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# Barloworld Limited

Audited results

for the year ended 30 September 2003



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Barloworld is an international industrial brand management company

23 000 people ..... in 32 countries

providing business solutions

through leading industrial brands, supported by service, relationships and attention to detail,

to make our customers' businesses excel



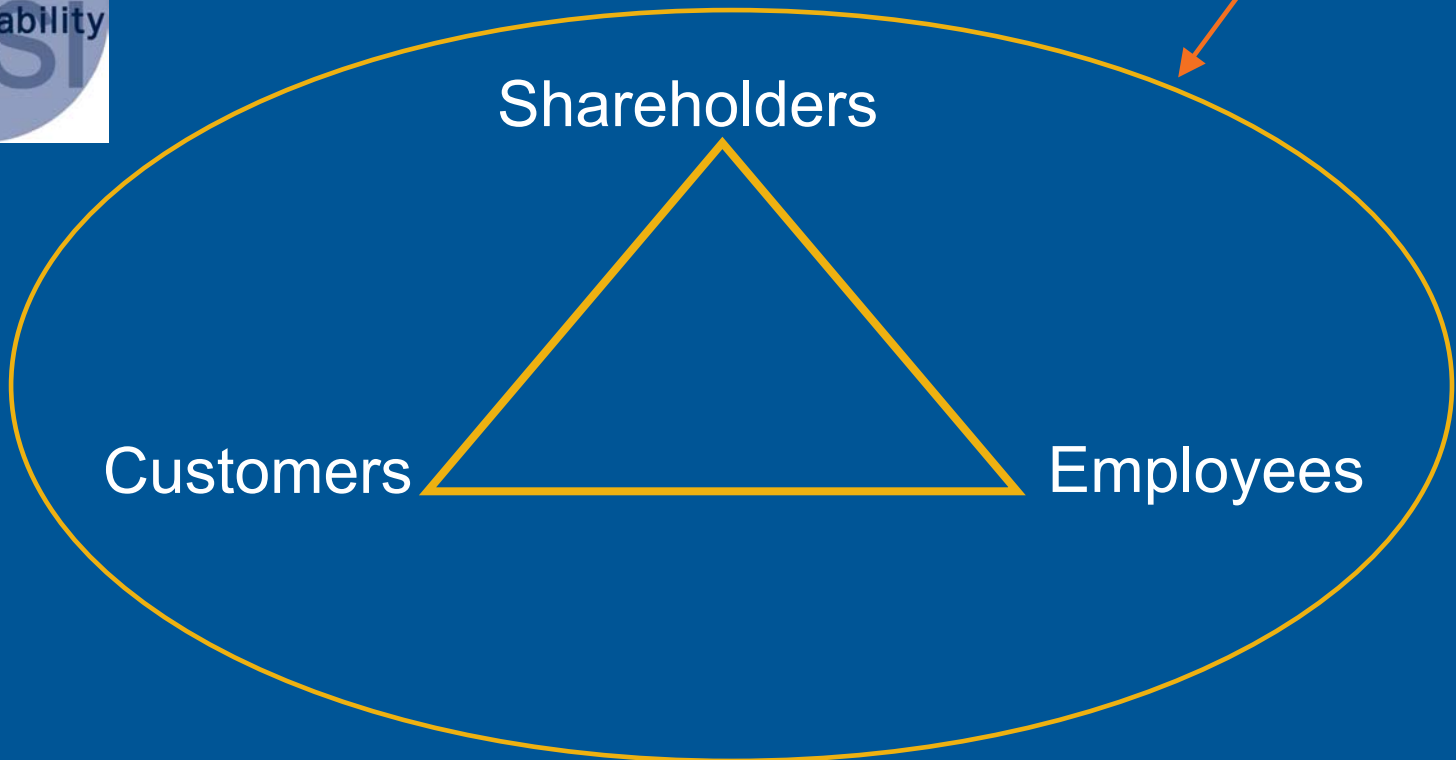
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## Value Based Management drives “2x4x4”



Community  
(social and environment)

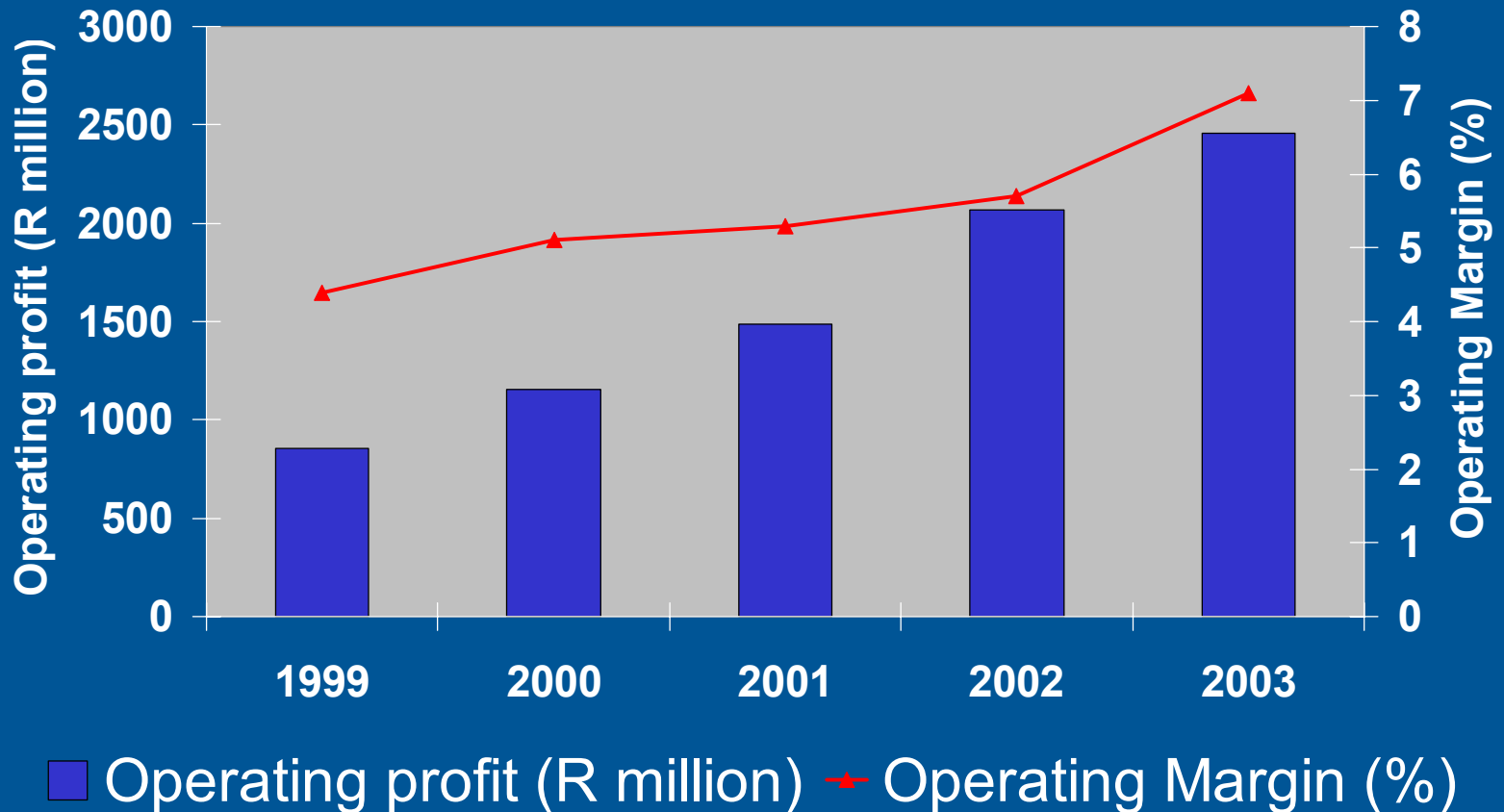




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## VBM delivers 4 years of margin and operating profit growth





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## Key drivers and conditions in the geographies in which we operate

Region	Drivers for Barloworld	Conditions
South Africa	GDP/GFCF and mining	Mixed
Rest of Africa	Mining and infrastructure	Buoyant
Spain	Infrastructure spend and GDP	High level plateau
UK	GDP and manufacturing activity	Slow growth
USA	GDP, distribution and manufacturing in south east	“Post season” green shoots
Australia	GDP and housing	Good growth slowing



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## 2003 operational highlights

- Global focus on alignment of employees
- Benchmarking and leveraging best practice
  - Strategic planning
  - Human resources systems
  - Customer value systems
  - Procurement
  - Brand building
  - BEE
- Product and service innovation focus
- Expansion of footprint



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## Expansion: acquisition and investment

### During the year:

- **Expanding business solutions**
  - Unilift in UK (R30 m)
- **Adding territory**
  - Freightliner in NW Arkansas (R49 m)
- **Adding more of what we do well**
  - PPC shares R59 m (67.4%)
  - Avis shares R136 m (34.7%)

### Post year end:

- Texarkana Freightliner dealership (R57m)
- Dutch Hyster dealer (R40m)



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## Strategic/non-core disposals

### **During the year:**

- Motor dealerships as part of manufacturer rationalisation programmes (R180m)
- Coatings Schenectady associate (R30m)
- SA Motor leasing book (R881m)

### **Still to be finalised:**

- Henry Cooke paper business (£17.5m)
- 75% of Afripack to empowerment consortium



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## Our Pac Man expansion strategy in action: Industrial Distribution case study

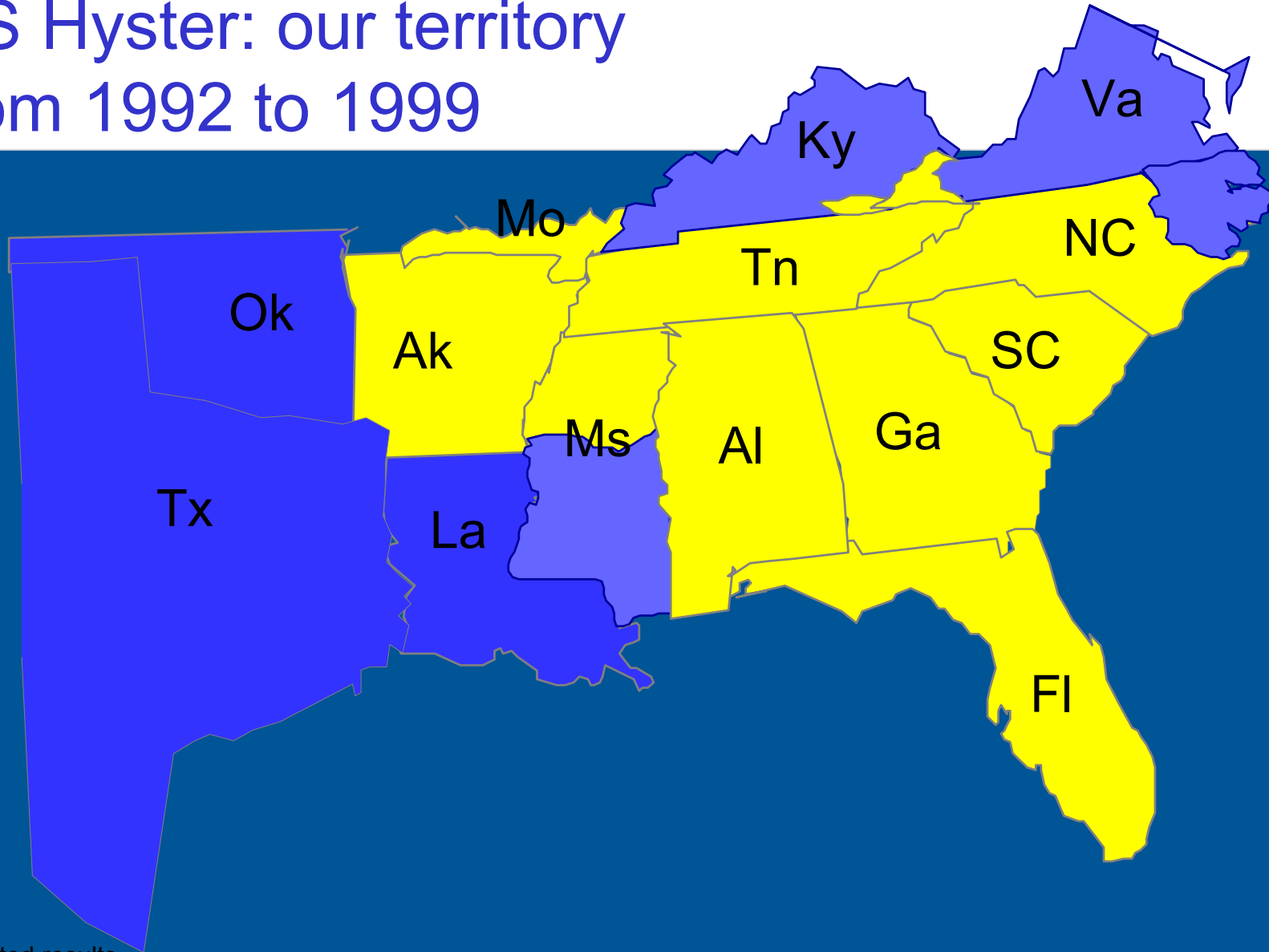




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# US Hyster: our territory from 1992 to 1999



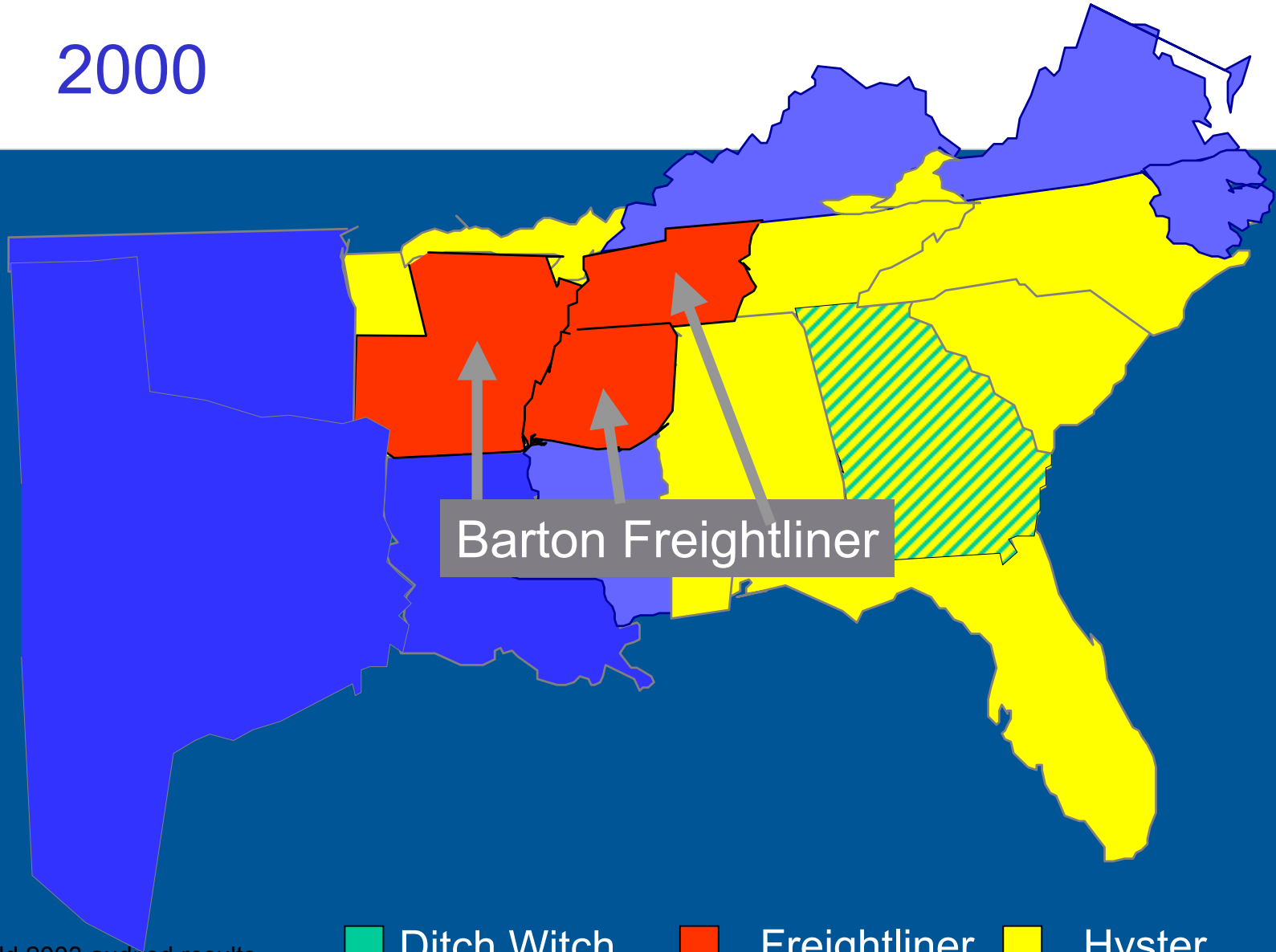




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2000



Barton Freightliner

 Ditch Witch

 Freightliner

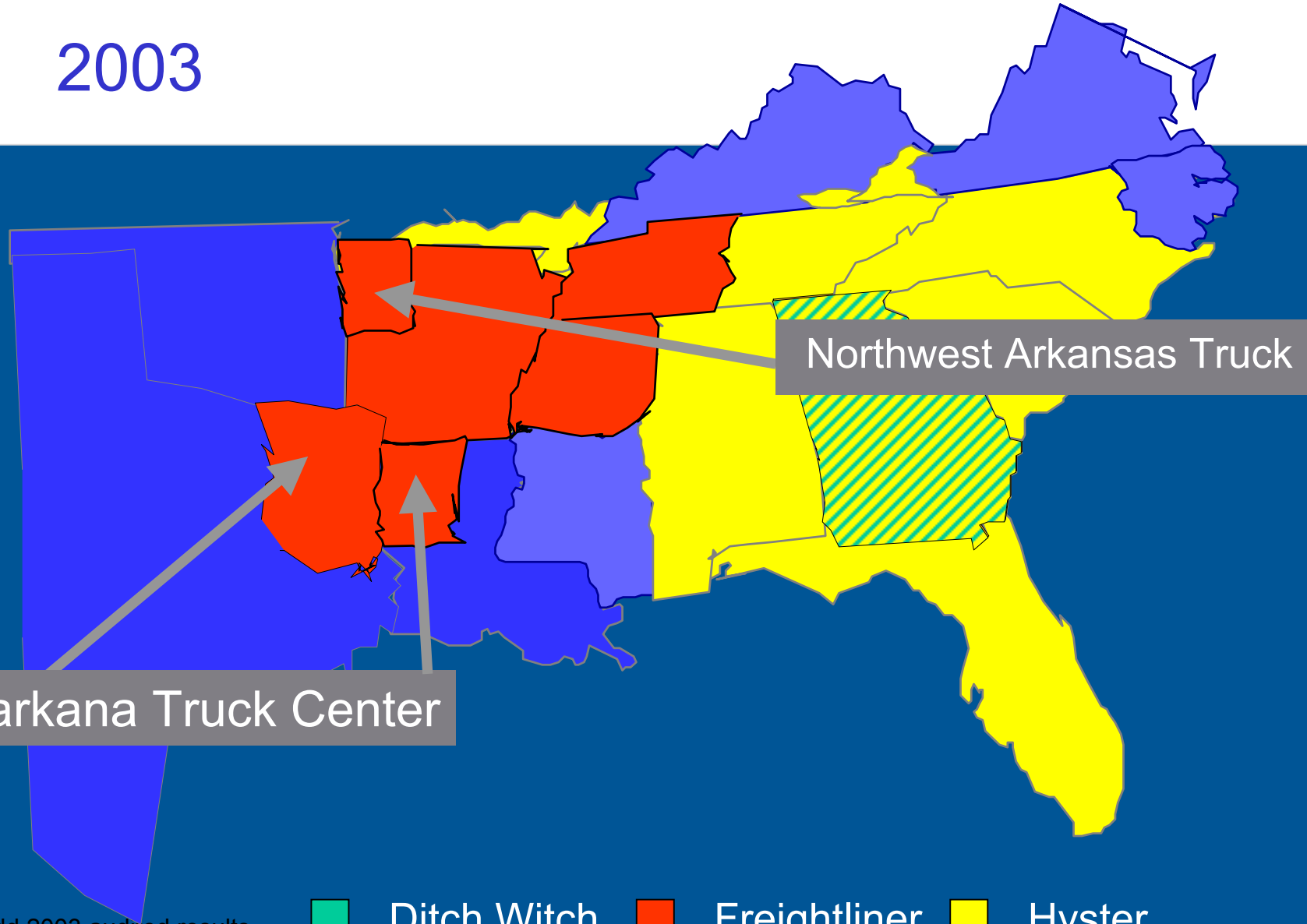
 Hyster



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2003



Ditch Witch



Freightliner



Hyster



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And in Europe in 2003 we have added .....



Unilift

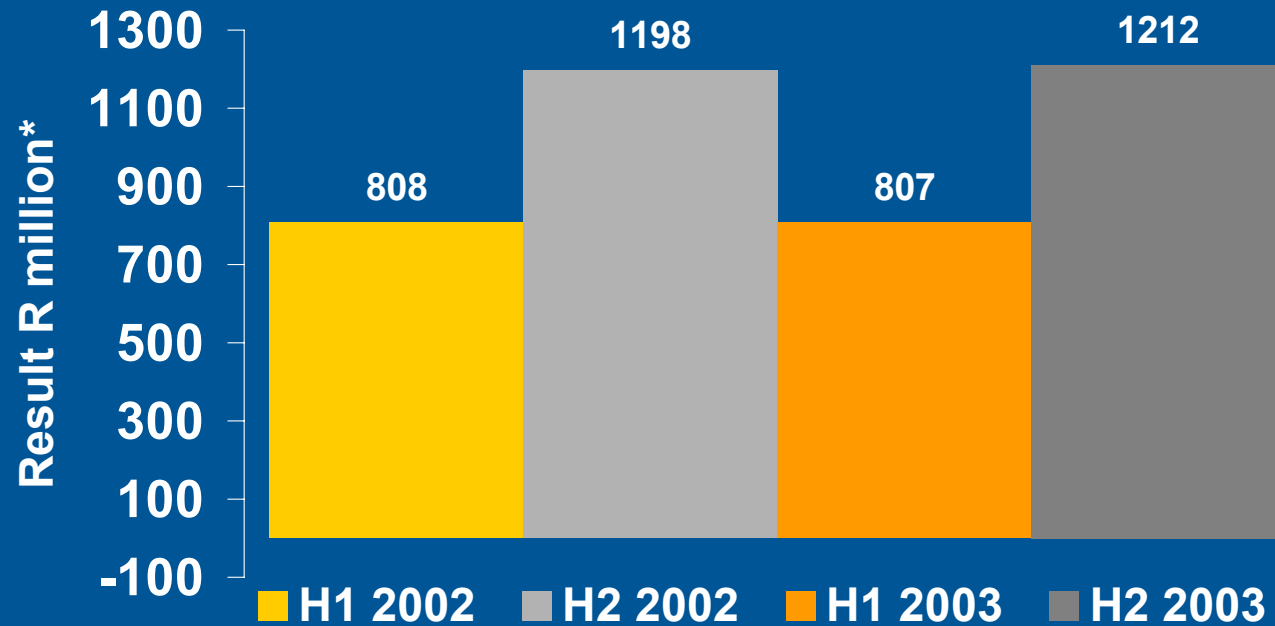
Geveke



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## First half v second half matches trend



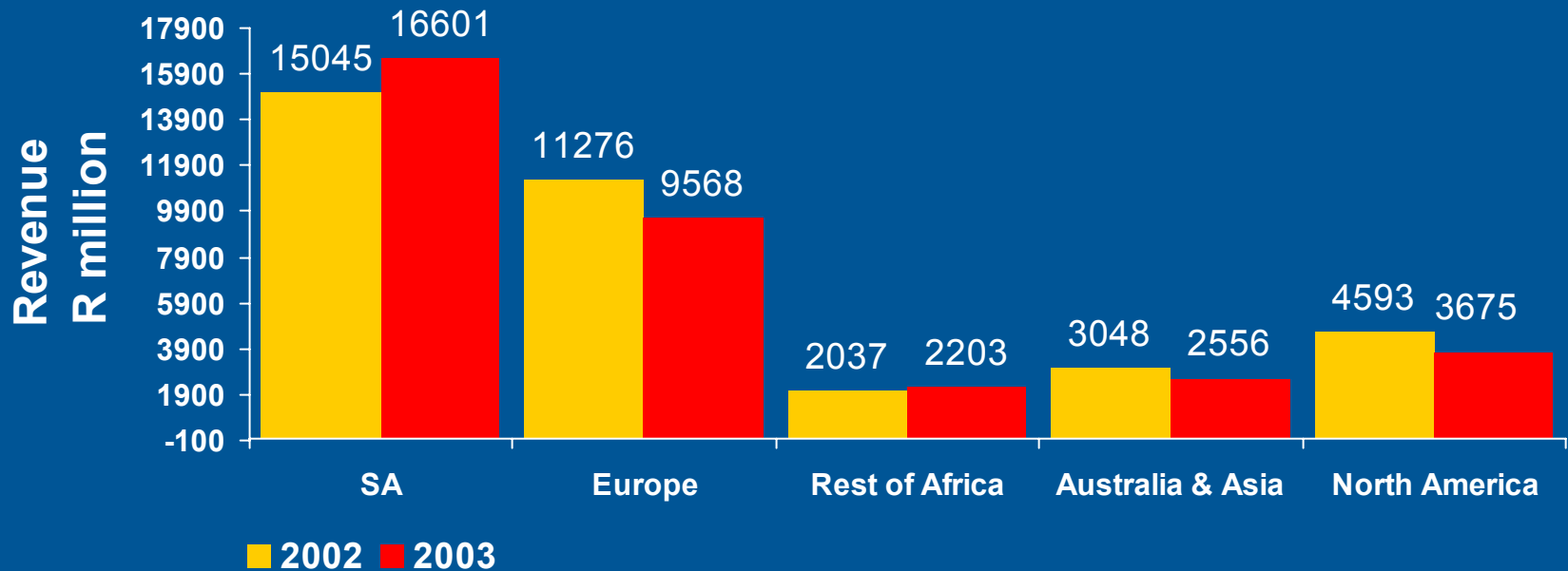


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## Revenues:

52% outside South Africa (2002: 58%)



- Revenue growth outside SA masked by rand strength

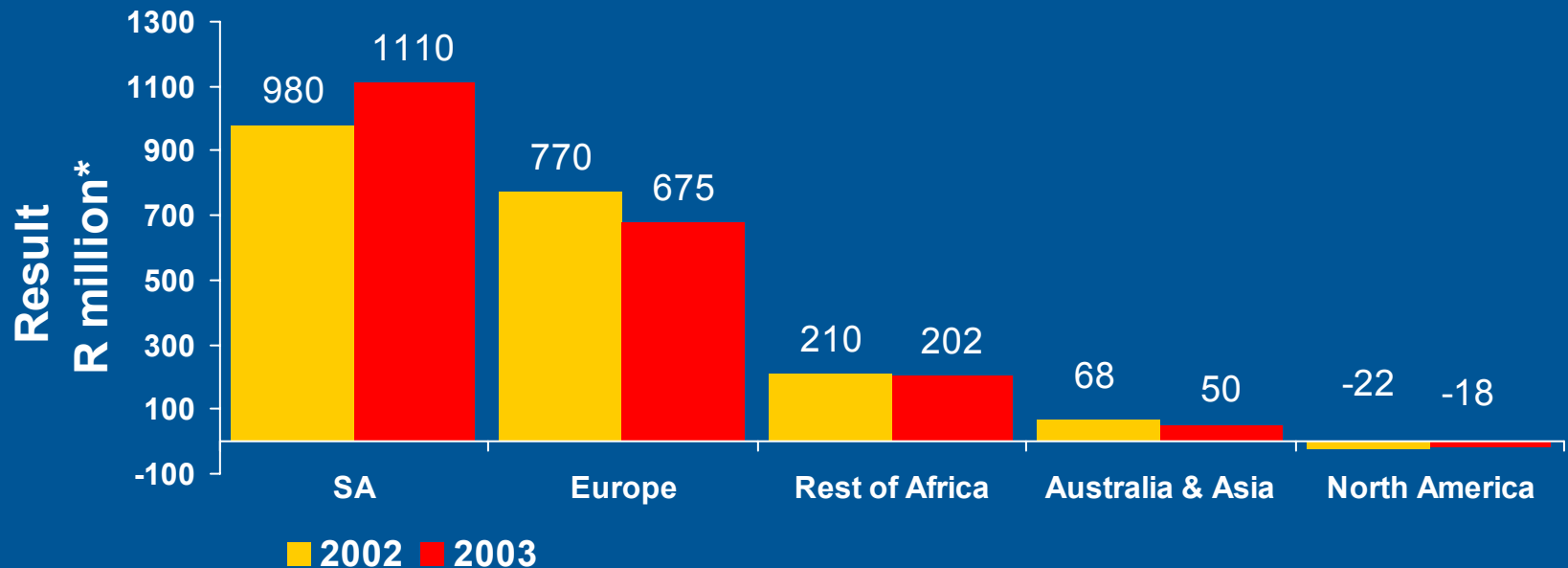


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## Profits:

45% outside South Africa (2002:51%)



- Profits outside SA grow in local currencies

\*See P5 of announcement for definition of Result

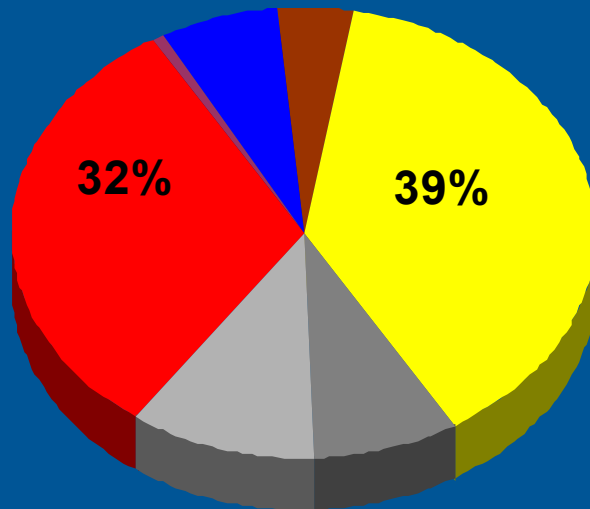


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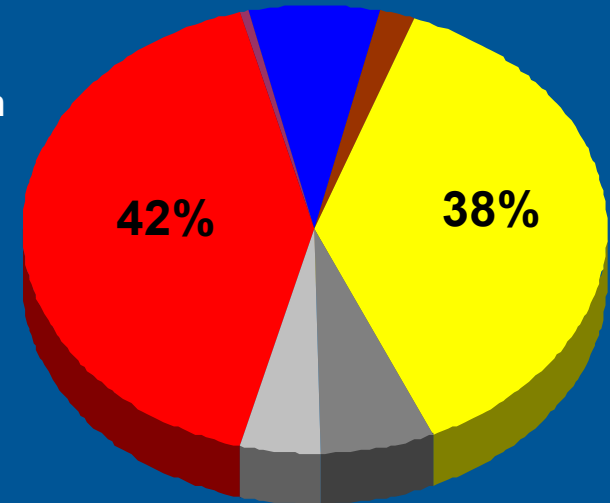
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## Divisional contributions to profit

2002\*



2003\*



- Equipment
- Industrial distribution
- Motor
- Cement & lime
- Scientific
- Coatings
- Steel tube

\*contributions to segment result excluding corporate operations & other



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# Review of the 2003 numbers

Clive Thomson  
Finance Director



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## 2003 Income statement: key issues

	2003	2002	% Change
Revenue	<b>R34.6 billion</b>	R36.0 billion	(4)
Operating profit	<b>R2 455 million</b>	R2 067 million	19
Financial instrument adjustments	<b>(R334 million)</b>	R55 million	
Finance costs	<b>(R531 million)</b>	(R401 million)	
Minorities	<b>(R212 million)</b>	(R207 million)	
Headline EPS	<b>593 cents</b>	622 cents	(5)
Dividend	<b>290 cents</b>	275 cents	5



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## Impact of exchange rate on reported results

- **IAS39/21 effect on financial instruments**
- **Translation effect on offshore profits**
- **Trading effect**



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## Exchange rates used in translation

Closing rate : Translation of balance sheet (ZAR:GBP)

Sept 02 - 16.48

**29% appreciation**

Sept 03 - 11.77

Average rate : Translation of income statement (ZAR:GBP)

Sept 02 - 15.78

**19% appreciation**

Sept 03 - 12.82



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## IAS39/21 group impact for 2003

R million Pre IAS 21/39	IAS 21/39	March 6 months	Sept 12 months
<b>Inventory</b>			
Recorded at FEC blend rate	Spot rate at transaction date	(50)	(32)
<b>Operating profit</b>			
Inventory expensed at FEC rate	Inventory expensed at spot rate	(71)	(218)
<b>Trade creditors/debtors</b>			
Recorded at FEC blend rate	Recorded at month end spot	131	263
<b>Forward exchange contracts</b>			
Held at historical cost-nil	Marked-to-market	(307)	(321)
<b>Foreign currency bank acc</b>			
Stated at month end spot	Stated at month end spot	(21)	(3)
<b>Other financial instruments</b>		5	(23)
<b>Total impact</b>		<b>(313)</b>	<b>(334)</b>
	Recouped at operating profit level	71	218
	<b>Net income statement impact (before tax)</b>	<b>(242)</b>	<b>(116)</b>



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## Hedging policy: Equipment SA

### Parts

- Purchase 3 months advance cover for price stability
- Consistent with contractual pricing arrangement with Mining Houses which may be extended for up to 12 months

### Machines

- Mining machines generally priced in USD and converted to rand at date of sale
- Construction and other product covered when order placed on supplier and rand selling prices determined using forward cover blend rate as well as specific cover at customer's request



# Exchange rate





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## Equipment: IAS39/21 impact

R million

Fair value adjustment on  
financial instruments

Recovered at operating level

**Impact on profit before tax**

	<u>March 2003</u>	<u>Sept 2003</u>
	(298)	<b>(332)</b>
	89	<b>231</b>
	<u>(209)</u>	<u><b>(101)</b></u>



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## Summary of currency impact on HEPS

IAS39/21 impact: **41 cents**

Translation impact: **60 cents**



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## Cash flow highlights

- Cash generated from operations R3 523m (2002:R3 660m)
- Dividends paid R940m (2002: R649m)
- Net cash applied to investing activities of R1 812m (2002: R2 621m) includes:
  - Rental assets investment R1 039m (2002:R1 041m)
  - Lease receivables investment R1103m (2002: R828m)
  - Proceeds on disposal of motor lease book R881m



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## Group salient features

	<u>2003</u>	<u>2002</u>
Number of ordinary shares in issue	<b>196,339</b>	195,284
Net asset value per share including investments at fair value (cents)	<b>5 063</b>	5 872
Total borrowings to equity		
- gross excluding leasing	<b>26.7</b>	23.3
- gross including leasing	<b>59.5</b>	59.8
Interest cover (times)		
- excluding leasing	<b>4.1</b>	6.1
- including leasing	<b>3.1</b>	3.8



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# Operations review

Tony Phillips

Chief Executive Officer



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## Equipment:

### Spain marches on and Africa accelerates

R million	Revenue		Segment result	
	2003	2002	2003	2002
- Europe	5 303	6 199	505	520
- South Africa	3 817	2 790	67	88
- Rest of Africa	1 501	1 141	170	136
<b>Trading</b>	<b>10 621</b>	<b>10 130</b>	<b>742</b>	<b>744</b>
- Europe	80	69	7	11
- South Africa	207	99	43	12
<b>Leasing</b>	<b>287</b>	<b>168</b>	<b>50</b>	<b>23</b>
<b>Total leasing and trading</b>	<b>10 908</b>	<b>10 298</b>	<b>792</b>	<b>767</b>

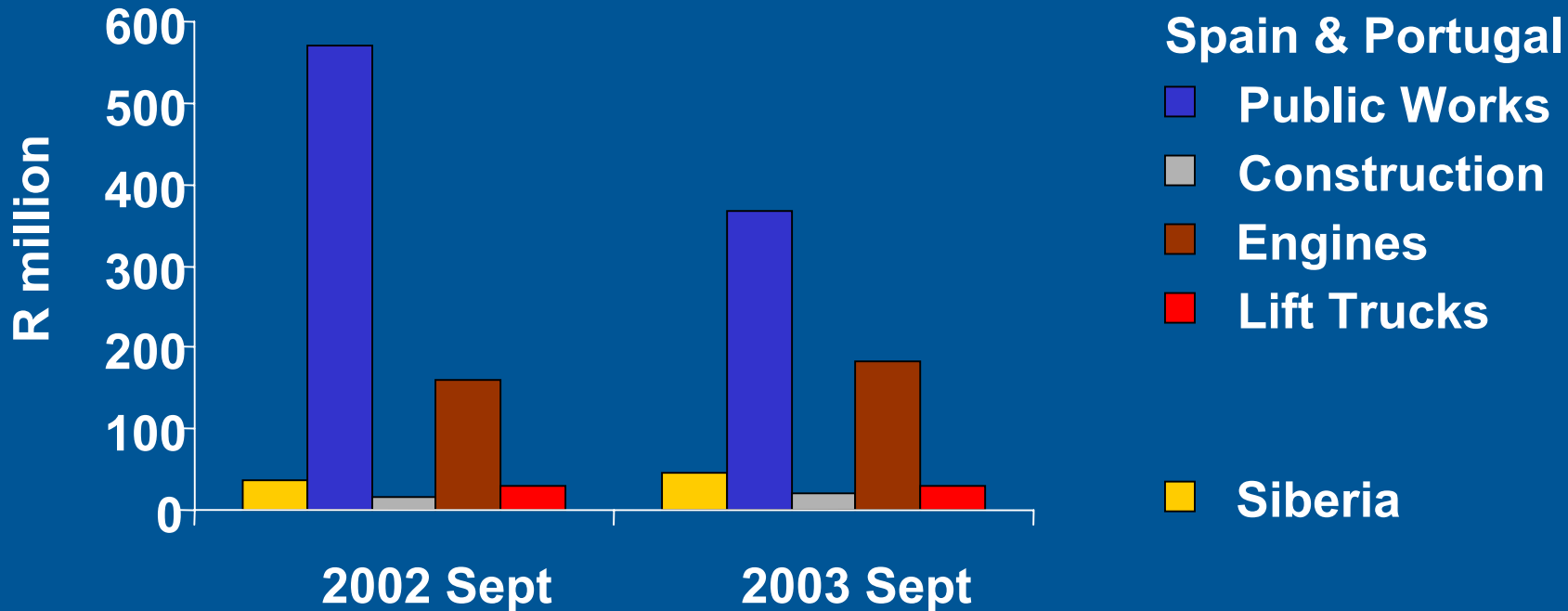
- Europe: margins benefit from equipment v after market mix in Spain and Portugal
- Siberia: profitable and growing
- SA revenues +37% but performance hit by IAS 39/21 charge
- Angola drives 25% improvement in Rest of Africa contribution
- SA leasing book grows to R1 375 m and delivers above average profits



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## Equipment order book: High levels in Spain and Siberia grows



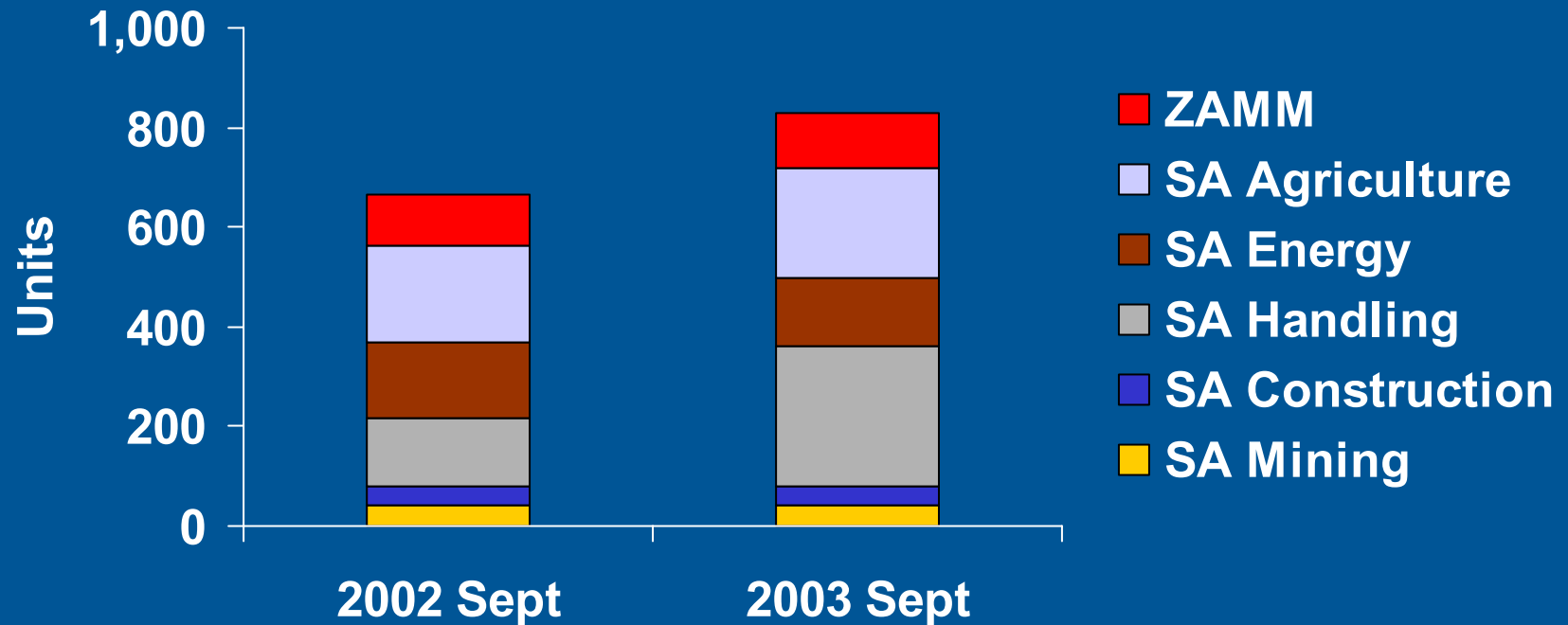
Growth cannot be projected into a volume forecast as these are “spot” numbers



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## Equipment order book: Strength across all sectors in Africa



Growth cannot be projected into a volume forecast as these are “spot” numbers

\*ZAMM is Zambia, Angola, Malawi, Mozambique

SA segments include Botswana and Namibia



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## Industrial distribution: a tough year

R million	Revenue		Segment result	
	2003	2002	2003	2002
- North America	3 135	3 812	10	28
- Europe	2 052	2 202	79	95
<b>Trading</b>	<b>5 187</b>	<b>6 014</b>	<b>89</b>	<b>123</b>
- North America	74	61	6	2
- Europe	383	521	40	33
<b>Leasing</b>	<b>457</b>	<b>582</b>	<b>46</b>	<b>35</b>
<b>Total Trading &amp; leasing</b>	<b>5 644</b>	<b>6 596</b>	<b>135</b>	<b>158</b>
Associates			(3)	-

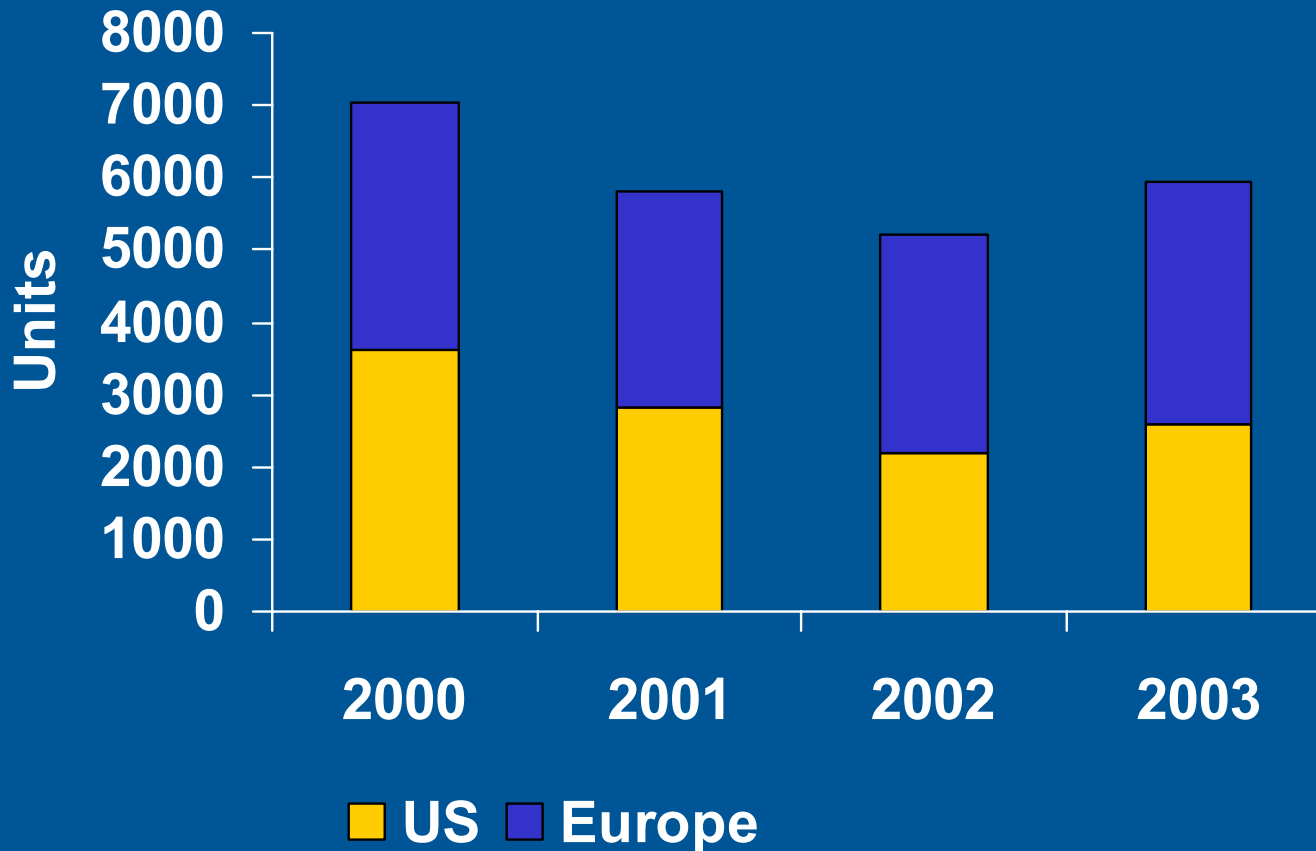
- North America: lift truck market improved slightly but recession continued in heavy truck market
- Europe: higher deliveries in slightly better markets



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## Lift truck unit deliveries recovering

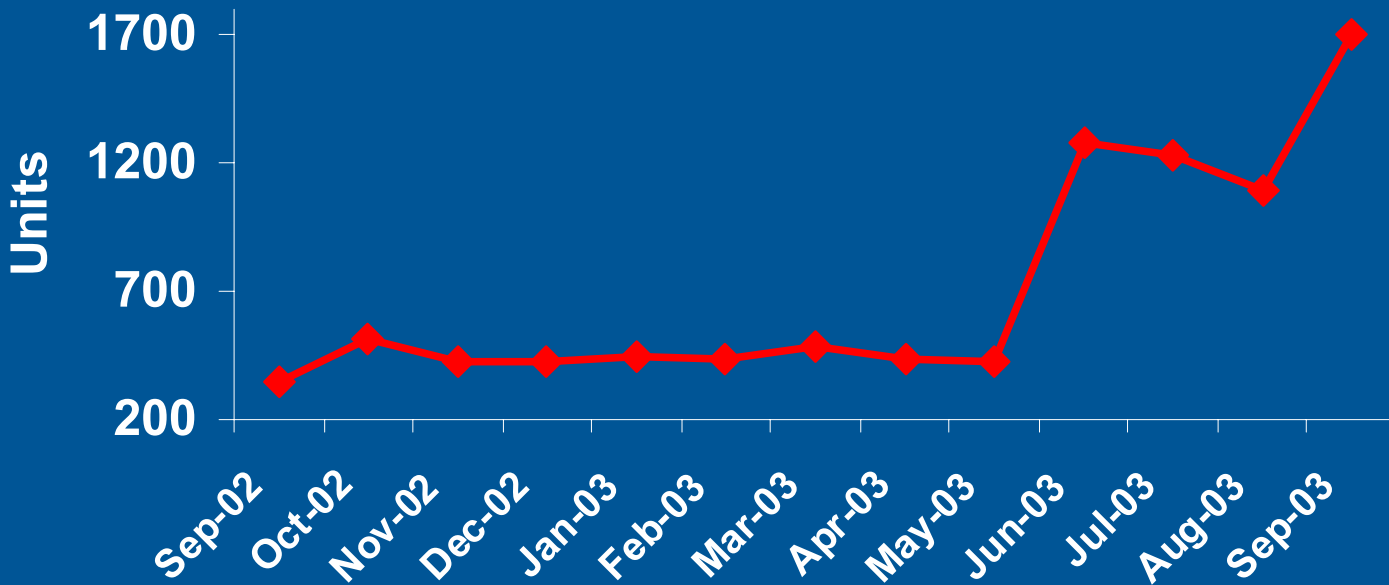




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## Freightliner order book growing



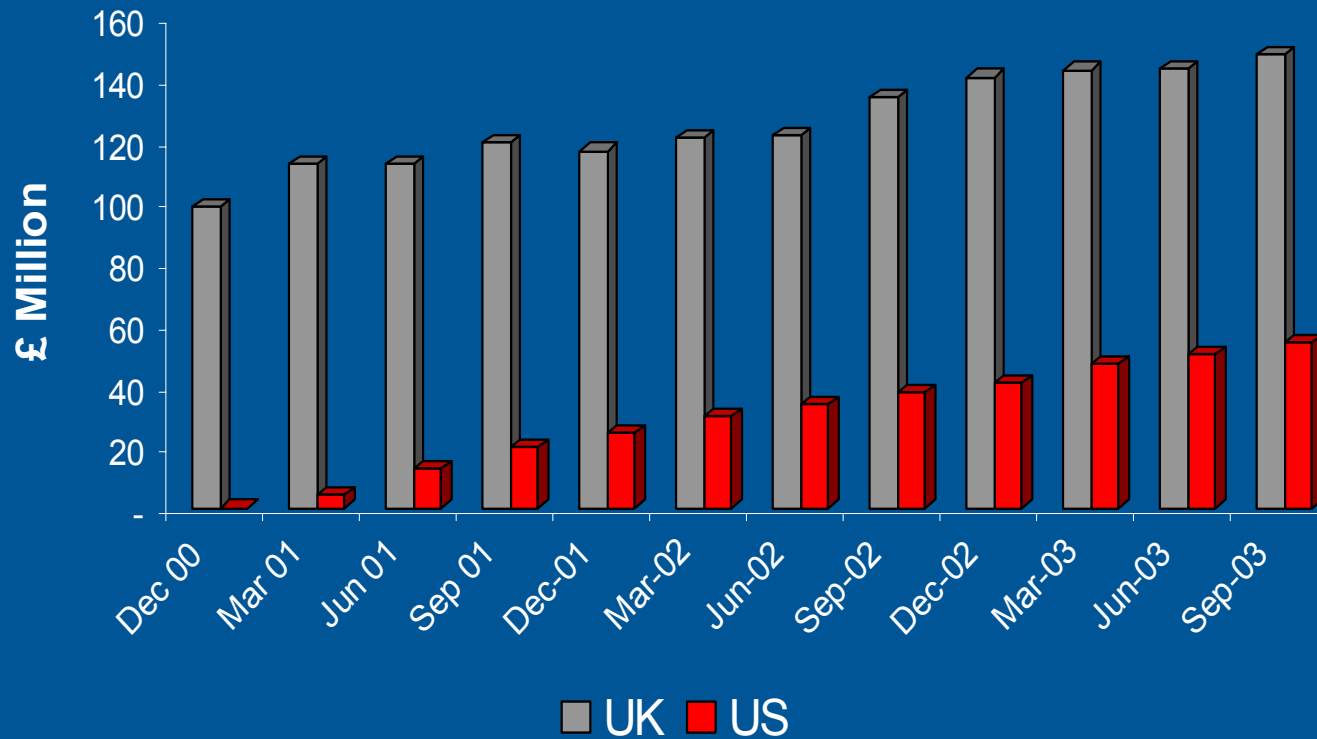
NB – growth cannot be projected into a volume forecast as these are “spot” numbers



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## Industrial distribution: leasing book grows





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## Motor: in transition

R million	Revenue		Segment result	
	2003	2002	2003	2002
- South Africa	6 652	6 851	72	146
- Rest of Africa	302	357	(7)	10
- Australia	1 393	1 656	17	28
<b>Trading</b>	<b>8 347</b>	<b>8 864</b>	<b>82</b>	<b>184</b>
<b>Leasing (SA)</b>	<b>75</b>	<b>112</b>	<b>10</b>	<b>19</b>
<b>Total Trading &amp; leasing</b>	<b>8 422</b>	<b>8 976</b>	<b>92</b>	<b>203</b>
Associates			76	46

- SA revenues maintained at lower margins in depressed market
- Namibia unable to offset poor Botswana result
- Australia impacted by building work
- Leasing book sold April 03
- Avis, NMI DSM, MBM do well

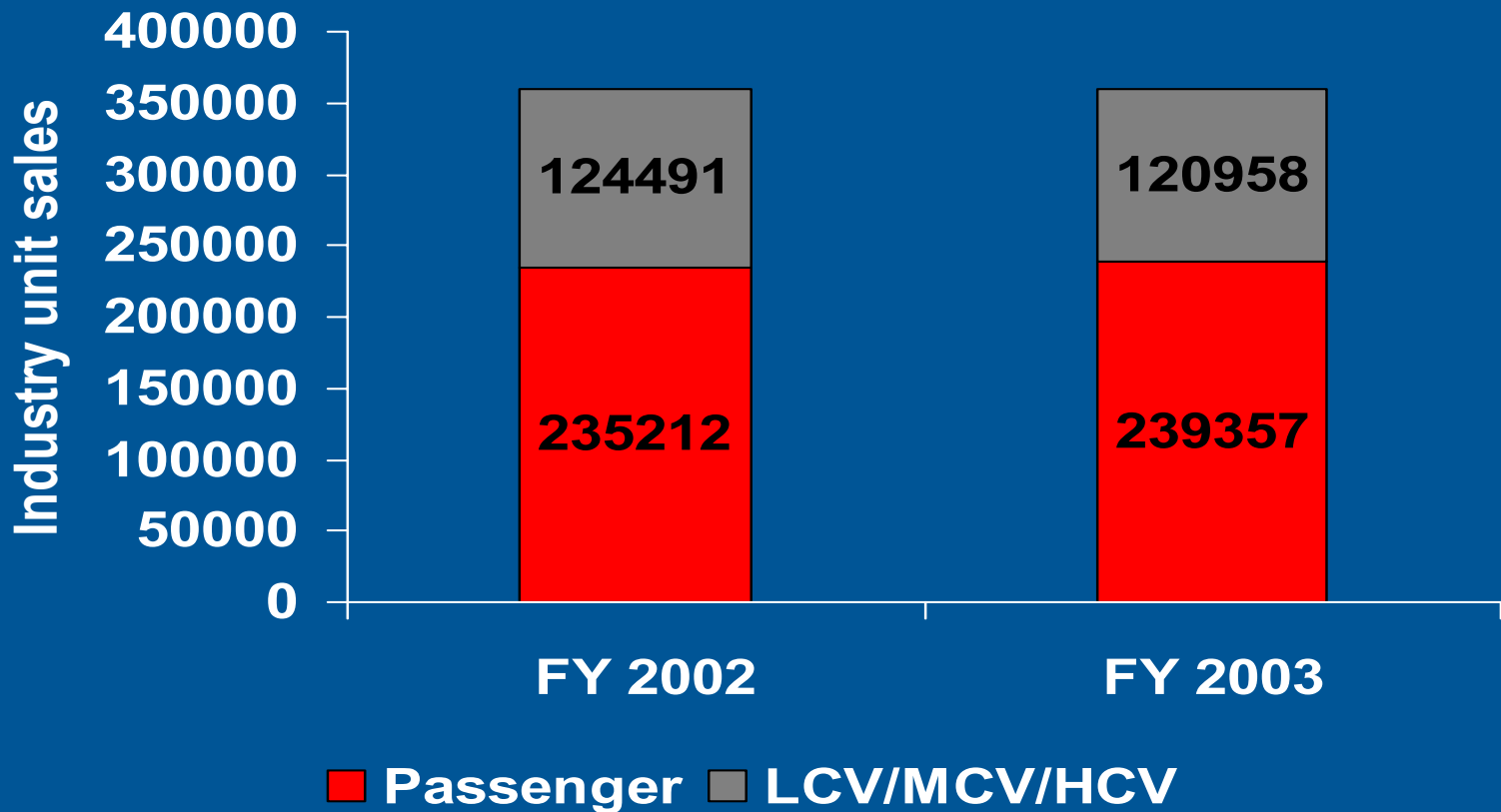


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**Motor South Africa:**

**high interest rates depress demand by 0.3%**



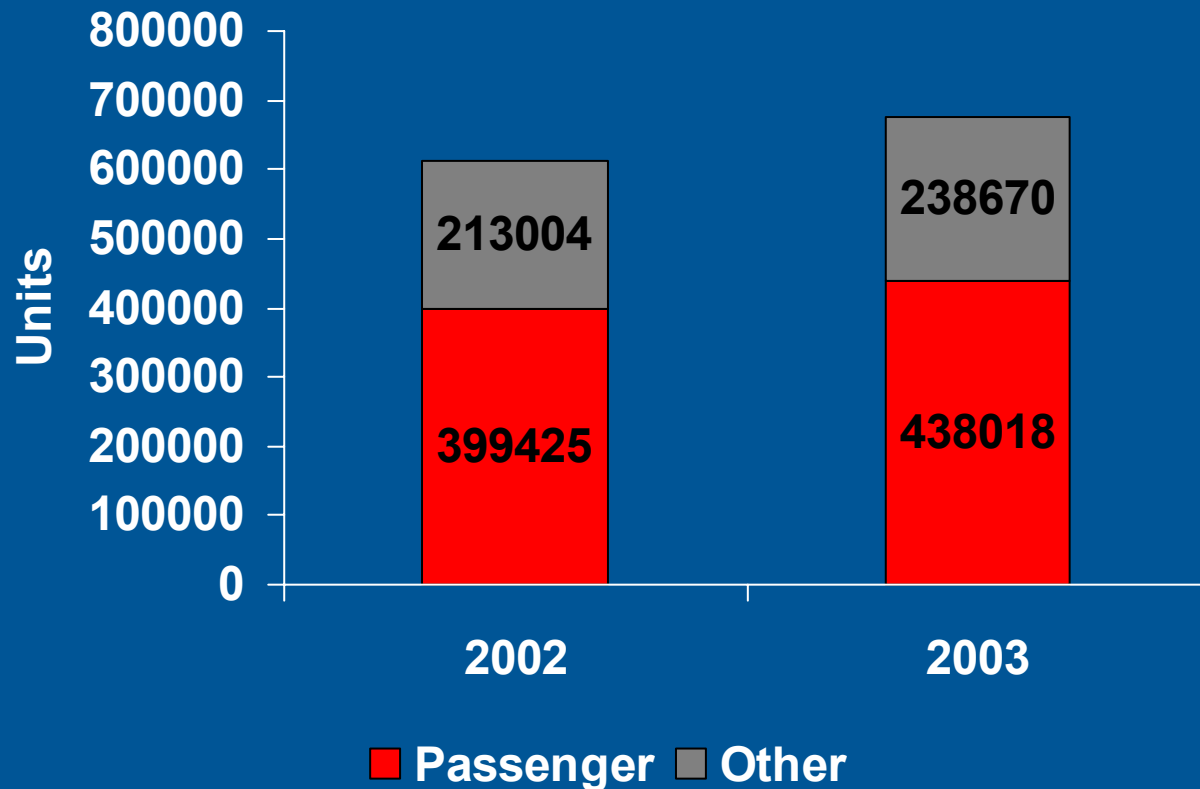


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**Motor Australia:**

**market grows 10.5% Jan-Sept 2003**





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## Cement & lime: another excellent performance

R million	Revenue		Segment result	
	2003	2002	2003	2002
- South Africa	2 776	2 226	845	586
- Rest of Africa	240	345	28	44
<b>Total</b>	<b>3 016</b>	<b>2 571</b>	<b>873</b>	<b>630</b>
Associates			6	34

- Strong SA cement demand, better price realisation, cost efficiencies
- Margins up in Lime after prices renegotiated on long term contracts
- Zimbabwe profitable!



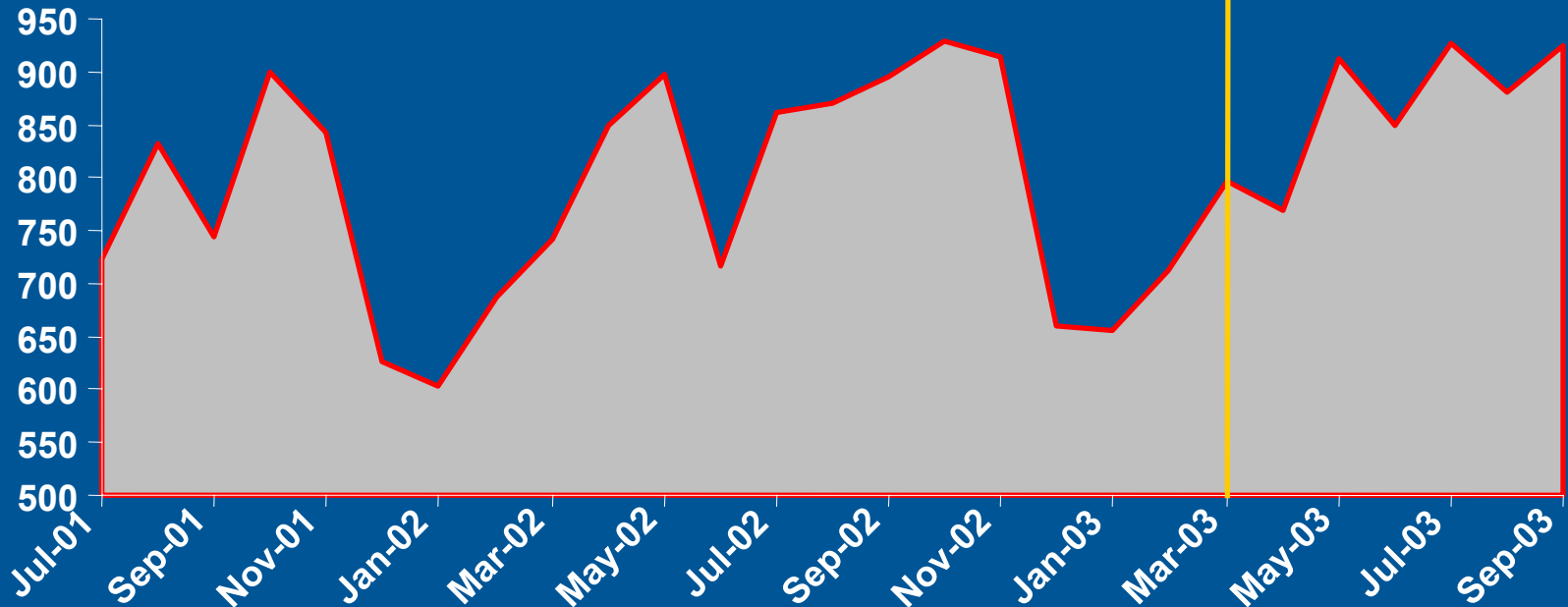
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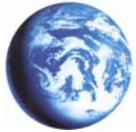
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**Cement :**

**SA demand stronger than anticipated**

Monthly demand '000 tons





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## Coatings: good result

R million	Revenue		Segment result	
	2003	2002	2003	2002
- South Africa	1 104	1 071	107	78
- Rest of Africa	121	114	15	14
- Europe		81		3
-Australia & Asia	1 028	1 235	33	36
<b>Total</b>	<b>2 253</b>	<b>2 501</b>	<b>155</b>	<b>131</b>
Associates			30	28

- SA : record profits - higher margin premium brands focus
- Rest of Africa: high returns maintained
- Australia: A\$ profits rise



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## Scientific:

## internal efforts outweigh tough trading

R million	Revenue		Segment result	
	2003	2002	2003	2002
- Europe	1 167	1459	46	57
- North America	466	720	(34)	(52)
- Asia	135	157	-	4
<b>Total</b>	<b>1 768</b>	<b>2 336</b>	<b>12</b>	<b>9</b>

- European lab markets down as public sector cuts spending
- US benefits from rationalisation despite further reductions in demand



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## Steel Tube:

market share maintained, margin crushed

R million	Revenue		Segment result	
	2003	2002	2003	2002
South Africa	1 736	1 720	38	84
Associates			5	11

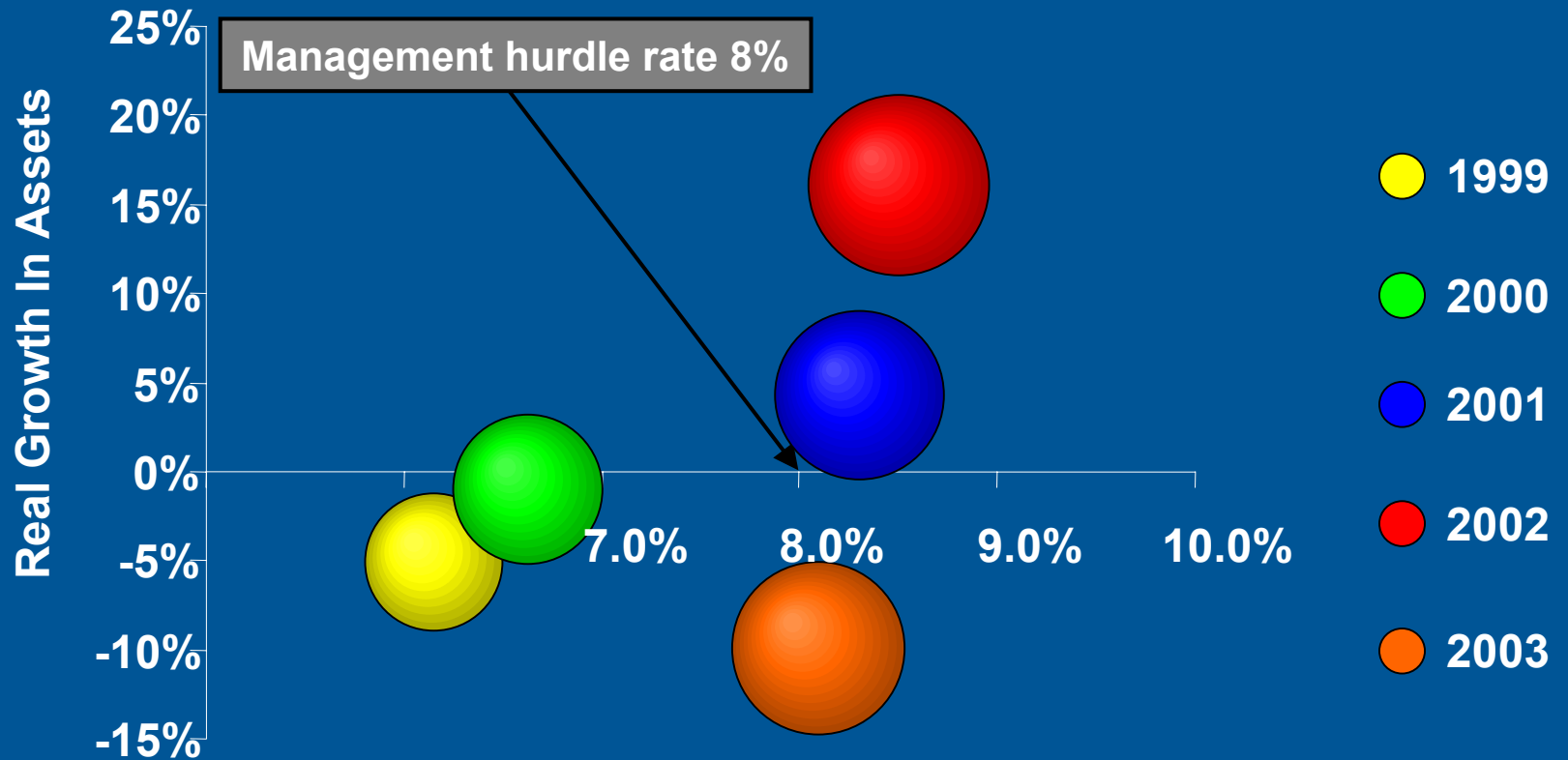
- International steel cycle downturn
- Lower export and domestic margins
- Signs of modest upturn but value of rand remains a concern



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## CFROI analysis of 2003: assets shrink and value maintained





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## Outlook for 2004: positive economic outlook

- South Africa
  - lower interest rates positive
  - rand volatility and strength negative
- Rest of Africa buoyant
- Europe and Australia growing
- US economy accelerating



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2x4x4:

growth goals on track

- Further VBM-driven “quality of business” improvements
- Expand existing and new business solutions and *Smart Partnerships*
- Acquisitions
  - “More of the same” in new geographies
  - Add complementary brands



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“The company is in great shape and we look forward to making further progress in 2004.”



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