Spot Price

Source: Barlow Jonker

# Exchange Rates



**\$A/\$US**



— USD/AUD exchange rate



# Hedging



## Objective

- Reduce impact of exchange rate volatility

## Approach

- Hedge on conservative basis
- 90 / 70 / 50 / 30 / 10
- Recognise contract timing
- Use known outcomes where possible
- Otherwise assume long run pricing

# Wesfarmers Curragh Hedging Profile



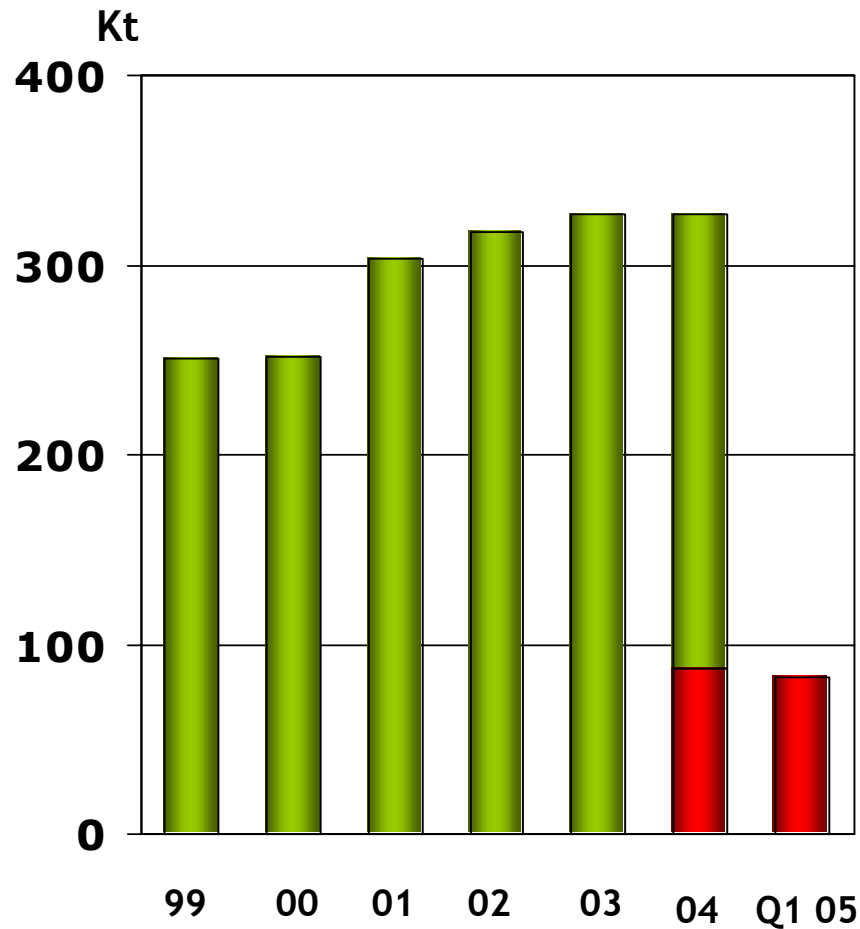
<b>Year end 30 June (@ 31 October)</b>	<b>Current proportion of USD revenue hedged *</b>	<b>Average AUD/USD hedge rate</b>
<b>2005</b>	<b>87%</b>	<b>0.6490</b>
<b>2006</b>	<b>81%</b>	<b>0.6395</b>
<b>2007</b>	<b>59%</b>	<b>0.6539</b>
<b>2008</b>	<b>42%</b>	<b>0.6719</b>
<b>2009</b>	<b>17%</b>	<b>0.6808</b>
<b>2010</b>	<b>9%</b>	<b>0.6792</b>

\* Calculated using known contract outcomes, long run pricing assumptions, and after adjusting for USD capital and operational expenditure and USD royalty payments.

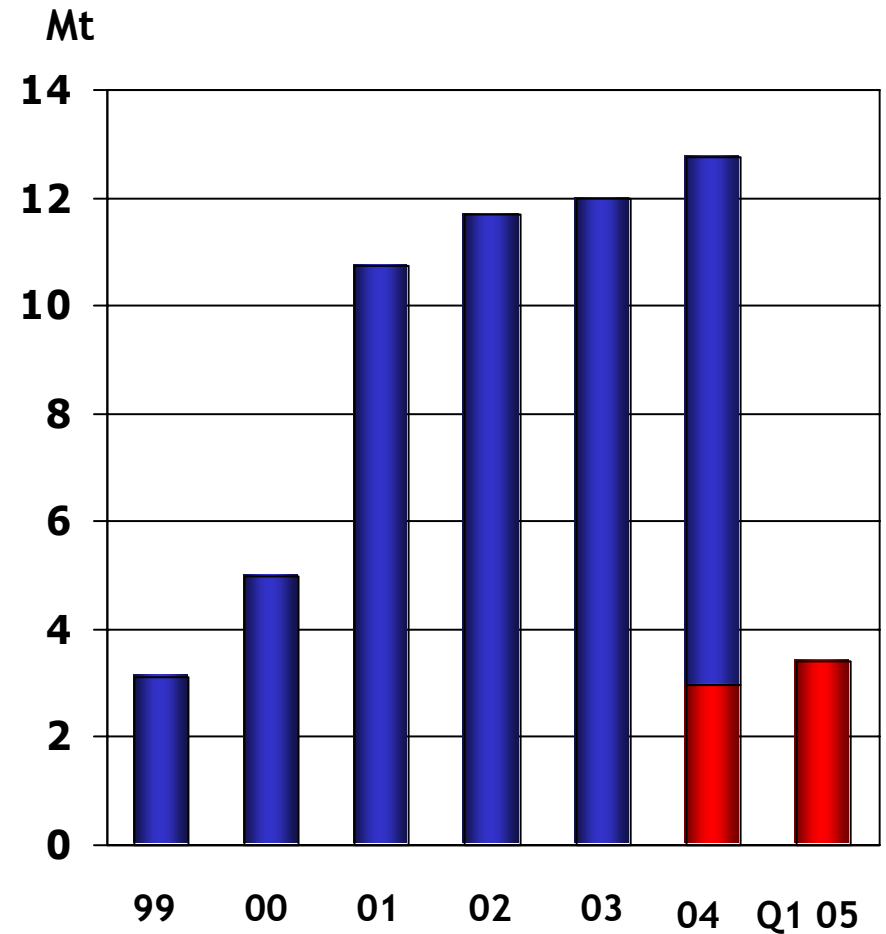
# Production



## WLPG



## Coal



# Coal Production



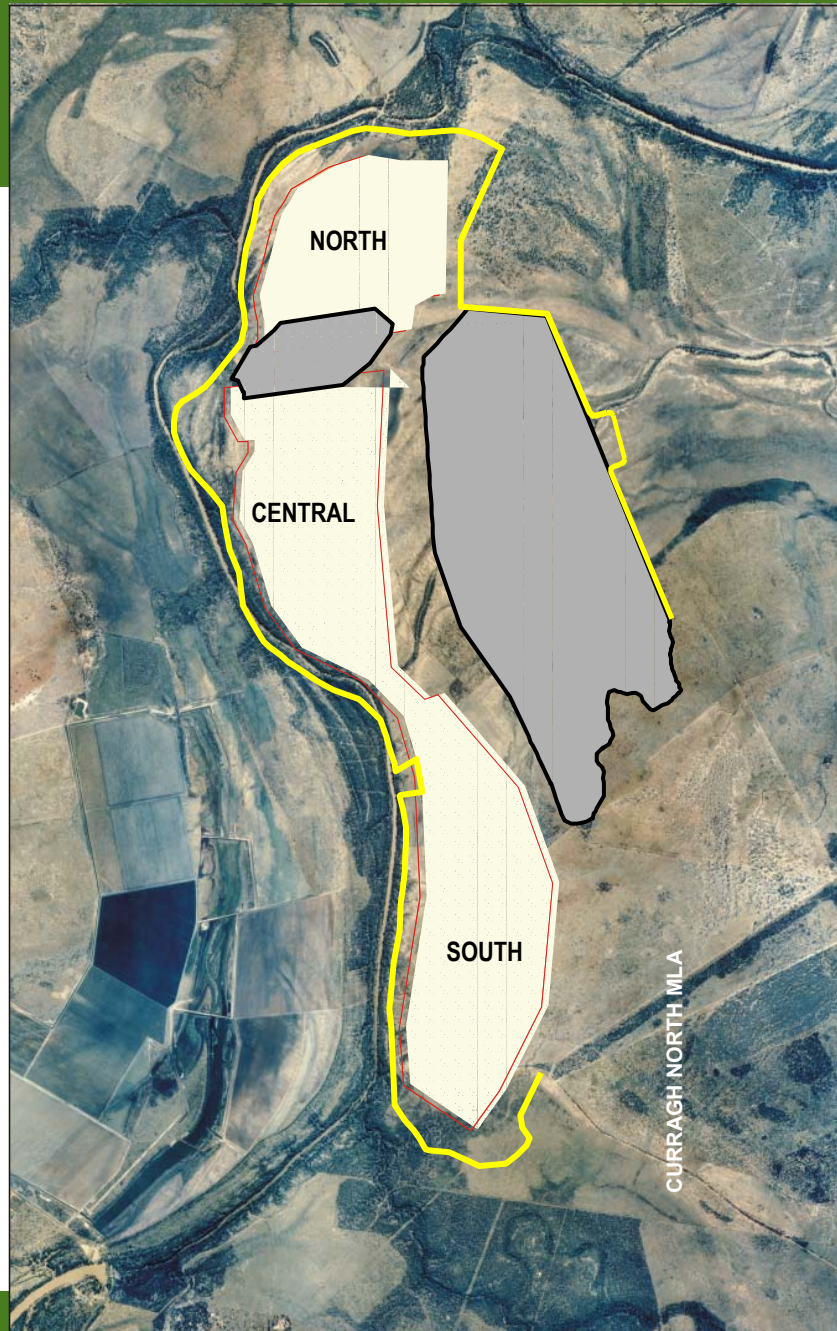
Mine	Beneficial Interest	Coal Type	Quarter ended	
			Sep-03	Sep-04
			('000 tonnes)	
Premier	100%	Steam	877	882
Curragh	100%	Coking	1068	1169
		Steam	593	657
Bengalla	40%	Steam	449	694

# Energy Issues



- **Gas**
  - Record prices
  - Margin pressure, substitution risk
  - Export volume and shipment timing
- **Coal**
  - Production and logistics performance
  - Cost pressures
  - Curragh North progress
  - Coal price outcomes

# Curragh North Mine Plan

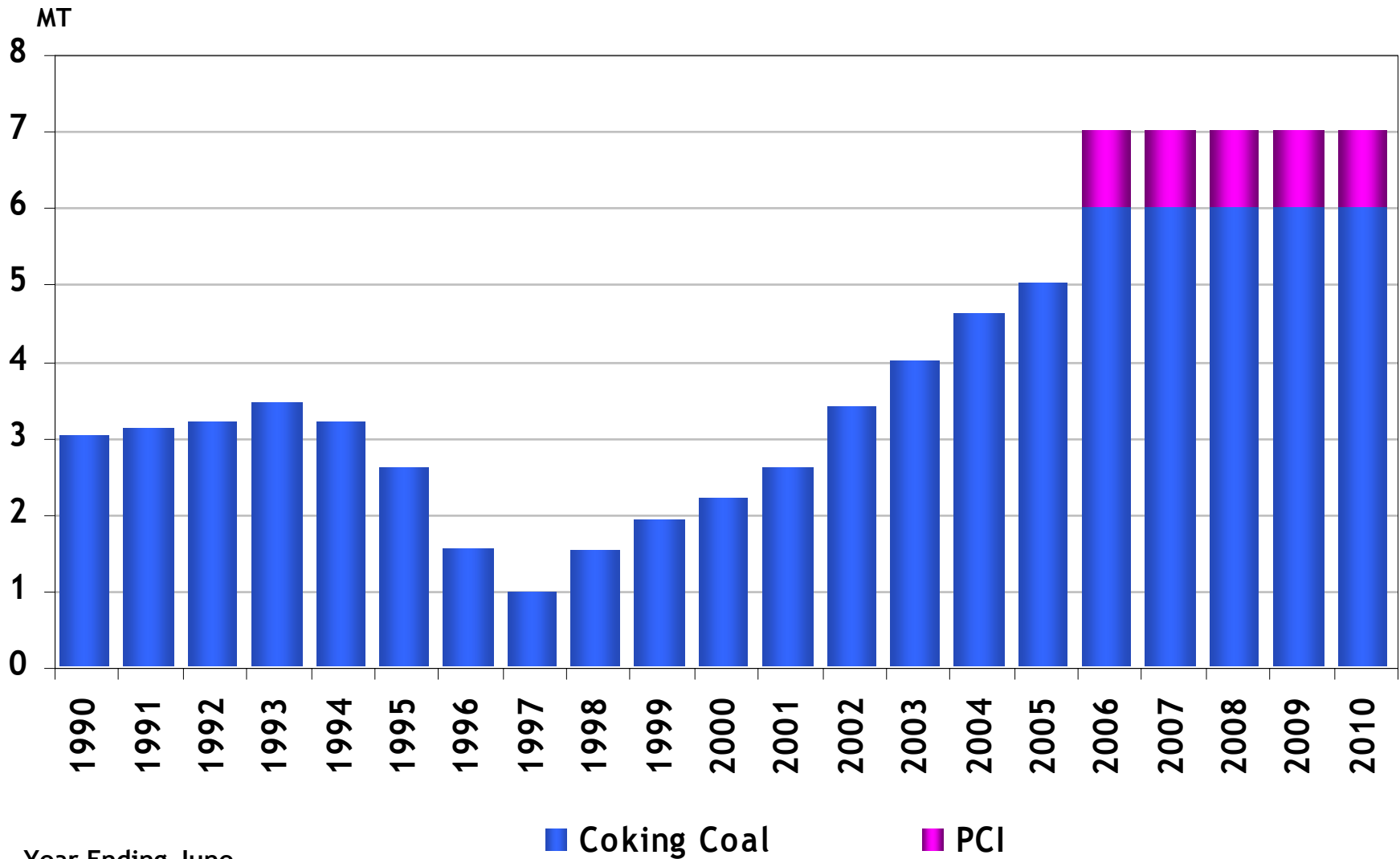


# Mining at Curragh North



- Contractor boxcut and pre-strip for first 4 to 5 years
- Curragh-owned excavators and haulers to mine coal
- Conveyor transport of coal to Curragh
- Existing Curragh infrastructure utilised for:
  - Coal processing
  - Stockpiling
  - Rail load-out
- Dragline relocations to CN in 2006 and 2007

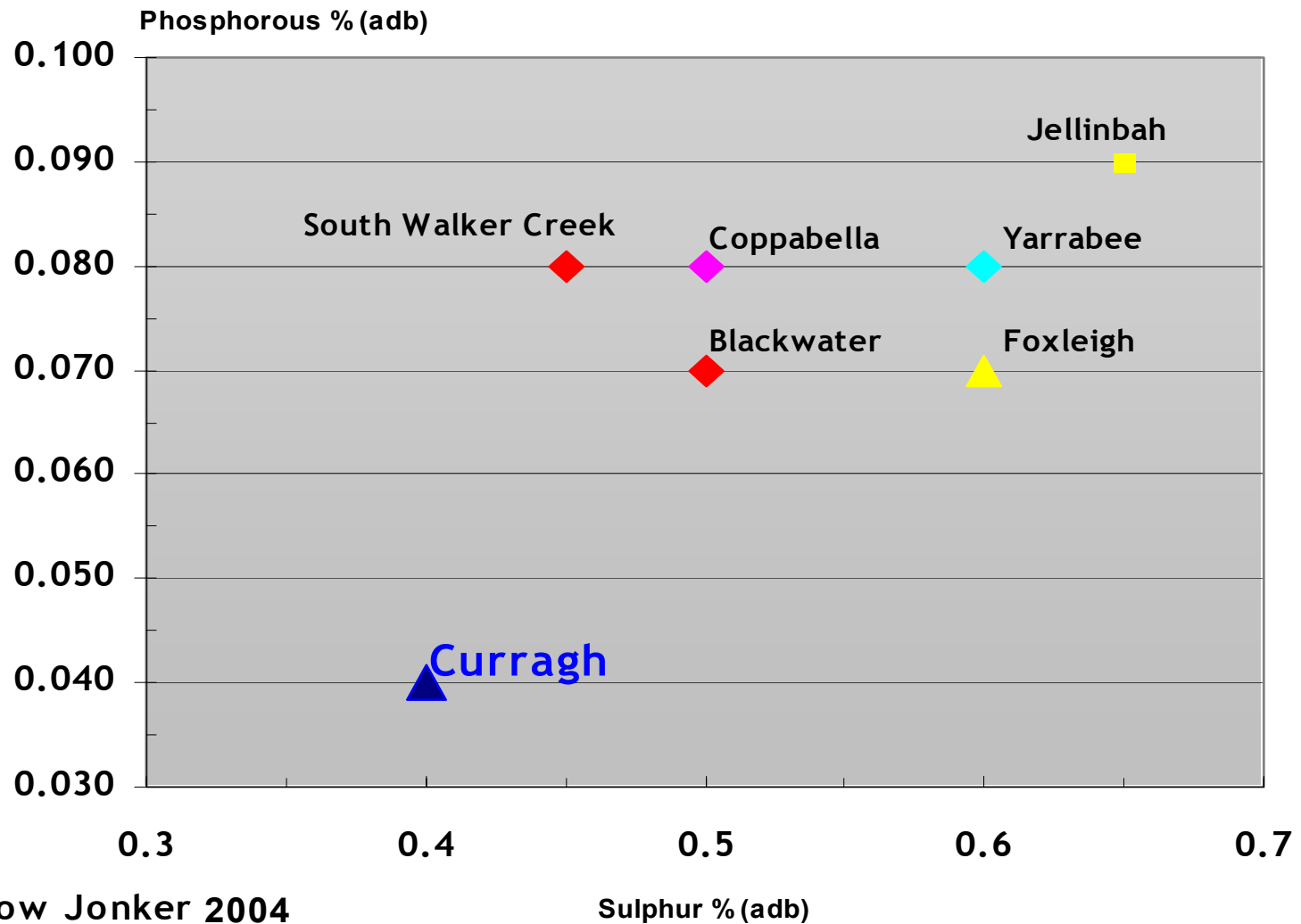
# Export Sales Growth





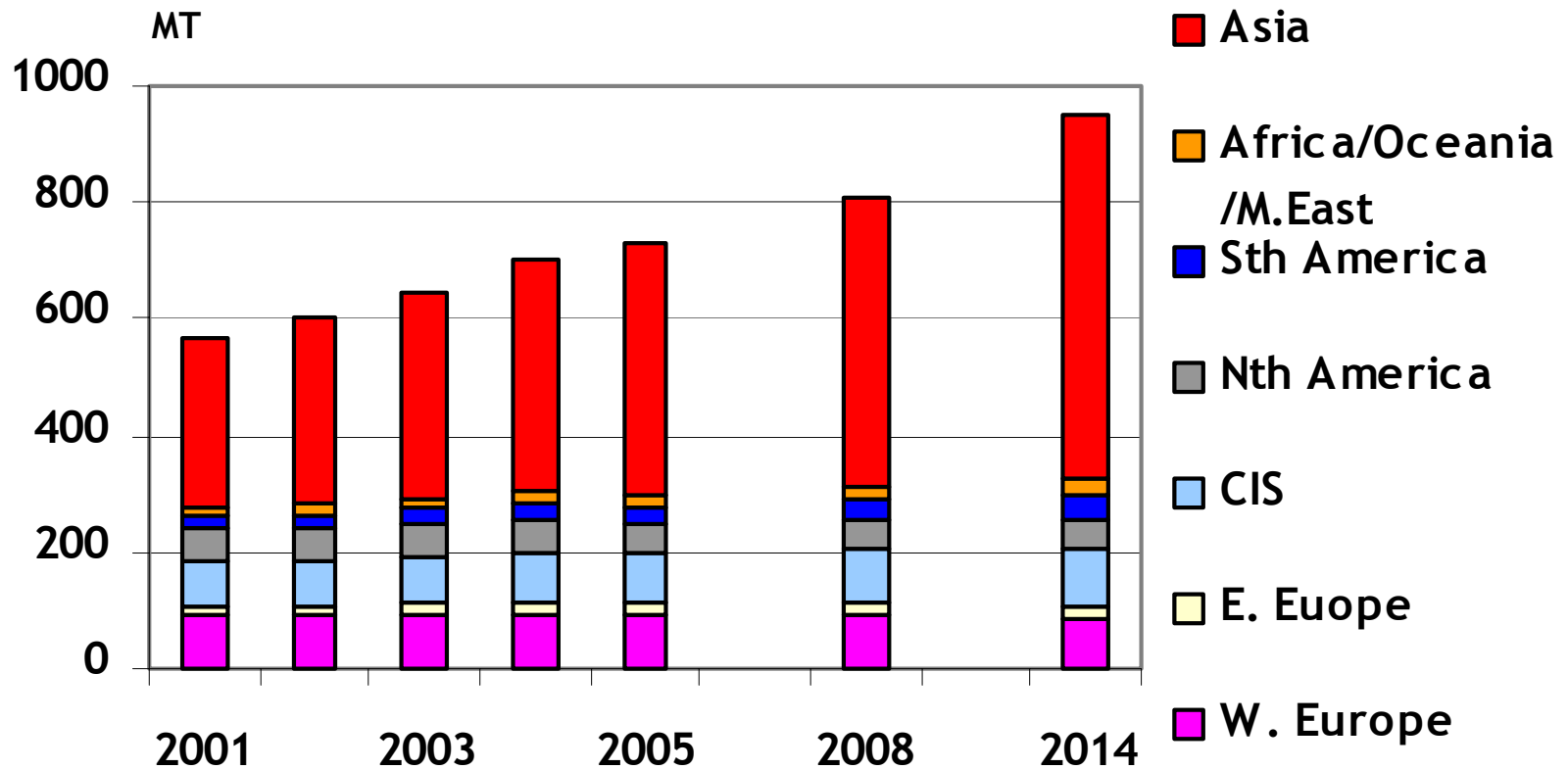
# Queensland LV PCI Brands

## Indicative Quality Comparison



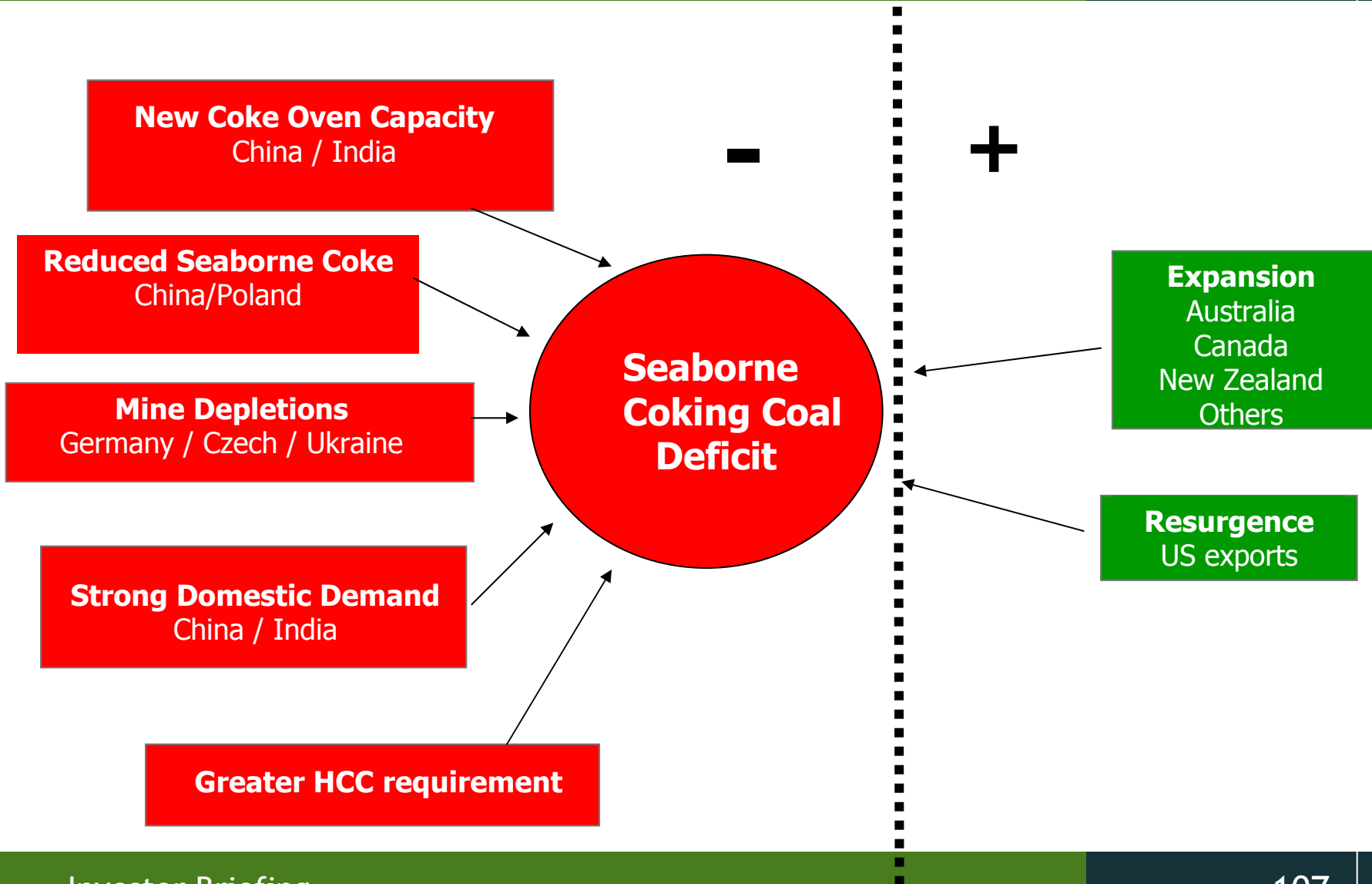
Source: Barlow Jonker 2004

# World Pig Iron Production

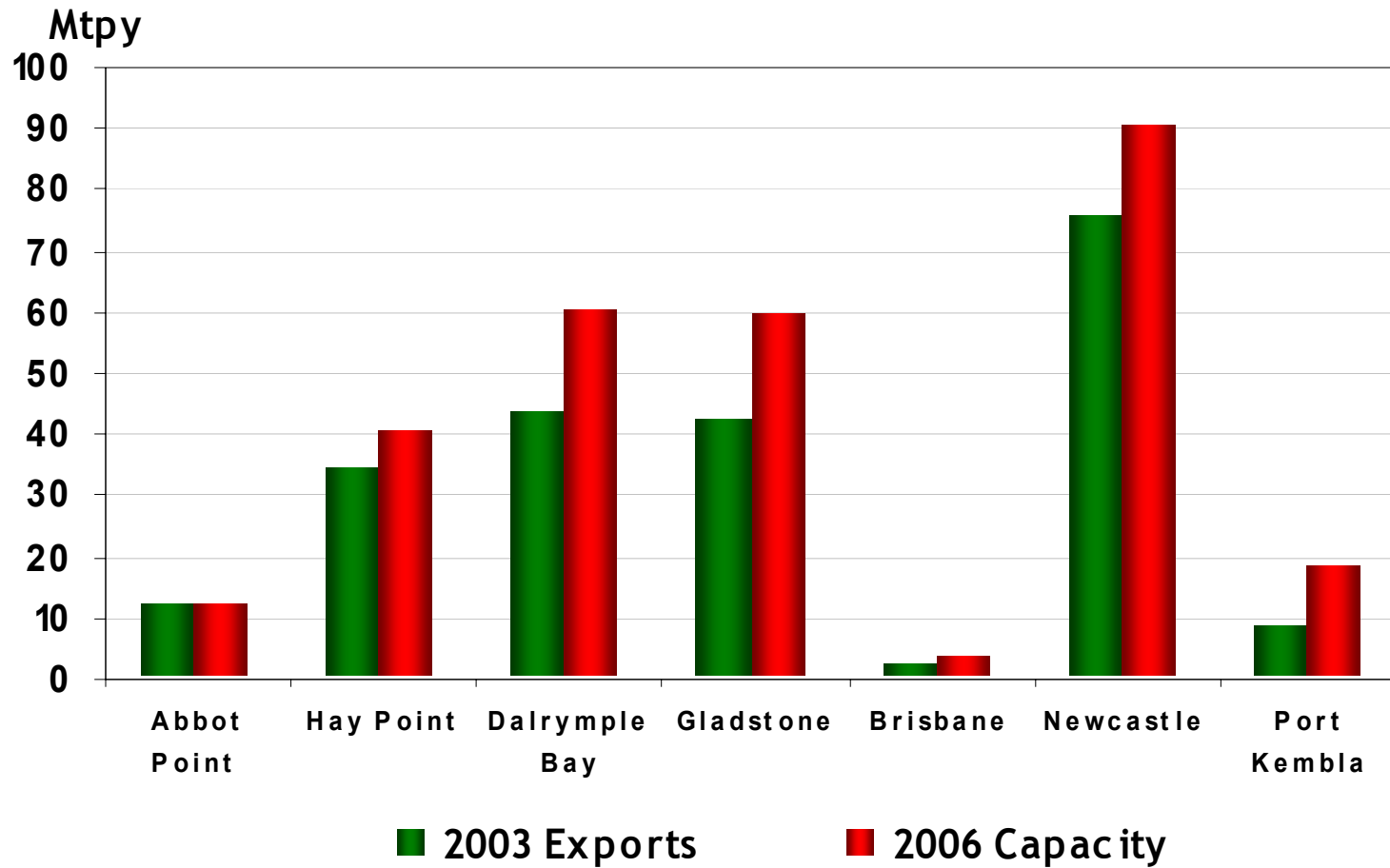


Source: CRU International

# Seaborne Coking Coal Demand/ Supply Deficit

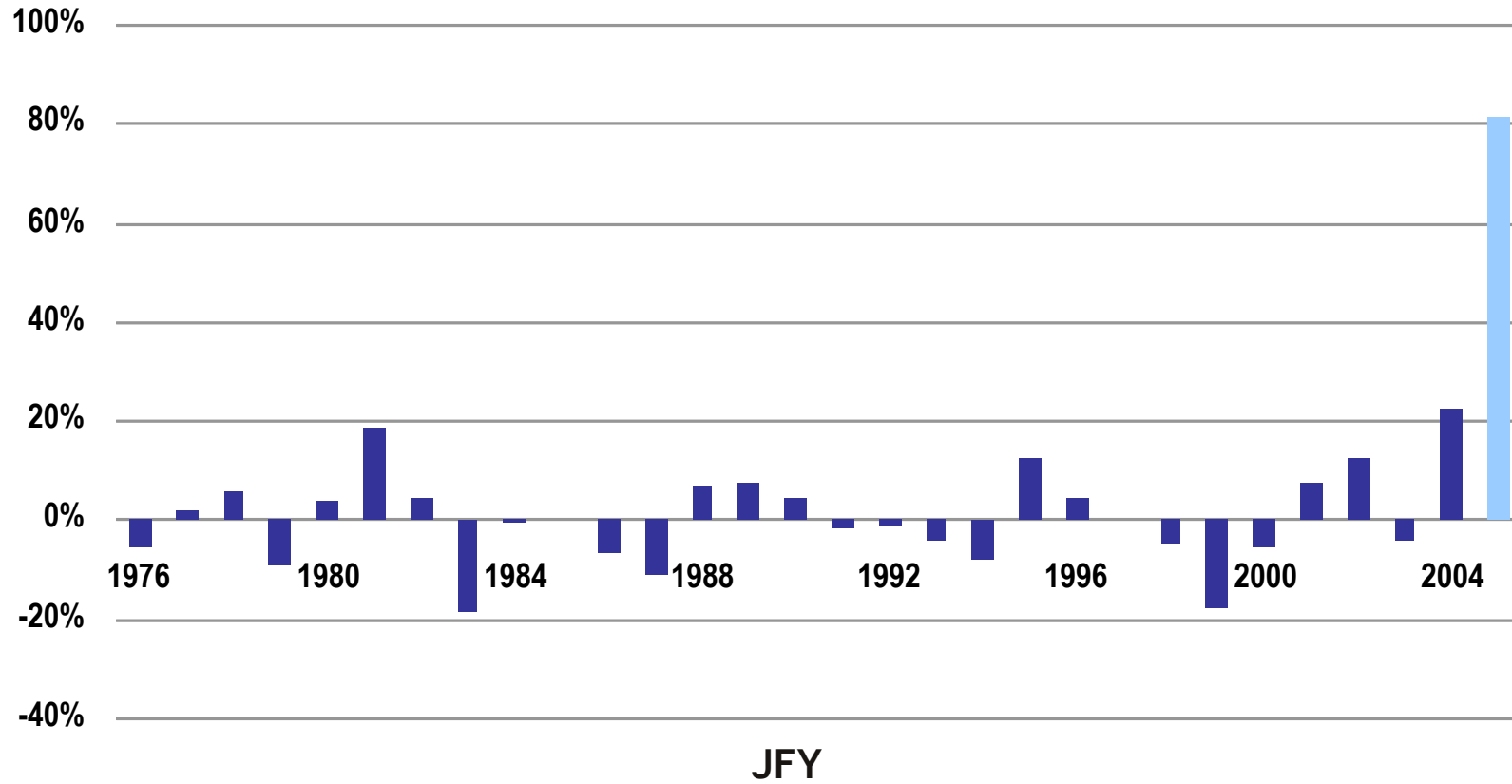


# Australian Coal Port Capacity



Source: AME Mineral Economics

# Metallurgical Coal Price Change Year-on-Year



Source: CSFB

# Corporate Social Responsibility

Keith Kessell  
General Manager, Public Affairs



# Corporate Social Responsibility



- Reporting since '98
- New title, format
- Group-wide triple bottom line approach
- Addressing Global Reporting Initiative criteria





- Why do it?
  - Greater transparency enhances reputation
  - Growing investor interest
    - Super funds
    - DJSI World membership
  - Inevitability of regulatory requirement



# Questions



For all the latest news visit  
[www.wesfarmers.com.au](http://www.wesfarmers.com.au)

