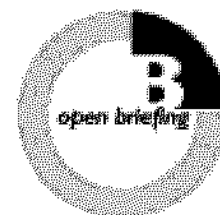


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Lodgement of Open Briefing**



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Wesfarmers Limited
Wesfarmers House
40 The Esplanade
Perth Western Australia 6000

Date of Lodgement: 14-Aug-2003

Title: Open Briefing. Wesfarmers. CEO on 16% Profit Rise

Record of interview:

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Wesfarmers Limited announced a 16 per cent increase in net profit to \$482 million (pre Girrah) for the year to June 30, 2003 (EPS of \$1.51 per share before goodwill amortisation, up 9 per cent). That compared with your budget of \$494 million. Directors expect the group to continue to record profit growth from business operations in the 2003/04 financial year. In which business segments can we expect the largest improvement, or decline, in earnings?

CEO Michael Chaney

The biggest improvements will be in the Bunnings hardware business, rural and industrial and safety, while the biggest decrease will be in energy. Chemicals and fertilisers should be up slightly.

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Net operating cash flows for the year were \$819 million, an increase of 20 per cent due to higher profits and a strong focus on working capital management. Can you quantify the reduction in working capital and whether you can improve on that?

CEO Michael Chaney

We have a strong focus on working capital and achieved good results in Wesfarmers Landmark, although an above budget level of inventories in Bunnings offset that. We should be able to achieve further improvements in working capital, particularly with inventories in Bunnings.

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The strong cash flow enabled you to reduce net debt to equity from 39 per cent to 24 per cent and you've stated that further initiatives to increase the group's gearing to within target levels of 40 to 65 per cent will be considered. What urgency is attached to this objective and what are the options to achieve it?

CEO Michael Chaney

We don't consider increasing our gearing as a matter of urgency. We have never been keen to react quickly in balance sheet management exercises because the environment changes. For example, we may be evaluating an expansion opportunity at one point and find it goes away only to be replaced by another opportunity.

Having said that, we're keen to maintain our gearing within the target levels as a general principle and we will consider various options to achieve that.

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At 30 June 2003, the company had repurchased 1.1 per cent of shares outstanding at an average price of \$24.12. The buyback is limited to five per cent of ordinary shares on issue. What self-imposed or statutory limitations are there in buying back Wesfarmers shares?

CEO Michael Chaney

We're limited to buying back five per cent of shares outstanding in a 12 month period and we're also subject to the laws of insider trading. We cannot buyback shares where we hold material or price sensitive information which hasn't been released to ASX. In addition, we can't buyback shares in black-out periods, which we've set as a period three weeks prior to our profit announcements.

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Earnings before interest, tax and goodwill amortisation (EBITA) from the Bunnings hardware business increased by 17 per cent to \$349 million. The hardware business experienced a margin reduction associated with input pricing adjustments, inventory shrinkage and write-downs of discontinued product lines but it's not expected that these issues will impact 2003/04. To what extent did these issues depress 2002/03 profit?

CEO Michael Chaney

A fair proportion of the inventory adjustments arose from overestimation of margins in the first half, for example as a result of falling purchasing prices and therefore falling average inventory values; and so are not one-offs.

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Despite the margin reduction associated with factors outlined above, the EBITA/Sales ratio for Hardware was 10.2 per cent in 2003 compared to 9.8 per cent in 2002. How much improvement do you expect over the current year?

CEO Michael Chaney

We expect that EBITA/Sales ratio to be maintained in the current year and to achieve an overall sales growth rate similar to that experienced in 2003.

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Total normalised store-on-store growth for the year was around nine per cent. Cash sales were stronger than trade sales. What do ABS statistics reveal about hardware sales trends in recent months?

CEO Michael Chaney

They suggest that overall retail demand has been stronger in recent months.

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Bunnings' market share in NSW is below its overall market share in Australia. Can you grow the NSW segment and how can you combat increased competition and difficult trading conditions in Victoria?

CEO Michael Chaney

We will continue to build our hardware business in New South Wales and we see it as a good opportunity. We expect to open two new stores in metropolitan Sydney during the next 12 months. In Victoria, we appear to be competing satisfactorily at the moment.

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EBITA from Wesfarmers' energy business increased by 10 per cent to \$260 million due to strong growth in coal and gas earnings. Bengalla coal mine in NSW again reported below budget earnings while Curragh coal mine in Queensland reported record and ahead of budget earnings. Can you explain the different challenges and opportunities facing these coal operations?

CEO Michael Chaney

The real challenge facing Bengalla is export coal prices. It exports thermal coal and if it was exporting coking coal it would be making fantastic returns. The other ongoing challenge for Bengalla is to find new customers to allow for further mine expansion. However, that's not simple when considering the capacity of other Australian mines to satisfy the market.

At Curragh, we intend to increase production by about 0.5 million tonnes per annum for the next few years and we believe there are adequate market opportunities to absorb that.

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How much above budget were demurrage costs and when do you expect the Gladstone and Newcastle ports, servicing Curragh and Bengalla, to return to normal?

CEO Michael Chaney

We didn't budget for demurrage costs but they amounted to about \$2 million for each operation. Both Gladstone and Newcastle ports are now essentially operating as normal.

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Wesfarmers is part of a group bidding for the right to build a base-load power station of up to 300MW as part of Western Power's power procurement process. If

you're successful, how much coal will the power station require from your Premier Mine each year and will this new power station go ahead if the Alinta/Alcoa series of co-generation plants proceed?

CEO Michael Chaney

We expect the new power station would require around 1.2 million tonnes per annum of coal from Premier, depending on the final size of the station. The view is that the power station will go ahead although it may be delayed and, at this stage, there's no certainty the Alinta projects will go ahead.

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EBITA from the industrial and safety businesses increased by 38 per cent to \$117 million. You've been successful by reducing costs and integrating and rationalising the various businesses in this division. Margins and capital efficiency ratios were up strongly. However, normalised revenue was up only 2.4 per cent after allowing for the sale of the metals business. Does earnings growth from this business rely on efficiency gains too much? What are your expectations for product demand and revenue growth?

CEO Michael Chaney

This year we're budgeting for higher revenue growth than registered in 2003 and we expect earnings increases to come through both sales revenue growth and efficiency gains.

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EBITA from the fertiliser and chemicals business segment increased by 7 per cent to \$79 million. What explains the revenue increase from fertilisers of \$5 million to \$297 million when sales volumes were down 50kt to 988kt and what's the outlook for sales volume this year?

CEO Michael Chaney

We sold more fertiliser in Western Australia in 2003 than in the previous year when we shipped some interstate at wholesale prices. Overall margins were therefore better in 2003.

We won back some market share last year and we're budgeting for an increase in fertiliser sales volumes this year of about 10 per cent. However, it's early days as the bulk of the fertiliser is not sold until the second half.

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You've recently expanded the Kwinana ammonium nitrate plant and you're currently expanding the Kwinana ammonia plant. Are you chasing additional market share or are markets for your chemicals growing?

CEO Michael Chaney

We estimate there's sufficient market growth to cater for the expanded production.

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EBITA from the rural services and insurance business decreased by 14 per cent to \$76 million (before goodwill amortisation). Was that better than expected in face

of the drought and the fact that the division made a \$9.7 million superannuation contribution not made the previous year? Will those super payments continue?

CEO Michael Chaney

The drought meant that we were actually \$15 to 20 million below budget in EBIT for the division. The superannuation contributions will continue at around the \$10 million level.

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In 2001, the Australian wheat crop was over 24 million tonnes but fell to under 10 million tonnes in 2002. How is the 2003 cropping season shaping?

CEO Michael Chaney

The current estimates are for a total crop of 20-22 million tonnes, which is in line with the historical five-year average although it's a little lower than people were estimating a few months ago.

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Wesfarmers is expected to settle soon on its acquisition of Lumley Group for \$320 million plus the assumption of \$55 million in debt, although the price will be adjusted if Lumley Life is sold to a third party. Wesfarmers has stated that it will operate Lumley general insurance in parallel with Wesfarmers Federation Insurance, because of the largely complementary distribution channels and the different product offering. Without obvious synergies, how can you add value to this acquisition other than from buying it cheaply in the first place?

CEO Michael Chaney

We will get some synergies in the area of reinsurance premiums and IT but we do believe we're buying Lumley at an attractive price and that it will generate good returns. We also think that there's potential for Lumley to increase its market share, given the rationalisation that has taken place in the industry.

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Thank you Michael.

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