

# Annual Results Presentation

Year ended 30 June 2003



Wesfarmers

# Presentation Outline

## Opening Comments

Michael Chaney

Group Performance

Richard Goyder

Divisional Comments

John Gillam

David Robb

Peter Davis

Bob Denby

Mark Allison

Bob Buckley

Business Development

Gene Tilbrook

Outlook for 2004

Michael Chaney

# **Richard Goyder**

Finance Director, Wesfarmers Limited



Wesfarmers

# Performance Summary

Year Ended 30 June (\$m)	2002	2003	↑ %
Operating Revenue	7,385.6	7,753.4	5.0
Net Profit (before goodwill)	493.3	623.9	26.5
Goodwill Amortisation	(79.3)	(85.7)	8.1
Net Profit (after goodwill)	413.9	538.2	30.0
Net Profit (after goodwill excluding Girrah)	413.9	481.9	16.4
Earnings Per Share (before goodwill) (cents)	138.2	165.7	19.9
Earnings Per Share (before g/will ex. Girrah) (cents)	138.2	150.7	9.0

# 2003 Performance Highlights

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- Strong performance from Energy and Industrial and Safety
- Continued growth in hardware business
- Improved performance from CSBP
- Pisces / Girrah transaction
- Rural services business negatively impacted by the drought

# Profit on Sale of Non-Current Assets

After Tax (\$m)	2002	2003*
Hardware	(0.1)	1.7
Energy	0.1	1.1
Rural Operations & Insurance	0.4	1.3
Industrial & Safety	0.8	1.2
Chemicals & Fertilisers	0.1	1.7
Other	8.6	7.4
<b>Total</b>	<b>9.9</b>	<b>14.4</b>

\* Excluding Girrah

# Divisional EBITA

Year Ended 30 June (\$m)	2002	2003
Hardware	297.1	349.0
Energy	236.9	259.8
Rural Operations & Insurance	89.2	76.3
Industrial & Safety	84.8	117.2
Chemicals & Fertilisers	73.5	78.9
Other	49.2	46.4
<b>Total</b>	<b>830.7</b>	<b>927.6</b>

2003 Energy EBITA Excludes Earnings on Sale of Girrah

# Divisional ROC & Capital Employed

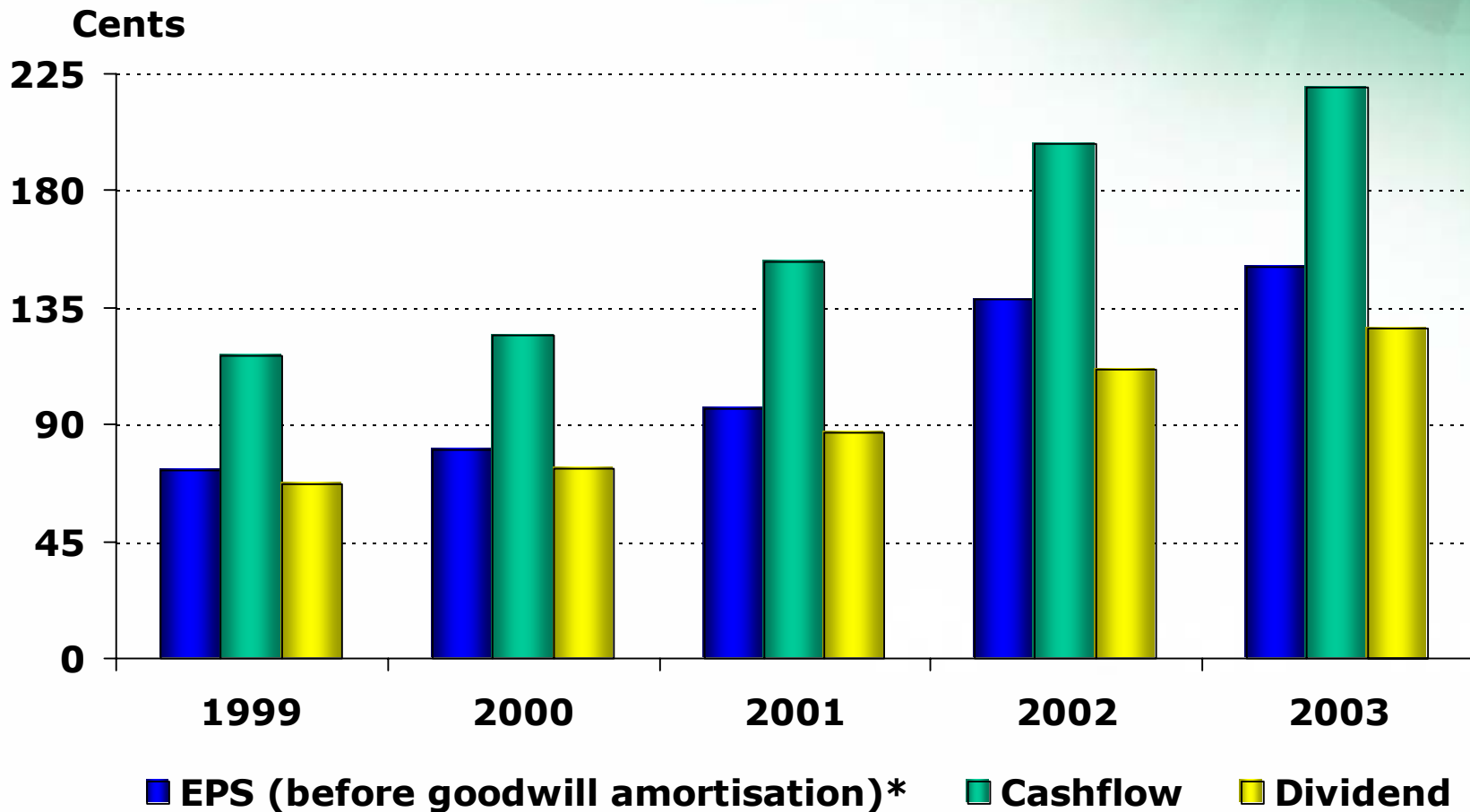
(before goodwill amortisation)

Rolling 12 months to 30 June	2003			2002 ROC %
	EBITA \$m	Capital Employed \$m	ROC %	
Hardware	349.0	1,993.9	17.5	15.7
Energy	259.8	816.2	31.8	28.0
Rural Operations & Insurance	76.3	439.8	17.4	17.7
Industrial & Safety	117.2	822.5	14.2	11.6
Chemicals & Fertilisers	78.9	491.4	16.1	14.3



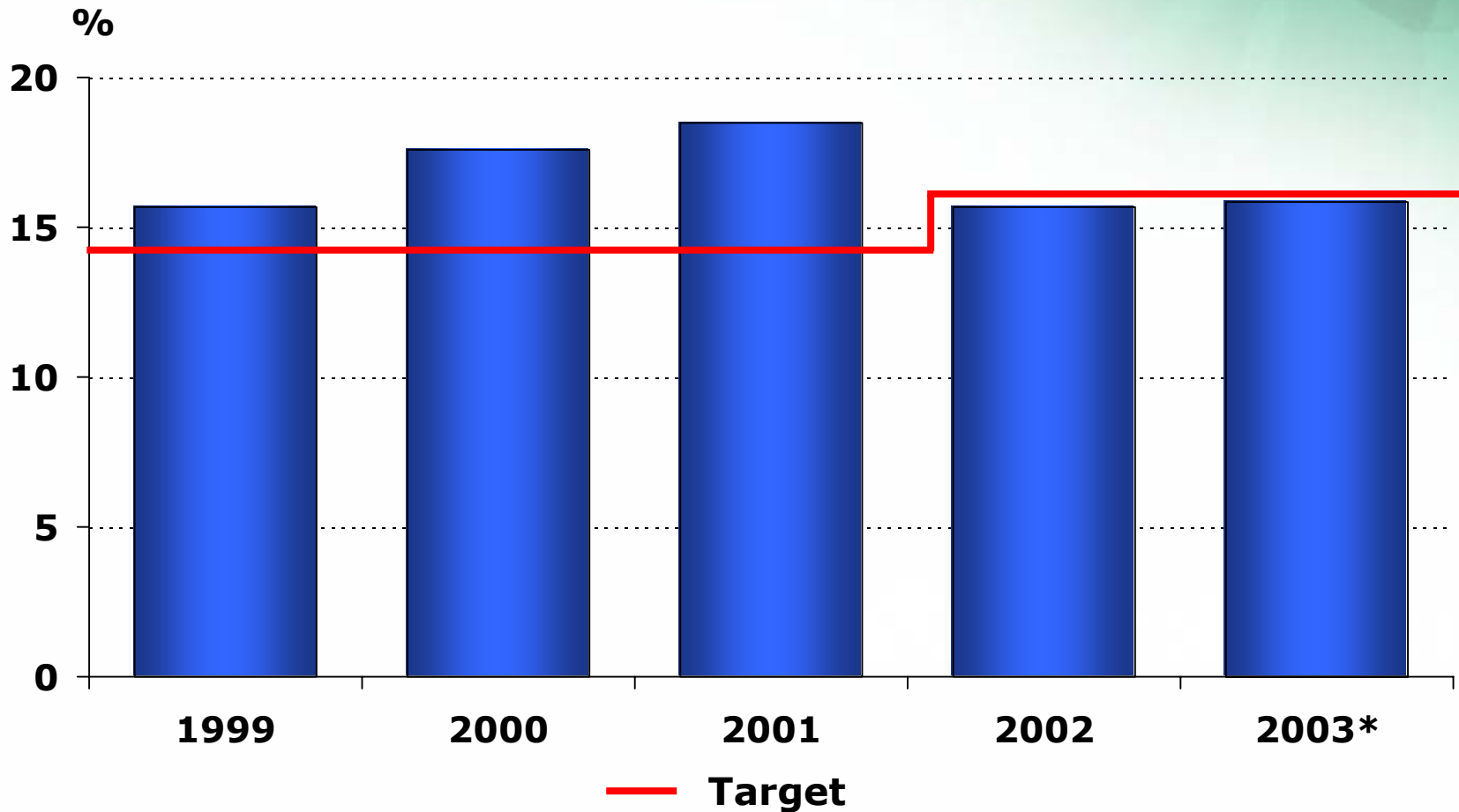
# Cashflow & Dividend

(earnings, cashflow and dividend per share)



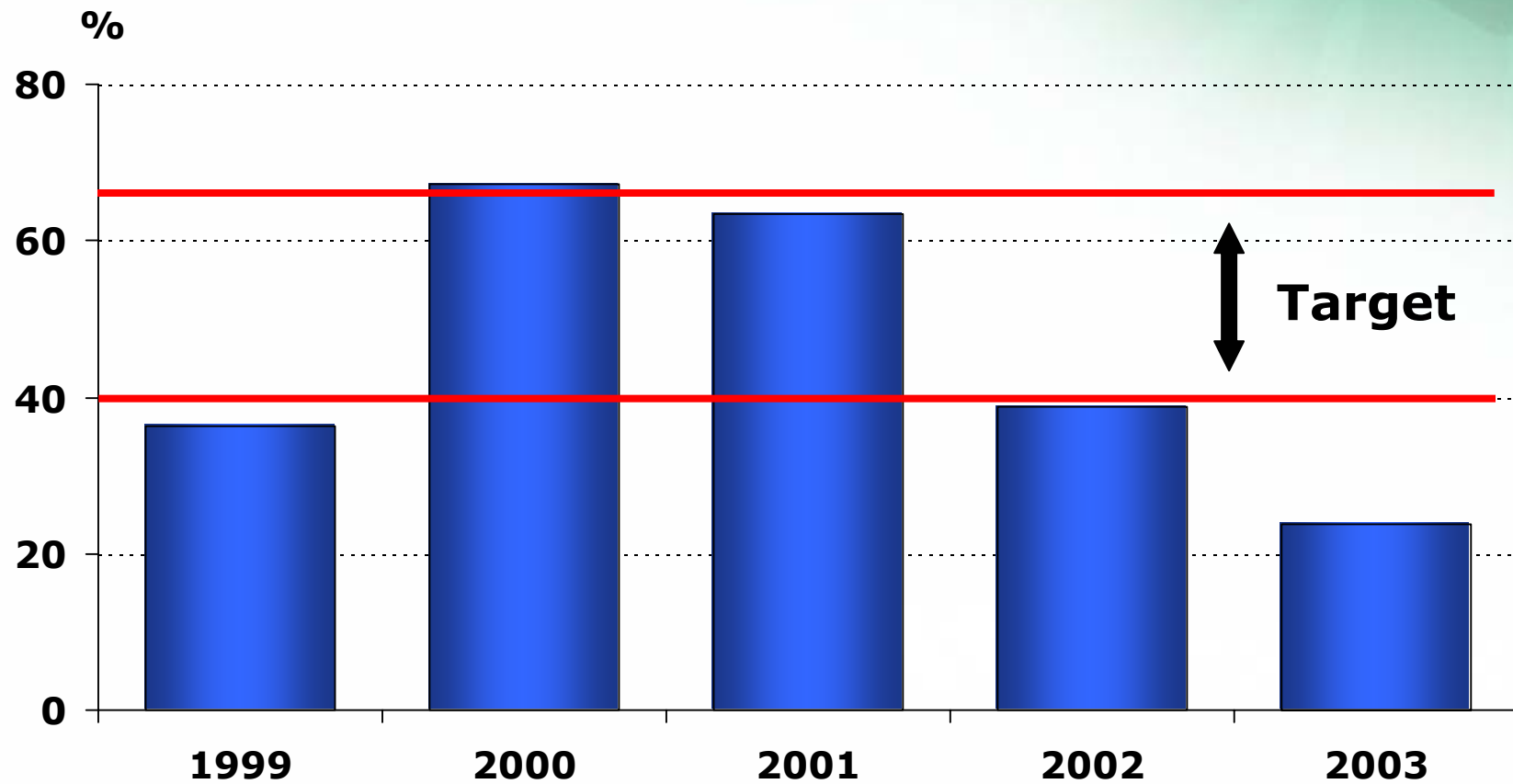
\* Excluding Girrah

# Return on Shareholders' Funds (before goodwill amortisation)

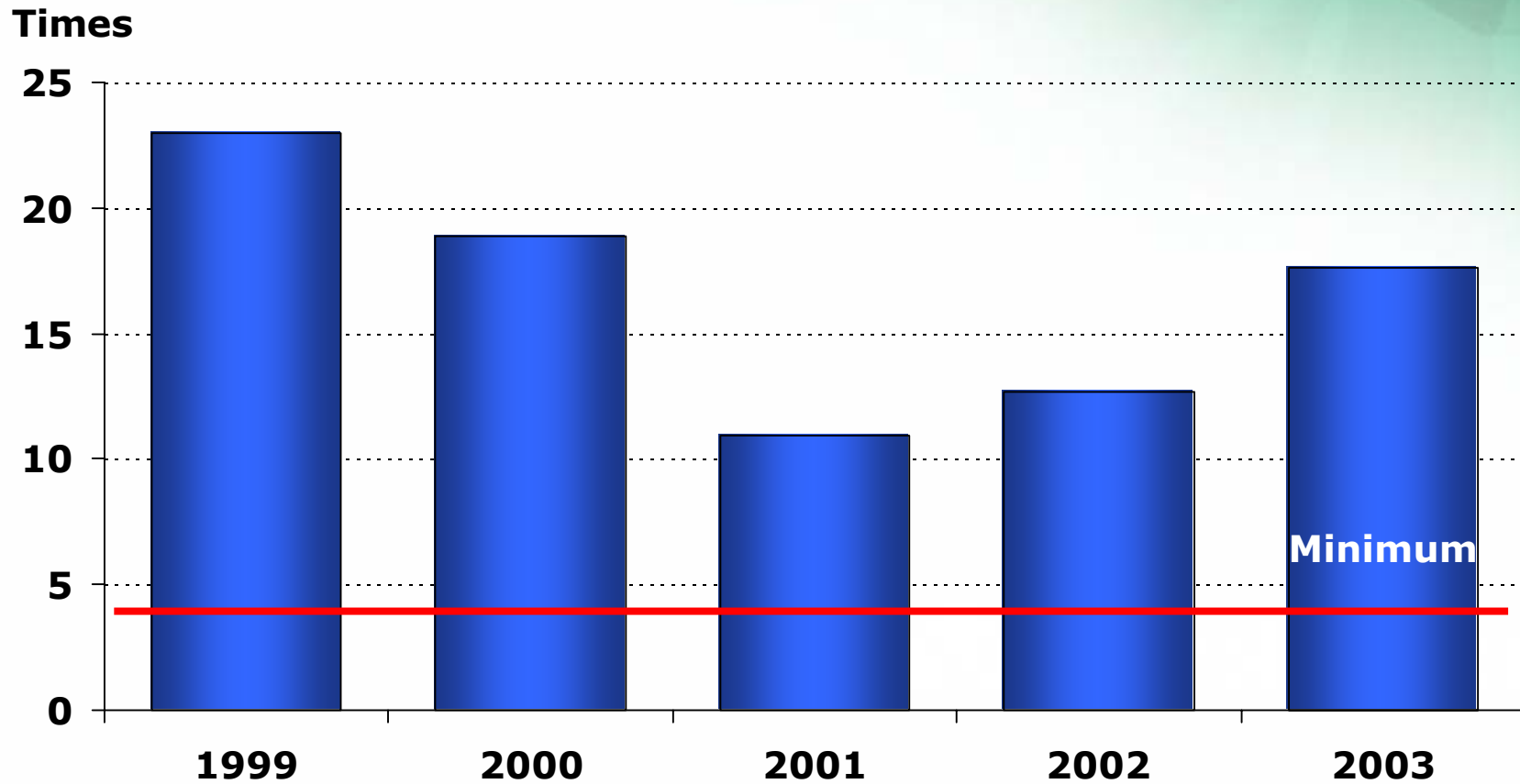


\* Excluding Girrah

# Net Debt/Equity



# Interest Cover Ratio



# Capital Management

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- On market buyback of up to five percent of Wesfarmers shares
  - At 30 June 2003, approximately 4.1 million shares repurchased at an average price of \$24.12

**John Gillam**

Managing Director, CSBP



Wesfarmers

# CSBP

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AGR



QNP



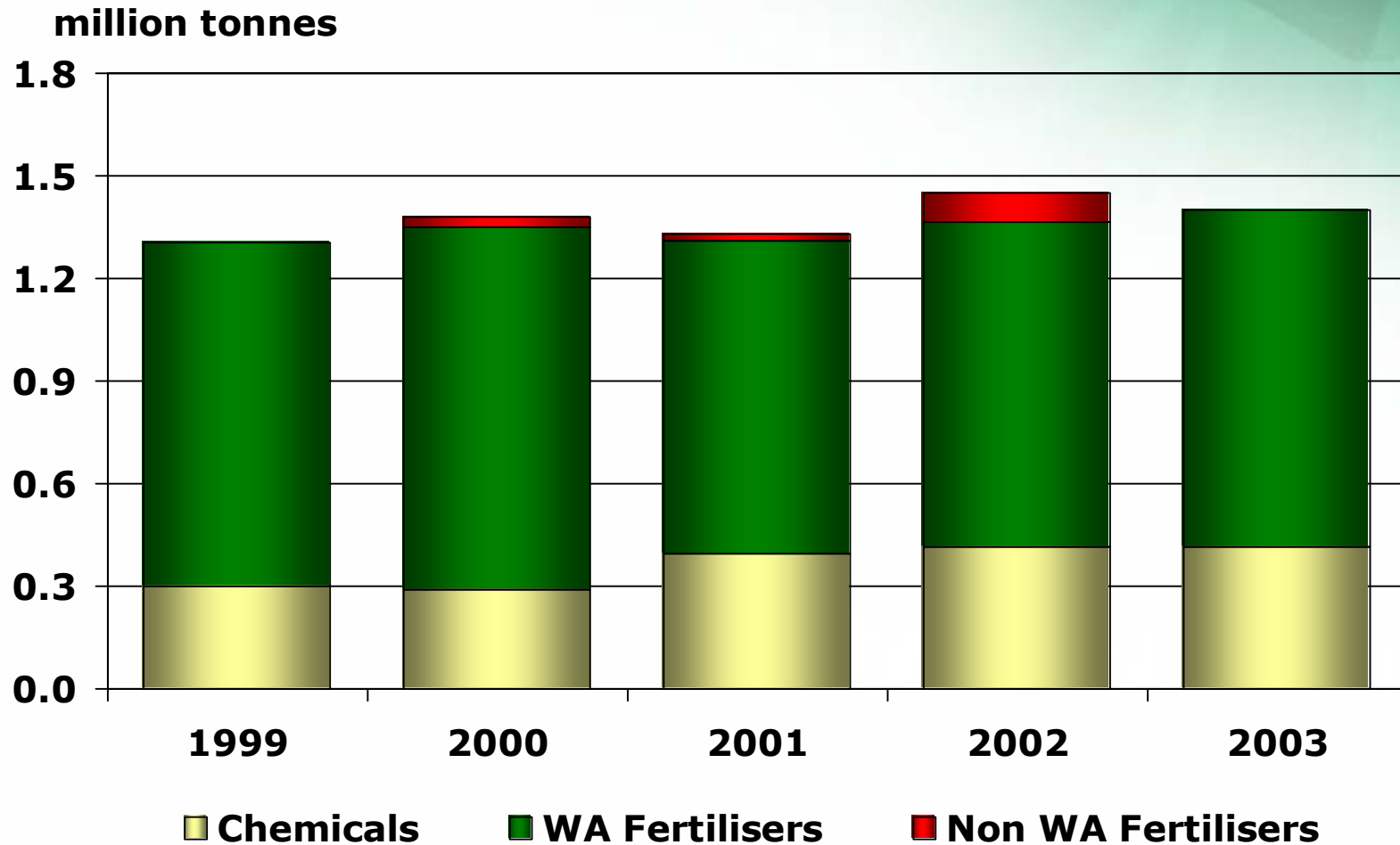
# 2003 Performance Summary

Year Ended 30 June		2002	2003	△
<b>Chemicals</b>				
Sales volumes	(t'000)	412	413	+1
Revenue	(\$m)	171	174	+3
<b>Fertilisers</b>				
Sales volumes	(t'000)	1,038	988	-50
Revenue	(\$m)	292	297	+5
<b>Company</b>				
Safety	(R12 LTIFR)	8.8	5.4	-3.4
EBITA	(\$m)	73.5	78.9	+5.4
EBITA / Capital	(%)	14.3	16.1	+1.8



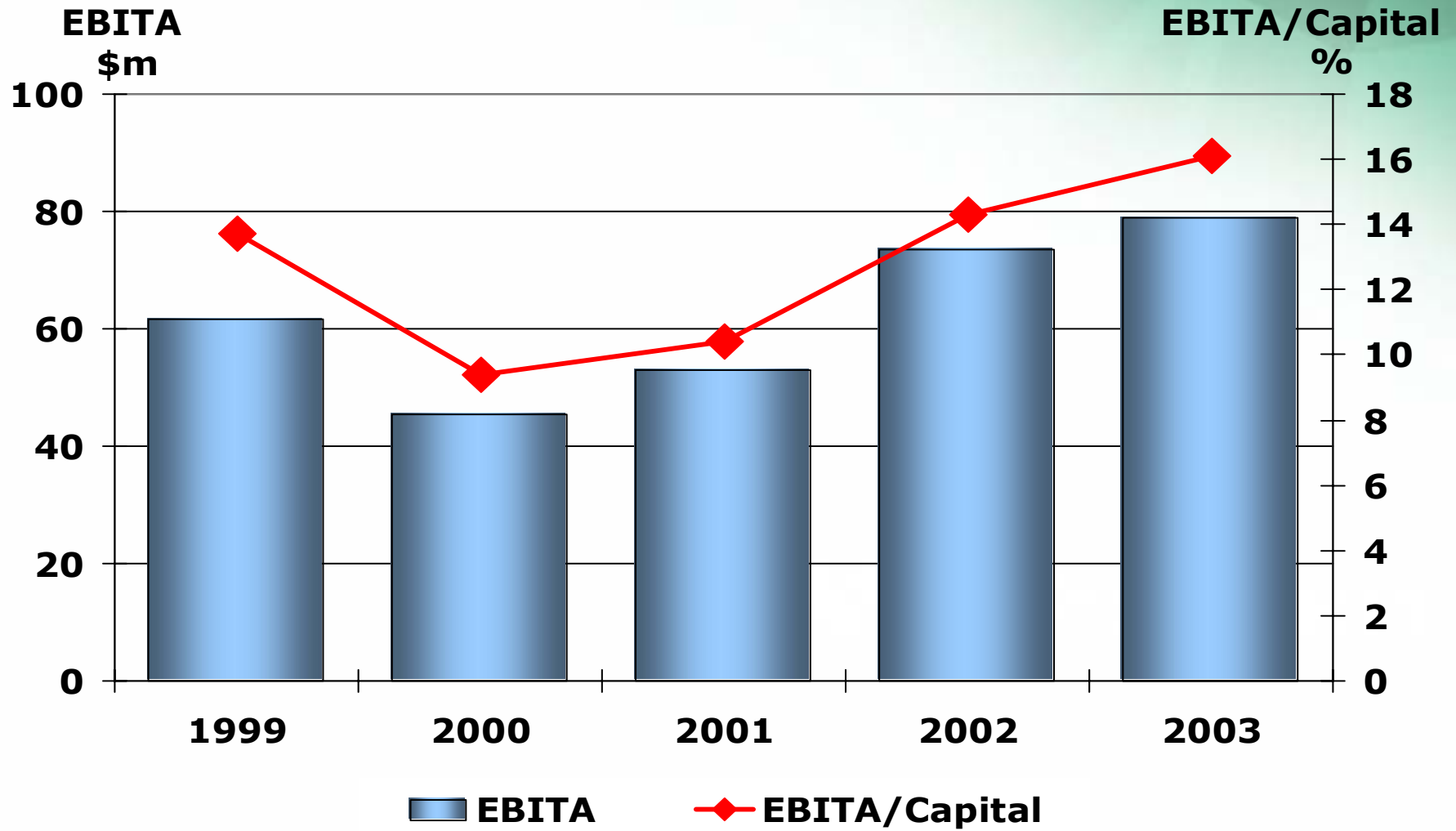
# Sales Volumes

## 5 Year Trend



# EBITA and EBITA/Capital

## 5 Year Trend



# Chemicals

## Key Influences 2003

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- Solid resource sector conditions
  - Short term softness in local ammonia offtake
  - First ammonia export
- Good ammonia / AN plant performances
  - Kwinana ammonia plant on-line time high
  - Kwinana nitric acid plant capacity expanded
  - Queensland Nitrates operating at design rates
- Major chlorine supply contract retained

# Chemicals

## Outcomes 2003

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- Ammonia and AN contribution 3% higher
  - Planned AN shutdown in October 2002
  - New AN markets
  - Ammonia volumes restricted
- Sodium cyanide contribution 17% lower
  - Slow ramp up from new solids plant
- Overall earnings contribution in line with 2002

# Chemicals

## Outlook 2004

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- Firm demand for ammonia in WA customer base
  - Export excess production
  - Capacity upgrade in planned shutdown
- Solid resource sector demand for AN
- Improving sodium cyanide conditions
- Evaluating growth opportunities

# Fertilisers

## Key Influences 2003

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- Poor 2002 harvest
  - No non-WA wholesale sales
  - Patchy demand
- Solid sales programme
  - Distributor support
  - Competitive domestic pricing
  - Improved range of products and services
- Continued growth in liquid fertiliser
- Cost base and supply chain improvements

# Fertilisers

## Outcomes 2003

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- 4% increase in WA sales volumes
- Significant lift in liquid fertiliser volumes
  - Investment in storage and handling facilities
  - Commissioned Esperance production facility
- Improved overall contribution
  - Cost base and supply chain improvements

# Fertilisers

## Outlook 2004

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- Positive outlook for 2003 harvest in WA
- Highly competitive WA market
- Focus on strong market offer
  - Product range development
  - Increased sales and service presence
- Further cost base and supply chain improvements
- Seeking new markets for proprietary fertilisers



**David Robb**

Managing Director, Wesfarmers Energy



Wesfarmers

# Wesfarmers Energy



**WESFARMERS LPG**



**Premier Coal**

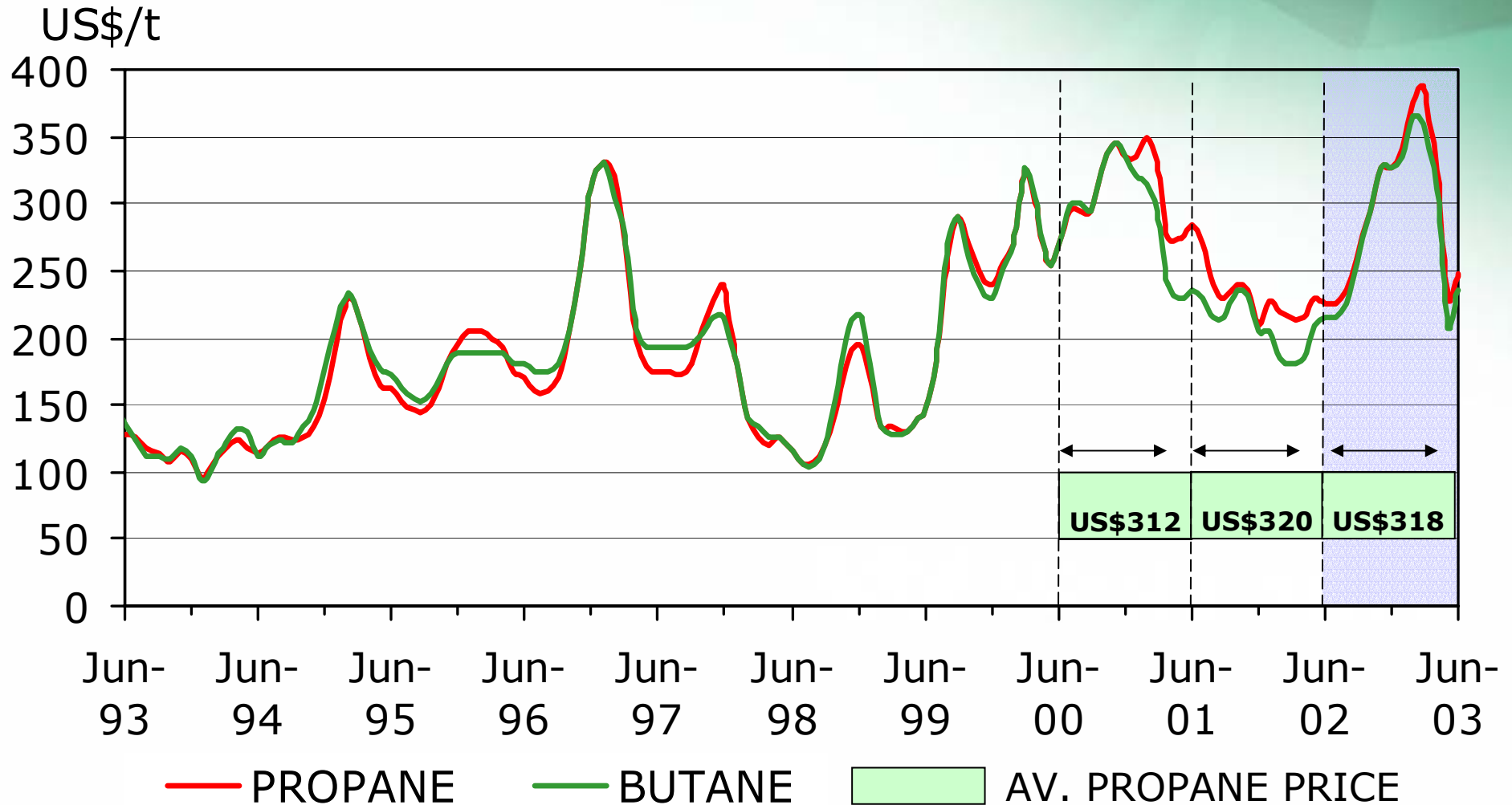


**STATEWEST POWER**



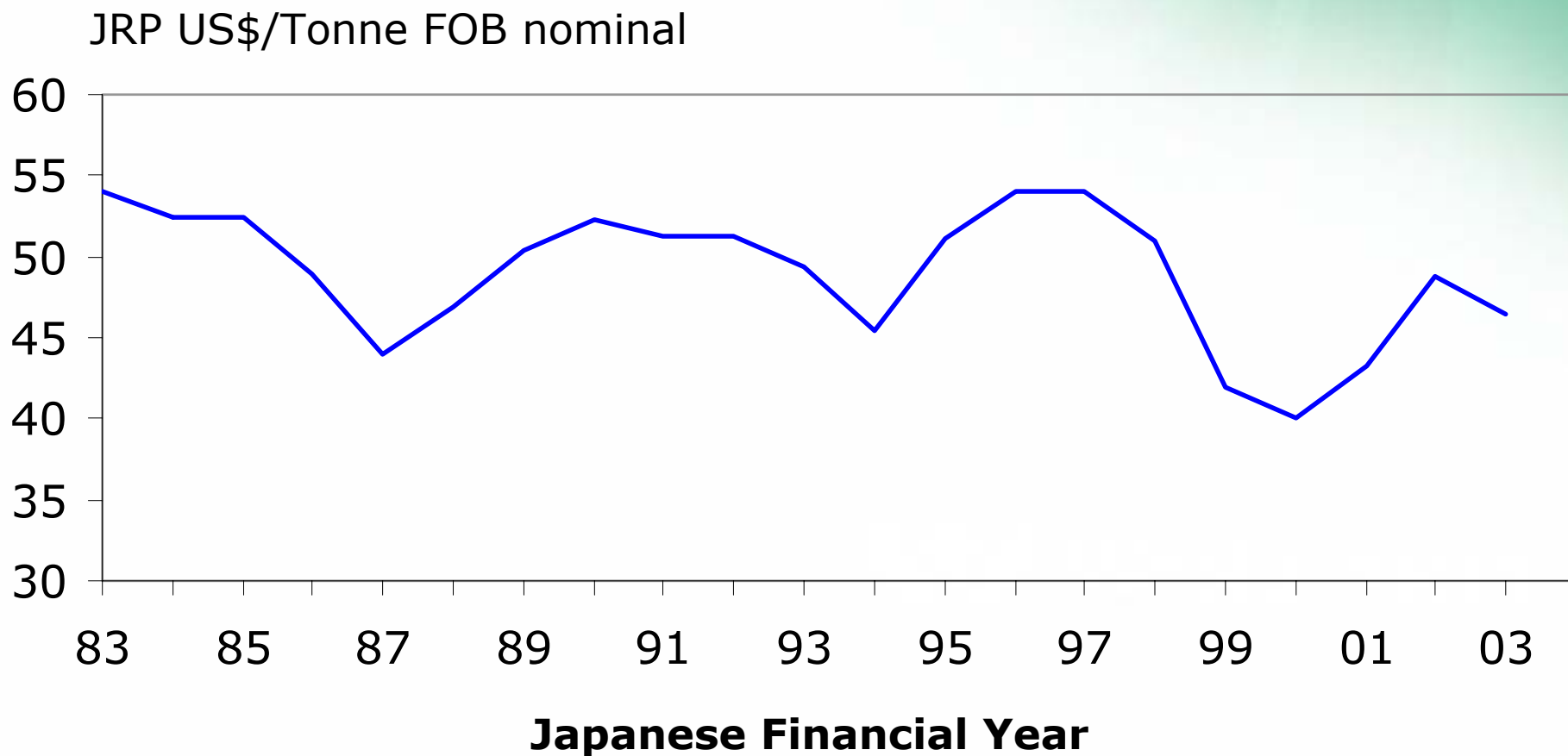
# Energy 2003 Environment

## Saudi Contract Price



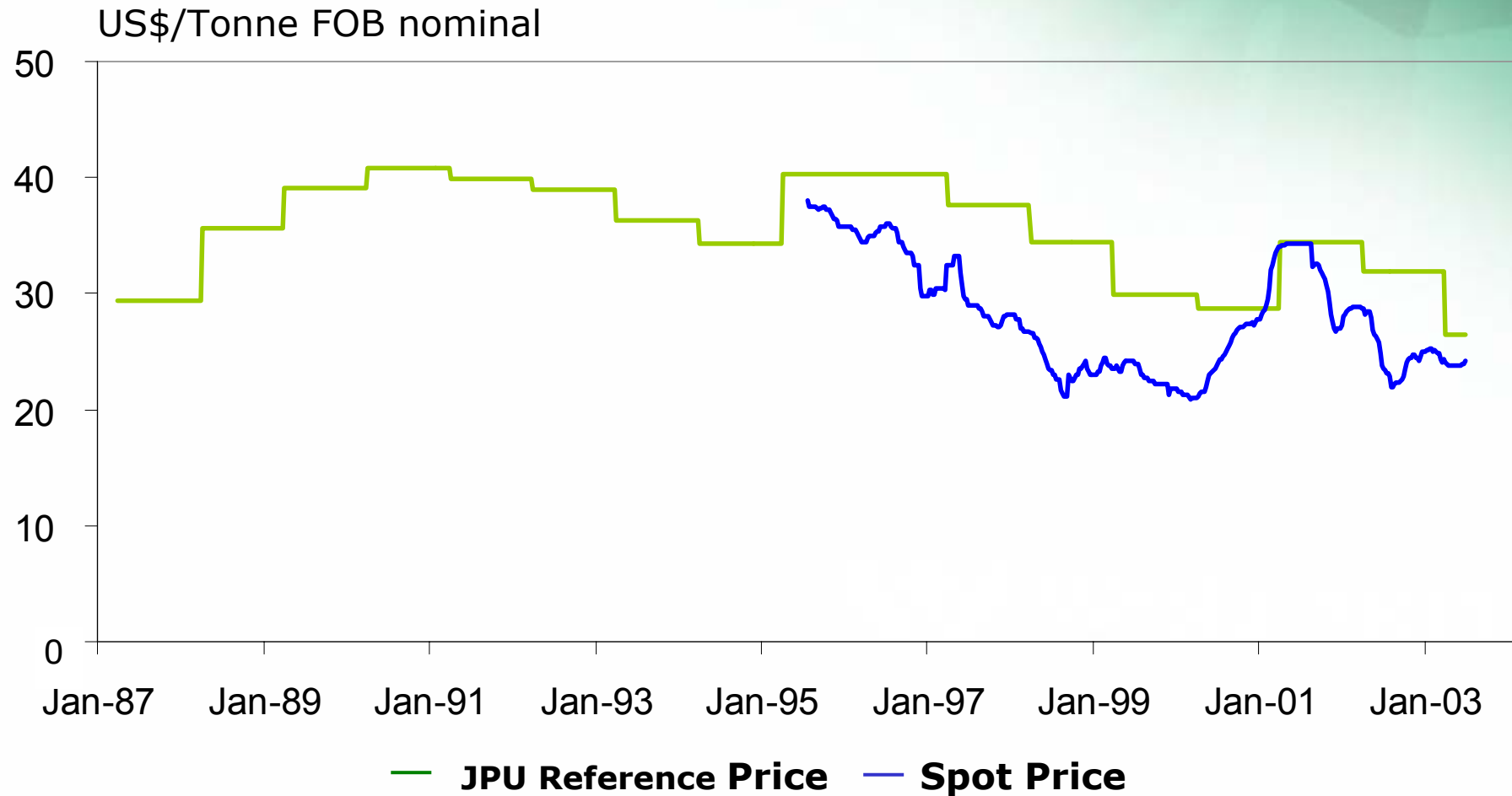
# Energy 2003 Environment

## Hard Coking Coal Prices



# Energy 2003 Environment

## Thermal Coal Prices

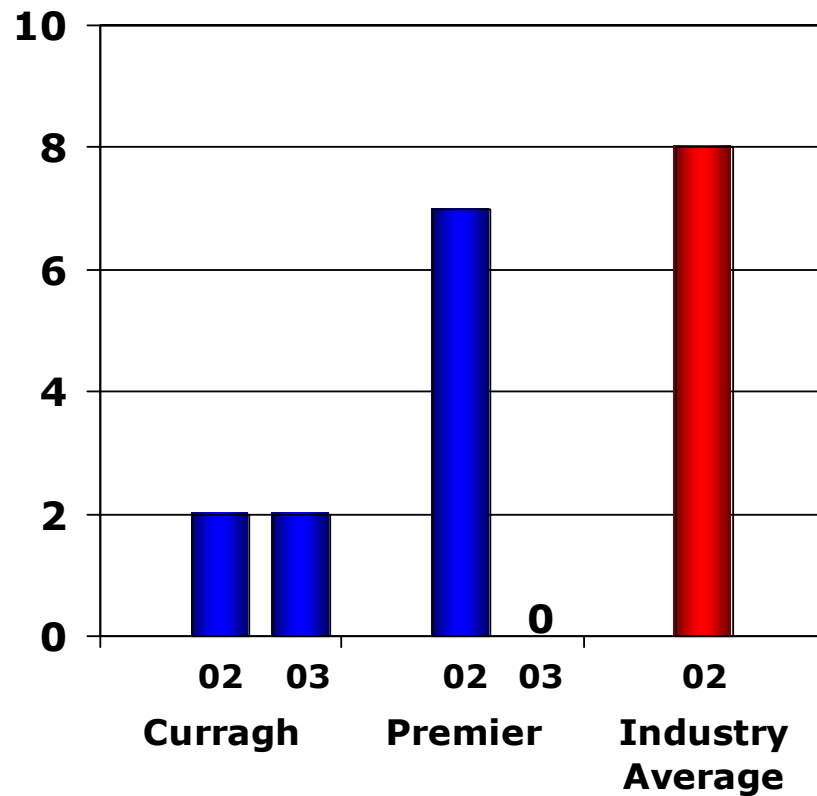


Source: Barlow Jonker

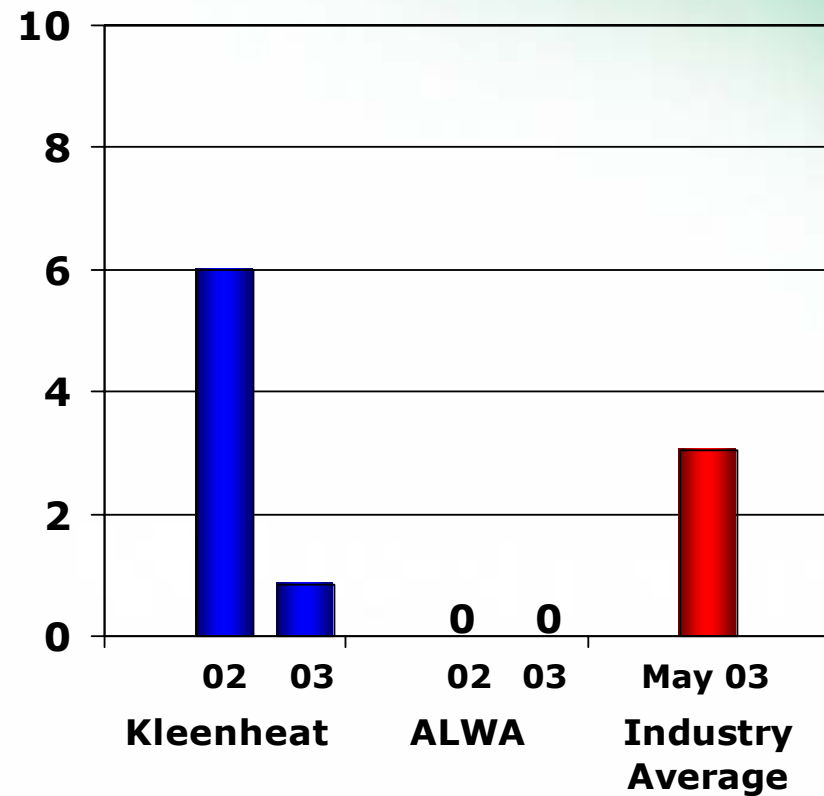
# Safety

## Rolling 12 Month Lost Time Injury Frequency Rate

### COAL

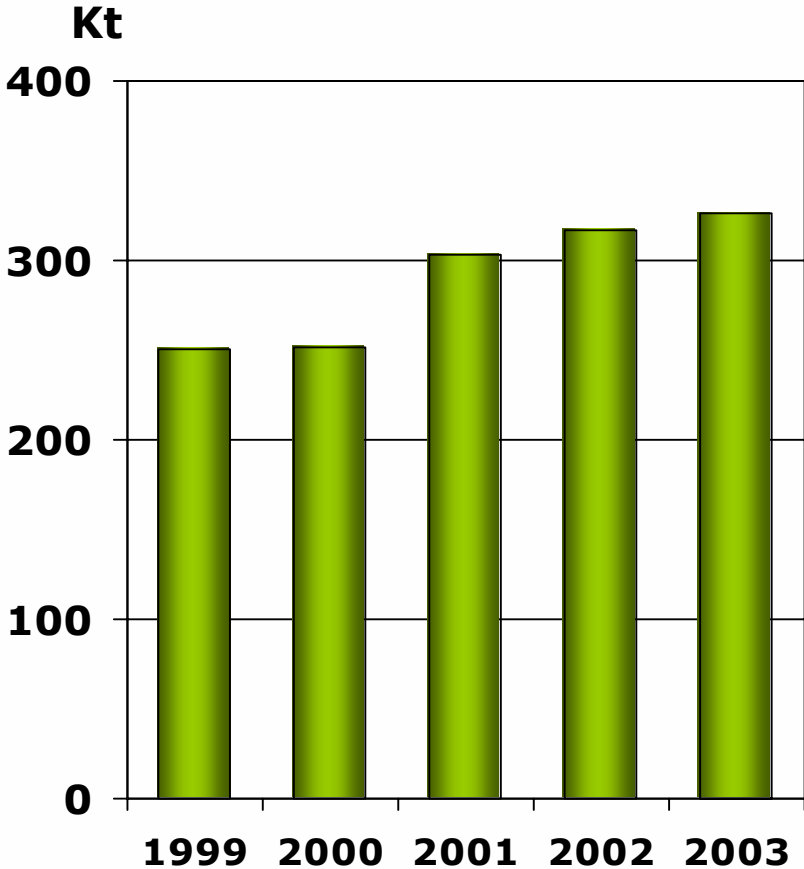


### GAS

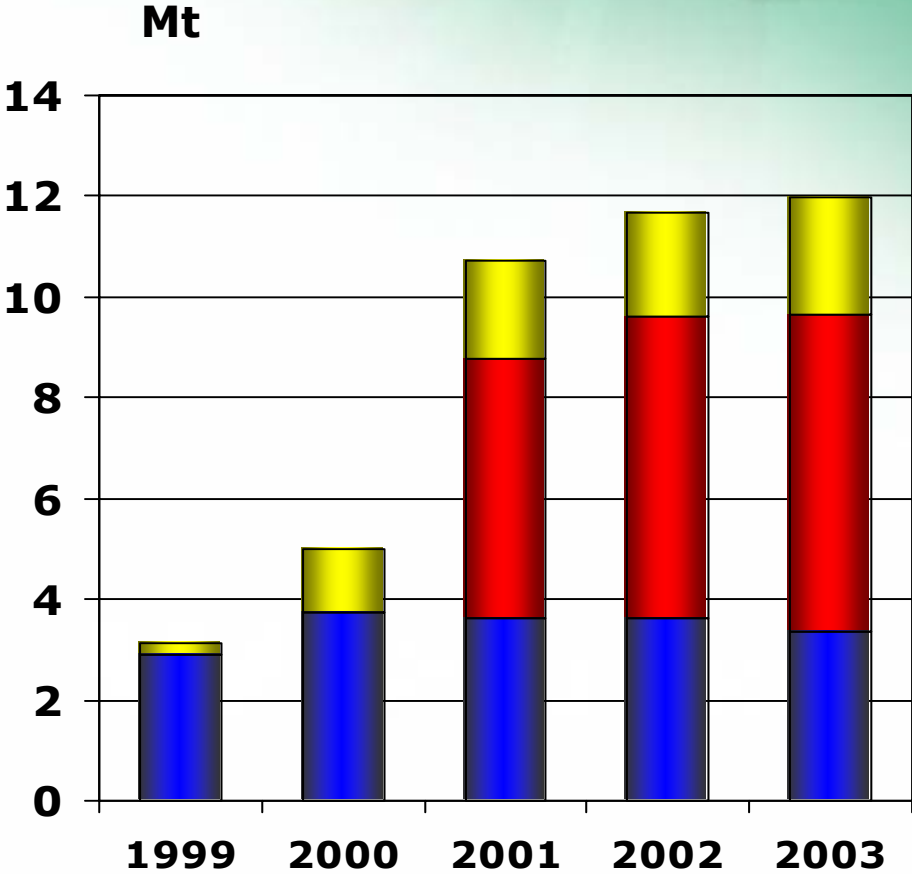


# Production

### W LPG



### Coal



■ Premier ■ Curragh ■ Bengalla (40%)

# Sales Volumes – Energy Division

## 2003 versus 2002

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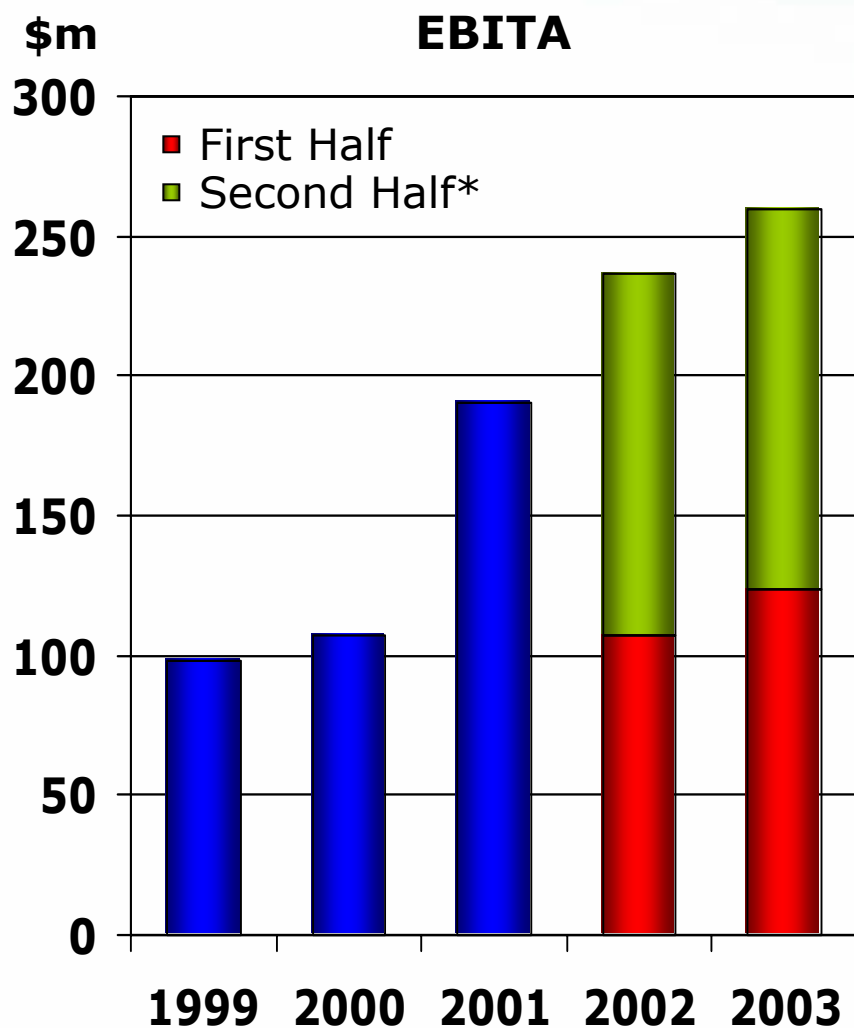
➤ Kleenheat Gas	0%
➤ Wesfarmers LPG	+1%
➤ Air Liquide*	+4%
➤ Premier	-8%
➤ Curragh	+2%
➤ Bengalla	+10%

\*Pipeline Sales

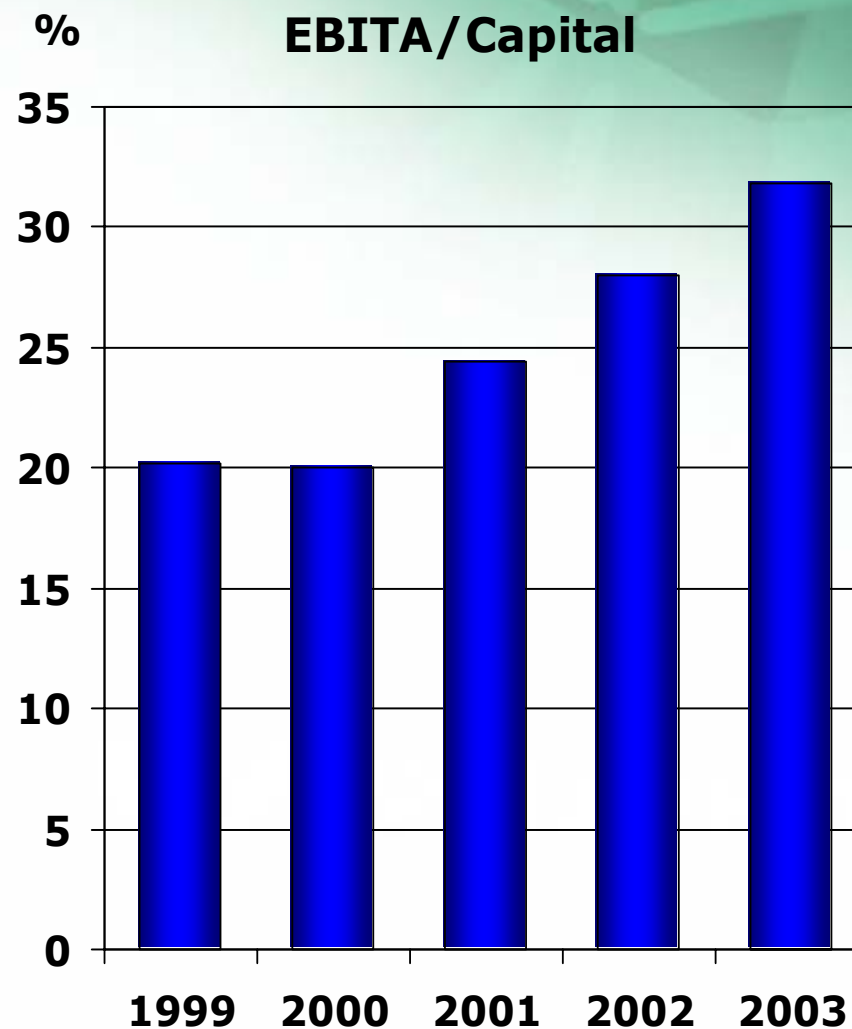


# Profitable Growth – Energy Division

## Financial Performance



\* Excludes Girrah \$80.5m in 2003



# Energy Highlights 2003

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- Record Kleenheat profit
- Record WLPG production
- ALWA HIs melt contract signing
- Mid West power project commencement

## Energy Highlights 2003 (cont)

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- Record Curragh profit
- Curragh North deposit secured
- Girragh deposit sold
- WA base load power bid underway
- Premier's first mineral sands sales contract
- Successful Oracle system implementation

# Energy Issues 2004

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- LPG prices and demand
  - Prices down 25%
  - Excise uncertainty
  - Refinery closure

# Energy Issues 2004 (cont)

- Coal volumes, prices, costs
  - Export sales increase
  - Prices remain under pressure
  - A\$14m dragline shutdown – 4<sup>th</sup> Qtr 04 financial year
- Exchange rates
  - Hedge program (90% year 1 to 10% year 5)

**Peter Davis**

Managing Director, Bunnings



Wesfarmers



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

# Financial Overview

## 11 Month Comparison (Aug – Jun)

(\$m)	2002	2003	Change
Revenue*	2,955.2	3,225.0	9.1%
EBITA	289.0	329.1	13.9%
Amortisation	46.0	46.0	0.0%
EBIT	243.0	283.1	16.5%
EBITA/Sales Ratio	9.8%	10.2%	0.4%

\* Includes \$99 million of property sales in 2003 and \$39 million in 2002

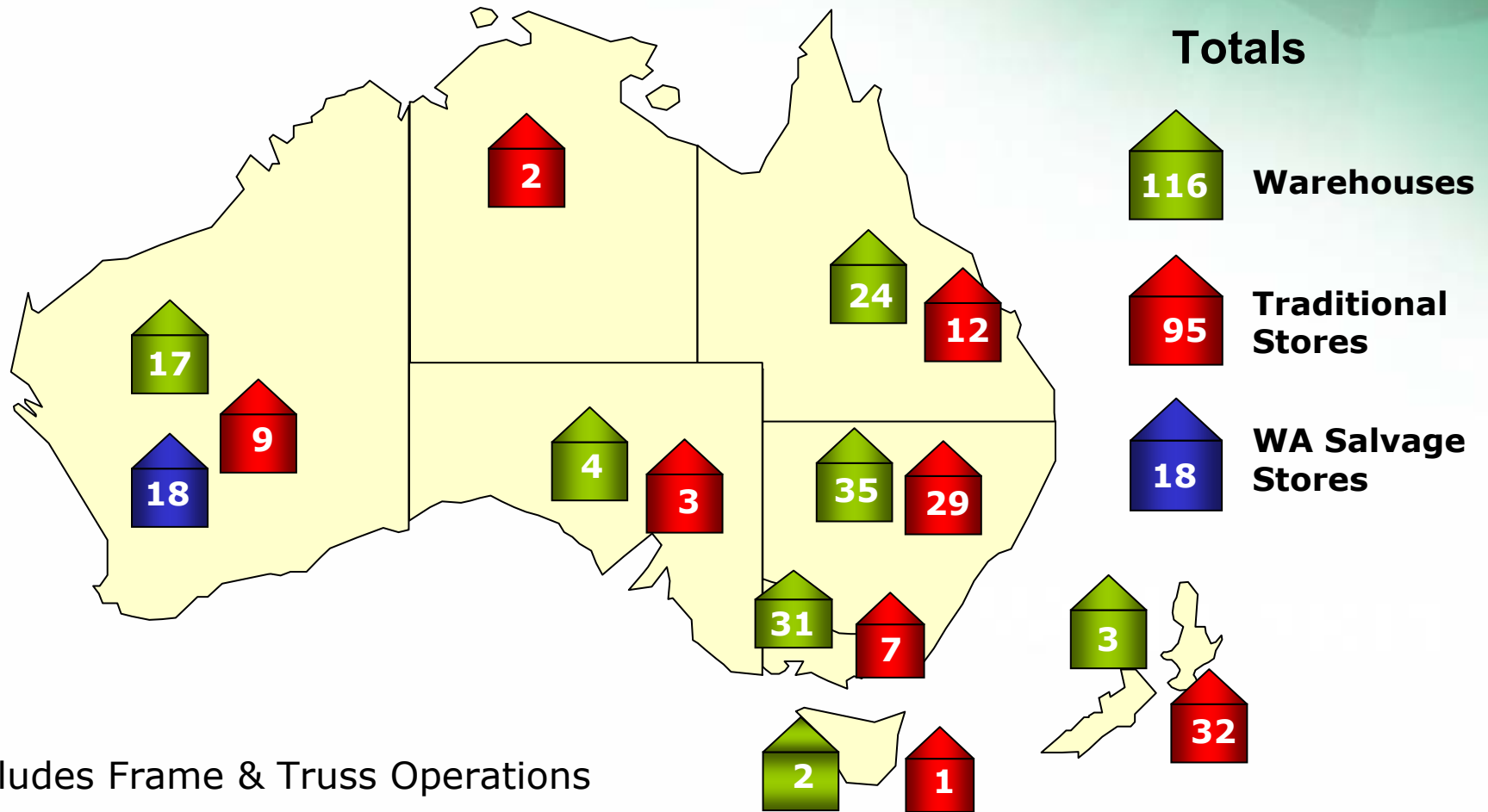


# Financial Overview (cont)

- Cash store on store growth 11%
  - Difficult trading environment - Victoria
  - Strong result – Queensland & New South Wales
- Trade credit sales decreased by 4% (Australia)
  - Small account rationalisation
  - Trade, wholesale and manufacturing closures
- Inventory
  - Shrinkage, range alignment, write-down

# Business Activity Overview

Store Network As At 30 June 2003



Excludes Frame & Truss Operations

# Business Activity Overview

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- Store network development
  - Openings and closures
  - Former Hardwarehouse refits and departmental upgrades
  - Bunnings Warehouse upgrades
  - Traditional store conversions

# Business Activity Overview (cont)

- Re-brand
  - Hardwarehouse – Australia & New Zealand
  - Traditional stores - Australia
- Bunnings Point of Sale (November '02)
- New Store Support Centre – New South Wales

# Key Issues 2004

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- Ongoing development of store network
  - Openings
  - Departmental and range upgrades
  - Store upgrades and conversions
- Continuous improvement
  - Consistent offer (price, range, service)
  - Attracting, developing and retaining the right people
  - Safety

## Key Issues 2004 (cont)

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- Cost and capital management
  - Investment in technology
  - Merchandise / inventory systems and process development

# Outlook 2004

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- Continued growth in DIY and renovation markets
- Slower growth in domestic building trade sector
- Warehouse development 8 –12 per annum
- Existing store network upgrades and conversions
- Series 3000 Warehouse

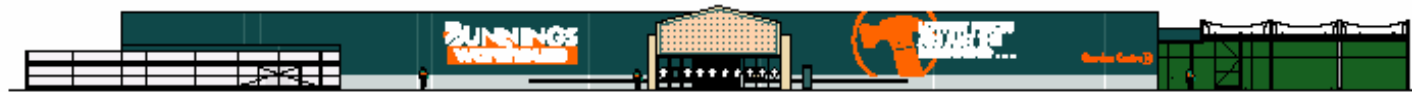
# Series 3000 Warehouse

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- Great potential – regional Australia / New Zealand
- Significant upgrade offer to regional centres – price, range, service
- Competitor stronghold
- 29 Australian locations identified – 19 priority
- Estimated Australian market \$1 billion, capture 25%
- Target 4 openings per annum



# Warehouse Series



**Series 3000 Warehouse**



**Series 5000 Warehouse**



**Series 7000 Warehouse**

## **Bob Denby**

Managing Director, Wesfarmers Industrial and Safety



Wesfarmers

# Financial Highlights

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- Normalised Operating Revenue (excluding Metals) up 2.4% to \$1.097b.
- Normalised EBITA (excluding Metals) up 29% to \$116.3m.
- Normalised EBITA/Op. Rev. Margin (excluding Metals) up from 8.4% to 10.6%
- EBITA / Capital up from 11.6% to 14.2%

# Business Activity Highlights

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- Blackwoods
  - Marginal sales increase but solid EBITA growth
- Protector Alsafe
  - Flat sales result but substantial reduction in expenses to yield good EBITA growth
- New Zealand
  - Solid sales increase, combined with margin growth to deliver significant EBITA increase.

# Highlights for the Year

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- Metals disposal
- Integration of Protector and Alsafe
- Rationalisation of distribution centres
- Regionalisation of customer service centres
- Blackwoods catalogue published April
- Paykels acquisition

# Outlook for 2004

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## ➤ Australia

- Generally positive
- Easing of drought
- Continued spending in mining and transport infrastructure

## ➤ New Zealand

- Steady
- MRO growth through acquisition of Paykels

# Mark Allison

Managing Director, Wesfarmers Landmark



Wesfarmers





# Wesfarmers Landmark



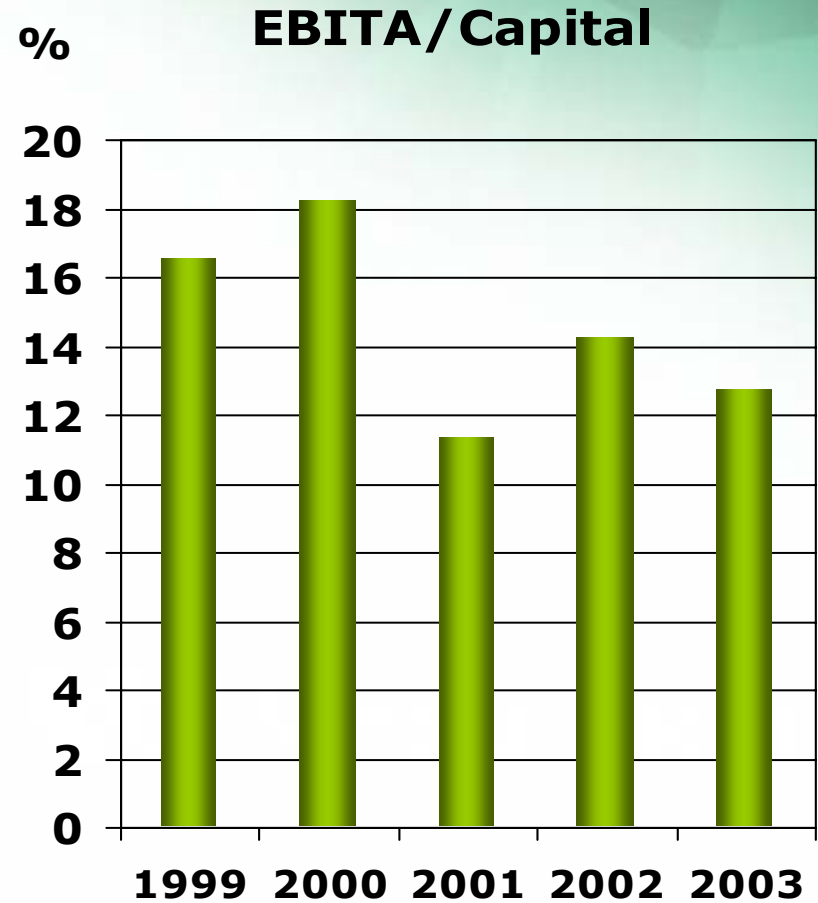
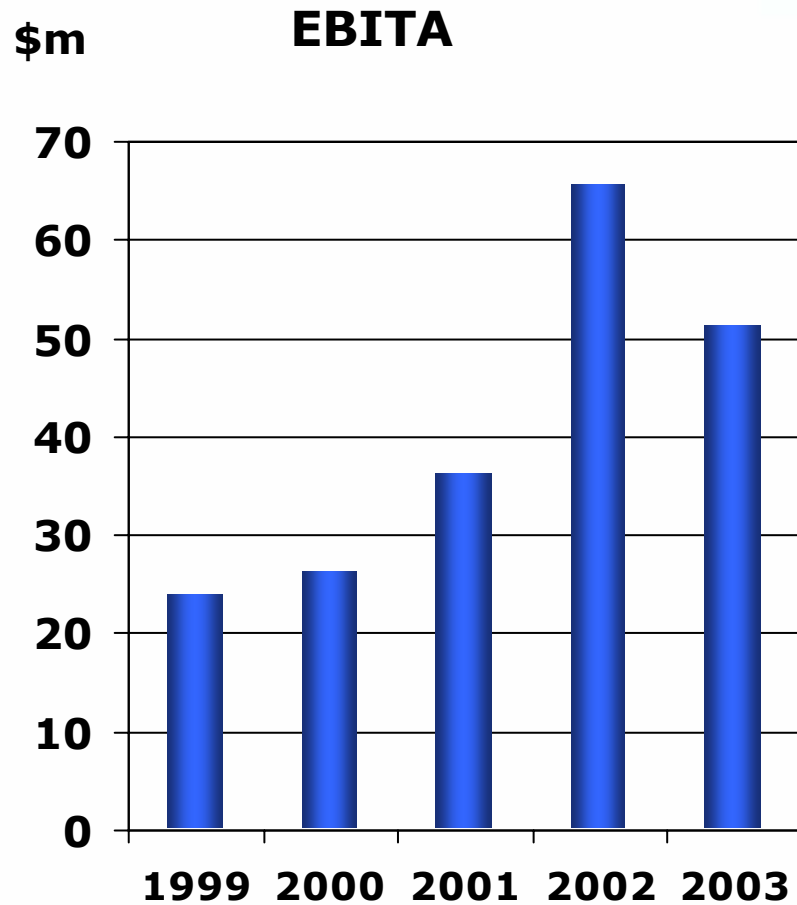
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# Highlights - 2003

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- Sound cost & capital management
- Strong finance & insurance growth
- Significant improvement in network safety

# Financial Performance



# 2003 Performance By Activity

➤ Merchandise revenue	↓	13%
➤ Fertiliser revenue	↑	2%
➤ Livestock Agency revenue	↓	18%
➤ Wool Broking revenue	↓	20%
➤ Real Estate revenue	↓	7%
➤ Insurance Premium income	↑	14%
➤ Finance Loan Book	↑	53%

# Key Issues - 2003

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- Severe drought
- Preserving merchandise margins in highly competitive environment
- Implementation of streamlined management structure
- Management of costs and capital

# Outlook - 2004

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- Improving winter crop (except NSW)
- Irrigation concerns for summer crops
- Low sheep and cattle numbers
- Strengthening livestock prices
- Focus on productivity in merchandise, wool, livestock & real estate
- Focus on growth for finance, fertiliser & insurance

**Bob Buckley**

Chief Executive, Wesfarmers Insurance



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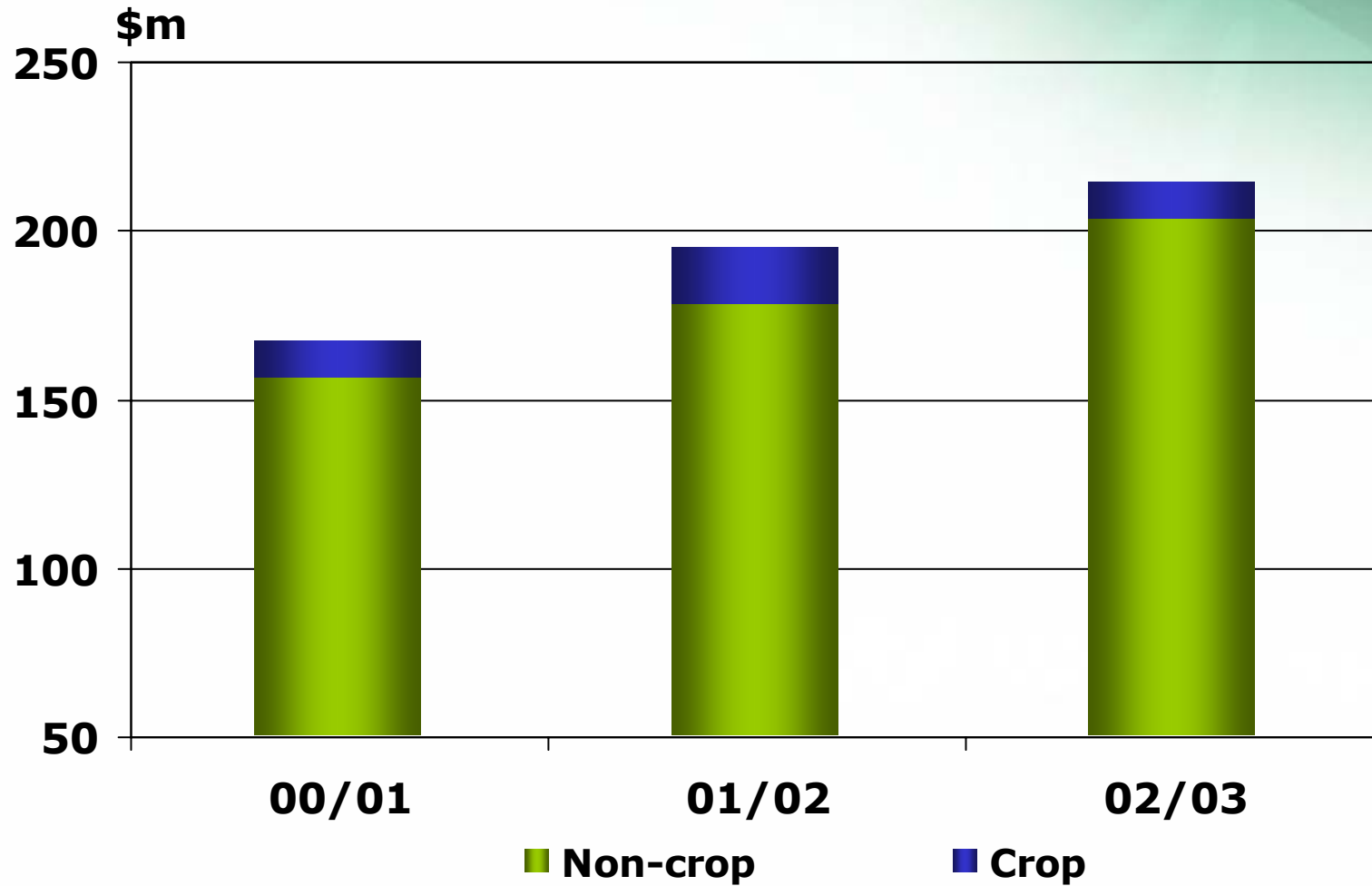
# WFI Highlights 2003

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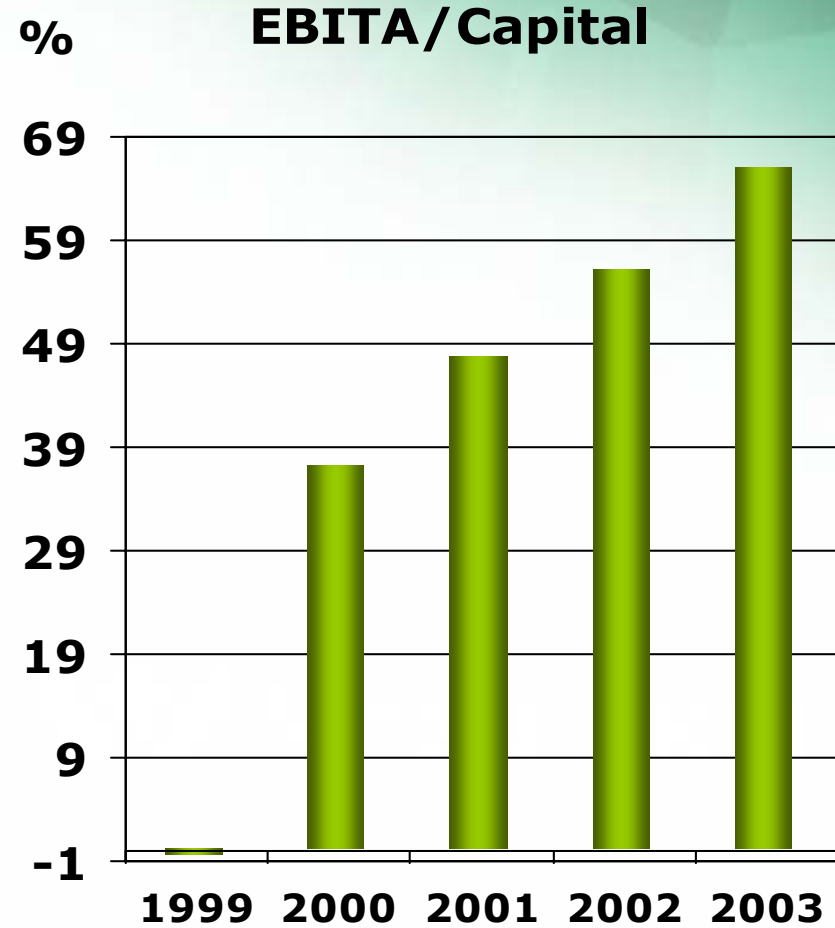
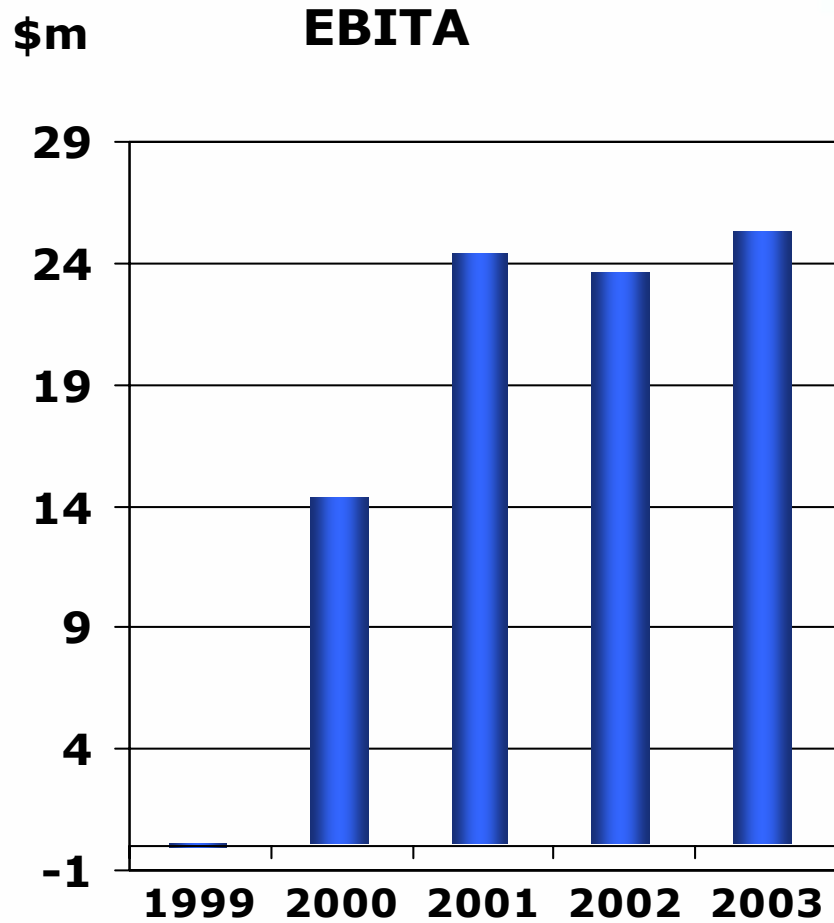
- Steady premium growth despite drought
- Lower than expected claims
- Claims satisfaction level maintained at 98%
- Combined operating ratio of 90.9%
- Strong compliance program



# Premium Revenue



# Financial Performance



## **Gene Tilbrook**

Executive Director, Business Development  
Wesfarmers Limited



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# ARG

## 50% Interest



- Flat performance, somewhat below expectations
  - Grain
  - Hook and pull
  - Derailments
  
- 2003 / 04
  - Grain season
  - Safety and operational initiatives
  - Mineral tonnages

# Sotico

- Above plan performance
  - Timber processing
  - Wespine
- Sale of assets
  - Pemberton Sawmill
  - Forest Harvesting
- Remaining
  - Timber processing
  - Plantations
  - Wespine

# Gresham Private Equity

50% Interest



➤ \$155m invested in Fund 1

- Norcross
- Repco
- Cashcard
- Eroc
- Riviera
- Virgin Active
- Raywood

# Business Development



Wesfarmers

# Projects Announced 2002/03

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- Girrah sale
- Curragh North arrangements
- Sale of Metals from WISD
- Purchase of Paykel
- Bunnings Warehouses
- Lumley Insurance



# Lumley Insurance

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- UK restructuring
- General / life / financing / technology
- Signed 30 June 2003
- Completion expected end of August
- Lumley Life sale process underway
- Business planning

# **Michael Chaney**

Chief Executive Officer, Wesfarmers Limited

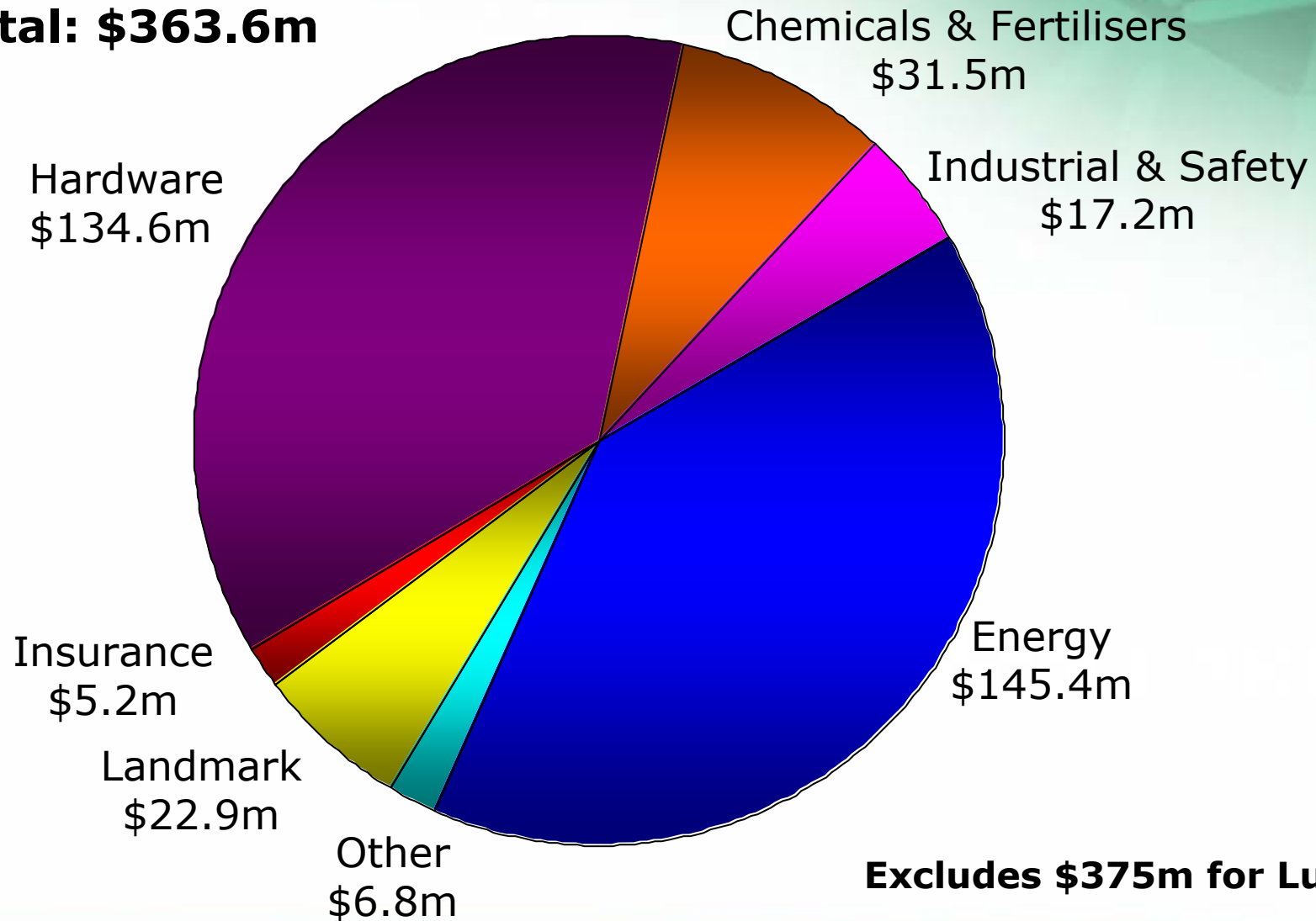


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# Capital Expenditure Programme

2004 Forecast

**Total: \$363.6m**



# 2004 Outlook

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- Hardware – solid retail sales growth, subdued trade sales performance
- Positive outlook for Industrial and Safety
- Improved outlook for rural business
- Improved earnings from CSBP, subject to seasonal conditions in Western Australia

## 2004 Outlook (cont)

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- Positive outlook for Insurance
- Subdued outlook for the coal businesses
- Australian Railroad Group – improving performance
- Continued wind down of Sotico operations

# Questions



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



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