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Leading brands

Barloworld Iberia Operations update

June 22, 2004



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WHAT DO WE DO?

WHAT HAVE WE ACHIEVED?

WHAT IS OUR ENVIRONMENT?

WHAT DRIVES OUR BUSINESS?

WHERE IS THE MARKET GOING?

WHAT HAS VBM DELIVERED?

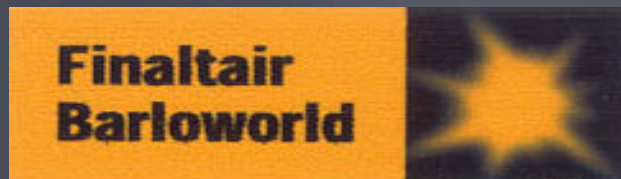
WHAT SYNERGIES DO WE EXPLOIT?

WHERE ARE WE GOING?



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WHAT DO WE DO ?





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MaK





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LOGISTICS



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Finanzauto**



SHARP

ExxonMobil



Mercedes Benz





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NERA





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FINALTAIR BARLOWORLD





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THIS IS WHAT WE DO

- employ, educate, motivate and reward our people so that we provide a level of service to our customers which places our principals' product above the competition, or
- Exploit our 72 years of customer focus



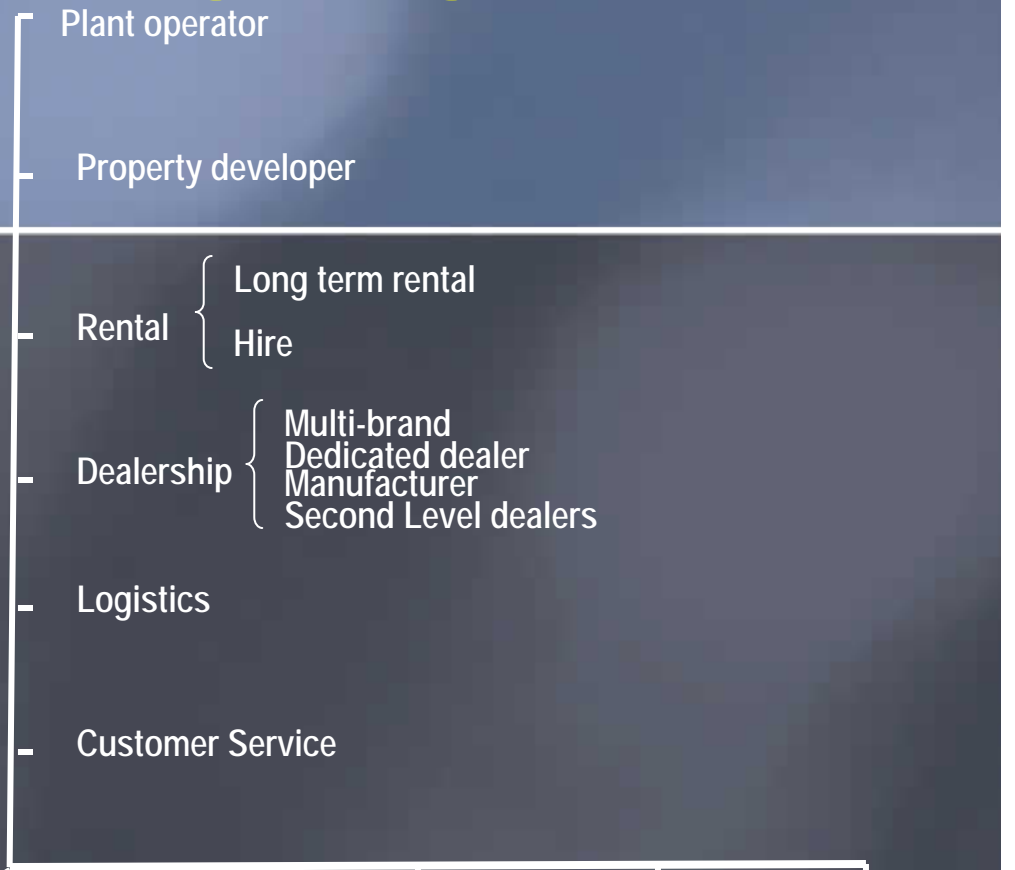
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Competing solutions

Strategic Segmentation

User Needs

Build Infrastructure
Move materials
Generate power
Housing
Shared Services



Continuous Regional Specialist Common Language Manufacturer

User Groups



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**Barloworld
Iberia**



Barloworld Iberia is

“An industrial machinery brand channel manager in Iberia”

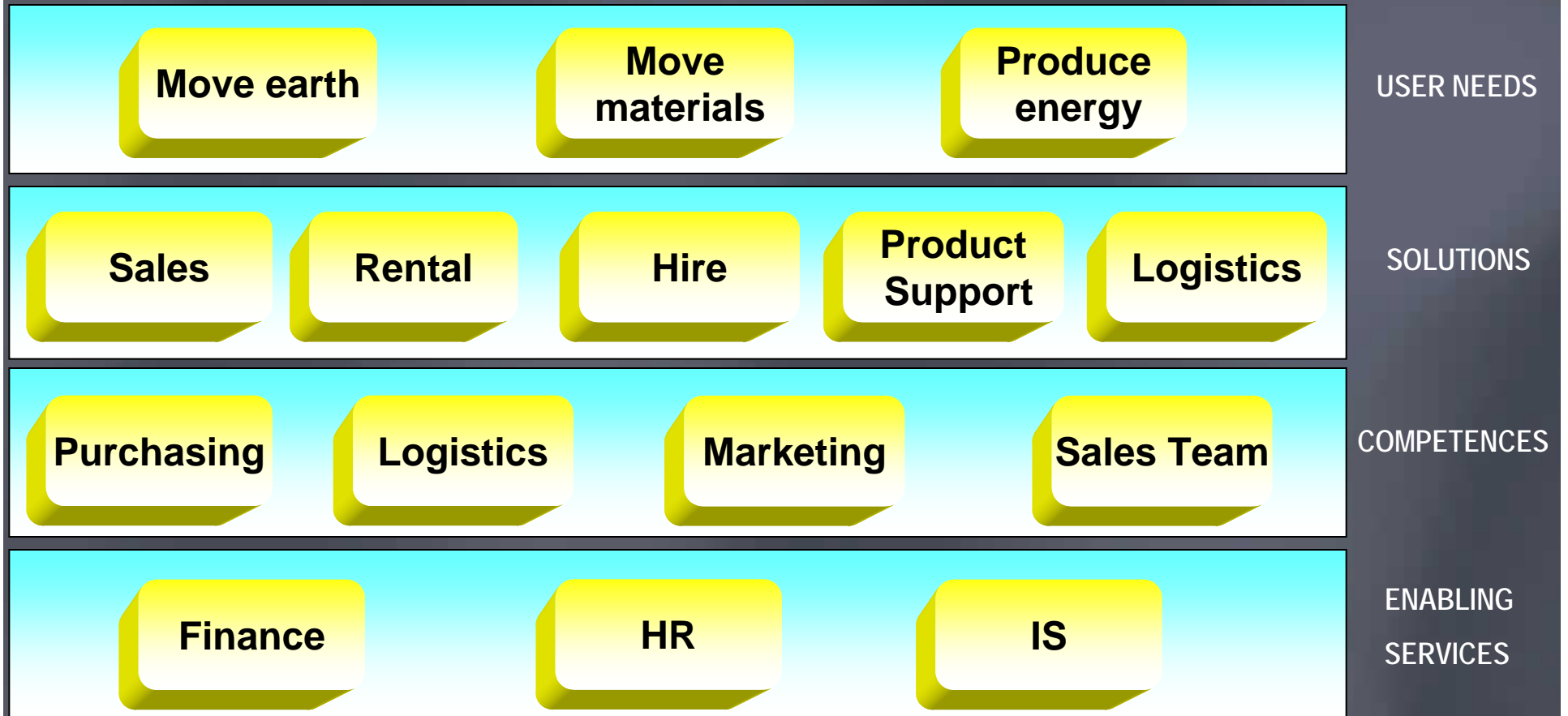


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**Barloworld
Iberia**



Strategic view – synergy model





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Strategic issues

- Solution not product
- Diversification
- Shared services
- Integrate processes
- Measurement and control solutions
- People value
- Access funds
- Expand territorial footprint



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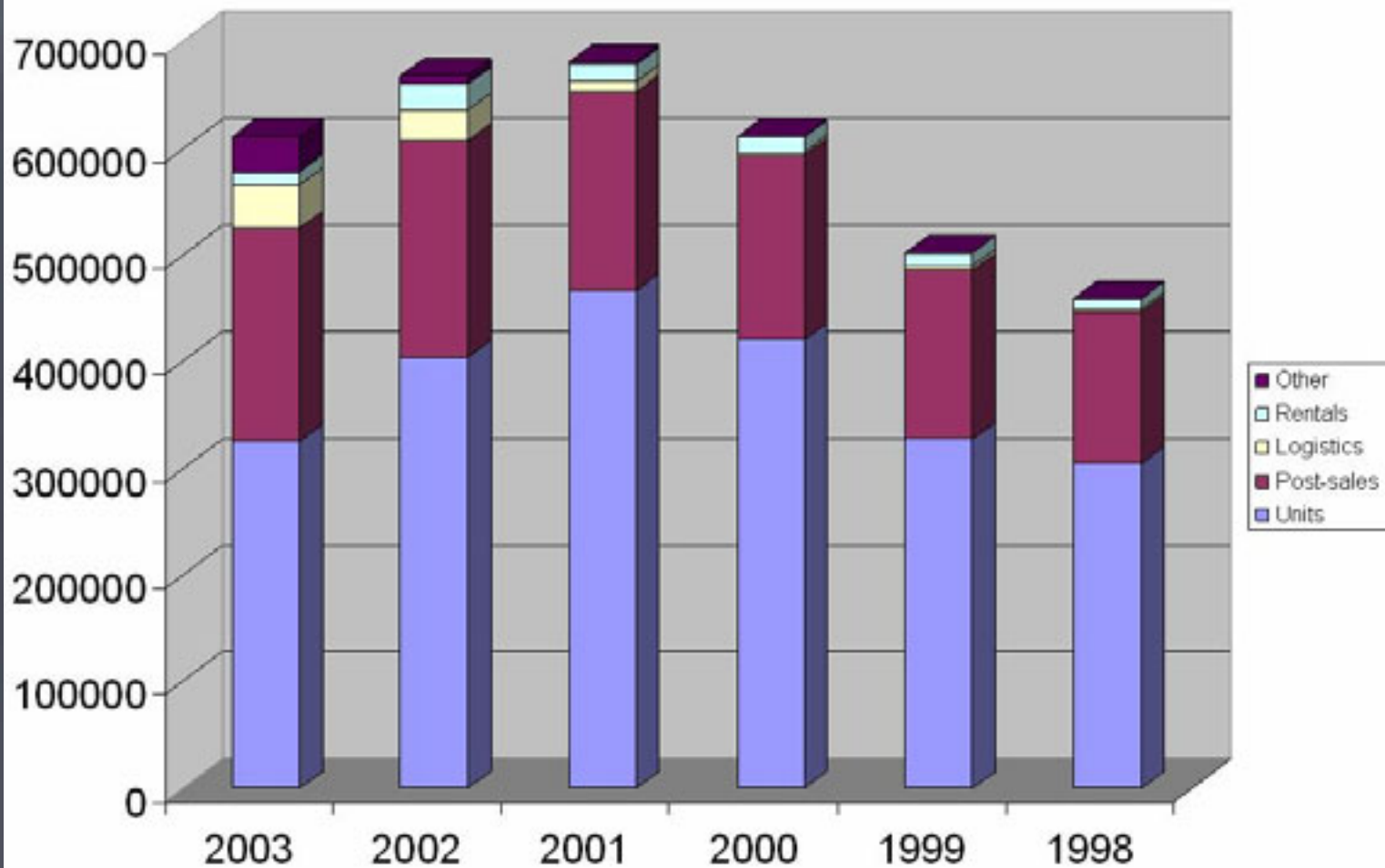
WHAT HAVE WE ACHIEVED ?

- Revenue
- Operating profit
- EBITDA
- Trading asset
- What does it mean?



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REVENUE

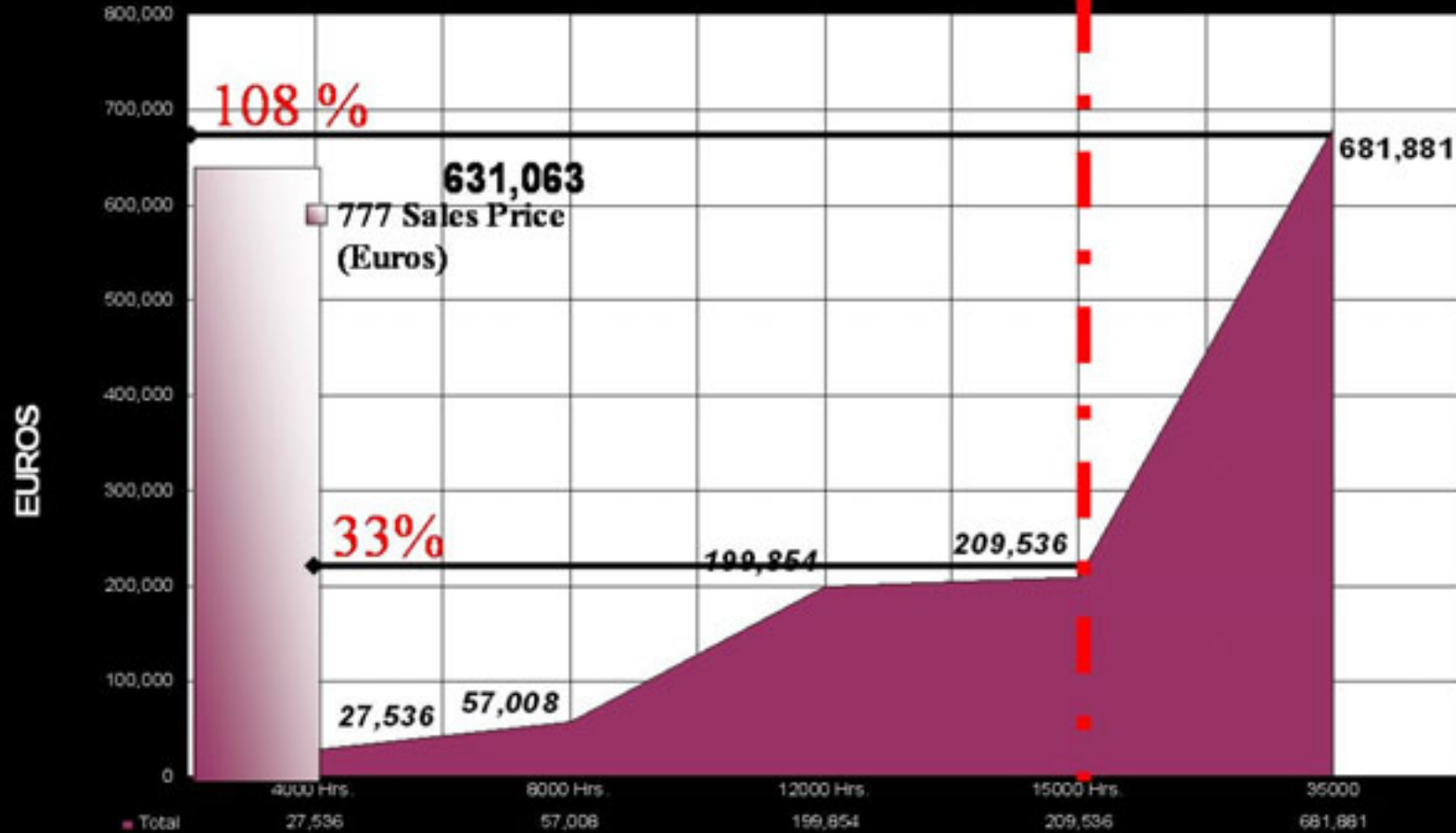




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777 P.S. INCOMES

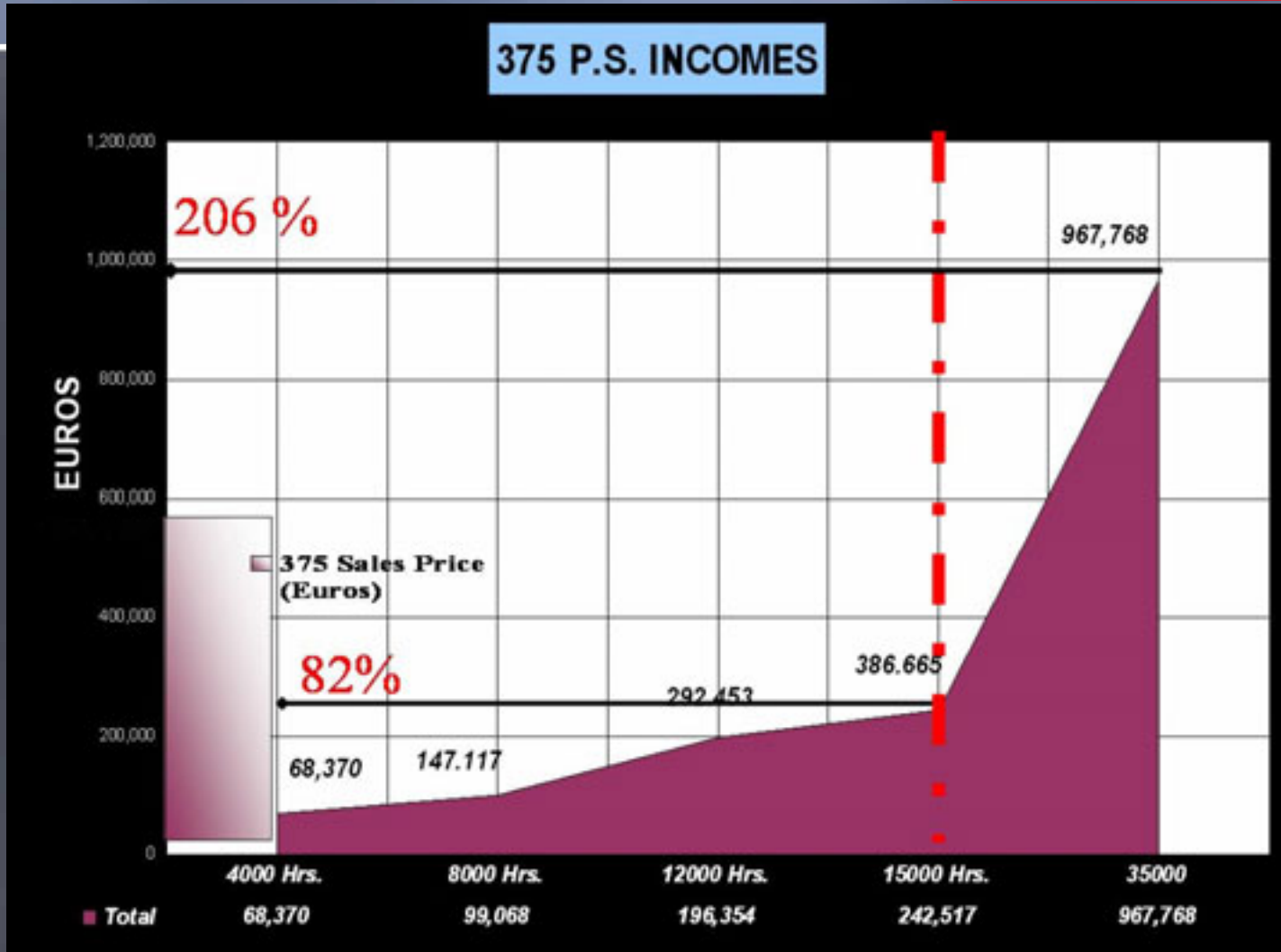




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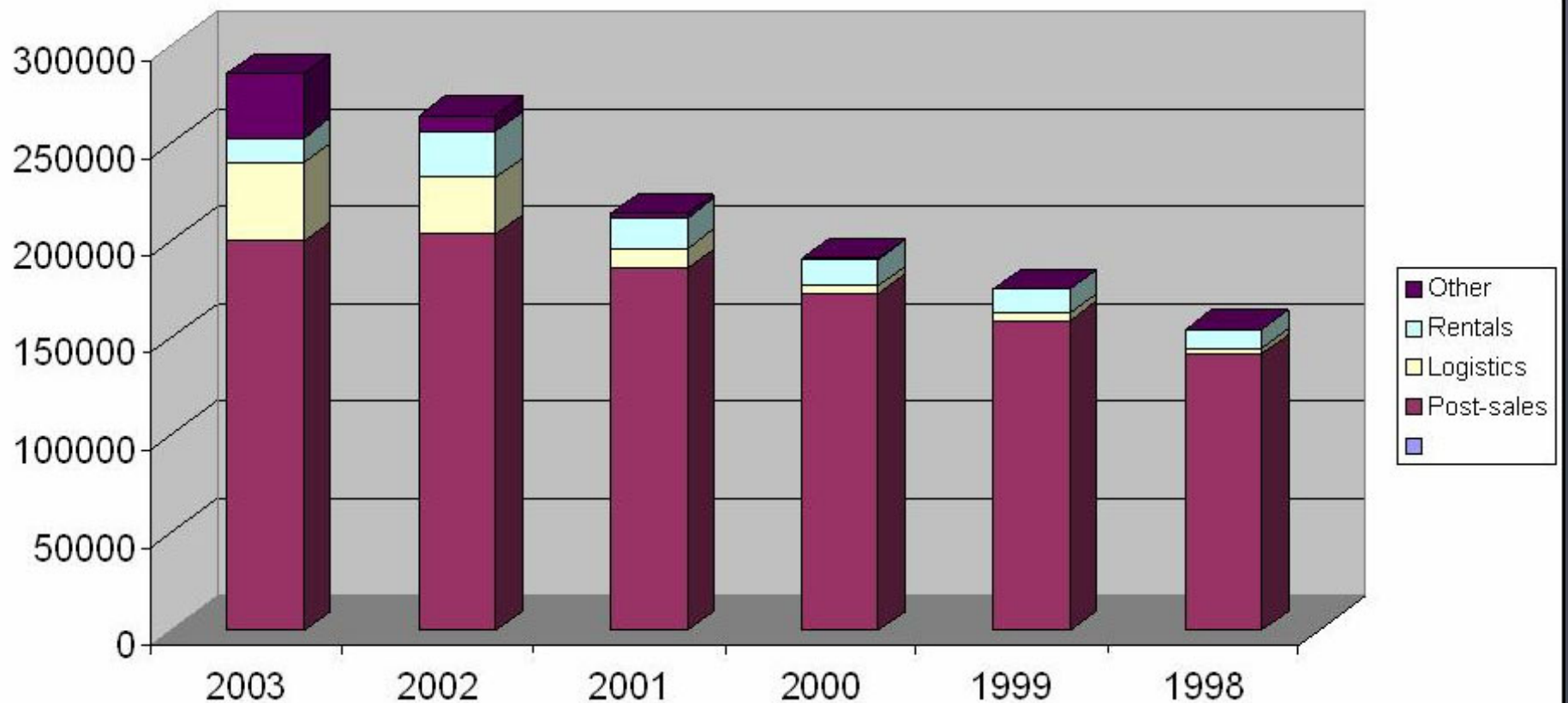
375 P.S. INCOMES





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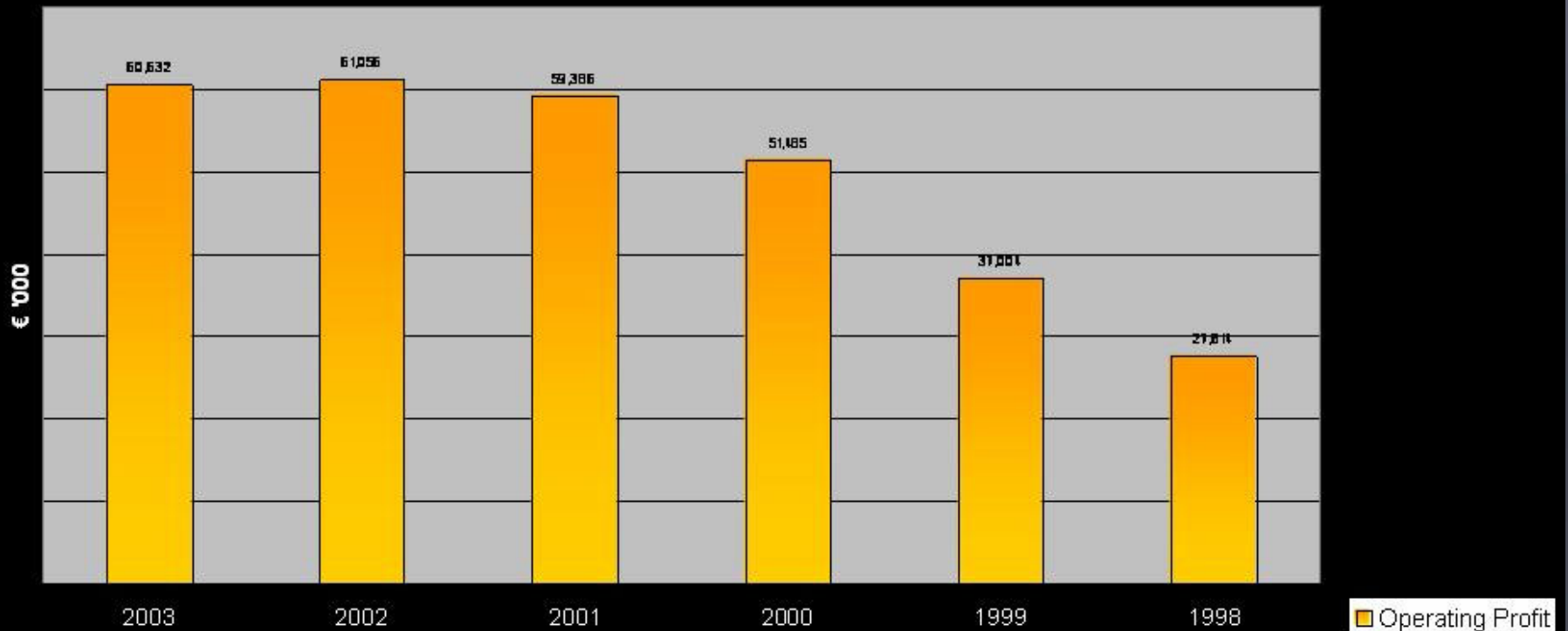
VALUE CHAIN REVENUE





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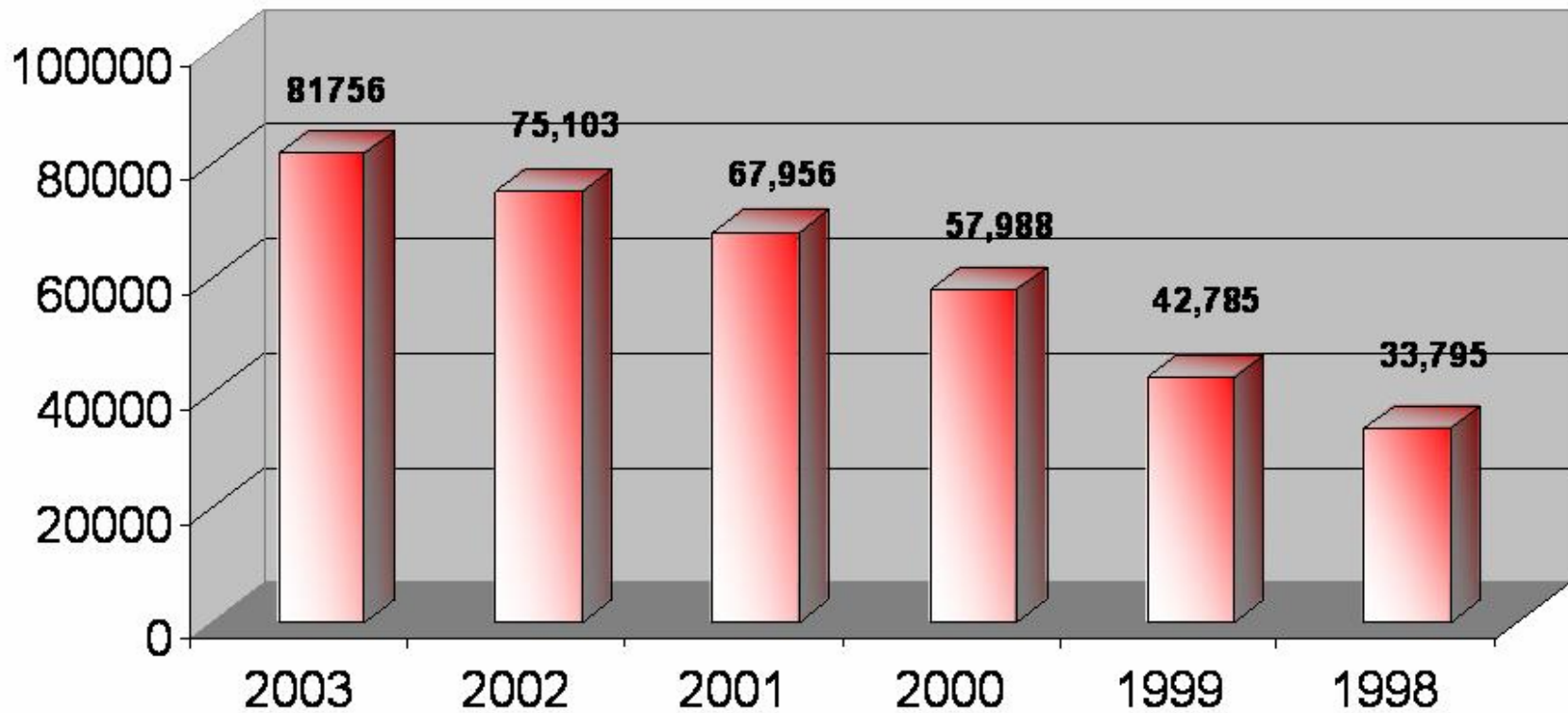
OPERATING PROFIT





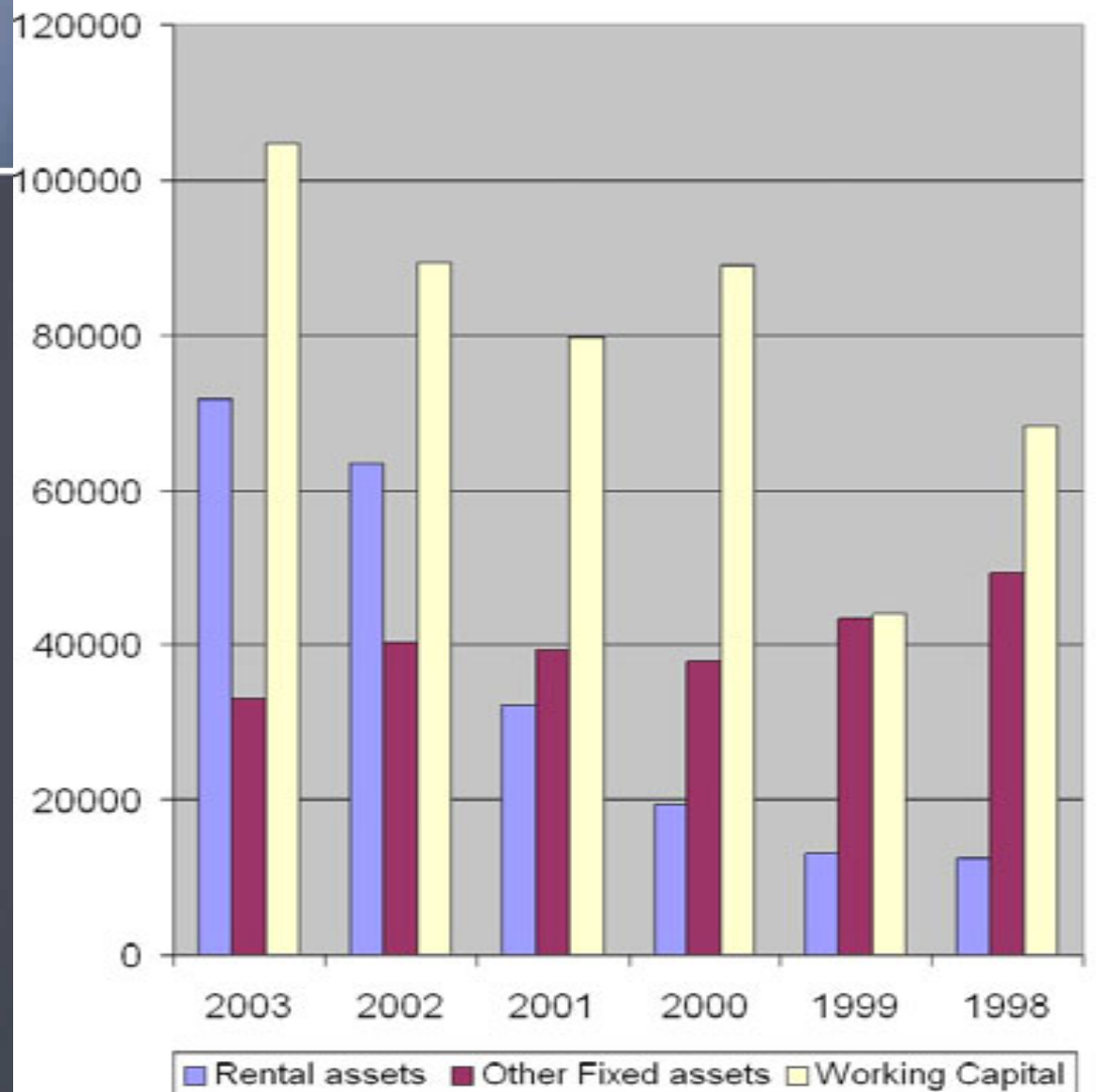
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EBITDA





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WHAT DOES IT MEAN ?

- Prime Product Growth = Product Support Opportunity
- Operating Product Flattened but is not Cash Flow
- EBITDA = Cash Flow still improving
- Rental Assets = MERA exceeds cost of capital
- Your valuation model must reflect changes



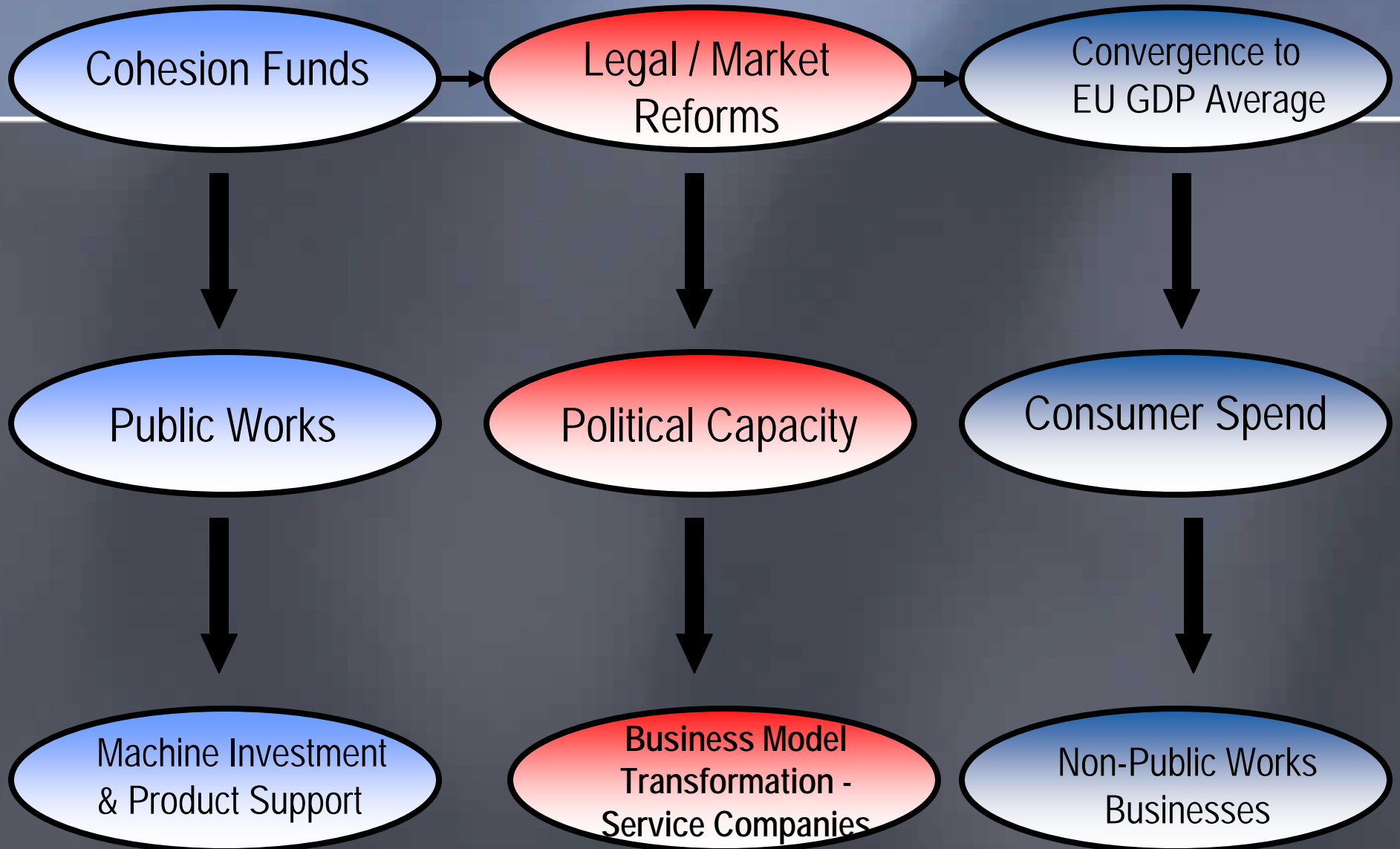
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WHAT IS OUR ENVIRONMENT ?

TRADITIONAL DEALERSHIPS

NEW BUSINESS OPPORTUNITIES



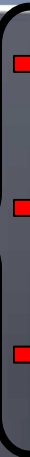


LEGAL / MARKET REFORMS

Labour Market



Mobility



Acquiring sales teams in PROESA (Logistics) and MERA (Rental Services)



Outsourcing/Service companies opportunities grow beyond green field sites



Maintenance contracts

Environmental laws

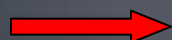


Can't use landfill for degradable waste



Finaltair Barloworld (BIOMASA)

Liberalisation of energy production



Energy can be sold to the network



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IMPLICATIONS FOR BARLOWORLD IBERIA

ACTIVITY DRIVEN BY

- PROESA – GDP
- MERA – Urban development/renewal
- FINALTAIR – Urban waste and electricity needs
- LIFT TRUCKS – GDP
- CONSTRUCTION – Urban development/renewal
- ENGINE – Power liberalisation, and leisure (Fast Ferries)



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WHAT DRIVES OUR MARKET ?

- Political economic environment
- Customer needs
- Supplier needs
- Competitor influence



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POLITICAL AND ECONOMIC ENVIRONMENT

- Cohesion funds 2001 – 2006
- Multiplier effect of investment – diversify
- Legal/market reforms - green field starts
- Acquisitions - goodwill, fragmented, family firms



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CUSTOMER NEEDS

- CRM – reporting – confirming customer needs
- Maintenance contracts (availability not commodity)
- Rental contracts (availability not commodity)
- BIOMASA (Energy not Engine)



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SUPPLIER NEEDS

- Customer focus
- Different distribution channels
- People emphasis
- Principal value - growth targets
- Enabler six sigma
- Aligned
- Rental emphasis, agents, etc strategies
- Aligned
- Profitability
- VBM - both catalysts of change



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COMPETITOR INFLUENCE

- Disintermediation - provide customer service not commodity
- Competing solutions - generally commodity with service
- New businesses - fragmented markets
- New foreign entrants - local brand
- Local competition - global brand



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WHERE IS THE MARKET GOING ?

- Bidding in Spain – 1980 – 2003
- Bidding by entities
- Machine market – Spain
- Machine market - Portugal



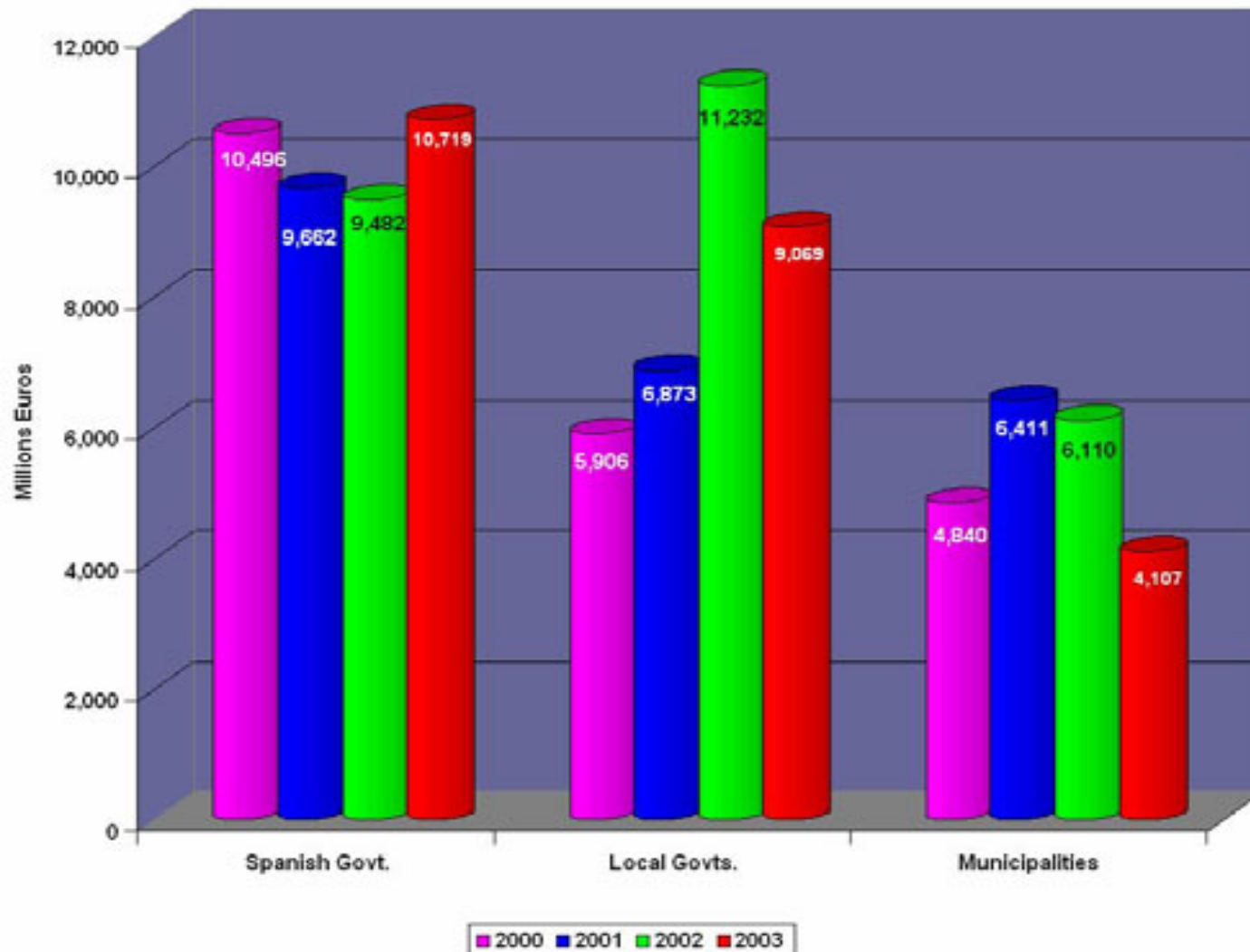
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BIDDING IN SPAIN 1980 - 2003





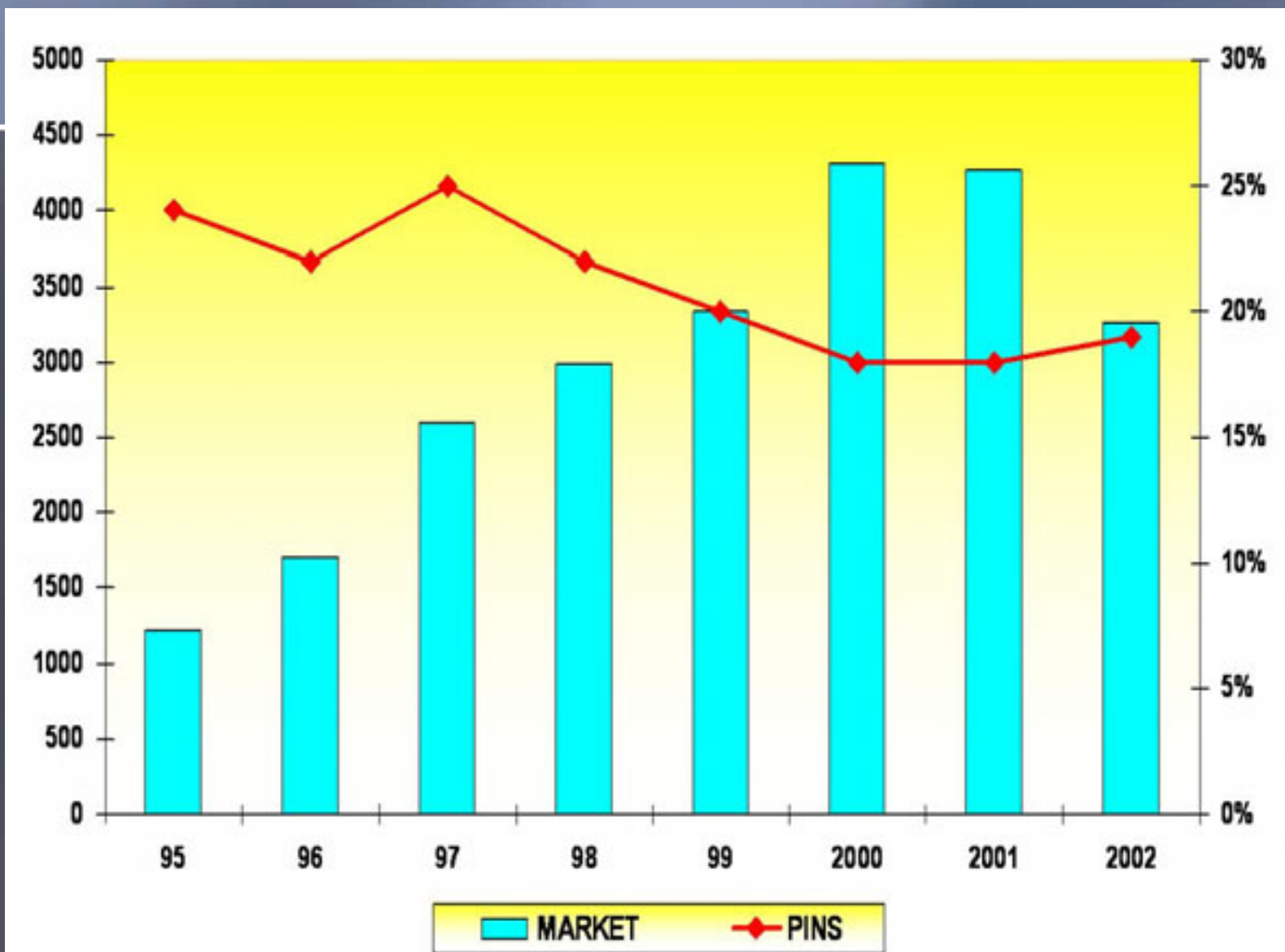
BIDDING BY ENTITIES





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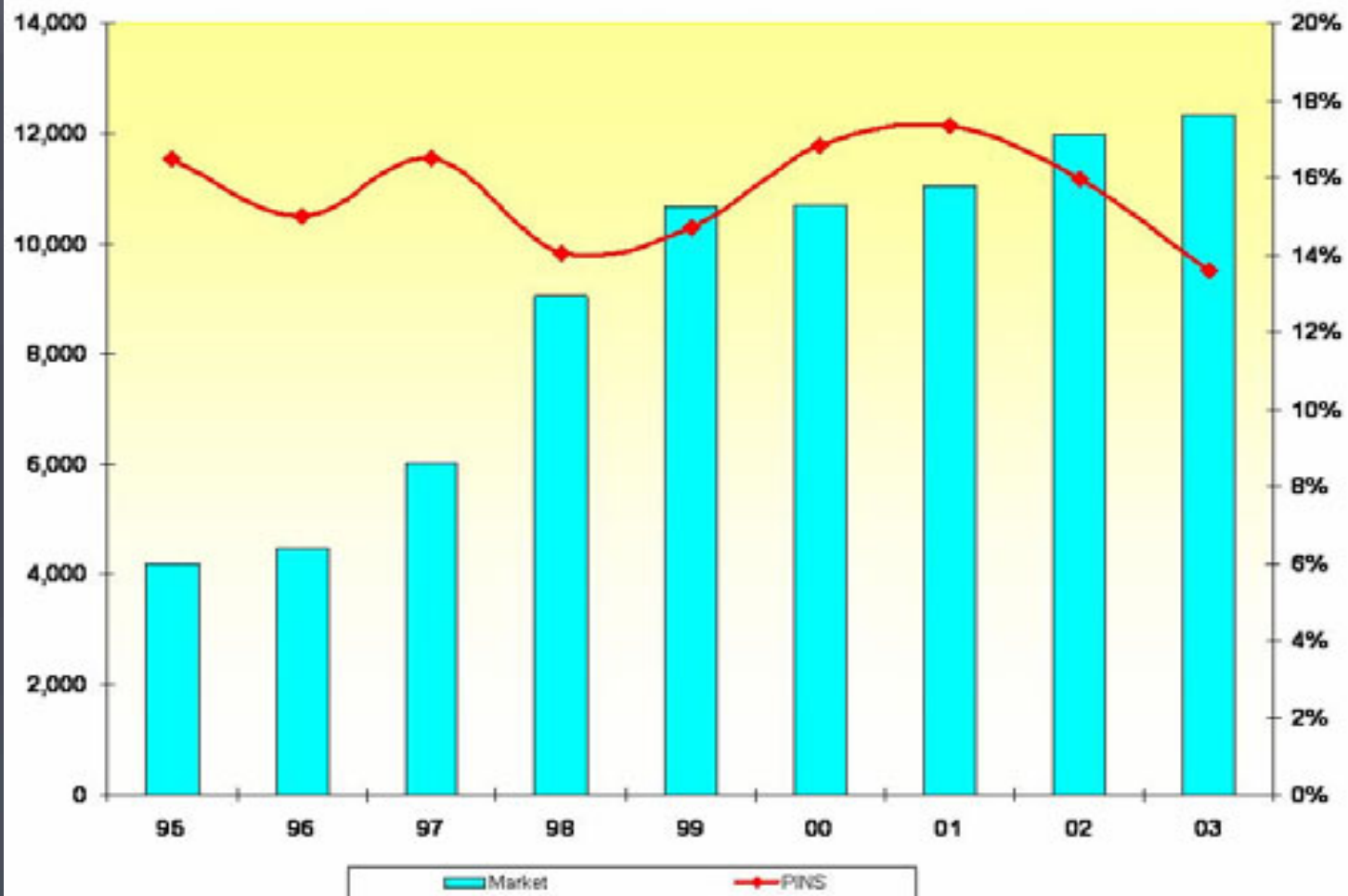
MACHINE MARKET - PORTUGAL





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MACHINE MARKET - SPAIN





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WHAT HAS VBM DELIVERED ?

- Growth opportunities
- Measurement infrastructure
- Process improvements
- Value our people



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GROWTH OPPORTUNITIES

BALANCED PORTFOLIO

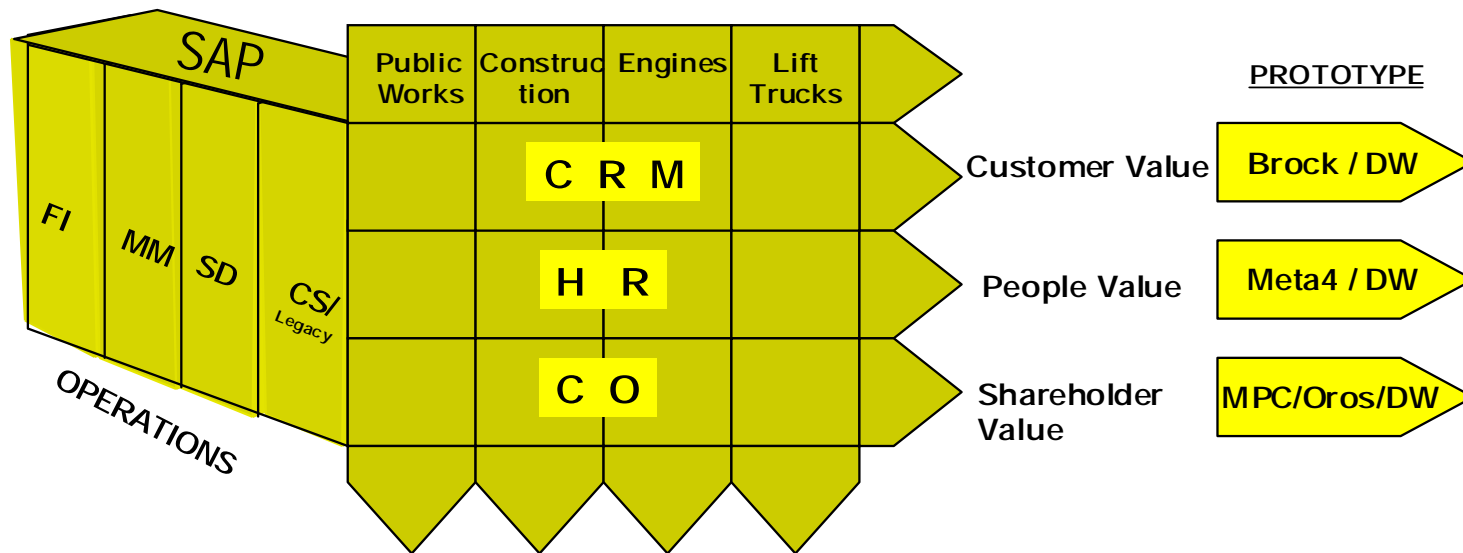
- Mera → Rental Services
- Mijares → Rental Finance
- Finaltair → Waste/Energy
- Proesa → Logistics



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MEASUREMENT INFRASTRUCTURE

BUSINESS SEGMENTS





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PROCESS IMPROVEMENTS

- Logistics emphasis (Proesa)
- Alternative Distribution Channels (Rentals, Energy)
- Managing customer relationships
- Process integration (SAP)



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VALUE OUR PEOPLE

- Develop skills
- Value sharing
- Job security



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WHAT SYNERGIES DO WE EXPLOIT ?

- Global Customers
 - Daimler Chrysler, Mercedes Benz, PROESA, USA, RSA
 - MOTA – Portugal, Angola, Mozambique
 - Dragados – Working in RSA
 - Grupo Alonso – Spain, Portugal
 - EPSA – Spain, Chile, Mexico
- SAP Global Team
- VBM Global Team
- Integration Spain & Portugal
- Shared services incubate growth opportunities



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WHERE ARE WE GOING ?

BARLOWORLD can expect

- Public Works investment (machines) and consumption (product support) to continue until 2006 at least
- Any recovery in world economy will be plus for our GDP related businesses
- New businesses will grow anyhow as
 - opportunity is underexploited
 - legal and market reforms means there are no dominant traditional players



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WHAT COULD STOP US ?

- SAP
 - performance dip
 - ring fenced new businesses and product support; phases
 - successful pilot – HO and Arganda
- Political will
 - Aznar retires in 2 years
 - PP likely to win
 - Successor?
- Portuguese budget deficit
- Change of government
 - Would you cut spending where subsidised?
 - Attitude defence spending
 - Contagion to France and Germany
 - Will EC be so pedantic with rules?
- Contagion from world economy
 - so far construction has been ring fenced
 - prospects are for improvement, timing uncertain
 - Iraq uncertainty – clean the air



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STRATEGY UNCHANGED

- Public works and mining maturing (fade), SO
- Exploit established customer base through productivity gains (SAP), which
- Holds dealer headcount steady, and
- Improves working capital ratios through rentals and contracts, meanwhile
- Grow logistics and rental businesses
- Exploit cohesion funds cash cow,
- Increase customer focus - back office front office
- SAP productivity gains recycled to subsidiaries
- Sell availability not commodity
- Grow B2B service providers (Mera, Proesa, Finaltair, etc.)



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... and the final Balance





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SO WHAT IS NEEDED:

- A PLAN WITH CONTINUITY
- WE NEED TO MOTIVATE STAFF
- WE NEED TO MEASURE AND COMMUNICATE




CATERPILLAR



*Congratulations
Finanzauto Barloworld*

#1 Backhoe Loader Dealer

in Europe for 2002


Joe C. Smith
Area Sales Manager
Construction, Rental and Fuel Department

LAKE MICHIGAN
CATERPILLAR



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CATERPILLAR®

N° 1 IN SALES WORLDWIDE
(number of hammers)



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POWER: 150 MW
43% BARLOWORLD STET

Açores
Azores Islands

Corvo
Corvo
Flores
Santa Cruz

Graciosa
Santa Cruz

São Jorge
Velas
Horta
Faial
Lajes do Pico
Pico

Terceira
Praia da Vitória
Angra do Heroísmo

São Miguel
R. Grande
Ponta Delgada

Santa Maria
Vila do Porto

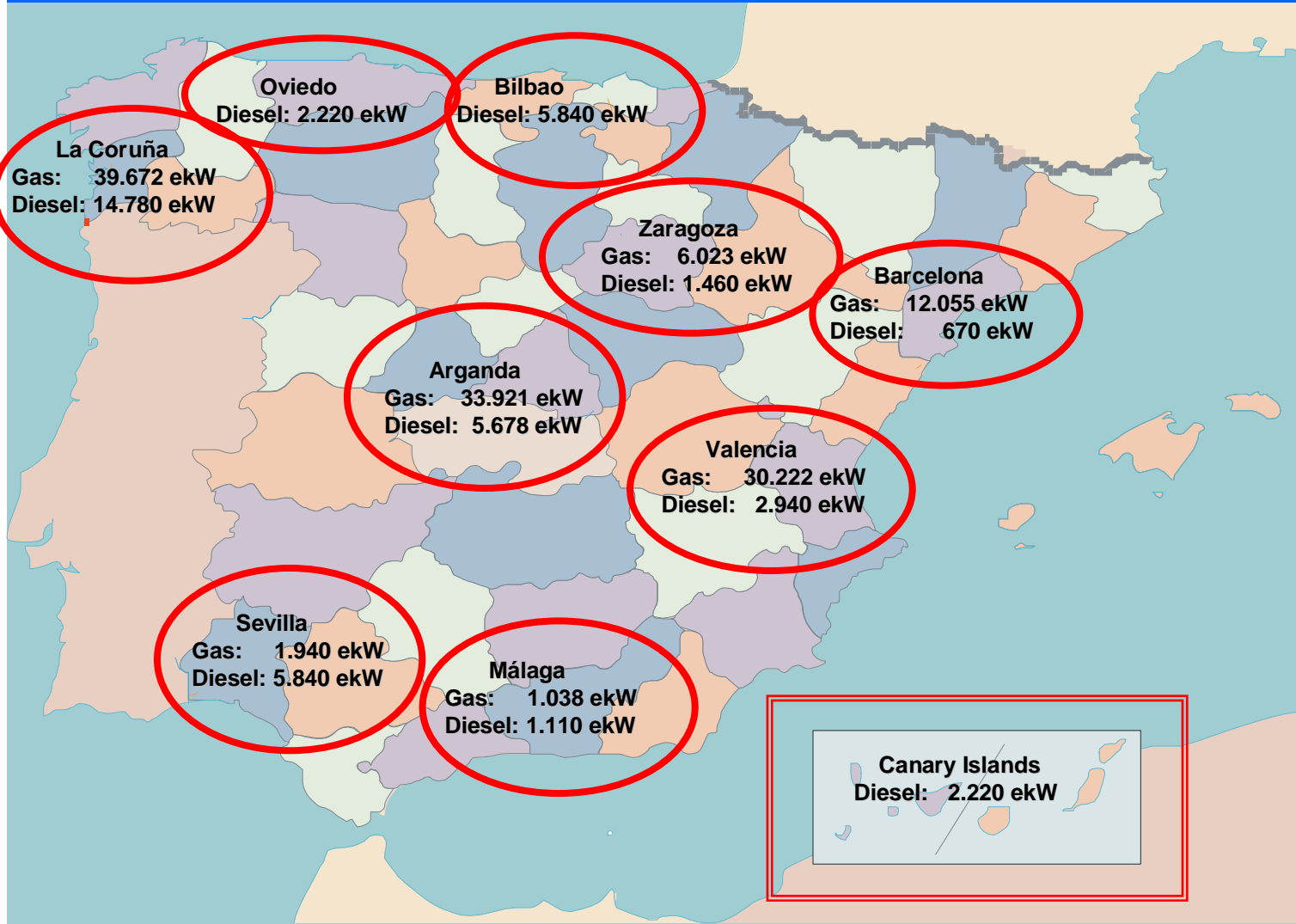


Oceano Atlântico

0 30 60 ml
0 25 50 Km

POWER GENERATION

PERFORMING MAINTENANCE CONTRACTS



TOTAL ekW INSTALLED: 444.848

Gas: 303.165 ekW

Diesel: 141.685 ekW

MAINTENANCE CONTRACTS: 167.633 ekW

Gas: 124.875 ekW

Diesel: 42.758 ekW





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CAT[®] OIL

N° 1 IN SALES WORLDWIDE