



20 May 2015

The Manager  
Company Announcements Office  
Australian Securities Exchange

Dear Sir,

**PRESENTATION TO BE GIVEN AT STRATEGY BRIEFING DAY - SYDNEY**

Following is a presentation that is to be given today at a Strategy Briefing Day in Sydney which is scheduled to commence at 6:45am AWST / 8:45am AEST.

This briefing will be webcast and can be accessed at [www.wesfarmers.com.au](http://www.wesfarmers.com.au).

Yours faithfully,

A handwritten signature in black ink, appearing to be "L J Kenyon".

**L J KENYON**  
COMPANY SECRETARY



**Wesfarmers**

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# 2015 Strategy Briefing Day

20 May 2015

# Agenda

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## **8.00 – 8.45 am**      **Registration**

- 8.45 – 9.00 am      Richard Goyder – Introduction & Group overview
- 9.00 – 9.25 am      Terry Bowen – Balance sheet & cash flow
- 9.25 – 9.55 am      Q&A Panel: Richard Goyder & Terry Bowen
- 9.55 – 10.50 am      John Durkan – Coles

## **10.50 – 11.10 am**      **Morning Tea Break**

- 11.10 – 12.15 pm      Mark Ward, John Gilliam & PJ Davis – Home Improvement & Office Supplies
- 12.15 – 12.55 pm      Guy Russo - Kmart

## **12.55 – 1.25 pm**      **Lunch Break**

- 1.25 – 2.05 pm      Stuart Machin – Target
- 2.05 – 2.45 pm      Tom O’Leary – Chemicals, Energy & Fertilisers

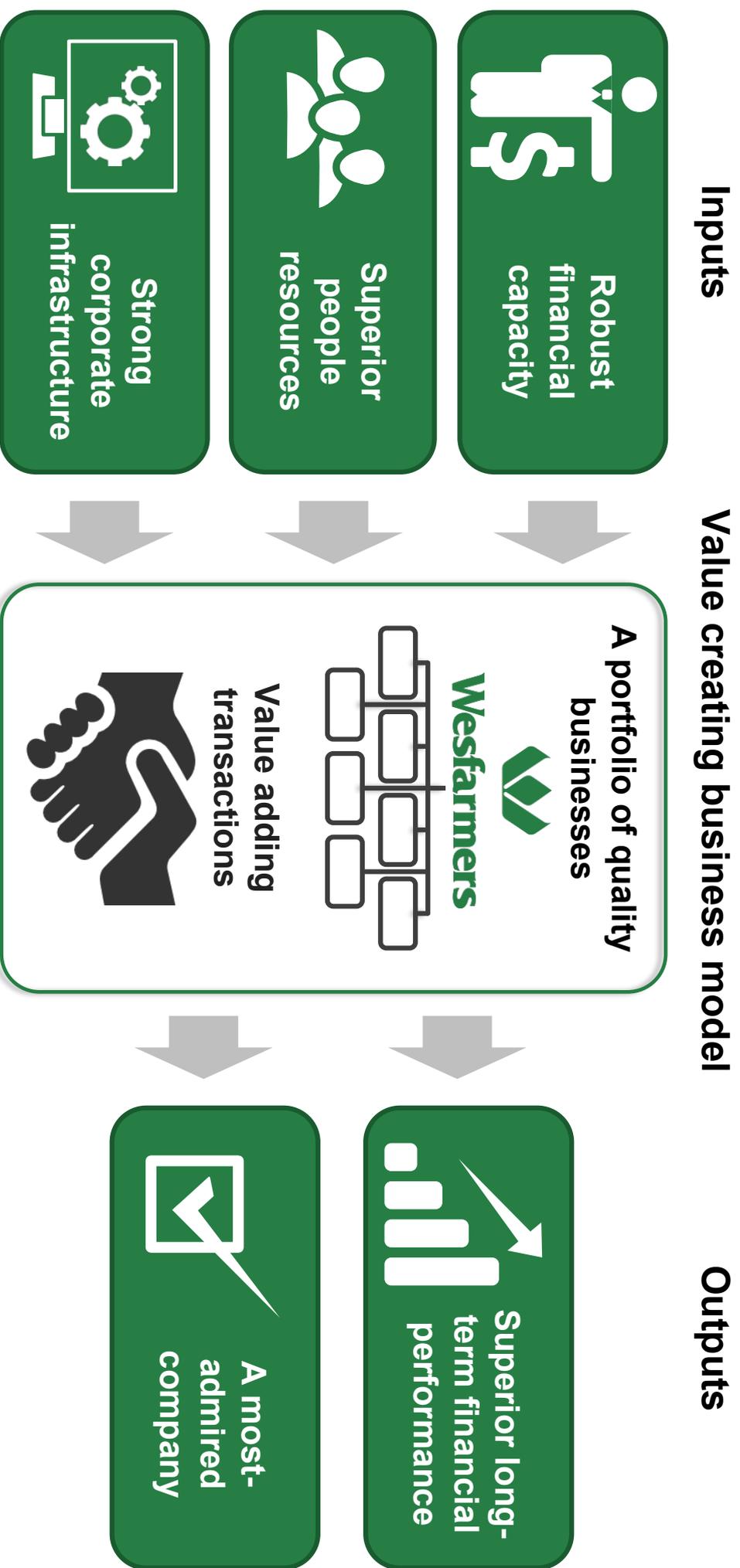
## **2.45 – 3.05 pm**      **Afternoon Tea Break**

- 3.05 – 3.45 pm      Stewart Butel - Resources
- 3.45 – 4.25 pm      Olivier Chretien – Industrial & Safety
- 4.25 – 4.30 pm      Richard Goyder – Close



# Wesfarmers operating model

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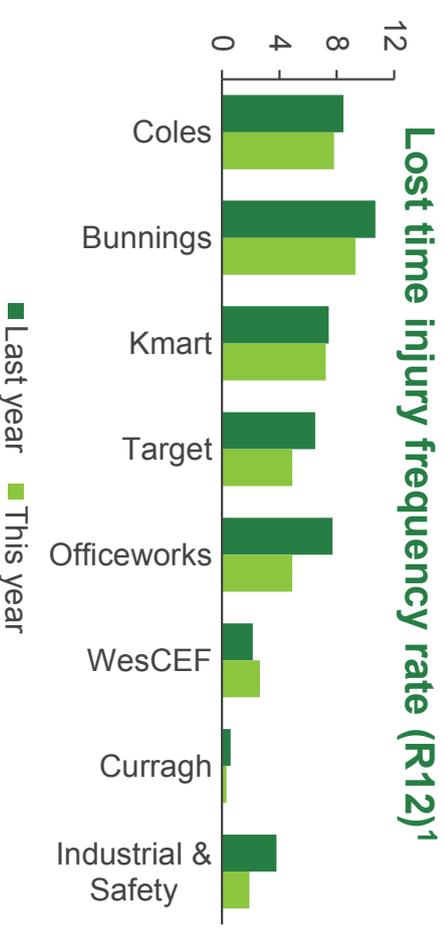
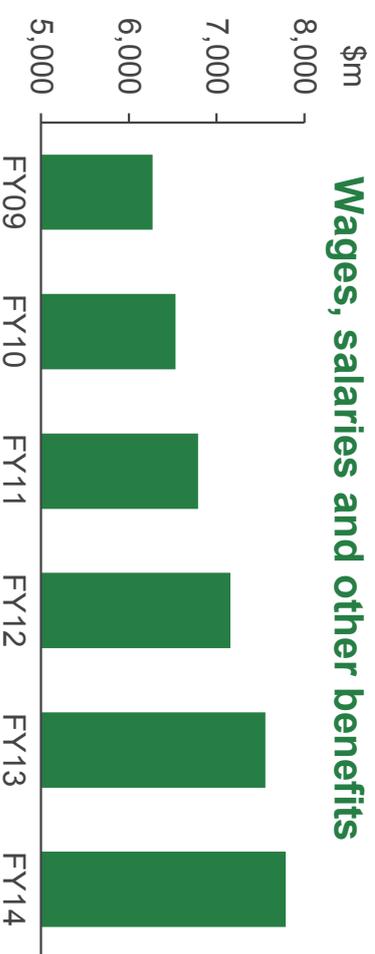
## **Robust financial capacity**

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- Cash generative portfolio
- Focus on capital employed
- Working capital efficiencies
- Disciplined capital expenditure
- Strong balance sheet
- Access to diverse sources of debt capital
- Track record of shareholder support

## Superior people resources

- Ability to attract, motivate & retain high calibre talent
- High-performance culture & strong focus on team member development
- Ability to fill key roles with Group talent
- Continued focus on diversity
- Significant improvements in safety performance across the Group



<sup>1</sup> Comparison based on R12 LTIFR as at March 2014 & March 2015

## Strong corporate infrastructure

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### Strong corporate infrastructure

Wesfarmers' core values underpin key corporate systems, processes & initiatives:

- Lean corporate office
- Divisional Boards
- Group wide planning, budgeting & monitoring processes
- Executive talent development & key role succession planning
- Strong governance: centralised statutory accounting, tax, legal, treasury & investor relations
- Business development team: evaluation of value adding transactions & significant capex

### Core values

Integrity

Openness

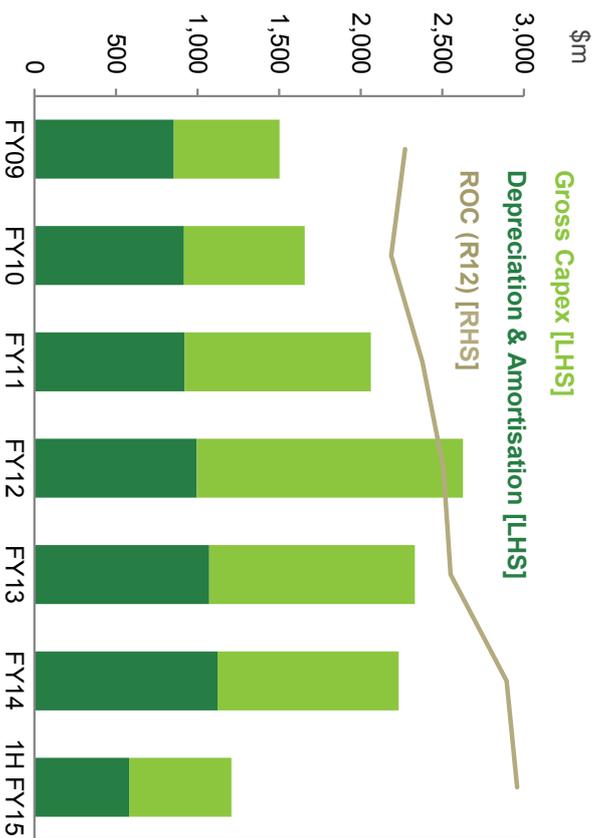
Accountability

Boldness

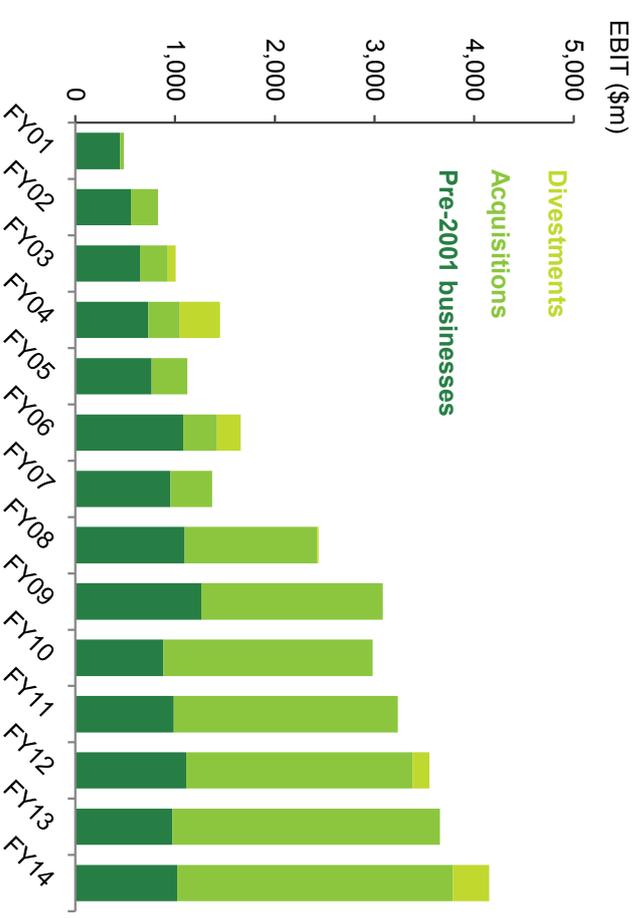
## Value creating business model

Earnings supported by both organic investment & acquisition activity

### Investment for growth



### Acquisition activity

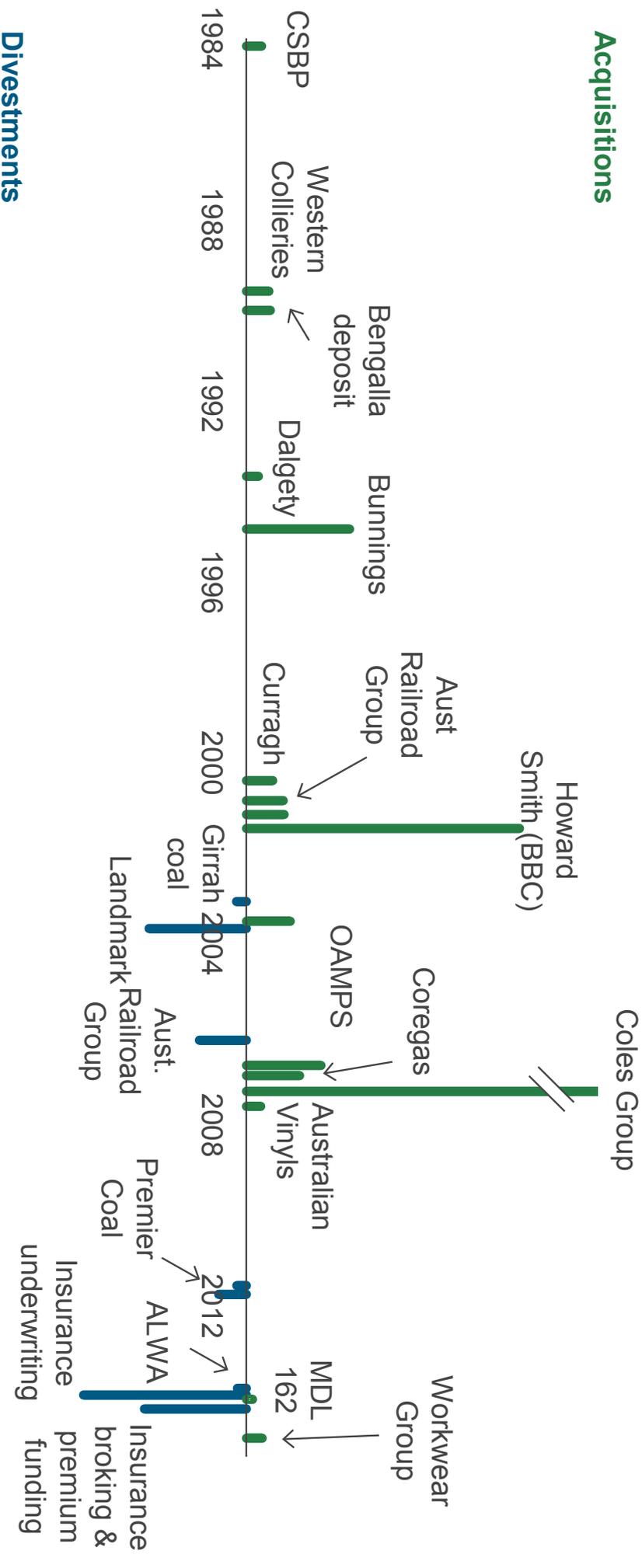


Strong investment program whilst remaining financially disciplined & improving returns

# Value creating business model

## Value adding transactions

### Group transaction activity (inflation adjusted transaction size)

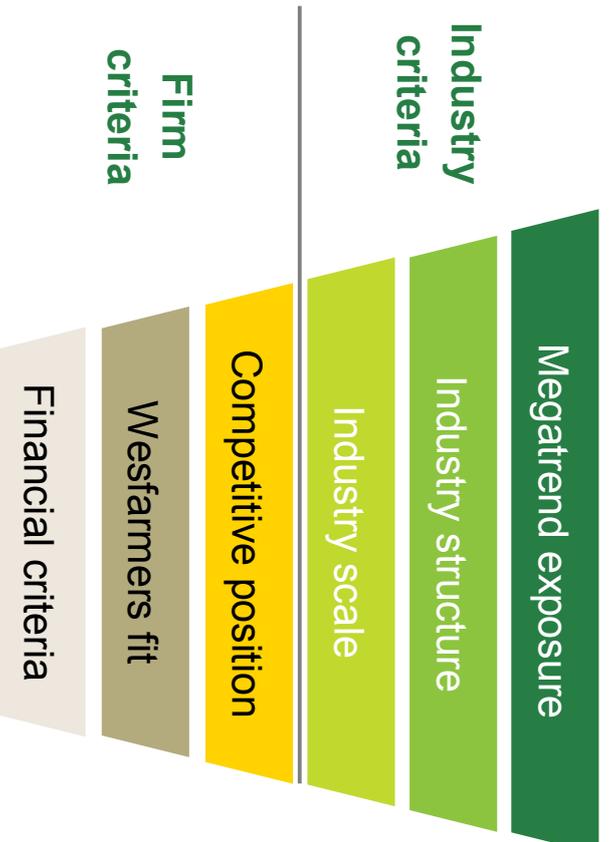


## Value creating business model

### Opportunity identification & investment approach

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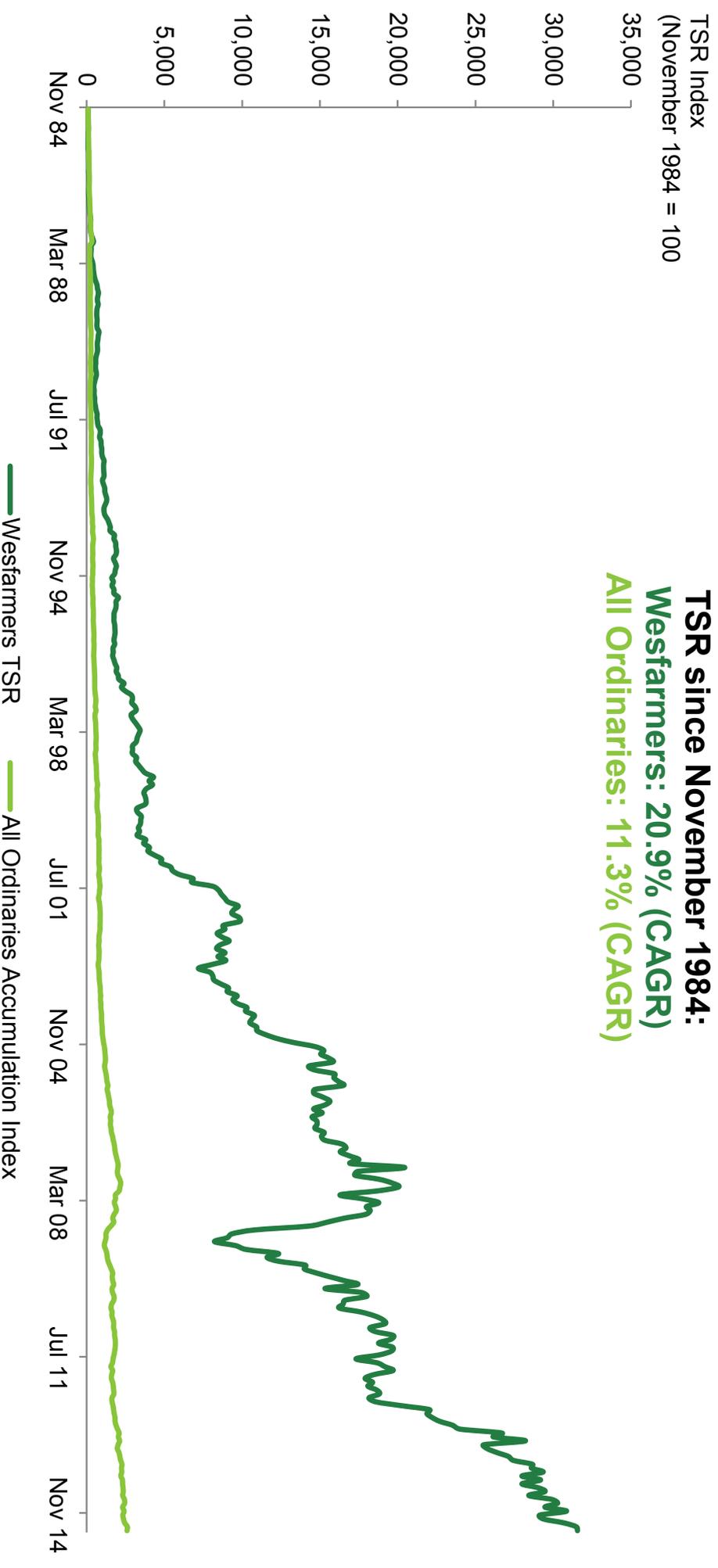
#### Opportunity identification



#### Investment approach

- Capacity to act through strong balance sheet & focus on cash flow
  - Flexibility through alternate ownership models (e.g. minority interest, full control, partnerships)
  - Also, remain opportunistic to sector, structure & geography
  - Financially disciplined including investment comparison to capital management alternative
- Growth orientation
  - Long-term time horizon

# Superior long-term financial performance



Source: IRESS as at 31 March 2015. Assumes 100% dividend reinvestment on the ex-dividend date, & full participation in capital management initiatives e.g. rights issues, share buybacks.

## A most-admired company

- Strong financial performance
- Positive engagement with all stakeholders
  - Employees
  - Suppliers
  - Shareholders
  - Government
  - NGOs
  - Community
- Significant community contributions
- Committed to tax transparency

### Group highlights<sup>1</sup>

<b>\$7.8b</b>	<ul style="list-style-type: none"> <li>• 19.2% increase since FY10</li> </ul>
wages, salaries & benefits	<ul style="list-style-type: none"> <li>• 207,103 team members<sup>2</sup></li> </ul>
<b>\$1.9b</b>	<ul style="list-style-type: none"> <li>• 66.4% increase since FY10</li> </ul>
government payments	<ul style="list-style-type: none"> <li>• Including taxes, levies &amp; royalties</li> </ul>
<b>\$2.2b</b>	<ul style="list-style-type: none"> <li>• 54.6% increase since FY10</li> </ul>
dividends	<ul style="list-style-type: none"> <li>• Supports strong TSR</li> </ul>
<b>\$95.3m</b>	<ul style="list-style-type: none"> <li>• 108.3% increase since FY10</li> </ul>
direct & indirect contributions	<ul style="list-style-type: none"> <li>• \$44.6 million direct community contributions</li> </ul>

<sup>1</sup> 2014 Sustainability report.

<sup>2</sup> As at April 2015.

## A most-admired company

### Sustainability focus areas

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- A more inclusive work environment
  - Renewed focus on gender diversity & inclusion of Aboriginal & Torres Strait Islander peoples
- Ensure all businesses implement best practice governance frameworks (e.g. ethical sourcing policy) & are run responsibly & ethically
- Reinforce our commitment to human rights
  - Consistent with recent signing of UN Global Compact on sustainability
- Climate change resilience & continued development of initiatives across the Group to:
  - Reduce greenhouse gas emissions & energy use
  - Limit waste (increase recycling & reduce packaging)
  - Control water use



## Disciplined approach to delivering long-term shareholder returns

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### Cash flow generation

- Drive long-term earnings growth
- Manage working capital effectively
- Strong capital expenditure processes

### Balance sheet strength

- Risk management of maturities
- Diversify funding sources
- Optimise funding costs
- Maintain strong credit metrics

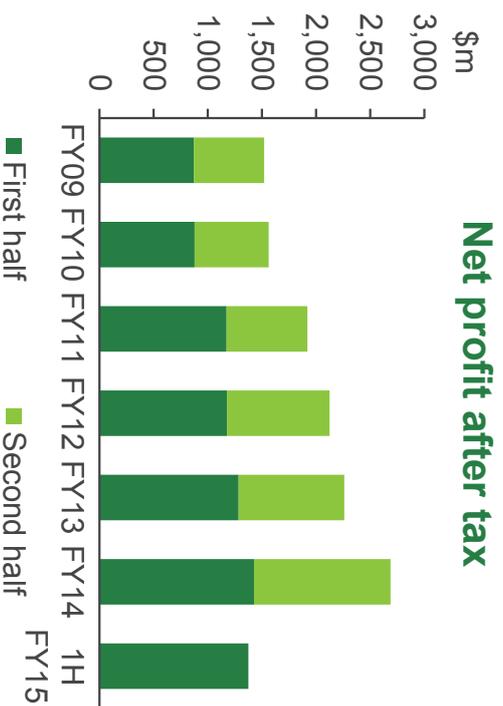
### Delivery of long-term shareholder returns

- Improve returns on invested capital
- Grow dividends over time
- Effective capital management
- Invest above the cost of capital
- Financial discipline

# Cash flow generation

## Drive long-term earnings growth

Cash flow generation	Balance sheet strength
Delivery of long-term shareholder returns	



Year ended 30 June (\$m)	2014	2009	CAGR %
Revenue	62,348	50,982	4.1
EBIT	4,150	2,947	7.1
Net profit after tax (excluding NTIs)	2,398	1,628	8.1
Net profit after tax	2,689	1,522	12.1

- Revenue growth through Coles Group turnaround & growth of Bunnings
- EBIT growth through operating leverage & productivity improvements
- Interest costs significantly reduced
- Profit growth achieved at approximately two times the rate of sales growth<sup>1</sup>

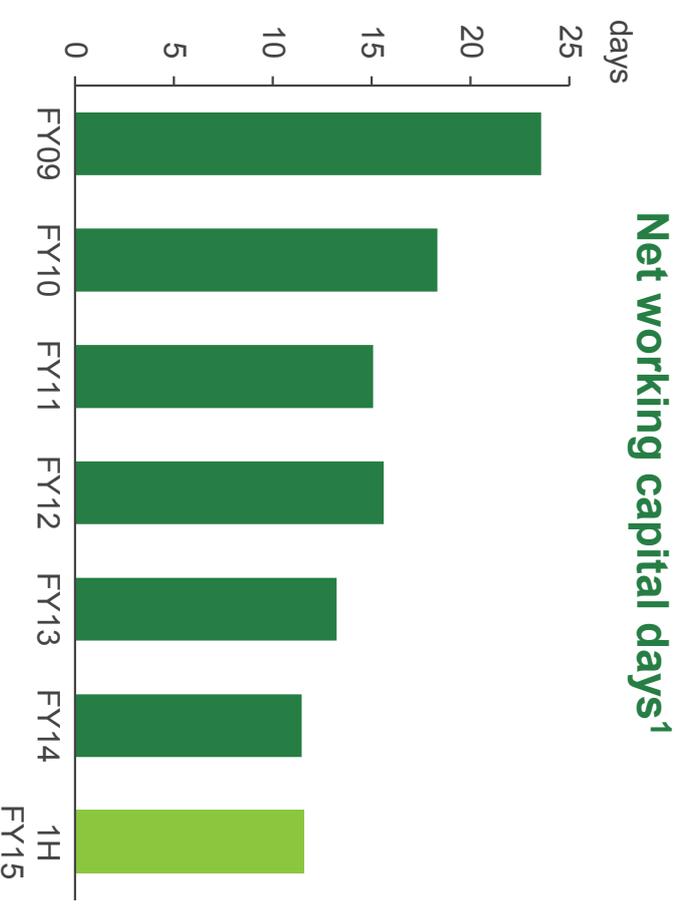
<sup>1</sup> FY14 includes \$291 million of post-tax non-trading items (NTIs); FY09 includes (\$106) million of post-tax NTIs.

# Cash flow generation

## Manage working capital effectively

Cash flow generation	Balance sheet strength
Delivery of long-term shareholder returns	

- Strong focus on working capital efficiencies across the Group
- Fifty per cent reduction in net working capital days<sup>1</sup> since FY09 (24 days to 12 days)
- Cumulative cash release of \$770 million since FY09 (approximately \$1.7 billion of efficiencies given impact of business growth)



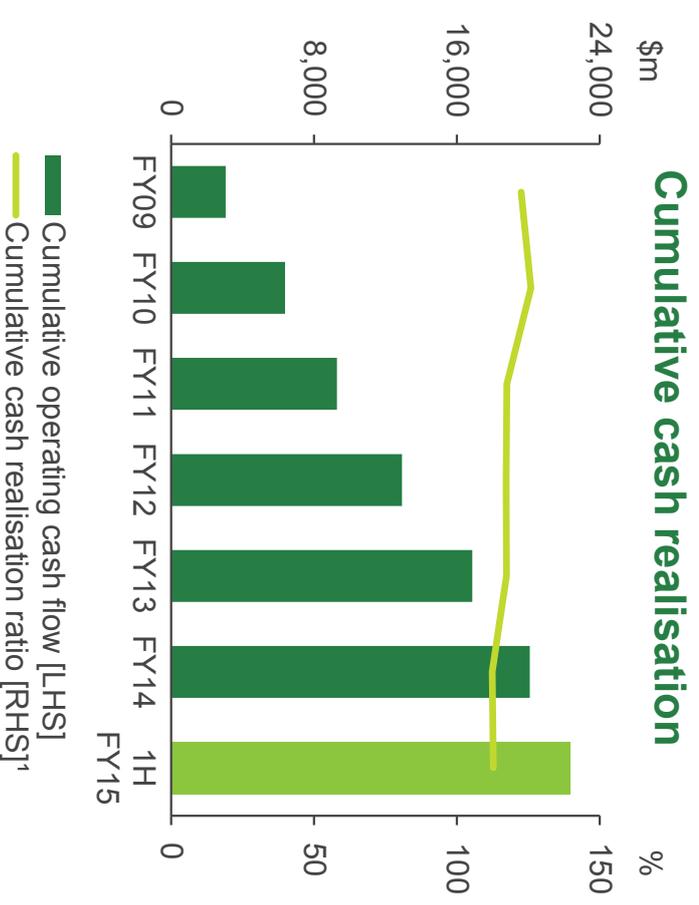
<sup>1</sup> Calculated as average net working capital balance divided by R12 revenue multiplied by 365.

# Cash flow generation

## Solid operating cash flow generation

Cash flow generation	Balance sheet strength
Delivery of long-term shareholder returns	

- Cumulative operating cash flows of \$22.4 billion since FY09
- Strong cumulative cash realisation ratio of 113% achieved over FY09 – 1H15
- Group remains highly cash generative, albeit cash realisation expected to moderate due to lower working capital cash releases from retail portfolio



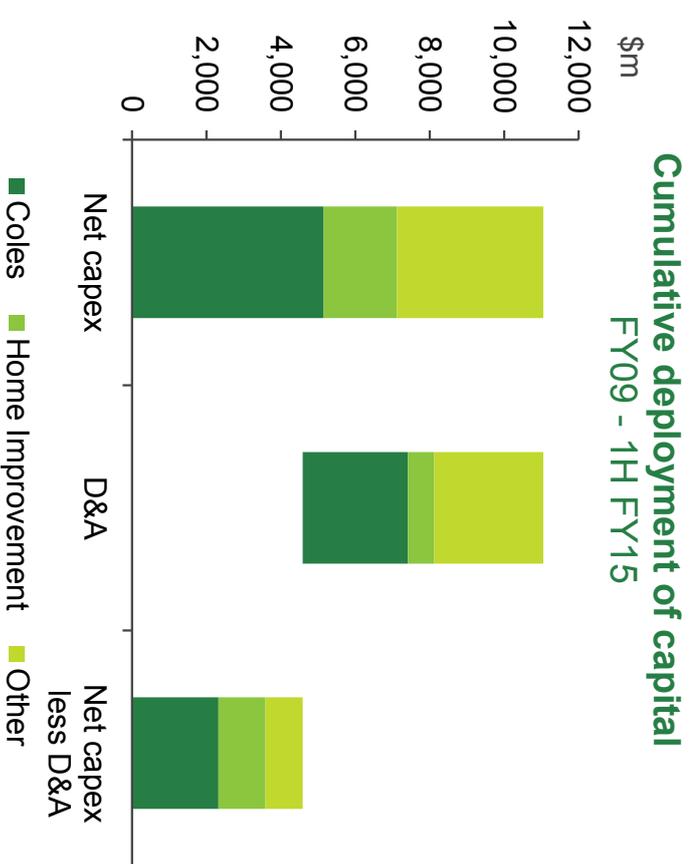
<sup>1</sup> FY09, FY10 & FY14 adjusted for non-trading items.

# Cash flow generation

## Strong capital expenditure processes

Cash flow generation	Balance sheet strength
Delivery of long-term shareholder returns	

- Robust business cases govern capital investment decisions
- Majority of capital expenditure to high return opportunities
  - Home Improvement maintained strong ROC (1H FY15 ROC<sup>1</sup> of 42.9% excluding goodwill)
  - Coles ROC<sup>1</sup> of 16.8% (excluding goodwill) in FY09 increased to 28.7% in 1H FY15
  - Kmart ROC<sup>1</sup> of 14.2% (excluding goodwill) in FY09 increased to 65.6% in 1H FY15
- FY15 net capital expenditure estimate of \$1.3 to \$1.5 billion (subject to net property investment)



<sup>1</sup> Rolling 12 months.

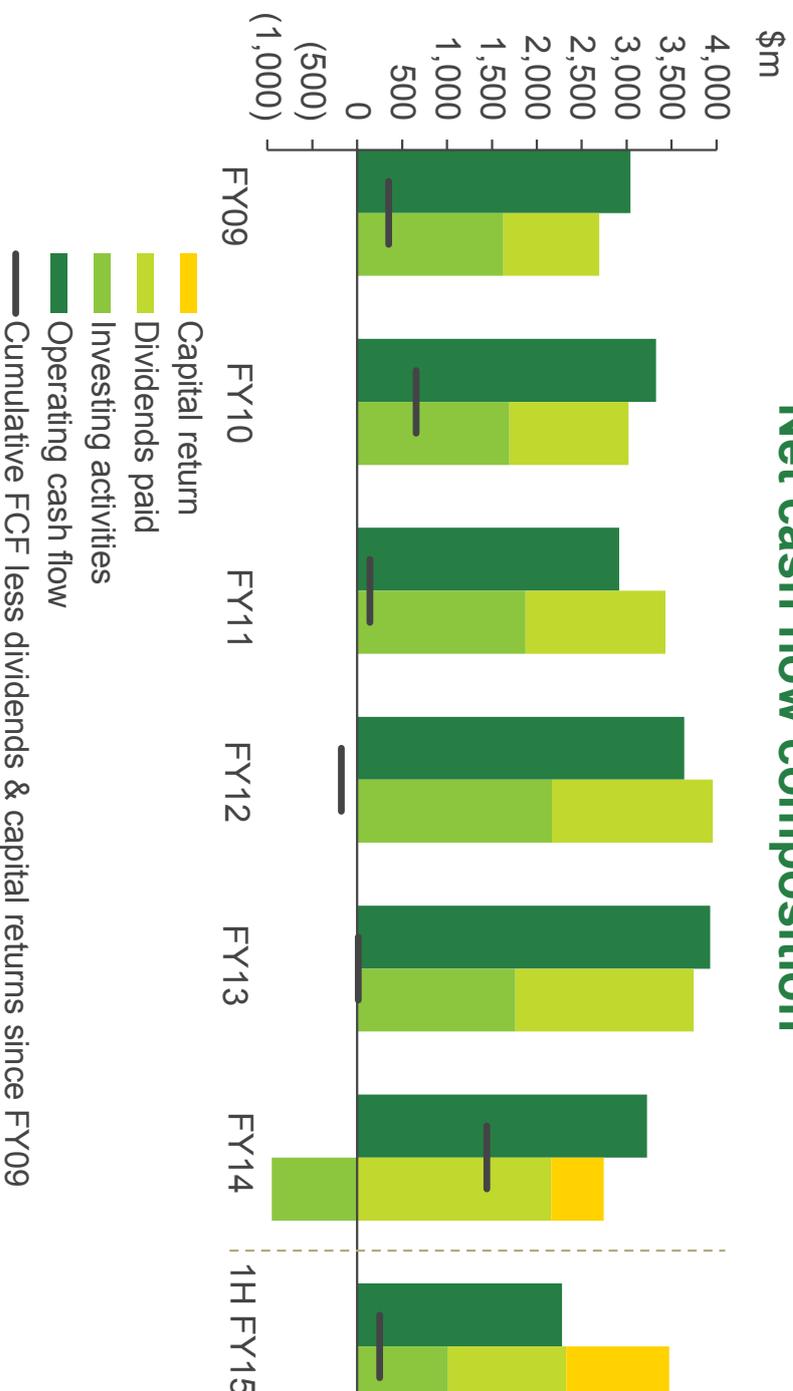
## Cash flow generation

Free cash flows supported strong investment phase & dividend growth

Cash flow generation	Balance sheet strength
Delivery of long-term shareholder returns	

- Strong free cash flow has funded significant investment activity, solid growth in dividends & allowed for capital management distributions

### Net cash flow composition

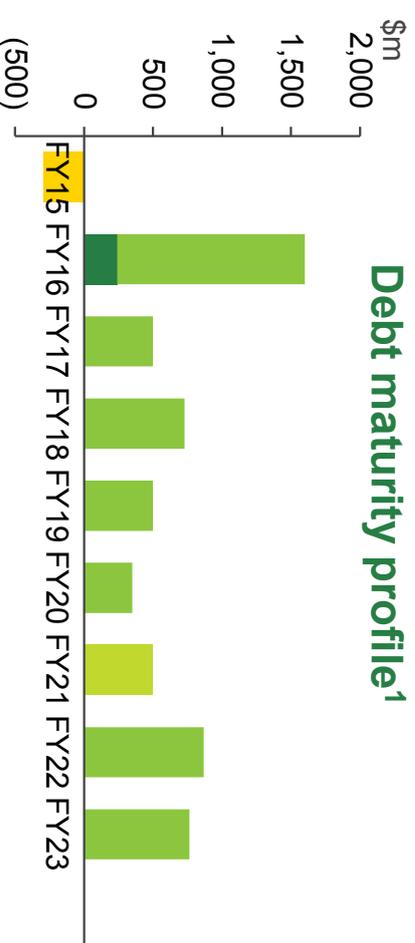


# Balance sheet strength

## Risk management of debt maturities

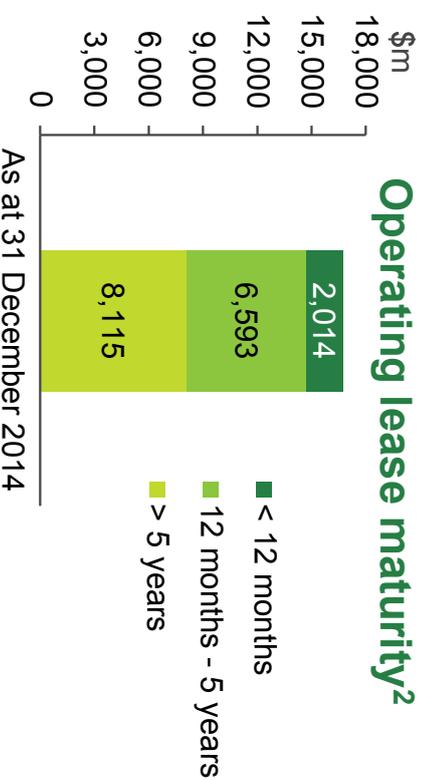
Cash flow generation	Balance sheet strength
Delivery of long-term shareholder returns	

- Debt strategy to ensure a manageable maturity profile (without significant refinancing in any one year)



■ Bank Bilaterals ■ Capital Markets ■ Medium Term Notes ■ Cash

- Lease strategy:
  - Optimise fixed commitment tenure in line with business risks
  - Secure site tenures through options to extend



<sup>1</sup> Amounts shown based on the drawn amount at balance date of 30 April 2015 and the \$500 million unsecured medium term notes (\$300 million fixed rate and \$200 million floating rate) issued on 18 May 2015.

<sup>2</sup> Represents future undiscounted minimum rentals payable under non-cancellable operating leases.

# Balance sheet strength

## Diversify funding sources

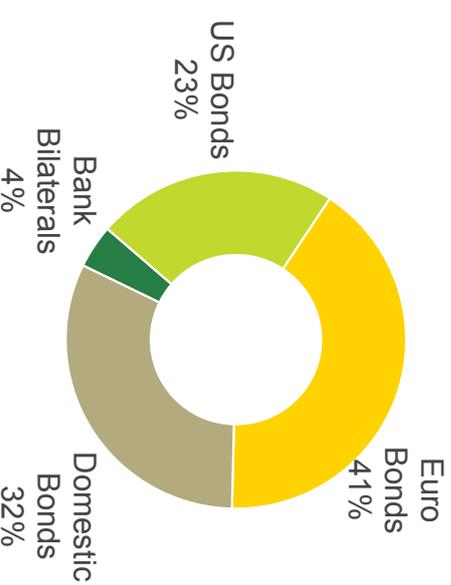
Cash flow generation	Balance sheet strength
Delivery of long-term shareholder returns	

- Composition of fixed obligations weighted towards non-cancellable operating leases<sup>1</sup>
- Financing strategy to diversify debt sourcing (maintaining access to a broad selection of markets) & pre-fund debt maturities

### Fixed obligations<sup>2</sup>



### Debt sources<sup>3</sup>



<sup>1</sup> Represents future undiscounted minimum rentals payable under non-cancellable operating leases.

<sup>2</sup> As at 31 December 2014.

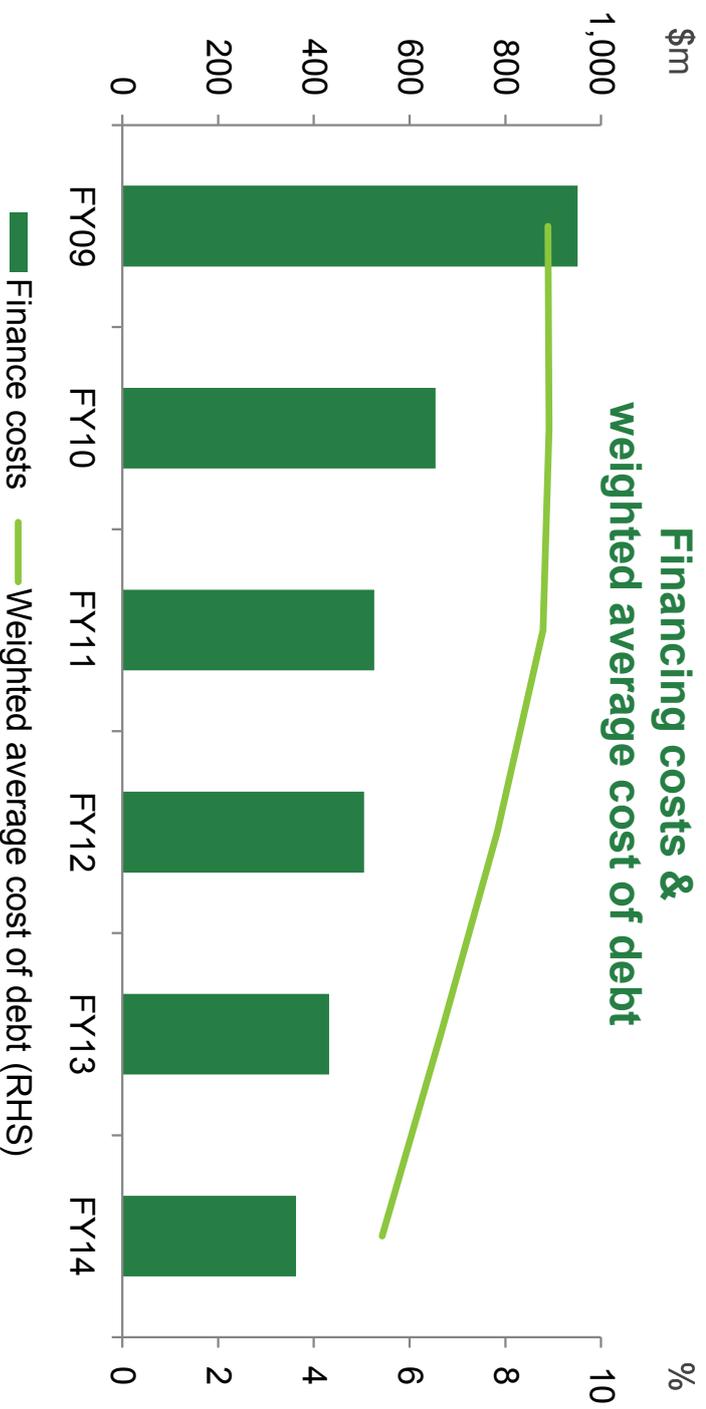
<sup>3</sup> Amounts shown based on the drawn amount at balance date of 30 April 2015 and the \$500 million unsecured medium term notes (\$300 million fixed rate and \$200 million floating rate) issued on 18 May 2015.

## Balance sheet strength

### Optimise funding costs

Cash flow generation	Balance sheet strength
Delivery of long-term shareholder returns	

- “All-in” weighted-average cost of debt has reduced to 5.4% (FY14)
- Further short-term cost of debt reductions expected, albeit at a moderated rate

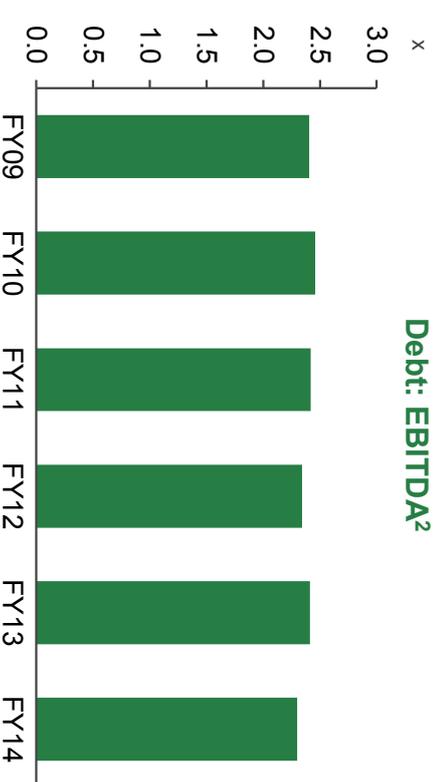


# Balance sheet strength

## Maintain strong credit metrics

Cash flow generation	Balance sheet strength
Delivery of long-term shareholder returns	

- Solid credit metrics
  - Free funds from operations (FFO): Debt<sup>1</sup> (R12) of 27.5% (from 29.2% in FY09)
  - Maintained Debt: EBITDA of ~ 2.5 times
- Strong credit ratings
  - Standard & Poor's A- (stable) & Moody's A3 (stable)



<sup>1</sup> FFO:Debt (S&P) = (NPATDA + Depreciation adjustment for capitalisation of non-cancellable operating lease) / (Net Debt + Present Value of future operating lease commitments).

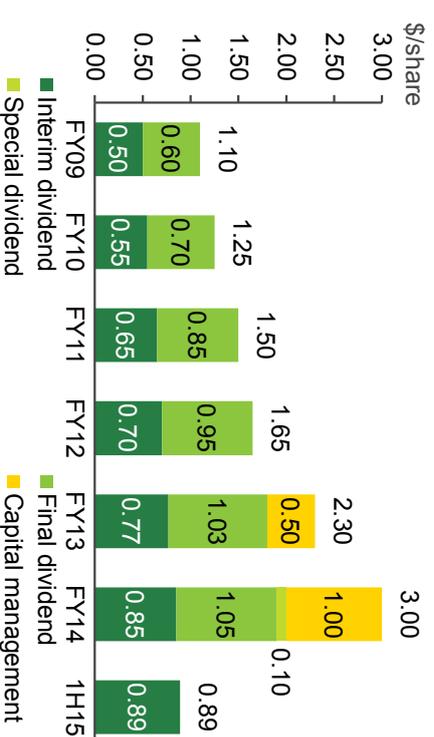
<sup>2</sup> Debt: EBITDA (S&P) = (Debt + Operating lease adjustment) / (EBITDA + Operating lease expense).

# Delivery of long-term shareholder returns

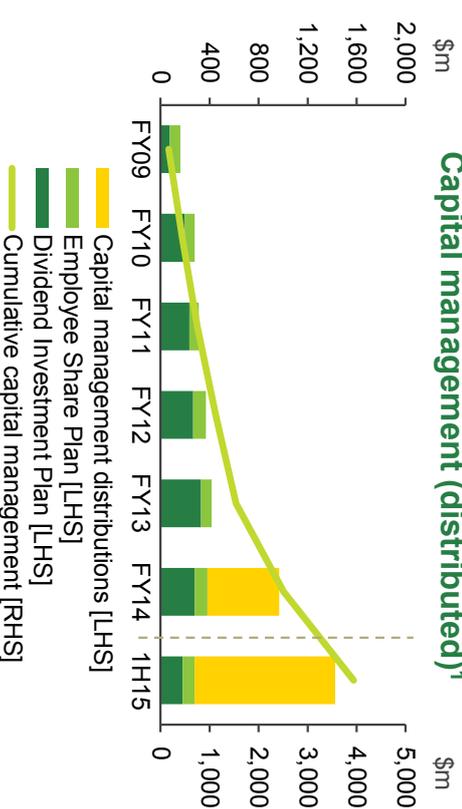
## Growing dividends over time & effective capital management

Cash flow generation	Balance sheet strength
Delivery of long-term shareholder returns	

### Shareholder distributions (declared)



### Capital management (distributed)<sup>1</sup>



- Seek to deliver growing dividends over time, but with regard to:
  - Current earnings & franking credit availability
  - Current liquidity position & credit rating
  - Forecast free cash flow generation
- Strong payout ratio & dividend growth
  - Average payout ratio of 86% from FY09 to FY14
  - Dividend payments & capital management distributions of \$12.9 billion since FY09

<sup>1</sup> Represents aggregate capital management undertaken within respective financial periods; each financial year includes all forms of capital management (eg DIP, ESP & capital return).

## Delivery of long-term shareholder returns

Financial discipline remains critical to the Group's objective

Cash flow generation

Balance sheet strength

Delivery of long-term shareholder returns

### Group objective

“To deliver a satisfactory return to shareholders”

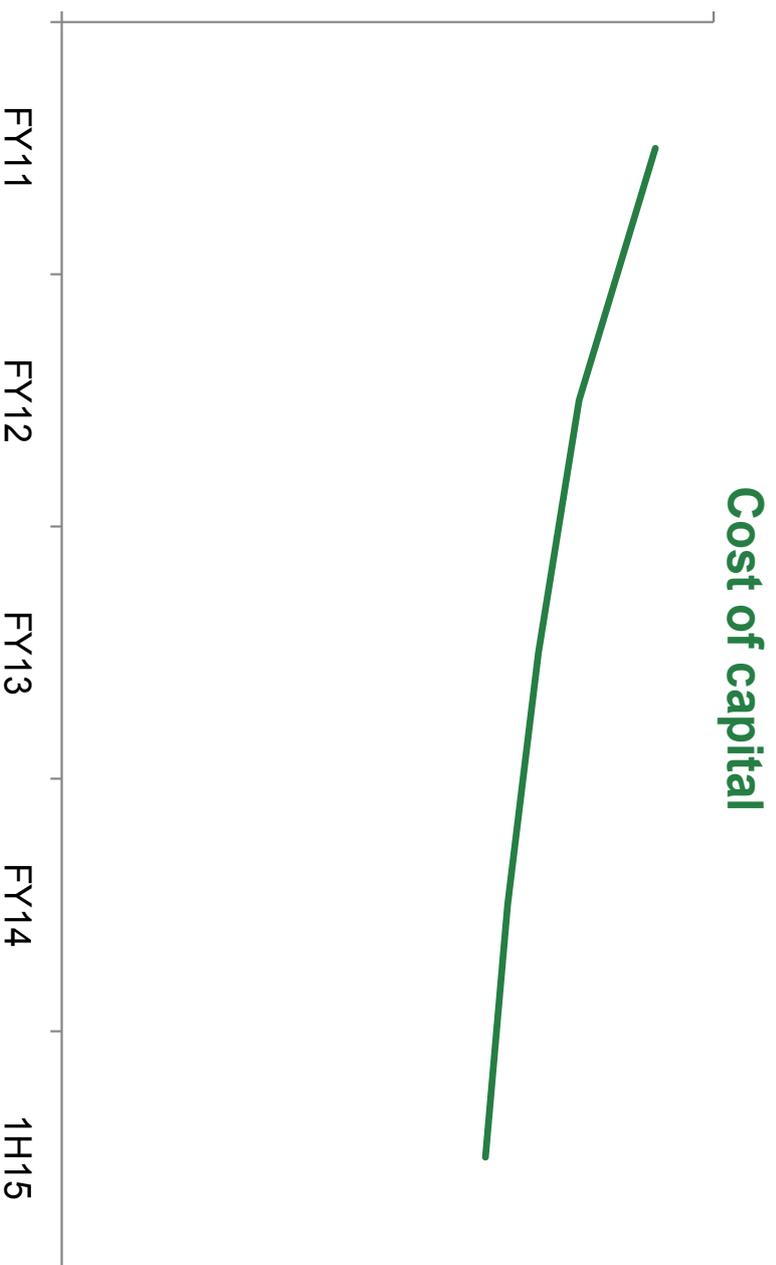
### Disciplines

- Robust “business case” development
- Focus on NPV creation in investment appraisal
- Optimise cost of capital (within acceptable risk parameters)
- Hurdle rates set reflective of project risks
- Generate returns (ROE) in excess of the cost of capital

## Delivery of long-term shareholder returns

Improve returns on invested capital & invest above the cost of capital

Cash flow generation	Balance sheet strength
Delivery of long-term shareholder returns	



- Group's ROE increased by 2.0 ppt since FY11
- Group's cost of capital reduced by ~3 ppt since FY11
- Key financial discipline in earnings & growth rate assumptions



# Coles

John Durkan  
Managing Director



coles coles.com.au

coles  
express

VINTAGE  
CELLARS

First  
CHOICE liquor

BILLO

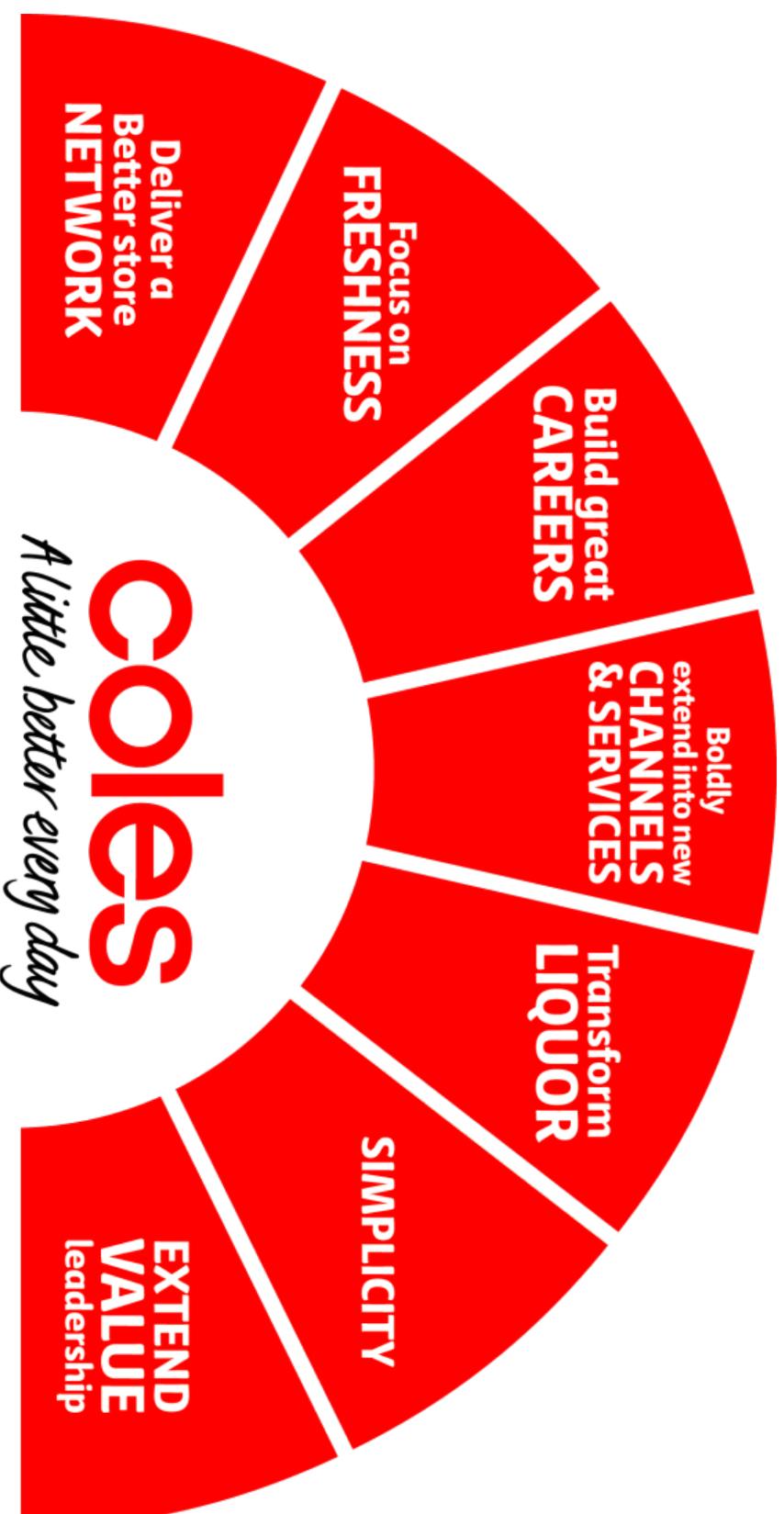
LIQUORLAND

spirit  
HONEYBEE

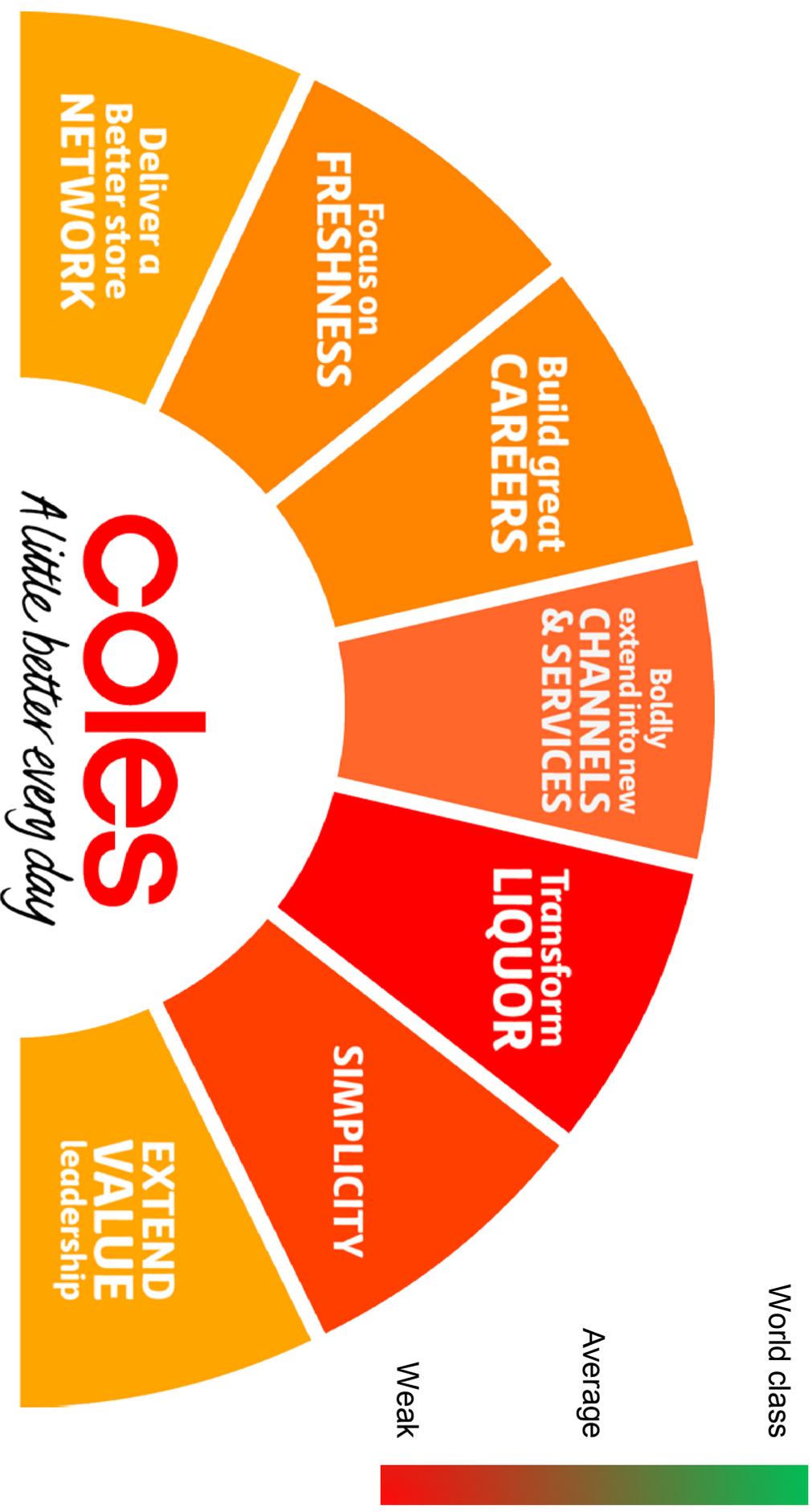
coles Financial Services

# Our growth strategy

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# Progressing our strategy



## Progress to date

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### Focus on **FRESHNESS**

- Fresh produce participation up 50bps
- Long-term supply agreements with Sundrop, Murray Goulburn & Norco

### **EXTEND VALUE** leadership

- Create trusted value
- More than 1,900 products placed on 'Every Day' value
- 0.8% FY15 YTD F&L deflation

### Deliver a better store **NETWORK**

- 26 new & 11 closed supermarkets over last 12 months
- 42 scratch bakeries deployed over the last 12 months

### **SIMPLICITY**

- Store Support Centre simplification
- Reduced lead times from DCs to stores

### **Boldly extend into new CHANNELS & SERVICES**

- 29% FY15 YTD transaction growth in Coles Online
- Acquisition of GE's share of the Credit Card JV
- 8% more active flybuys members across 5.2 million households

### **Transform LIQUOR**

- Over 300 price reductions through the Liquorland 'Low Price' campaign
- Reshaping of network with more underperforming stores closed (32 closed over last 12 months)

### **Build great CAREERS**

- 300 graduates in calendar year 2015
- 950 retail leaders participants in FY15 YTD

Note: As at March 2015.  
Coles

# Focus on freshness



Focus on quality  
& freshness



Fresh food at great prices



Invest in team member  
craft skills & service



Always available



Longer & deeper  
supplier relationships



New concepts & formats delivering  
a better experience



# Unwavering focus on customer service



Invest in **customer service**



Relentless commitment to **safety**



Build **diversity & flexibility**



Increase **craft skills** training



**Adaptable & multi-skilled**  
team members



Develop more graduates  
to become **future leaders**



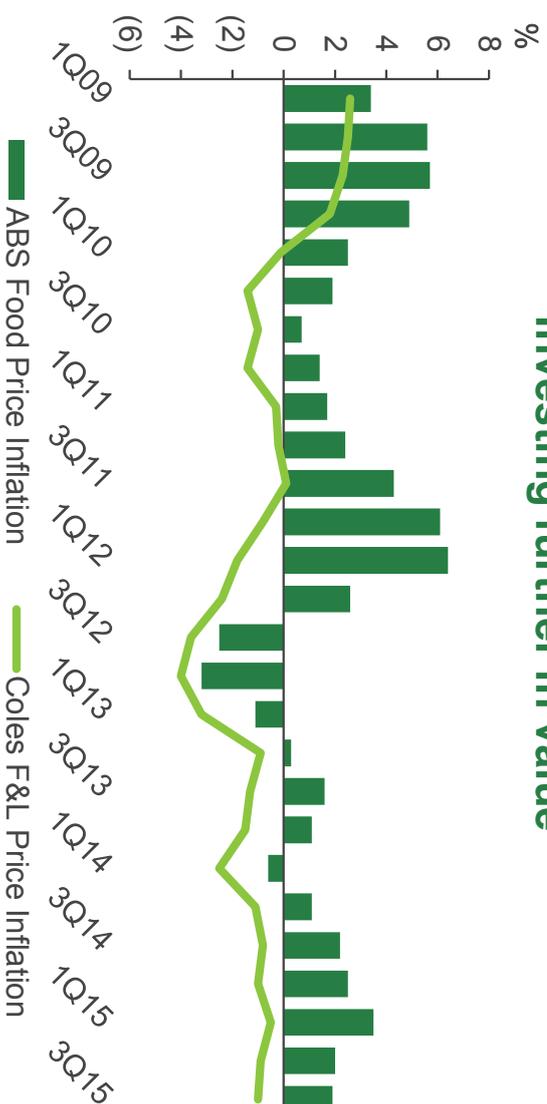




## Create trusted value

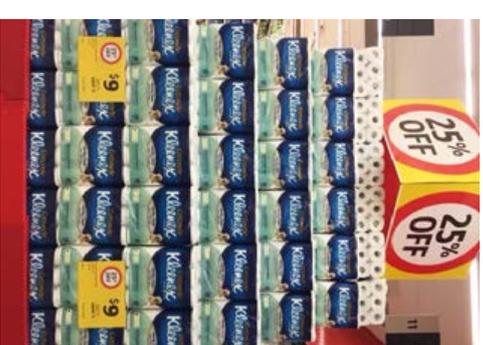
- Be a trusted value leader
- Grow Coles brand
- Personalised & relevant flybuys offers
- High impact in-store execution

### Investing further in value



Coles

### High impact ends in-store



## Deliver a better store network



- Upgrade existing space
  - Continue sales density growth
  - Revisit strong performing stores
- Continue high quality net space growth
  - 2-3% p.a. net selling area growth
  - Continued focus on store quality
  - Focus on strategic growth areas & network gaps
  - Targeted extension program
  - Replace compromised stores
- Returns-focused capital deployment
  - Recycle capital through freehold divestments & alternative ownership structures

### New freehold store (Banksia Grove, Outer Perth)



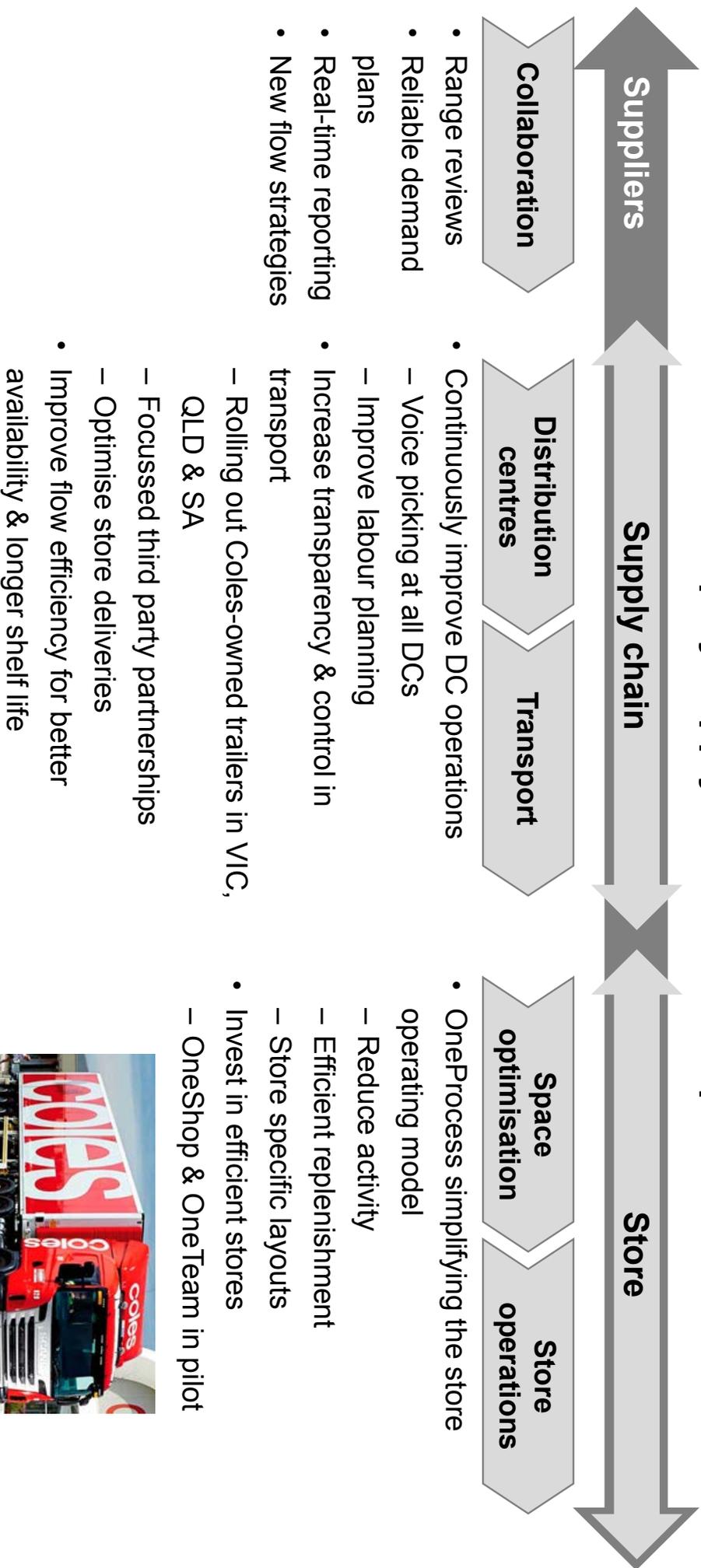
### New leasehold store (East Village, Inner Sydney)



# Simplicity with Project Unity



## End-to-end initiatives to simplify supply chain & store operations



## Boldly extend into new channels & services

- Focus on profitable growth of Coles Online
- Improve customer offer
  - 'Every Day', catalogue specials & multi-buys available online
  - A faster, simpler shopping experience
  - Better fulfilment & customer care
- Grow 'click & collect'
  - More than 100 click & collect stores & lockers
  - 36% participation growth during FY15 YTD
- Improve operational productivity
  - Improve in store picking efficiency – tablet picking now in most stores
  - Further simplify & streamline fleet operation



## Boldly extend into new channels & services (cont.)



- 8% more active members across 5.2 million active households & growing
- Deliver relevant & personalised offers to customers
- Inform & support business decision making (e.g. store locations, range & space planning, new products)

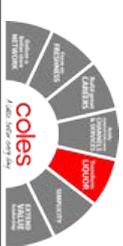


**coles Financial Services**



- 800,000 financial services customers & growing
- Provide value through a simple, competitive product suite
- Continue to build trust & credibility through a strong governance, risk & funding infrastructure
- Grow Coles insurance backed by solid & established institutions (IAG & Metlife)
- Drive strong credit card growth
  - Call option exercised to acquire the remaining 50% of the Coles Credit Card JV

# Progressing the first stage of the Liquor turnaround



## Current Phase

## Next Phase

- New Leadership team in place
- 32 underperforming stores closed over the last 12 months
- Prices reduced on more than 300 Liquorland key lines
- 20% range rationalisation in Liquorland reset stores
- Commencement of Liquorland store trials showing early positive signs
- Working capital improvement through stock clearance
- Continue rollout of Liquorland range changes to 200+ stores
- More investment in lowering prices especially through exclusive brands
- Reshape & optimise store network
- Slowing net new space growth to 1.0%-2.0% p.a.
- Invest in store team member training



# Fuelling Coles Express



## Driving value in convenience

### Grow C-Shop

- Consistent value
- New ranges & layouts
- Better meal solutions

### Better store network

- Reshape the network
- Focus on network gaps

### Number one for fuel

- Right mix of fuel for all markets
- Increase forecourt speed & ease
- Greater loyalty with flybuys & partnerships

### Simplicity

- More productive on-site operations
- Optimise the supply chain
- Simplify above-store

### Build great careers

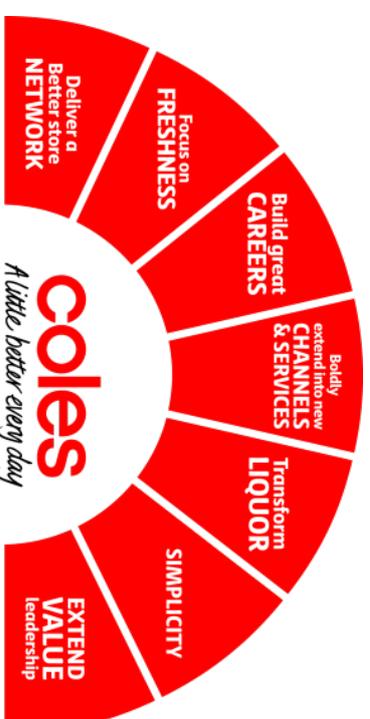
- Clear career pathways
- Increase learning & development opportunities
- Health & wellbeing programs



## Our growth strategy

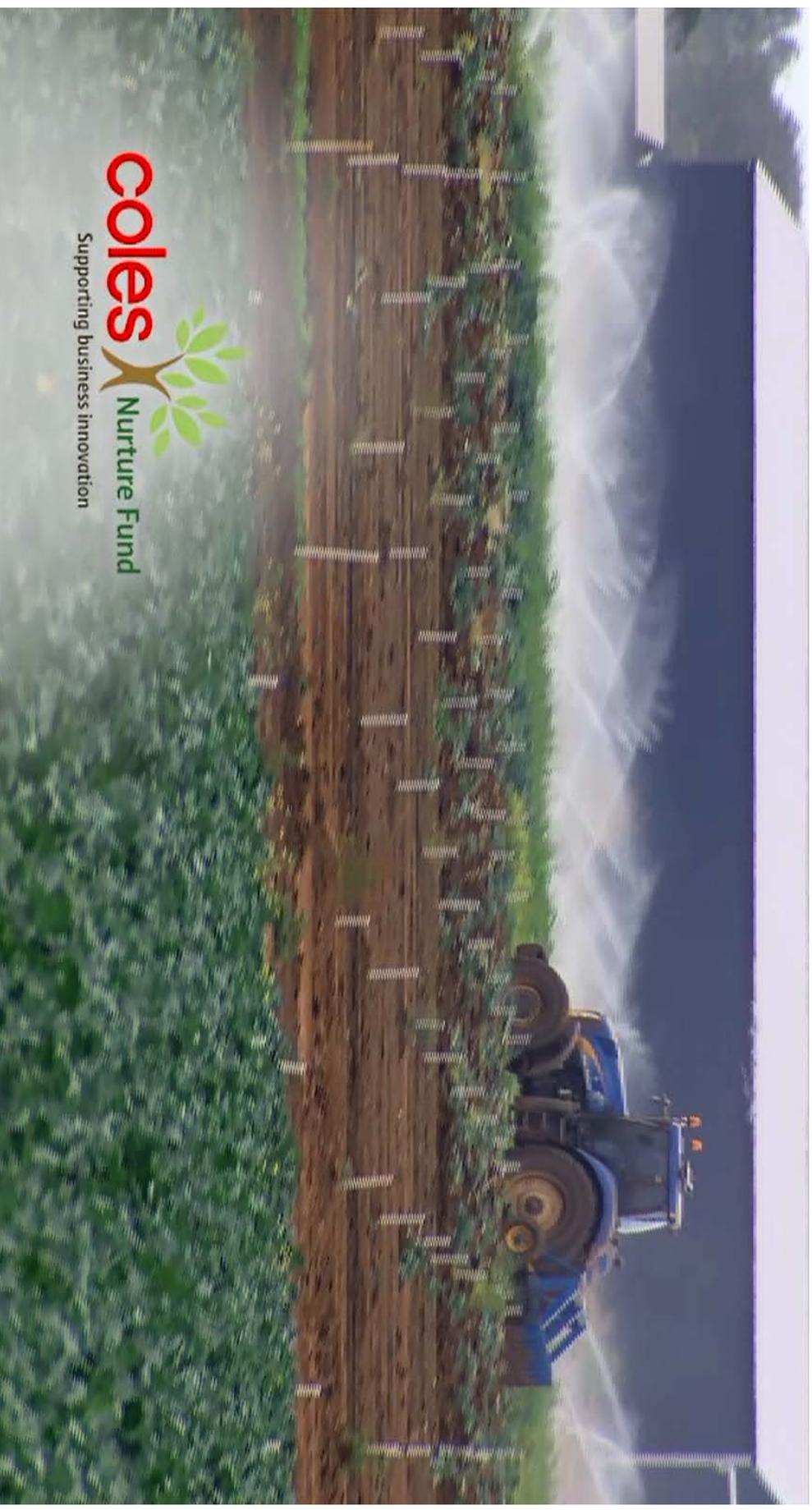
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- Drive stronger Fresh participation, volume & sales
- Passionate & knowledgeable customer service
- Invest in becoming a trusted value leader
- Focus on simplifying & reducing costs
- Make a meaningful contribution to the Australian community
- Maintain disciplined & returns-focused capital management
- Differentiate through new channels & services to drive sustainable growth
- Progress the Liquor transformation



## Meaningful contribution to the Australian community

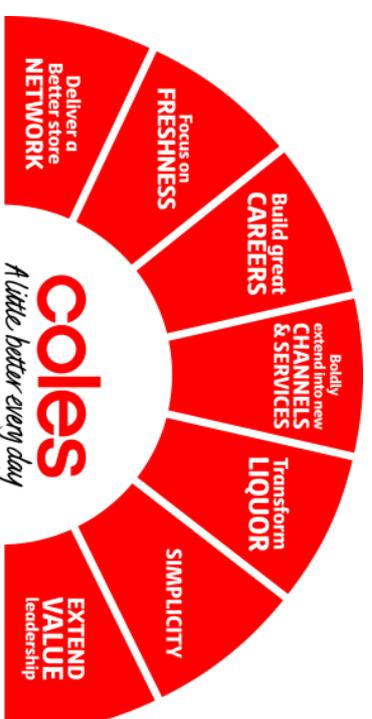
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## Our growth strategy

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- Drive stronger Fresh participation, volume & sales
- Passionate & knowledgeable customer service
- Invest in becoming a trusted value leader
- Focus on simplifying & reducing costs
- Make a meaningful contribution to the Australian community
- Maintain disciplined & returns-focussed capital management
- Differentiate through new channels & services to drive sustainable growth
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# Questions

John Durkan  
Managing Director



coles coles.com.au

coles  
express

VINTAGE  
CELLARS

First  
CHOICE liquor

BILLO

LIQUORLAND

spirit  
HONEYBEE

coles Financial Services

# Home Improvement & Office Supplies

John Gillam  
Managing Director,  
Home Improvement & Office Supplies



# Agenda

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## 1. Officeworks

Mark Ward



## 2. Bunnings

John Gillam & P J Davis



## 3. Q&A





**Officeworks**  
Big Ideas. Lowest Prices.

My Store: [Highland Officeworks, W.C. \(Info | Change ->\)](#)

SEARCH FOR A PRODUCT

☎ Contact Us | 📍 Store Locator | 👤 Log In or Register | 🛒 Cart (0) |

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Office Supplies

School & Art

Paper

Ink & Toner

Technology

Furniture

Kitchen & Cleaning

Services

Print & Copy

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**FREE NEXT DAY DELIVERY ON ORDERS OVER \$55\***

**SAME DAY DELIVERY FOR ORDERS BEFORE 11:30AM\*\***

**NEW - LOG IN FOR BUSINESS CUSTOMERS**

## Everything to help grow your business

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Notebooks for creative professionals and writing lovers.

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Turn moments into memories this Mother's day.



# Agenda

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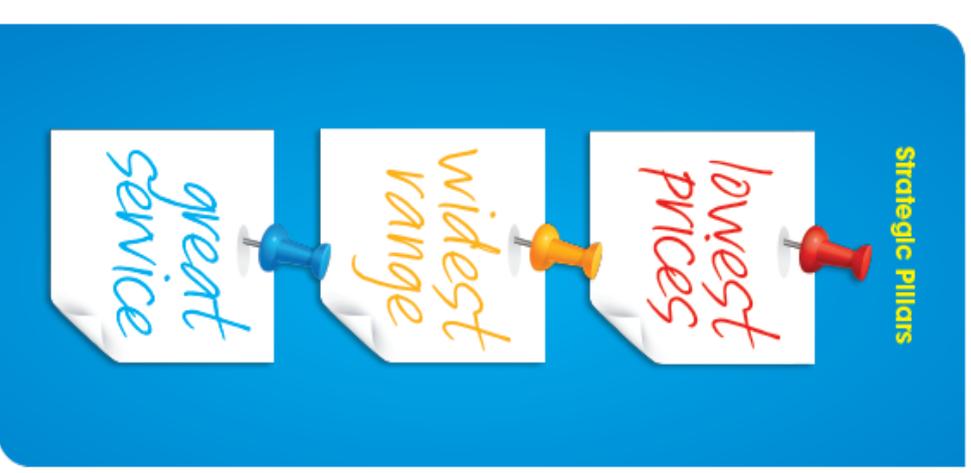
- Strategic agenda
- Market overview & trends
- Financial performance
- Every channel strategy
- Agenda update – growth, productivity & sustainability
- Trading update & outlook



# Strategic agenda

## Driving sales, EBIT & ROC growth

- Relentless & consistent focus on strategic agenda
  - Deliver:
    - » Differentiated 'one stop shop' offer
    - » Great customer experience
    - » Seamless customer experience – 'Anywhere, Anyhow, Anytime'
  - Extend reach: new customers, new categories, new channels
  - Underpin growth initiatives with ROC-enhancing productivity improvements
  - Invest in our team & our community-based partnerships
- Utilise strengths to execute strategic agenda
  - Leverage competitive advantage & core capabilities
  - Strategic clarity: Lowest Prices, Widest Range, Great Service
  - 'Every Channel' investment



# Market overview & trends

---

## Market & customers

- Overall market flat
- Relevant & inspiring offer can still win
  - Innovation & speed to market is critical
- Evolving purchasing behaviour amongst customers
  - Seamless experience anytime, anywhere
  - Move to digital / mobile
  - Smaller, more frequent transactions
- Evolving competitive landscape
- Customers expect meaningful community engagement

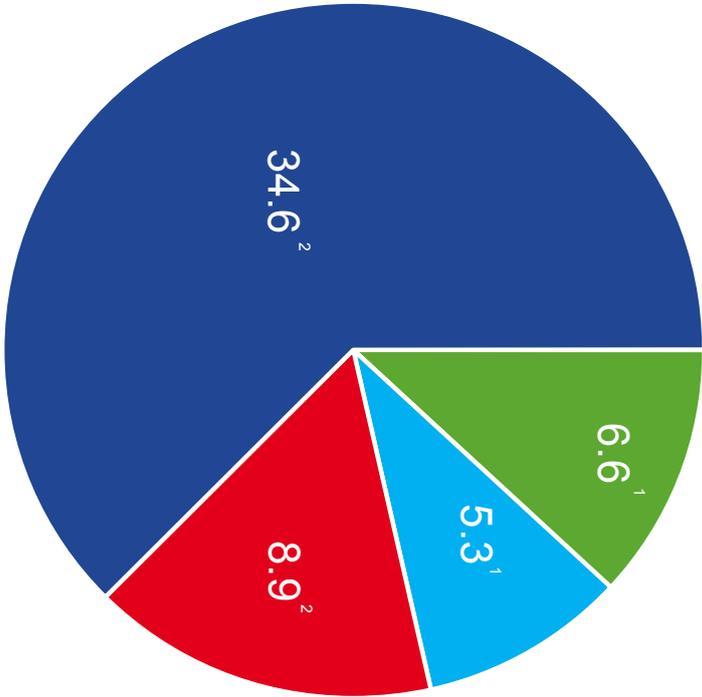
## Product

- Growth from:
  - Non-core categories
  - Private label at expense of secondary brands
  - Fashion / design-oriented products
  - Packaging / shipping products
- Shortened product life cycles especially in technology
- Ethical sourcing increasingly important



# Addressable market size & growth

## Addressable Market (\$ billion)



- Office Products Market – Core**  
(Writing Instruments, Paper, Computer Consumables, Business Machines, Filing, Labels, Envelopes, Pads & Books)
- Office Products Market – Non-Core**  
(Catering & Cleaning, Office Furniture, Printing & Digital Services, Packaging, Work Wear & Safety)
- Information, Communication & Technology Market**  
(Desktop & Laptop computers, Tablets, Software & Network Suppliers, Telecommunication Suppliers)
- Product & Service Adjacencies / Extensions**  
(Postal & Courier Services, Managed Tech Services, Education Supplies, etc)

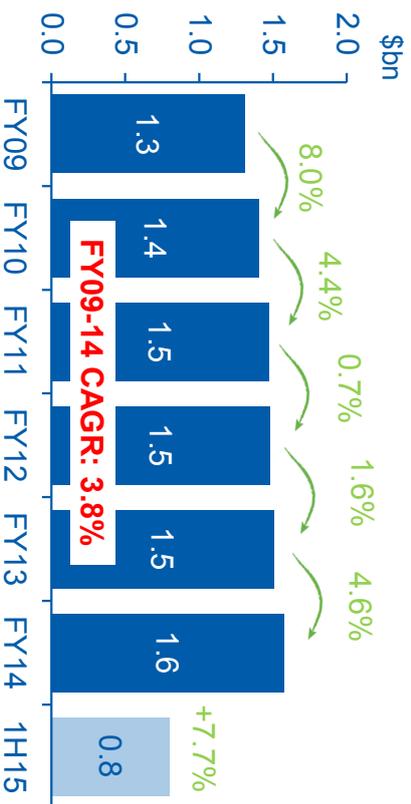
Addressable Market > \$50 billion

<sup>1</sup> Market Size 2013 (2014 – 2016 Office Products in Australia, Penfold Research).

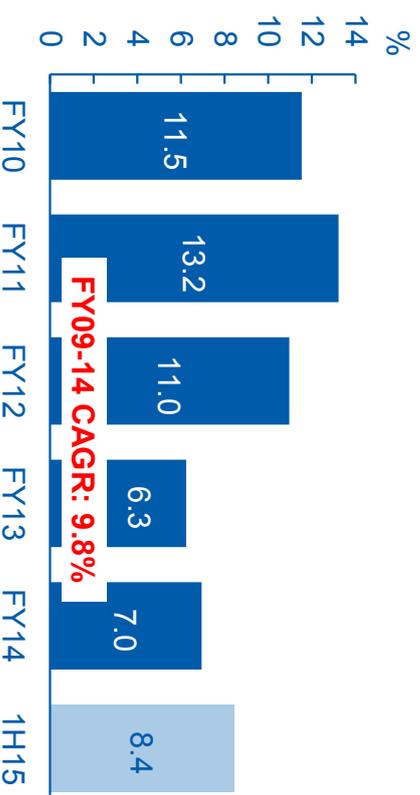
<sup>2</sup> Officeworks estimate (2015).  
Home Improvement & Office Supplies

# Financial performance

## Revenue



## Transaction growth



Home Improvement & Office Supplies

## Earnings before interest & tax



## Return on capital



# Financial performance

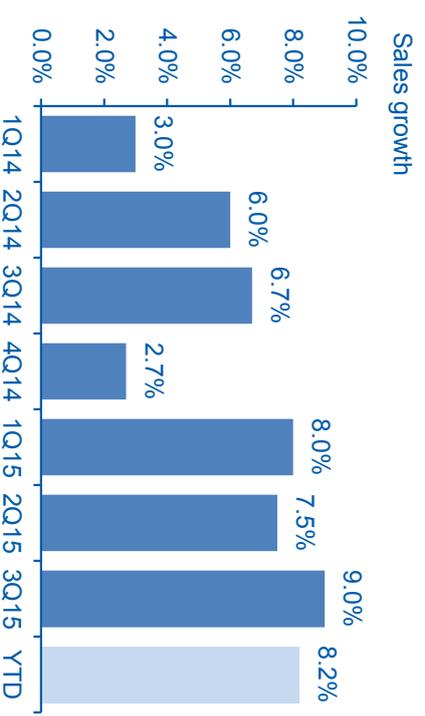
## Sales growth of 8.2% FY15 YTD<sup>1</sup>

- Store sales growth gaining momentum
  - 14 consecutive halves of store transaction growth
- Annualised website sales now exceed \$220 million

## 1H15 EBIT growth 19.0%, ROC (R12) uplift of ~180bp

- Six year 1H EBIT CAGR of 12.2% (to 31 Dec. 2014)
- New categories delivering sales & margin growth
- ‘Every Channel’ investment to continue
- Ongoing focus on reducing CODB, lifting productivity

### Sales growth momentum

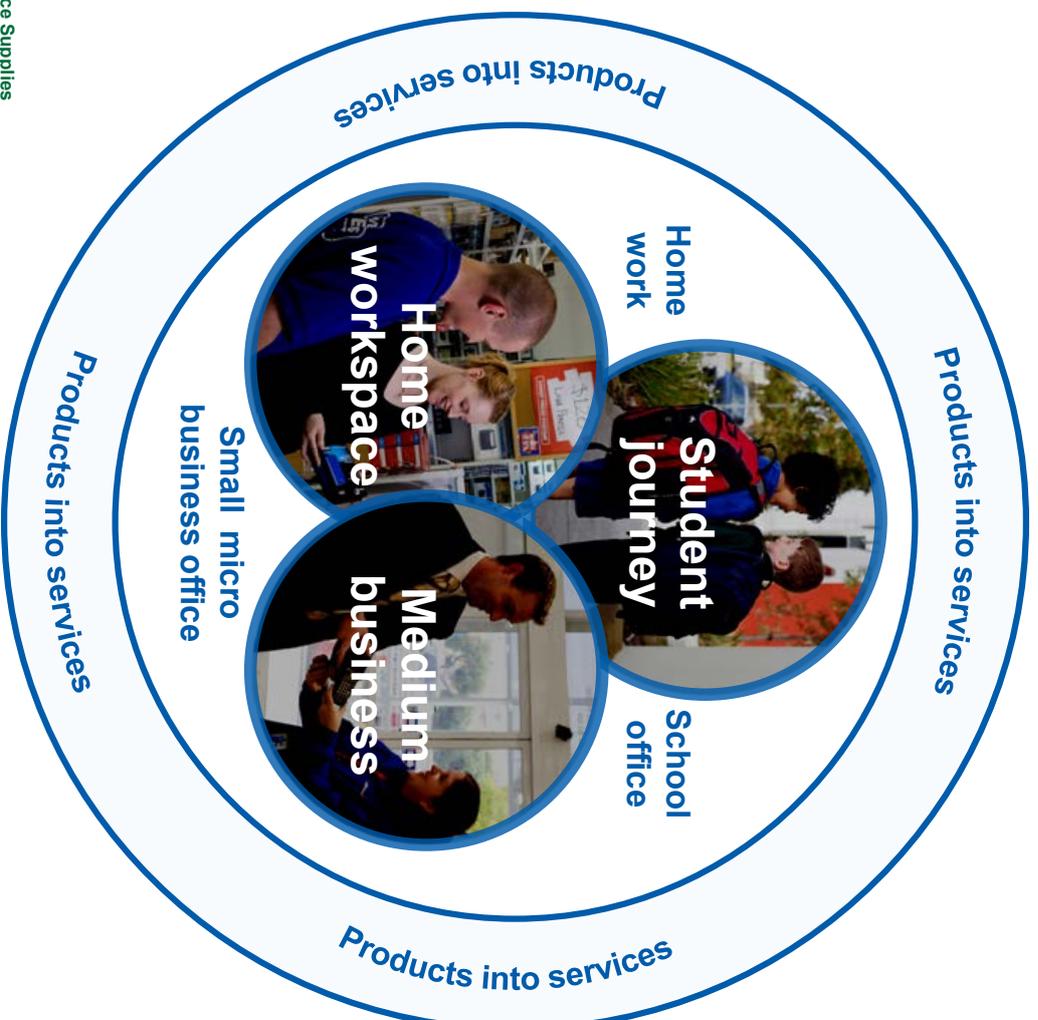


### Strong earnings & ROC growth



<sup>1</sup> As at 31 March 2015.

# Market by customer segment



**DIY**

“Do it yourself”



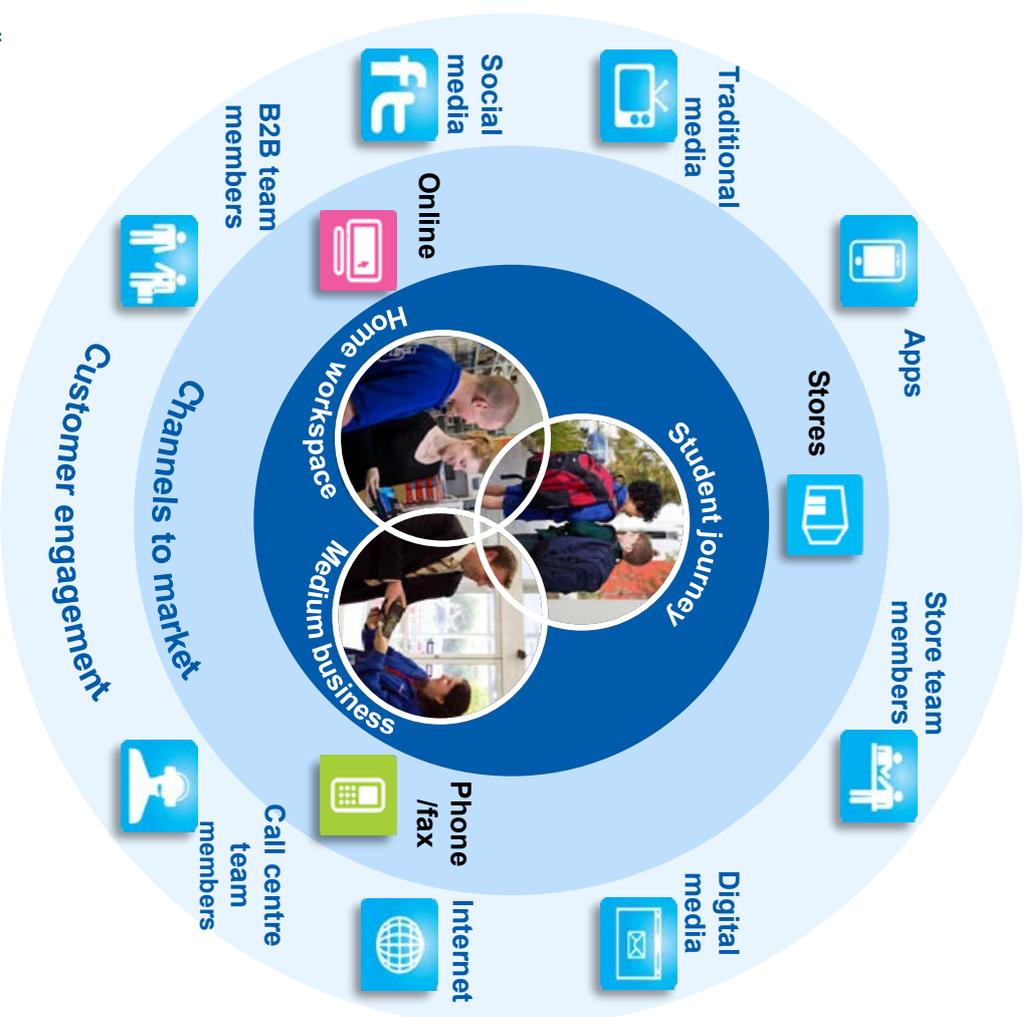
**DIFM**

“Do it for me”





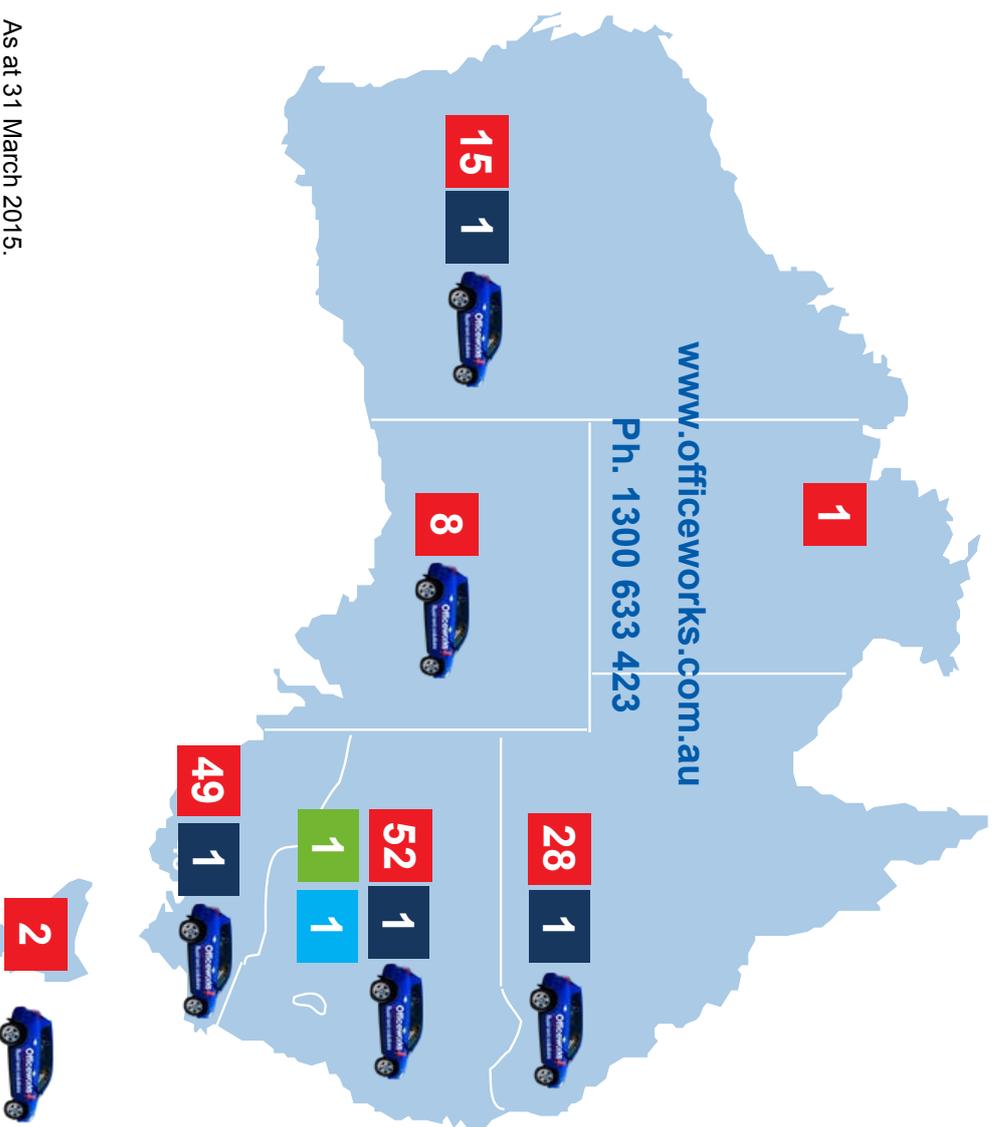
# 'Every Channel' strategy



# Competitive advantage



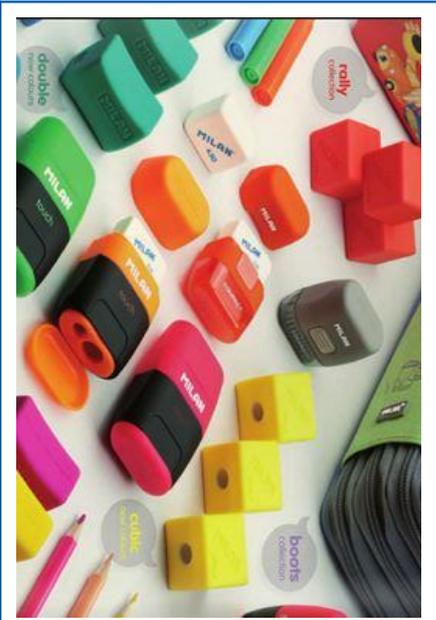
# 'Every Channel' presence



- 155 Stores (86% 'Current Format' Stores)
- Print Hub
- Call Centre
- 4 Online Fulfilment Centres
- B2B team members (50+ in state)

As at 31 March 2015.  
Home Improvement & Office Supplies

# Growth agenda

		
<p><b>Enhancing Choice</b></p>	<p><b>Merchandise Expansion</b></p>	<p><b>Print &amp; Copy 2.0</b></p>
		 <p><b>SENDING YOUR PARCEL WITH MAILMAN PARCEL DELIVERY SERVICE IS AS EASY AS 1, 2, 3.</b></p> <ol style="list-style-type: none"> <li><b>1. Select it</b> Choose the right label based on our Parcel Weight &amp; Size Guide.</li> <li><b>2. Label it</b> Purchase your label and optional Parcel Protection label at the register. Fill in and attach to your parcel.</li> <li><b>3. Send it</b> Deposit your parcel at the Mailman Drop-off Point at the front of the store.</li> </ol>
<p><b>Furniture Authority</b></p>	<p><b>Extending Reach</b></p>	<p><b>Products into Services</b></p>

## Growth agenda (cont.)

---

### Enhancing Choice

- Adding 'want' to 'need'
- Colour & style palettes
- Exclusive distribution of new brands
- Balancing national & private brands
- Continue adding inspiration, innovation & differentiation to:
  - Products & ranges
  - Service & services

### Merchandise Expansion

- Phase II program complete
  - Driving pleasing sales growth
- Standardise layout & design
- Optimise use of store selling space
- Improve customer experience
- New & expanded categories
  - Canteen & cleaning, cables, art & craft



## Growth agenda (cont.)

---

### Print & Copy 2.0

- Expanded offer driving growth in stores & online
- Expanded design services offer



### Furniture Authority

- Range reset – functional & inspirational
- Ease of shopping in-store & online
- Grow commercial furniture sales



# Growth agenda (cont.)

## Extending Reach

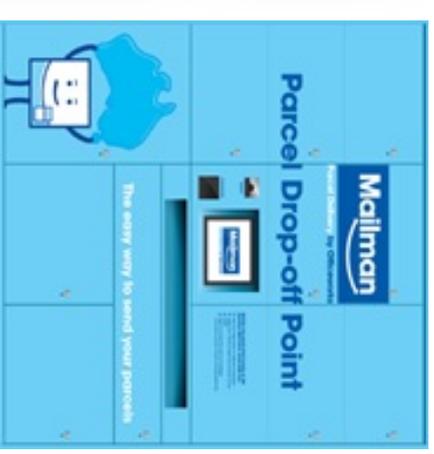
- Growing presence in B2B market
- Refining CBD store concept
- Ongoing website enhancements



Home Improvement & Office Supplies

## Products into Services

- Creating a compelling point of differentiation
  - One stop shop
  - Supporting products with services
- Mailman launched in April 2015



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# Productivity agenda

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## Working Capital Improvements

- System investment to lift stock turns
- Mutually beneficial supplier collaboration
- Strong relationship with account holders

## Improve Space Utilisation

- Disciplined range review process
- Optimise in-store layout
- Add / expand categories

## Reduce CODB, Lift Productivity

- Reduce non-value adding tasks
- System investment
- Ongoing supply chain enhancements

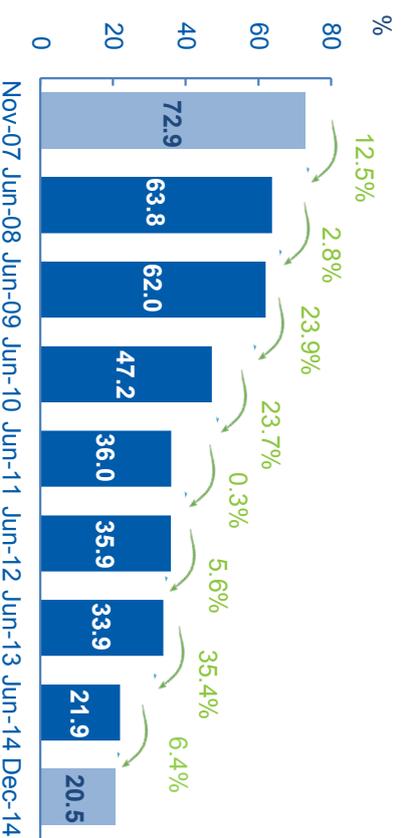
## Refresh / Reshape the Store Network

- Ongoing investment in layout & design
- Disciplined store assessment
- Opportunistic reach extension



# Sustainability agenda

## Safety (AIFR)



## Ethical sourcing

- Committed to highest sourcing standards
- Sedex<sup>1</sup> membership for international & local suppliers – good progress being made

<sup>1</sup> Supplier Ethical Data Exchange.  
Home Improvement & Office Supplies

## Environment

- Five million ink & toner cartridges re-cycled to-date
- Retro-fitting LED lighting in stores continues
- Computer equipment recycling program
- National Recycling Week 2014 sponsor

## Community Partnerships

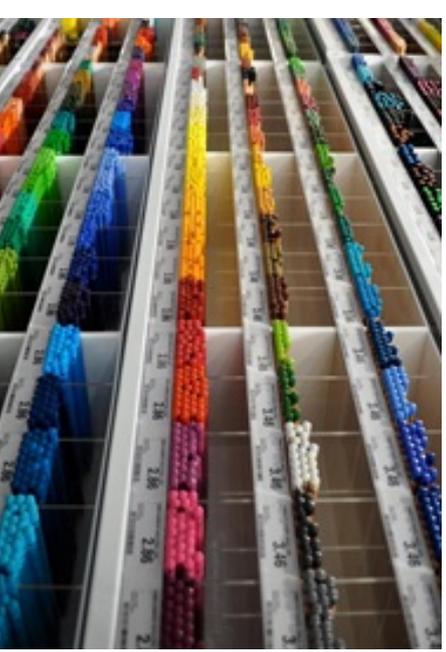
- Smith Family Learning for Life program
- Australian Literacy & Numeracy Foundation
- National & local - 'We live here too'



## Trading update

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- Q315 headline sales growth of 9.0% & 8.2% YTD
  - Record 'Back-to-School' results
  - Strong sales growth in stores & online
    - » Annualised online sales c. \$220 million
- 1H15 EBIT growth of 19.0%, 1H15 ROC uplift of ~180bp on pcp (growth of 20.7%)
- Ongoing 'Every Channel' investment
  - Five new stores opened YTD
  - Merchandise Expansion Program II complete
  - System investment (website enhancements, order management)



# Outlook

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- Continue focus on
  - Disciplined execution of strategic agenda
  - Sales, EBIT & ROC growth underpinned by productivity & CODB improvements
  - Developing & delivering growth initiatives to improve the customer offer & enhance shareholder returns
- Variable trading conditions to continue
  - Business confidence expected to remain subdued
  - Competitive pressure expected to remain strong



# Questions

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Mark Ward

Managing Director, Officeworks



# Agenda

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## 1. Officeworks

Mark Ward



## 2. Bunnings

John Gillam & P J Davis



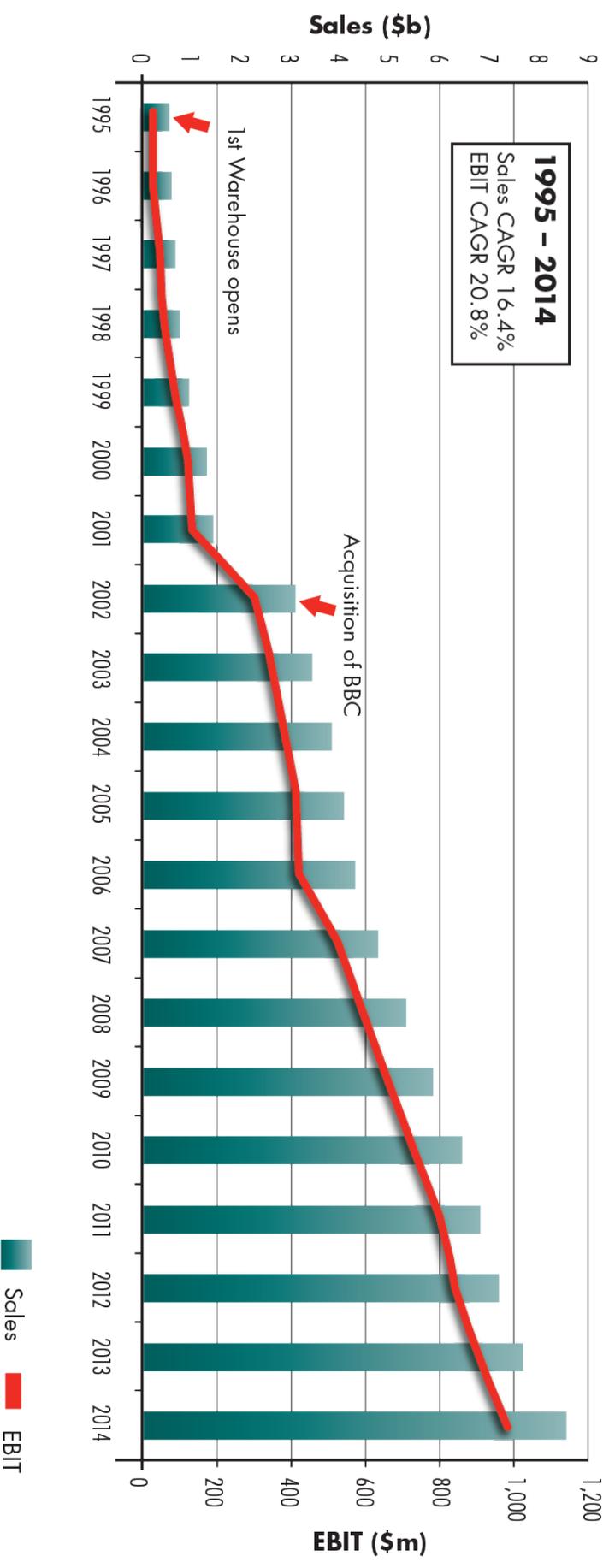
## 3. Q&A





## Long-term value creation

# LOWEST PRICES. WIDEST RANGE. BEST SERVICE.



## Long-term value creation

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1. **A winning offer to customers**
2. **An engaged, focused & committed team**
3. **Business behaviour that builds trust**
4. **Sustainable satisfactory shareholder returns**

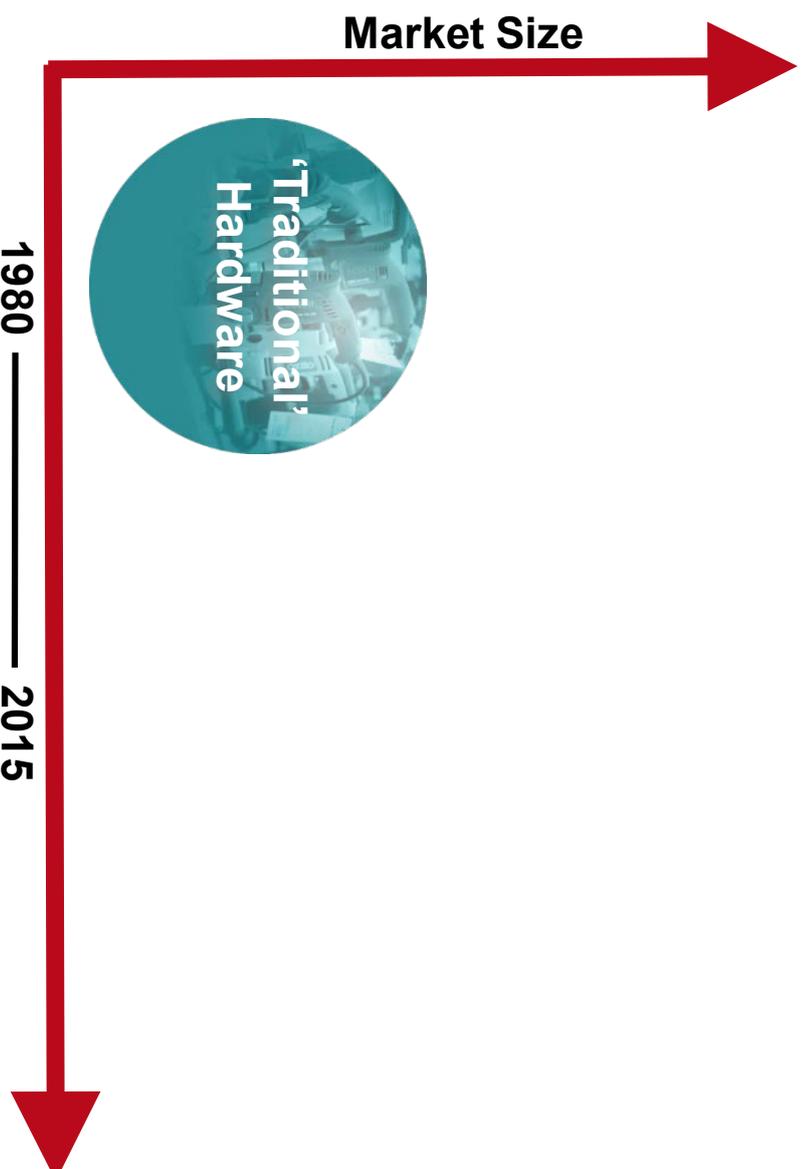


## Market evolution

---

**Addressable market expanded by evolution & innovation**

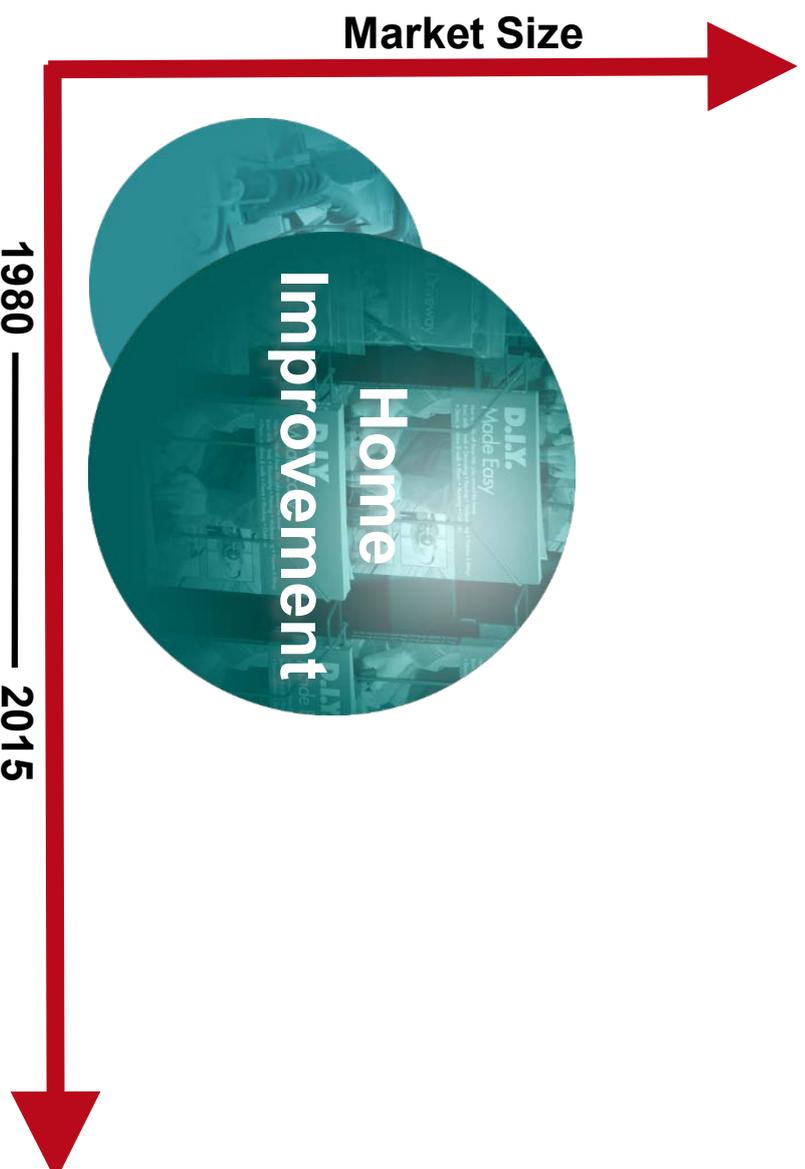
- Bunnings' focus:**
- Grow the market
  - Grow our share



## Market evolution

---

Addressable market expanded by evolution & innovation



### Bunnings' focus:

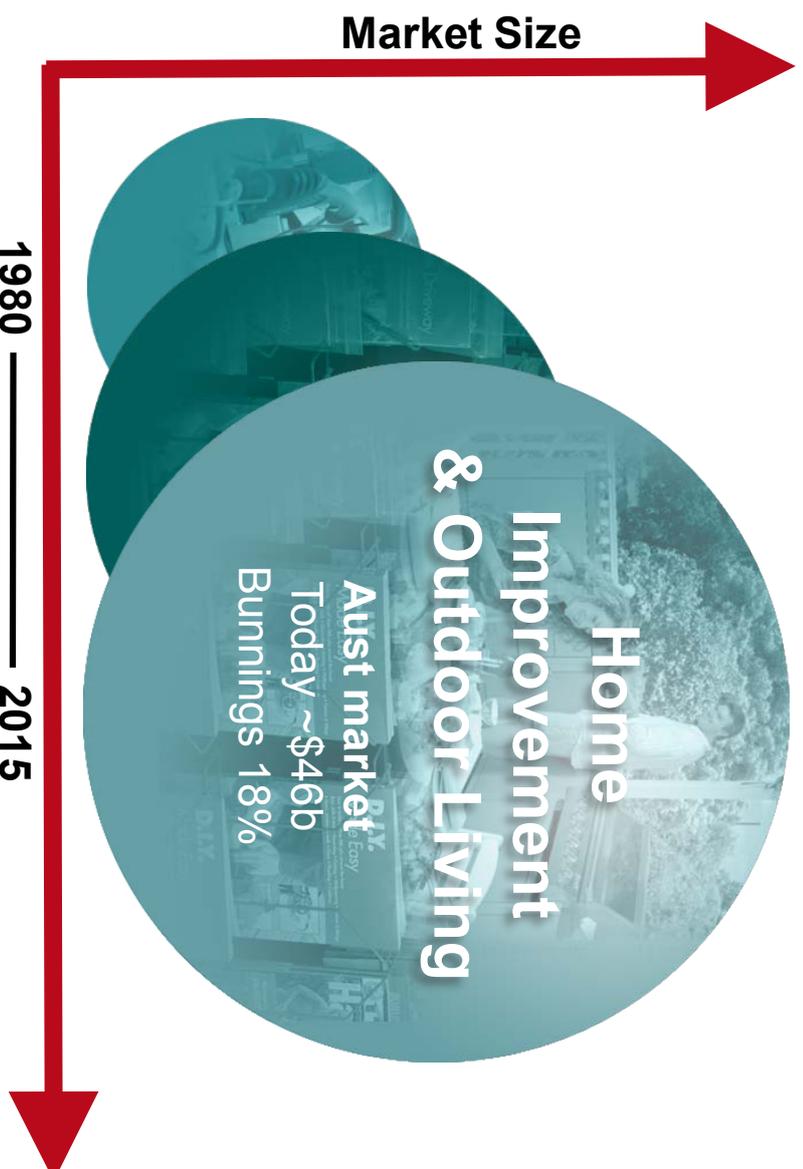
- Grow the market
- Grow our share



## Market evolution

---

**Addressable market expanded by evolution & innovation**



### **Bunnings' focus:**

- Grow the market
- Grow our share



## Market evolution

---

Addressable market expanded by evolution & innovation



## Wider market opportunities

Addressable market expanded by evolution, innovation & opportunities to sell into every other market where HIOL products are used



## Market evolution

---

**Addressable market wider than just home improvement & outdoor living**



toilets in every building



light fittings everywhere



ply for formwork & hoarding



line trimmers for grounds work everywhere

*most products used  
in and around homes &  
gardens have much  
wider everyday use in  
every building,  
structure & grounds  
used for repairs, refits,  
maintenance,  
construction &  
business operations*

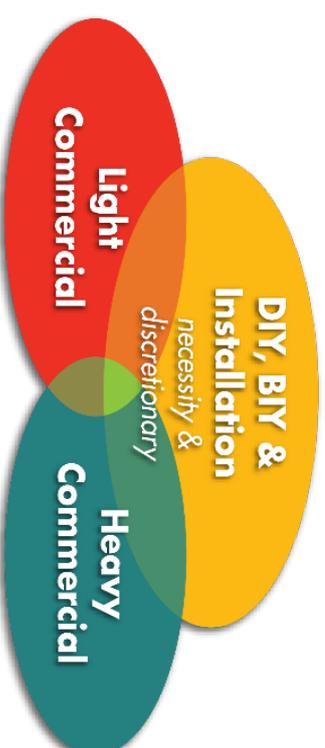


# HIOL market structure & drivers



Home Improvement & Office Supplies

Multiple Drivers	Varied Formats
<ul style="list-style-type: none"> <li>Household disposable income</li> <li>Renovation activity</li> <li>Housing – churn, value &amp; formation</li> <li>Weather</li> <li>Lifestyle / demographic trends</li> <li>Government activity</li> <li>Technology</li> </ul>	<p><i>nb: online activity prevalent in all formats</i></p> <ol style="list-style-type: none"> <li>Category specialists</li> <li>Hard goods mass merchants</li> <li>Traditional hardware</li> <li>Suppliers direct-to-market</li> <li>DDS &amp; supermarkets</li> <li>HIOL category killer</li> </ol>





# Strategic agenda

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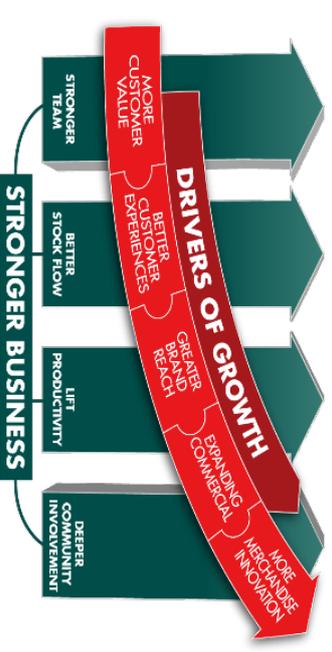


# Strategic agenda

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**Our strategic agenda is a framework to:**

- Focus on customers, team & community
- Grow the market
- Grow our share of the market
- Create long-term shareholder value



# Strategic agenda – detailed actions for each element

## OUR PLAN 2015/16

### DRIVERS OF GROWTH

#### More Customer Value

- Best pricing value. Always
- Lower cost and costs ... Lowest prices

#### Better Customer Experiences

- Even more helpful
- Listen, learn and engage more
- Faster, simpler services
- Lots of fun and activities
- Friendliest

#### Greater Brand Reach

- Best offer everywhere ... digital, in-home, in-store and on-site
- Expand digital reach and engagement
- Maintain strong network pipeline
- Open another 20 locations

#### Expanding Commercial

- Leverage brand and network
- Better customer experiences
  - In-store, online, digital
- Localised engagement, deeper relationships and enhanced marketing and specialist selling
- New models and widen specialist selling

#### More Merchandise Innovation

- Wider ranges, new products in-store and special orders
- Make D.I.Y. easier
- Range consistency – faster and simpler
- More inspiration and information

### STRONGER BUSINESS

#### Stronger Team

- Everyone sells. Always
- Invest, grow and keep the best team together
- More engagement and fun
- Reflect the communities we serve. Live diversity
- Better team support systems

#### Better Stock Flow

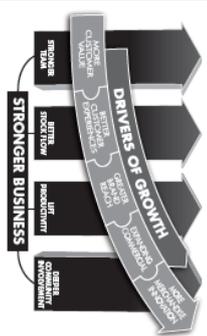
- Faster with less waste
  - Safer, less cost, easier handling
- Be in stock and lift GMROI
- Convenient and easy customer deliveries
- Continue improving DC processes

#### Lift Productivity

- Leverage 70/30 – better admin more service
- Think and lead digital
- Easier everywhere – customers, suppliers and team
- Innovate to lower costs and find better ways
- Better information. Better decisions

#### Deeper Community Involvement

- Keep doing fantastic community engagement work – sincere, local and meaningful
- Drive resource efficiency with real sustainability actions

*conscious choices  
across all activities  
giving customers  
the best offer*



## Today's presentation

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Focus on two of our five growth drivers



Good growth expected from the “value”, “service” & “commercial” drivers

All nine work areas in our strategic agenda are critical to long term success



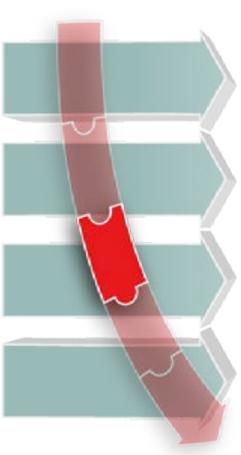
## Greater brand reach

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### Three elements to brand reach

1. Widening our digital eco-system
2. Expanding our physical network
3. More in-home services

*We are accelerating all activities*



## Greater brand reach – digital

---

### Deeper customer engagement & involvement

- pre & post-shop + services
- online + in home + on site + in store
- across multiple dimensions

### Expanded capability

- more consumer
- more commercial

### Pathway to complementary adjacencies



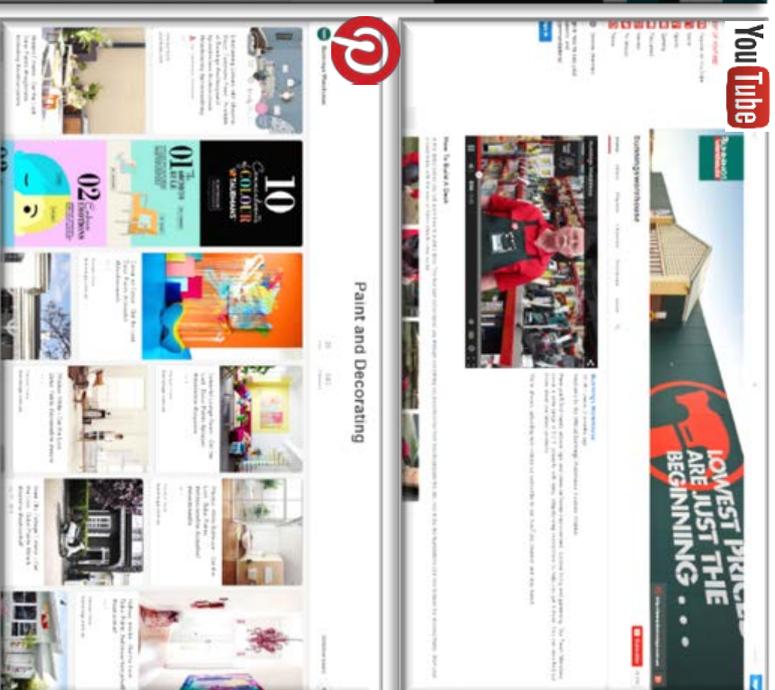
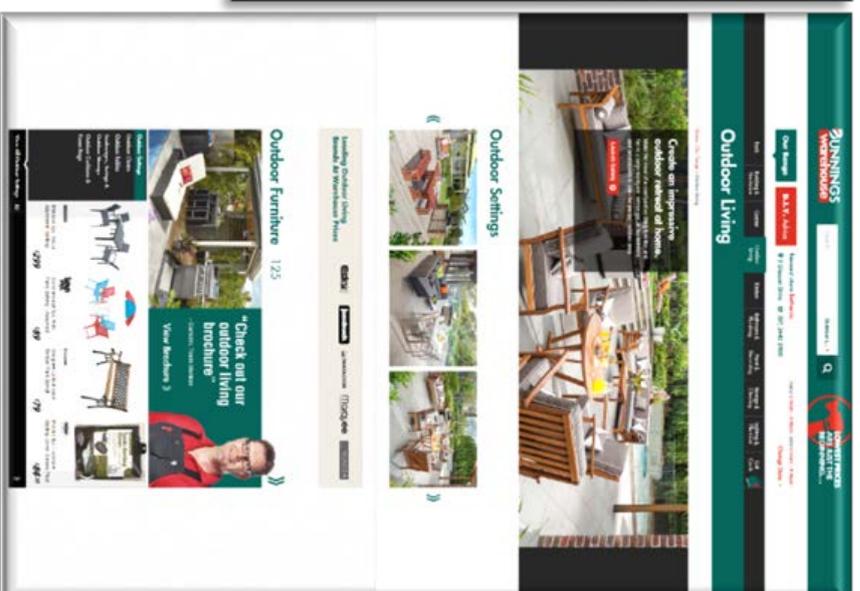
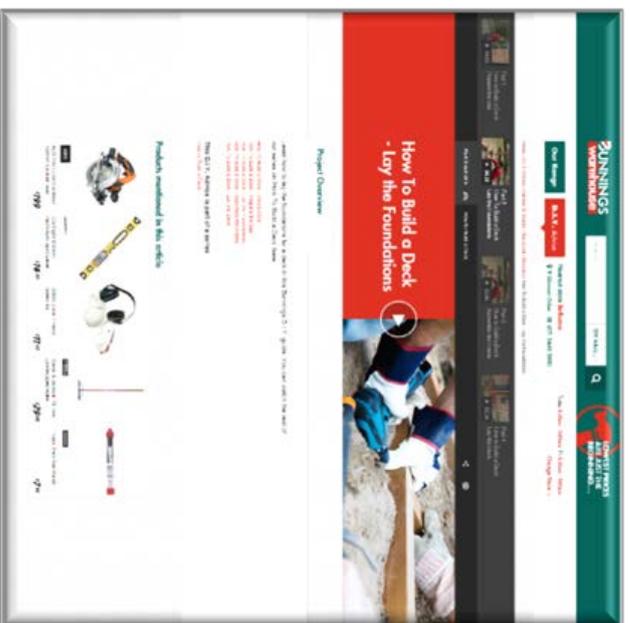
“Research online, purchase offline”  
dominant in home improvement &  
outdoor living market



# Greater brand reach – digital

Widening our digital ecosystem      branded & social

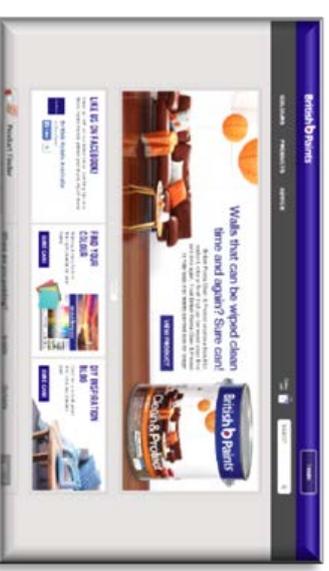
*Product & project knowledge, how to, inspiration, engagement*



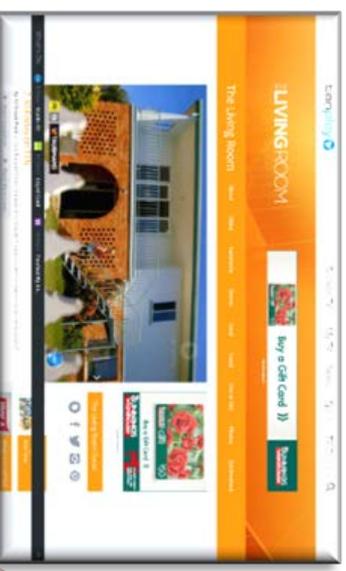
# Greater brand reach – digital

**Widening our digital ecosystem**     **supplier & media partnerships**

*Supplier partnerships*     *product & project knowledge, how to, inspiration, engagement*



*Media partnerships*     *inspiration, engagement*



Home Improvement & Office Supplies

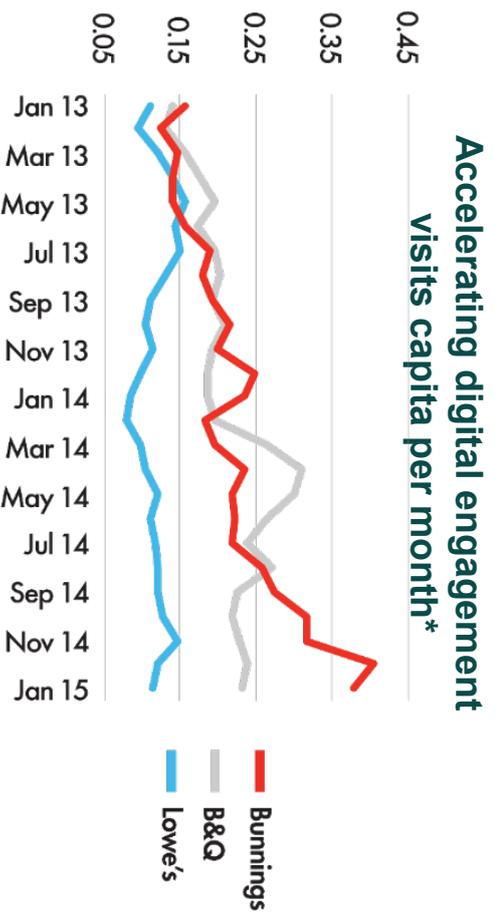


# Greater brand reach – digital

Market leading customer engagement & involvement

Leveraging eco-system capability

Accelerating all digital activities



\*source Experian Hitwise, Aust, UK, US

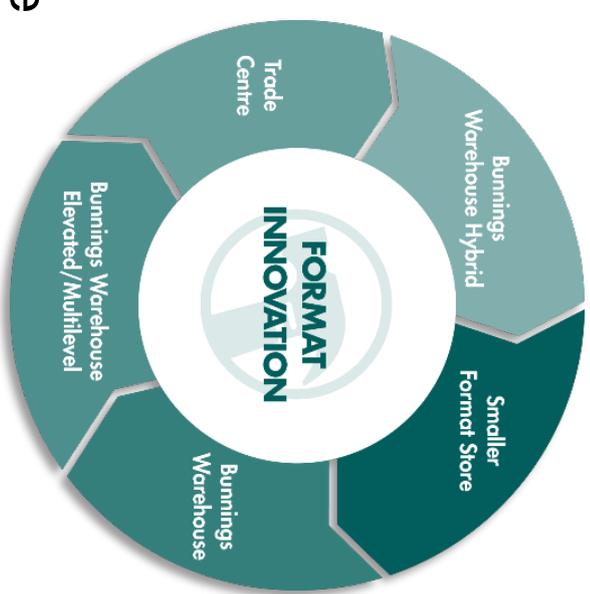
Home Improvement & Office Supplies



## Greater brand reach – physical

### Expanding our physical network

- Leverage total market capability
- Excellence in every channel
- Highly flexible & innovative
- Constant format evolution
- Commercially disciplined; driving return on space



## Greater brand reach – physical

---

### Bunnings: smaller format



- heritage format “home centres”
- ~2,000m<sup>2</sup> to ~5,000m<sup>2</sup>
- regional & metro markets
- retail & commercial customers
- 66 in network (at 18 May 2015)
- opening 2 to 4 pa long term
- greenfield & acquisition



## Greater brand reach – physical

### Bunnings Warehouse



- large format; highly flexible
- cornerstone brand
- ~5,000m<sup>2</sup> to ~20,000m<sup>2</sup>
- retail & commercial customers
- 232 in network (at 18 May 2015)
- open 15 to 18 in FY16 & FY17
- open 10 to 14 pa long term
- constant innovation & evolution



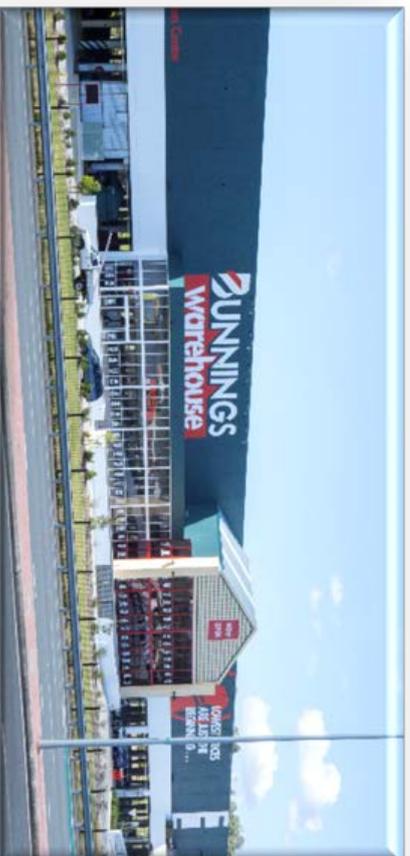
## Greater brand reach – physical

---

### Bunnings Warehouse: multilevel & elevated



- format adaptability supports growth
- innovating unlocks market opportunities
  - inner-urban & tightly held suburban
- achieves strong customer outcomes
- can combine store with other property elements



## Greater brand reach – physical

---

### Bunnings Trade Centres



- specialised 'DIFOT' format
- commercial customers
- narrow & deep ranging
- lowest operating cost
- 32 in network (at 18 May 2015)
- open ~2 pa long term



## Greater brand reach – physical

### Bunnings Warehouse: hybrid sites

*Incorporating key elements of trade centres into selected large Bunnings Warehouses*



- leverage cost & working capital
- strong outcomes for consumer & commercial customers
- locations highly site specific – ideal for regional
- 10 in network at May 2015



## Greater brand reach – physical

### Expanding our physical network

#### Leveraging our total market capability

#### Strong network investment continues

- best store in market
- current pipeline 70+ new sites
- targeted into existing stores

#### Driving return on space

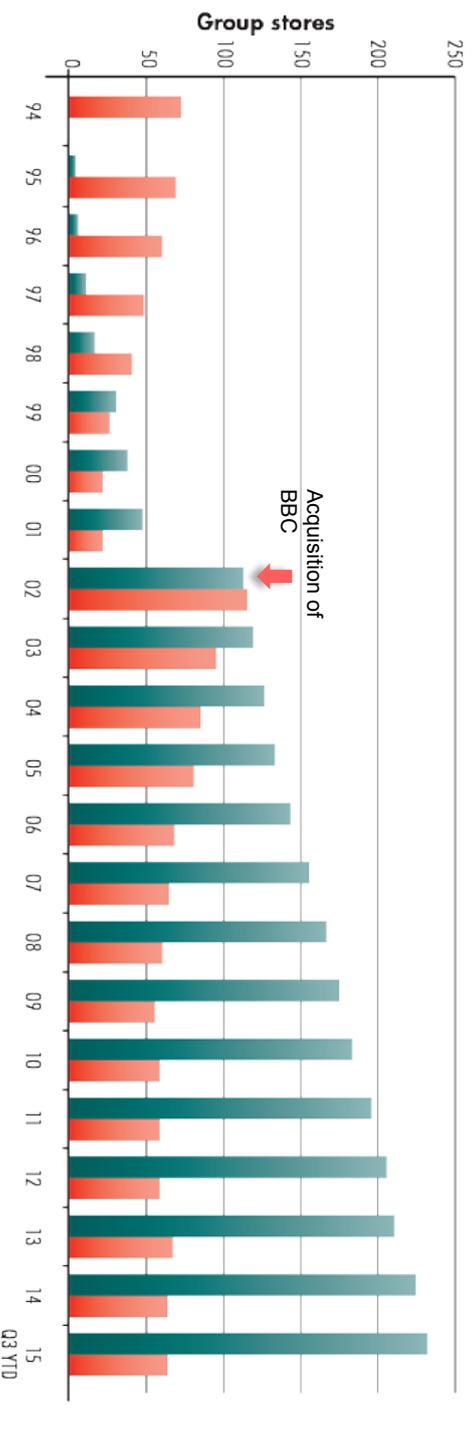
#### Constant format innovation & evolution

- unlocks market opportunities
- supports merchandising growth



# Greater brand reach – physical

## Investing To Deliver A Winning Customer Offer



## 10 year network investment view; openings, replacements & expansions

	Open at 1 July 2004	Opened	Closed to upgrade network	Open at 18 May 2015	Expanded
Bunnings Warehouse	125	136	(29)	232	22
Bunnings smaller formats	85	41	(60)	66	2
Bunnings Trade Centres	1	51	(20)	32	-

Home Improvement & Office Supplies

**strong financial  
disciplines  
underpin all  
network  
investment  
decisions**



# Today's presentation

---

Focus on two of our five growth drivers

GREATER  
BRAND  
REACH

MORE  
MERCHANDISE  
INNOVATION





## More merchandise innovation

---

### Growth examples from the past 24 months



Grow your own new products, new markets



Lighting



Household technology



Li-ion power & "skins"

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Playgrounds



Ladders & work platforms

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## More merchandise innovation

---

### Strong long-term opportunities for sector growth

#### Mega Trends

- Population growth & urbanisation
- Sustainability & energy efficiency
- Ageing population & independent living needs
- Technology: automation & intelligence for homes & gardens
- Continual innovation across the whole spectrum of HIOL

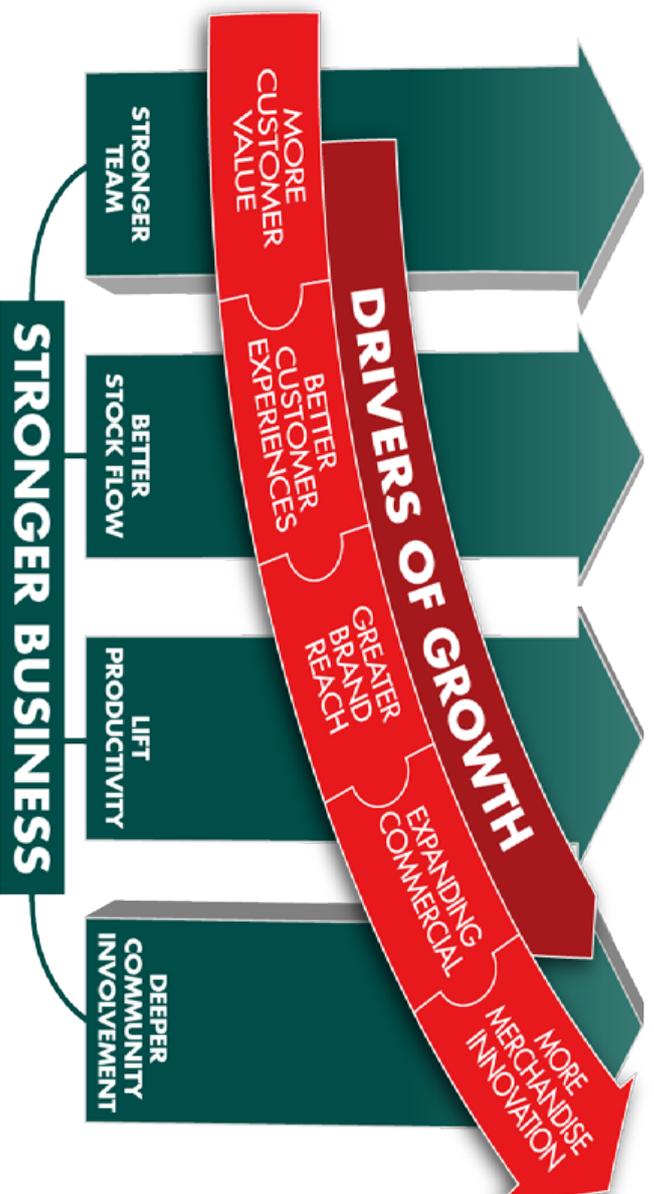
#### Positioned for Growth

- Partnerships with world's best & Australia's leading brands
  - innovation capabilities highly valued
- Strong customer loyalty & brand trust
- Create, leverage & respond to major trends with new products & new applications
- Capacity to exploit every opportunity in physical network & digital eco-system
- Access to innovation across the whole spectrum of HIOL





# Strategic agenda



Home Improvement & Office Supplies

## OUR PLAN 2015/16

### DRIVERS OF GROWTH

- More Customer Value**
  - Bundling value. Always
  - Lower cost and cost... lower price
- Better Customer Experiences**
  - Fun, fast and engage more
  - Listen, learn and engage more
  - Focus, engage services
  - Use of fun and devices
  - Member
- Greater Brand Reach**
  - Beat other everywhere... digital, in-store, mobile and on-site
  - Expand digital reach and engagement
  - Market in new ways, go-to
  - Open under 20 locations
- Expanding Commercial**
  - Leverage brand and network
  - Better customer experiences
  - In-store, on-site, digital
  - Engaged employees, deeper relationships and widened marketing
  - New markets and wider specialist selling
- More Merchandise Innovation**
  - Wider range, new products in store and special cost
  - Make DIY easier
  - Engage customers – faster and simpler
  - More inspiration and education

### STRONGER BUSINESS

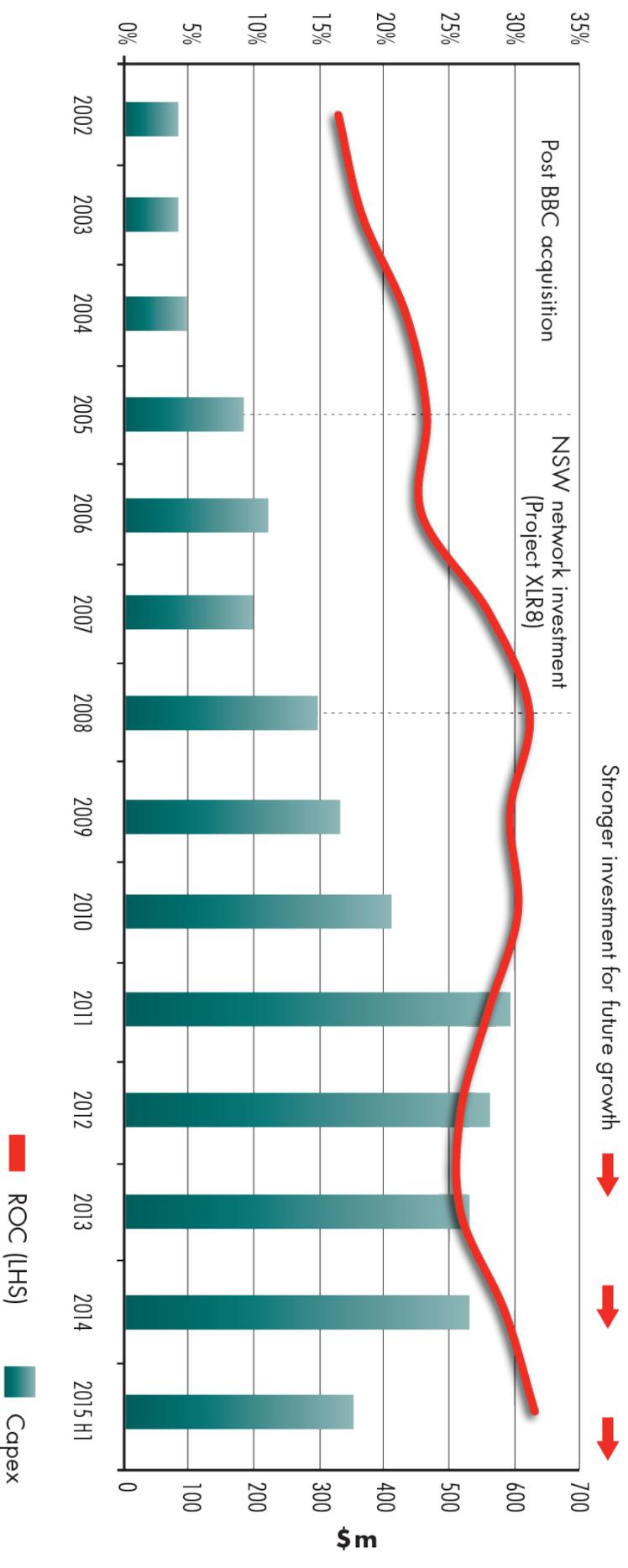
- Stronger Team**
  - Everyone wins. Always
  - Invest, grow and keep the best team together
  - More engagement and fun
  - Reward the customer we serve. Live differently
  - Better team support systems
- Better Stock Flow**
  - Faster with less waste
  - – Show, less cost, easier handling
  - Be in stock and in CM/CD
  - Customer and easy customer deliveries
  - Continue improving O/C processes
- Lift Productivity**
  - Leverage 70/20 – better obtain more service
  - Think and work digital
  - Focus everywhere – customer, supplies and team
  - Innovate to lower costs and find better ways
  - Better information. Better decisions
- Deeper Community Involvement**
  - Keep doing fantastic community engagement work – stores, local and meaningful
  - Drive resource efficiency with real sustainability actions

**FASTER»»STRONGER**



# Achieving long-term growth & sustainable returns

Investing for growth    acquisition & organic  
 Delivering market leading returns



## Positioned for continued growth

---

### Strong trading momentum

- growing participation levels
- all categories & all regions
- consumer & commercial

### Investing for long-term growth

- “winning offer” from all growth drivers: value, service, brand reach, commercial & merchandising

### Focus on the best long-term outcomes

### More gains from productivity & capital management work



## Positioned for continued growth

Lots of runway in +\$46b Australian market

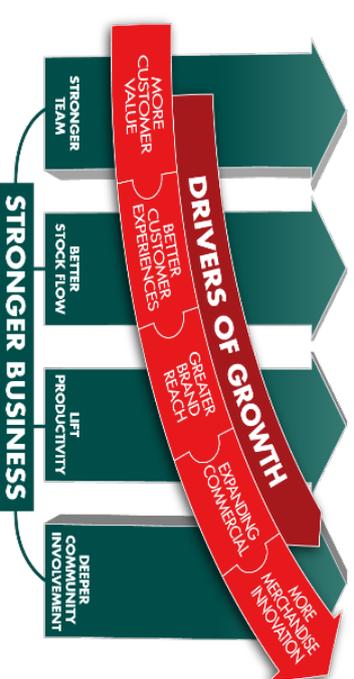
- by 2019 ~1.5 million households have >20 mins drive to a Bunnings store
- similar opportunities in New Zealand

Strong customer loyalty & brand trust

Team members engaged, focused, committed & energised

“Drivers of growth” generating & capitalising on multiple opportunities

“Stronger business” agenda underpins growth & business health



“Most trusted”  
9 consecutive years



# Questions

---

John Gillam, Managing Director  
PJ Davis, Chief Operating Officer  
Home Improvement & Office Supplies



# Kmart

Guy Russo  
Managing Director

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# Agenda

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1. Results
2. Recent achievements
3. Growth strategy
4. Volume retailer
5. Operational excellence
6. Adaptable stores
7. High performing culture
8. Store network
9. Outlook



# OUR VISION



Where families come first  
for the **lowest prices**  
on everyday items

## Results

---

- Strong financial performance
  - Significant earnings growth (five year EBIT CAGR of 27.4% to 30 June 2014)
  - Strong improvement in Return on Capital (29.0% at 31 December 2014, up from 7.4% at 30 June 2009)
  - Significant growth in customers & units sold



## Recent achievements

---

- Enhanced range architecture
  - Greater value for customers
- Further improvements in working capital management
- Increased end-to-end efficiencies
  - Focus on in-store efficiency & supply chain efficiency
- Refurbishment program
  - Lower levels of disruption
  - Shorter time on site
  - Reduced fit out cost
- Strong new store pipeline

# Growth strategy – continued focus

---



## Volume retailer

---

- Commitment to lowest prices
- Expansion of growth categories
- Enhance range architecture
- Grow online
- More frequent communication



## Operational excellence

---

- Safety
- Improve end-to-end operational execution
- Reduce CODB
- Sourcing ethically
- Right products going to the right stores at the right time
- Enhanced promotional alignment



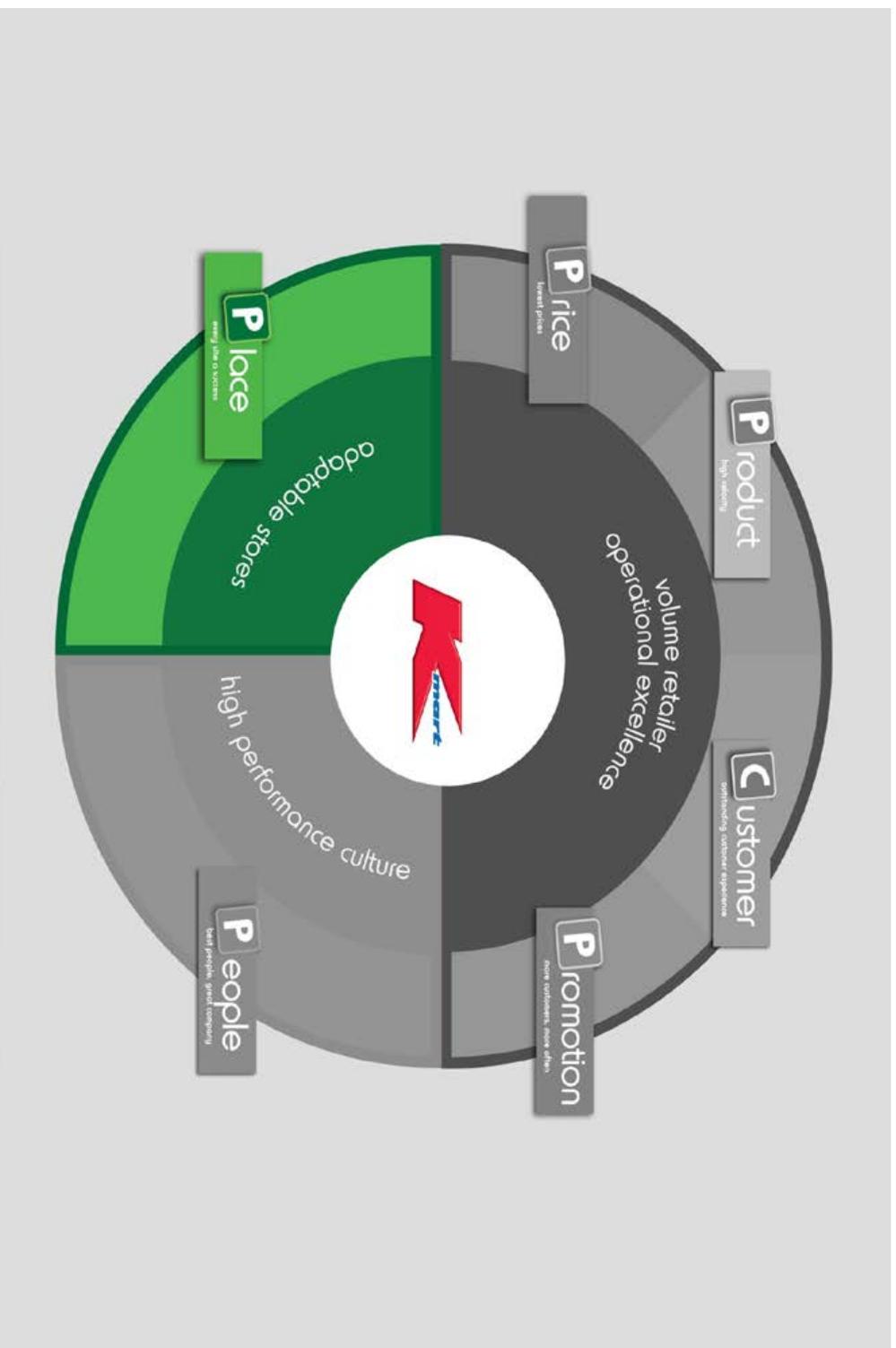
## TVCS

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Kmart

# Adaptable stores



# Kmart's new store concept - the three worlds



Kmart

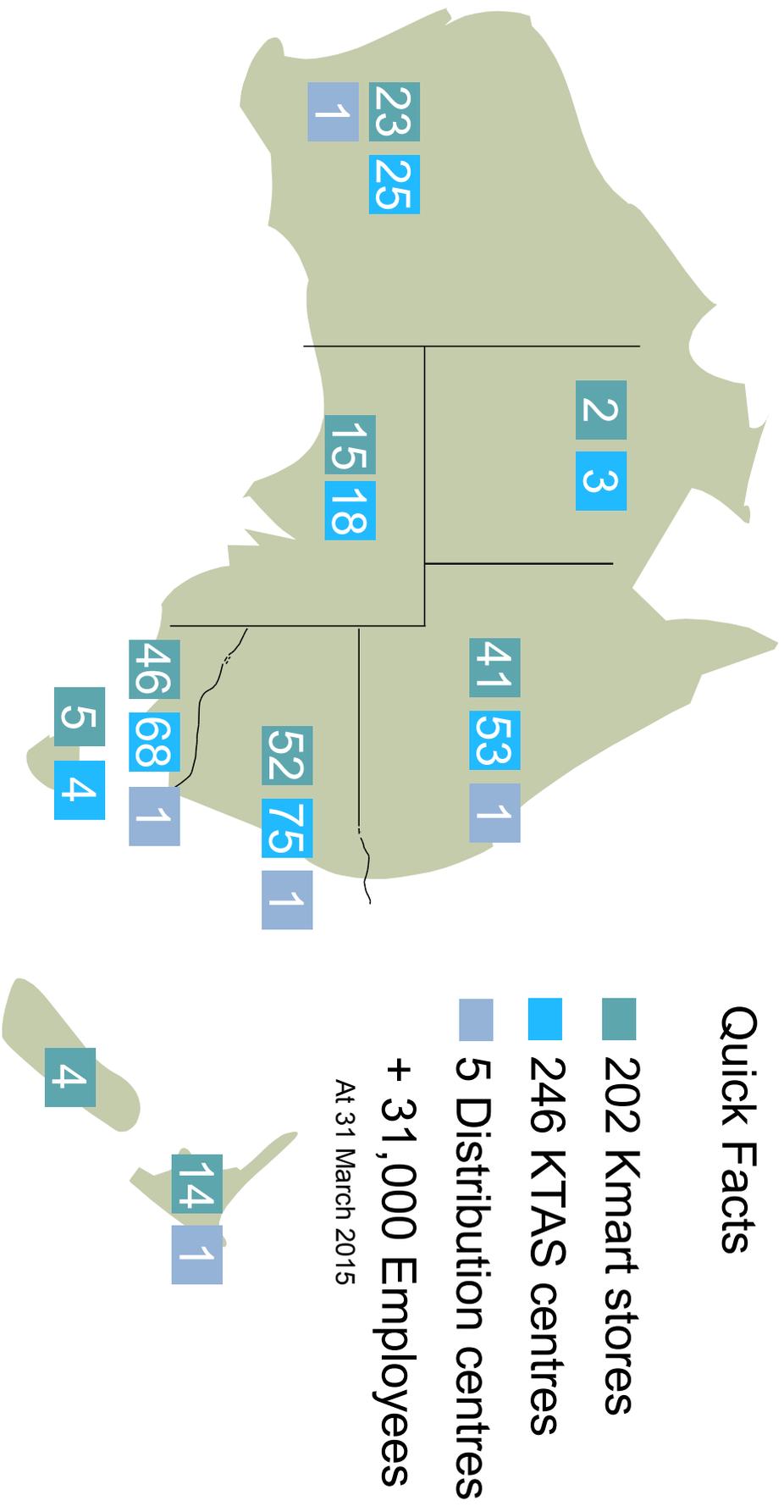
## Store network

---

- More new stores
  - Open 35 over four years
- Continue the store refurbishment program
  - Approximately 40 stores per year renewed in the new format

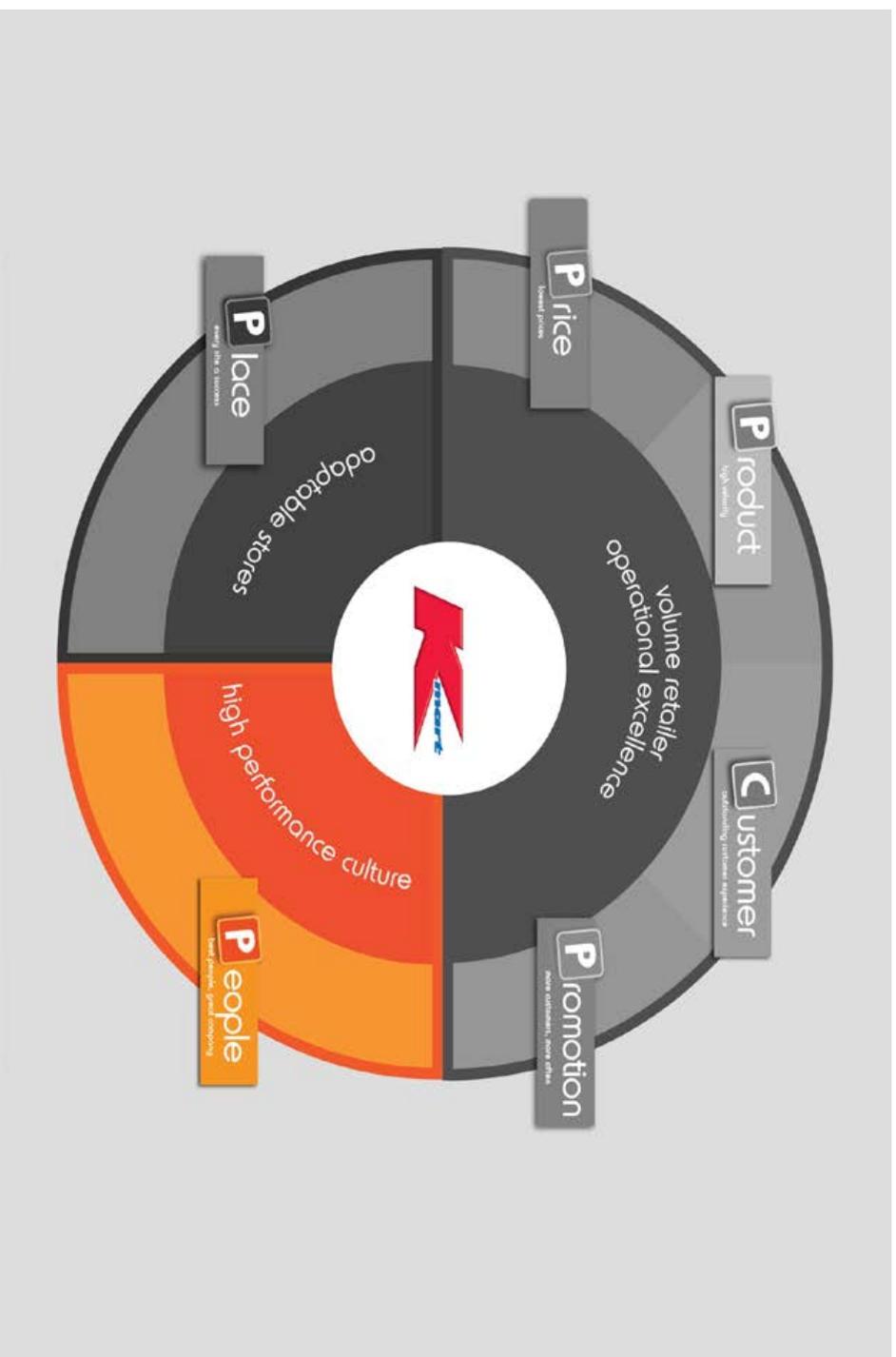


# Kmart today



# High performing culture

---



Kmart

## Kmart's values & UGRs

---

- Deliver results
- Integrity
- Customers come first
- Teamwork
- Boldness



UGRs are the Unwritten Ground Rules that guide  
BEHAVIOURS at work & ensure team members are all living  
the Kmart VALUES everyday

## Building a sustainable business

---

- Sustainability strategy developed following extensive engagement with key stakeholders (suppliers, landlords, industry experts, NGOs, analysts, media, team members & customers)
- Sustainability strategy focused on:
  1. Sourcing ethically – factory transparency & safe work conditions
  2. Community
  3. Environment
  4. Product quality & safety
  5. Health & wellbeing
  6. Team member development



# Our local & global community network

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## Australia



## Global



## China

## India

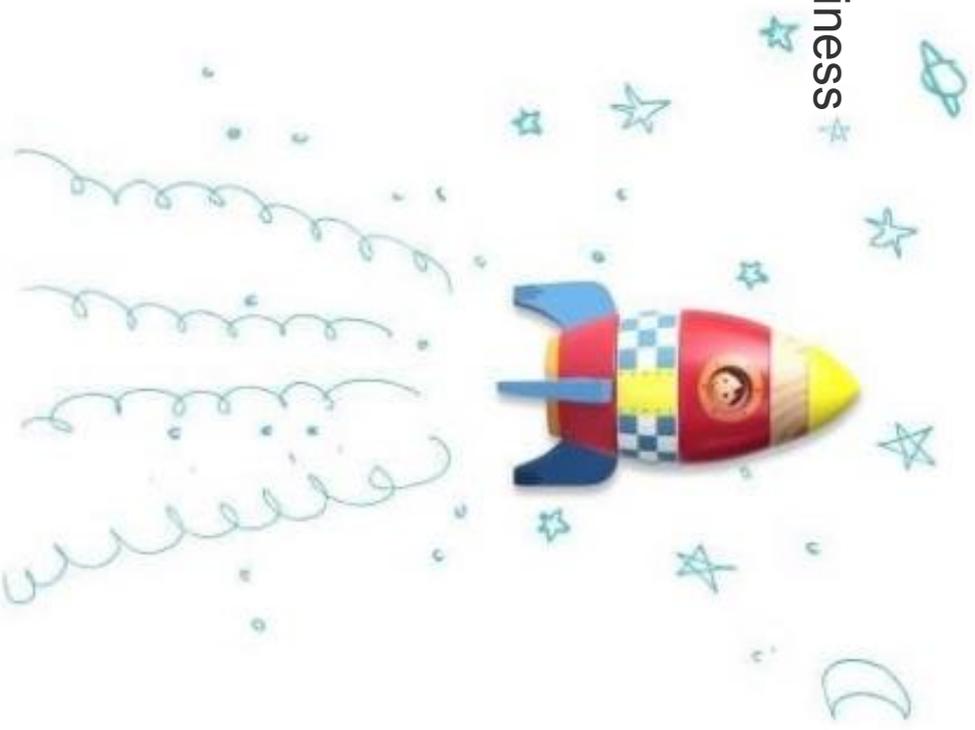
## Bangladesh

## New Zealand

## Outlook

---

- Continue to lead on price
- Improve end-to-end efficiencies across the business
- Continue to invest in price
- Enhance range architecture
- Open more stores
- Continue refurbishment program
- Develop & enhance online offer
- Continue to prioritise safety



# Thank you - Irresistible clip

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# Questions

---

Guy Russo  
Managing Director



# Target

Stuart Machin  
Managing Director

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**Great quality.  
New lower prices.  
Every day.**



# AGENDA

- Our strategy – a reminder
- Progress on legacy issues
- Our business today
- Our transformation plan
- Our competitive advantage



# OUR PURPOSE, MISSION & STRATEGY

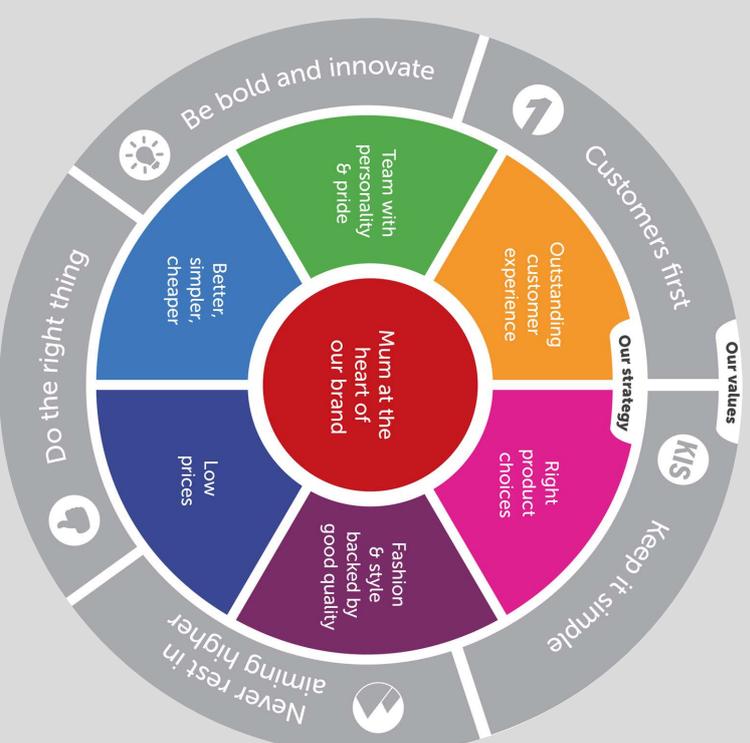


## Purpose

To make fashion, style and quality affordable for the whole family

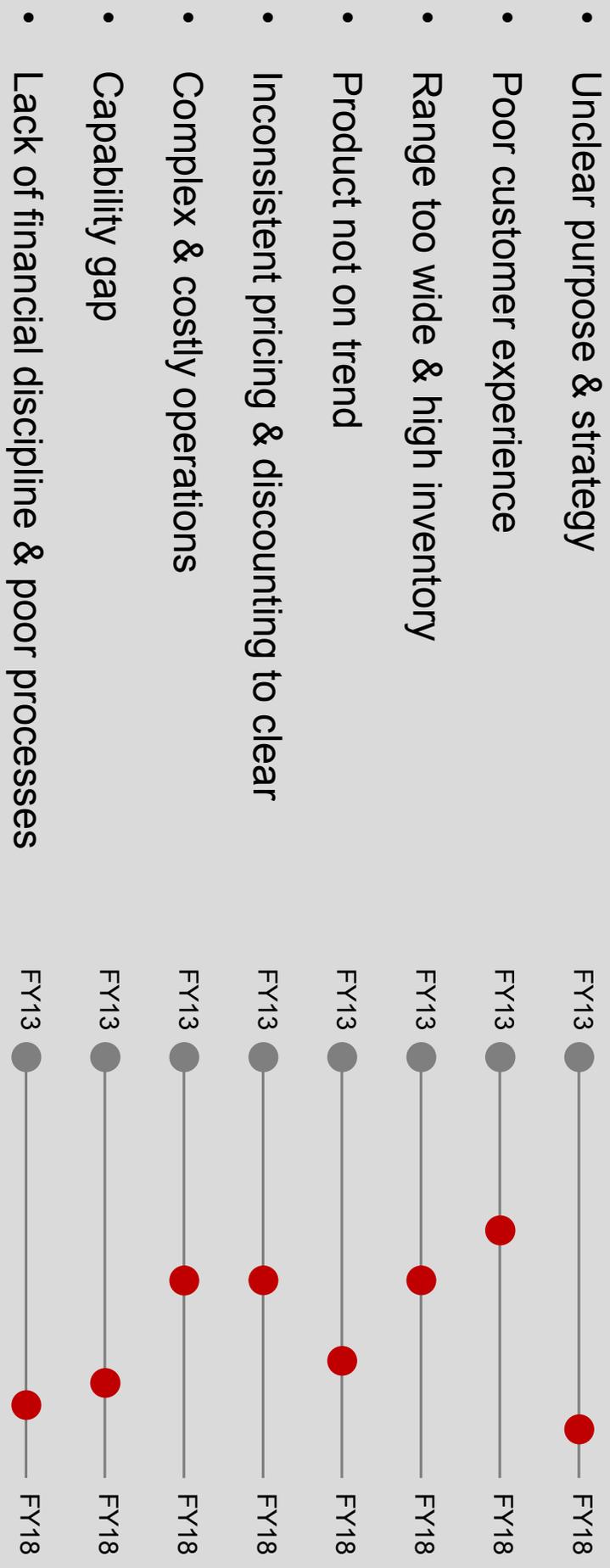
## Mission

Become a multi-channel retailer delivering satisfactory returns to shareholders





# PROGRESS ON LEGACY ISSUES



● FY13 ● Today

# PROGRESS ON LEGACY ISSUES



**17pt**

improvement in  
customer  
satisfaction

**27%**

reduction in  
SKUs

**8pt**

improvement  
in style  
perception

**12pt**

increase in  
direct  
sourcing

**75%**

of sales now  
'first price,  
right price'

**10%**

reduction  
in costs of  
doing business

Source: management data comparing to FY13.

Target

# TODAY'S TRADING



3%

growth in  
customer transactions

4%

growth in  
units sold

6%

reduction in  
average selling prices

**CHALLENGE: VOLUME GROWTH**

Source: management data comparing to FY14.

Target

# OUR BUSINESS TODAY



**75%**

of our customers are  
women aged 25-54

**60%**

of Australians shop  
in Target every year

**#1**

for women's  
underwear & sleepwear

**#1**

for bed linen  
& towels

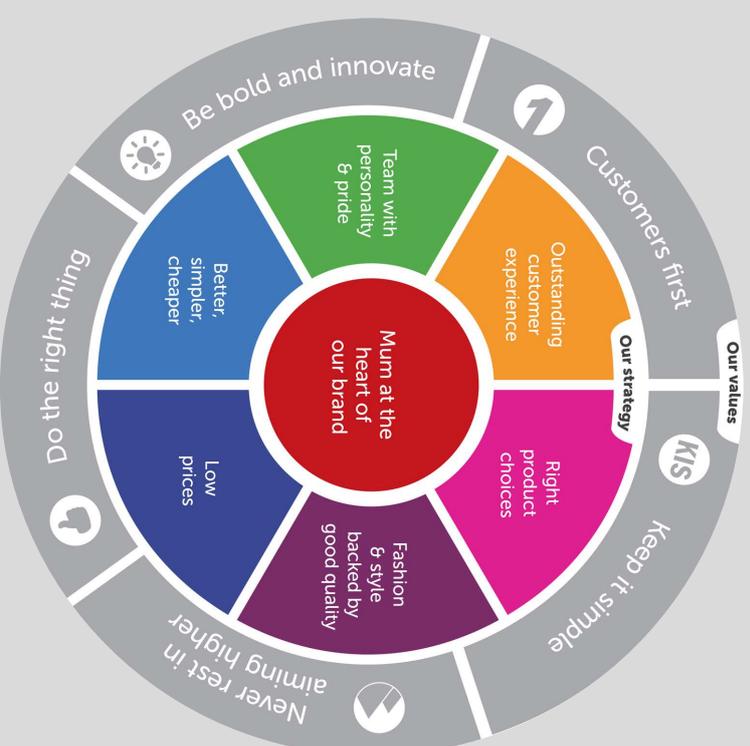
**#1**

for children's  
clothing & shoes

Source: Roy Morgan, ABS, management data.

# OUR TRANSFORMATION PLAN

- Our plan is consistent
- Clearly defined horizons
- Values core to our way of working
- Mum remains at the heart





# TRANSFORMATION PLAN HORIZONS

## Fixing the basics (FY14-15)

- Improve availability
- Enhance online functionality
- Improve service & refresh stores
- Reduce SKUs
- Refresh in-house design & trend
- Restructure sourcing team & consolidate supplier base
- Simplify store rostering model
- Rationalise supply chain network
- Optimise support structure
- Top team & structure for transformation in place
- Embed new values & performance management

Horizon end: 30 June 2015

## Growth & efficiency (FY16-17)

- Maximise SKUs on replenishment
- Roll-out renewal program
- Right range in the right store
- Shorter lead times
- Consistent fit & quality
- Reinvest sourcing benefits in price
- Realise benefits of investment in systems & processes
- Recruitment, development & performance aligned to values

Horizon end: 30 June 2017

## The Target difference (FY18)

- Integrated 'bricks & clicks'
- Differentiated store format
- Outstanding customer service
- Edited ranges
- On-trend & known for fashion & style backed by good quality
- Amazing low prices for the fashion & quality provided
- Lean, flexible & sustainable operations
- Our values are embedded, driving a high performance culture that has transformed our business

- Outstanding customer experience
- Right product choices
- Fashion & style backed by good quality
- Low prices
- Better, simpler, cheaper
- Team with personality & pride

Target

# OUTSTANDING CUSTOMER EXPERIENCE

- Availability our customers want
- Integrated bricks & clicks
- Engaging & personalised experience
- Accessible throughout Australia



Target

# AVAILABILITY OUR CUSTOMERS WANT

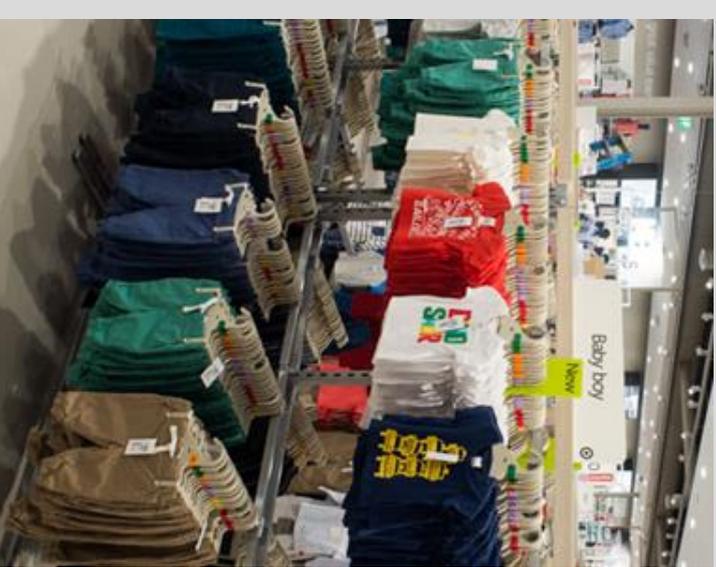


## Progress so far

- Three regional replenishment centres opened on time & on budget in VIC, NSW & QLD
- Replenishment SKU availability increased to 84%
- Implementation of stock visibility & demand planning systems on track

## Our plan

- Open fourth replenishment centre in WA
- Increase SKUs on replenishment
- Drive availability +85% during FY16



# INTEGRATED BRICKS & CLICKS



## Progress so far

- YTD sales growth +60%
- 55,000 SKUs on line & full catalogue offer
- New shipping options introduced
- In-store fulfillment pilot
- 42% increase in EDM database

## Our plan

- Drive higher conversion, through better availability
- Successful transition to new automated DC & roll-out of in-store fulfillment
- Step-change customer experience on website & through app to drive frequency of shop



**545,953 fans**  
**1.4m weekly average reach**



**63,100 followers**



**9,885 followers**



**1,984 followers**



**1,154 subscribers**

# ENGAGING & PERSONALISED EXPERIENCE



## Progress so far

- Six new stores opened in new format
- Three renewal stores also completed
- New format returns are stronger than the fleet average
- Retail Leaders training program launched

## Our plan

- Refine store format
- Accelerate renewal program to deliver minimum of 20 stores annually
- Roll-out new POS system from Q2 FY16
- Improve customer loyalty through personalisation



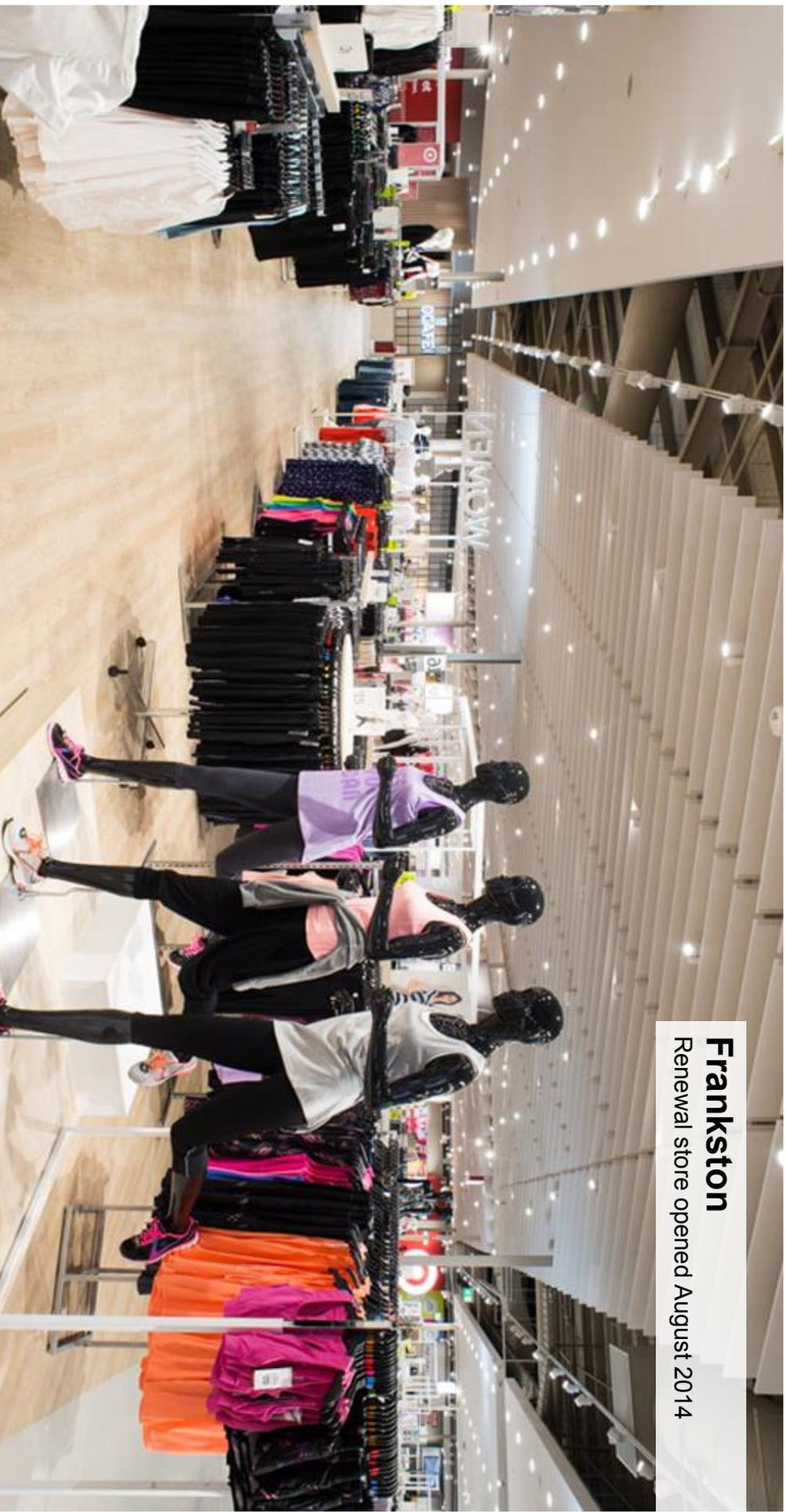


**Frankston**  
Renewal store opened August 2014



## Frankston

Renewal store opened August 2014

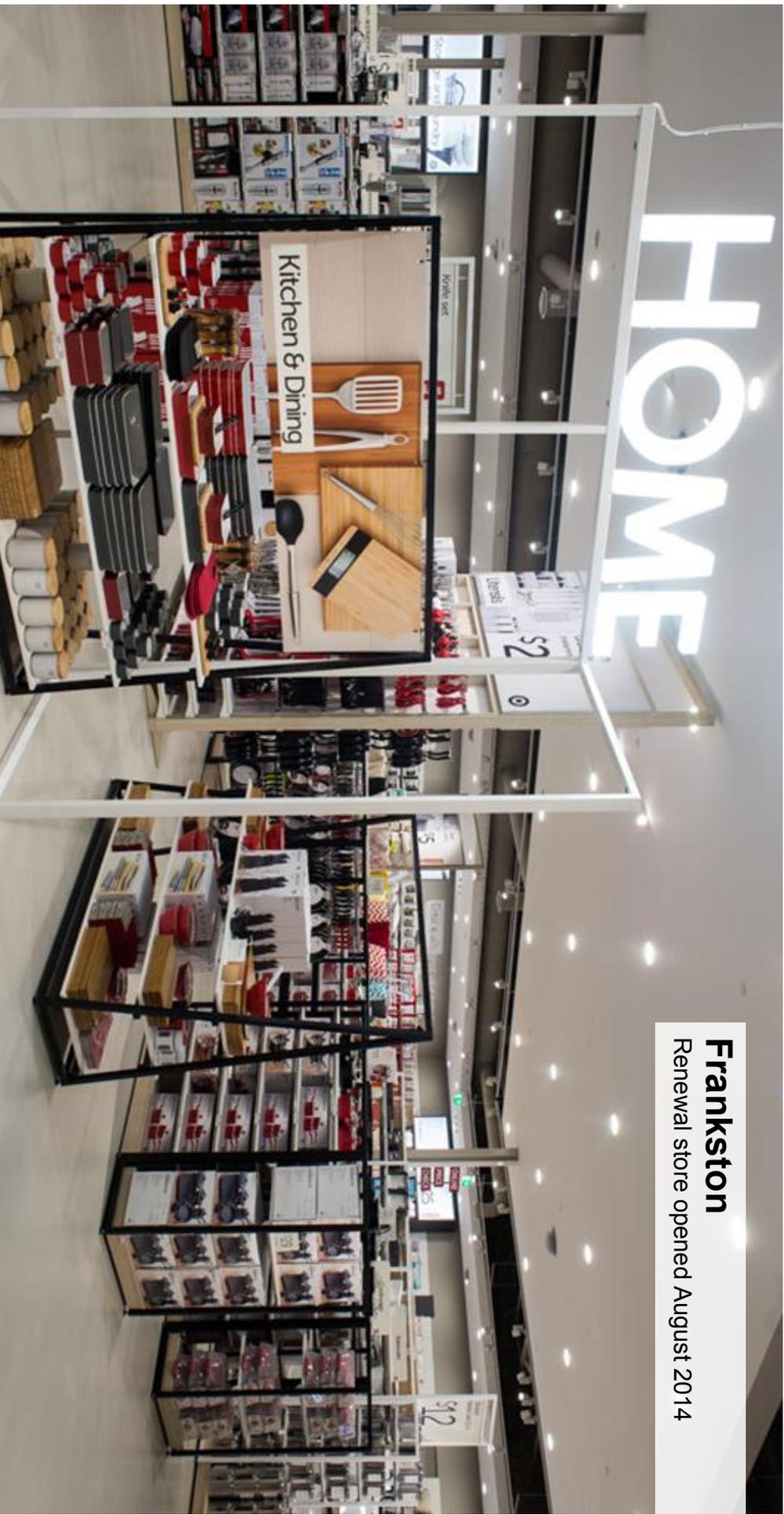


## Frankston

Renewal store opened August 2014



**Frankston**  
Renewal store opened August 2014



## Frankston

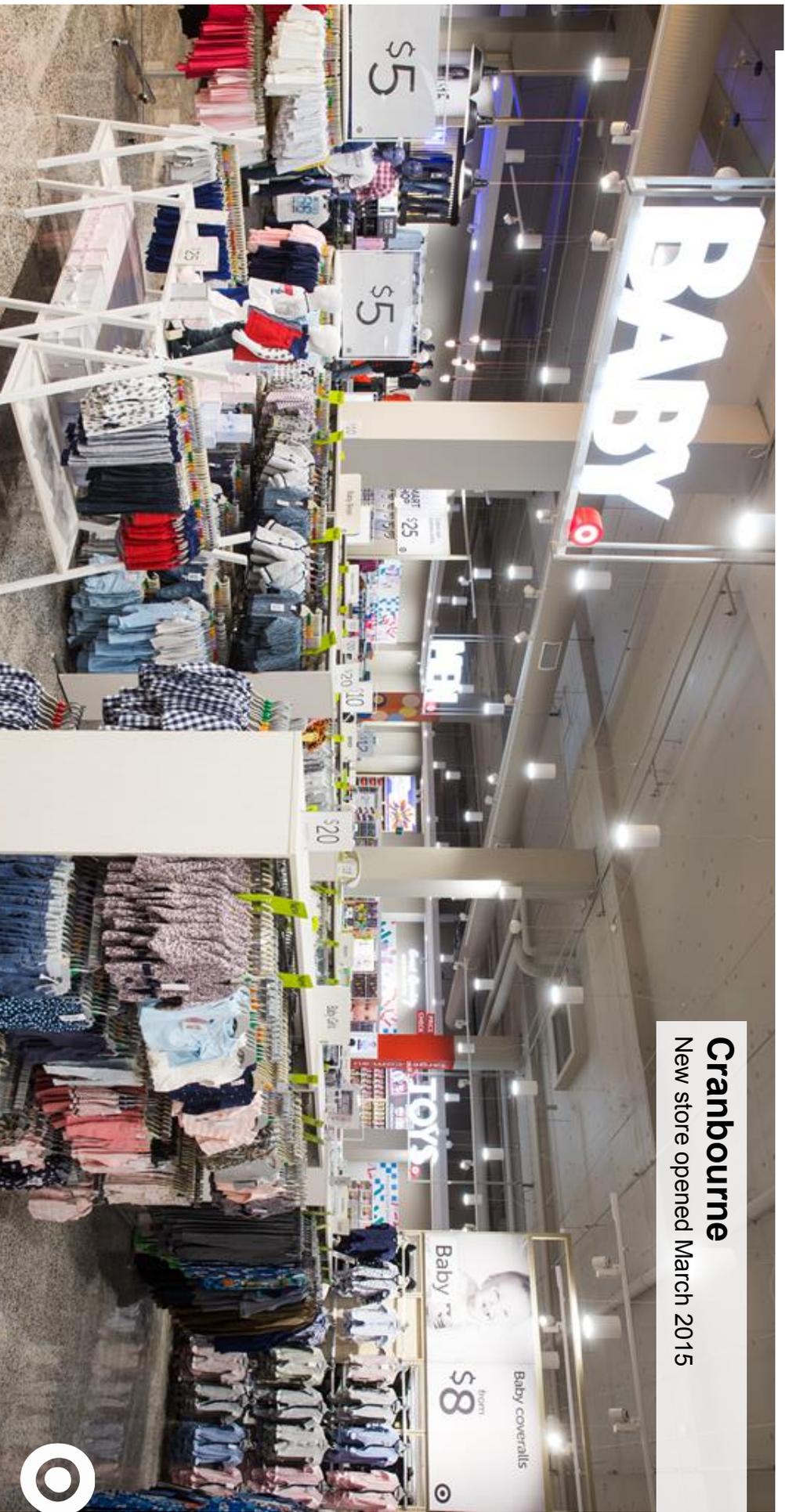
Renewal store opened August 2014



**Mt Gravatt**  
New store opened September 2014



**Success**  
New store opened October 2014



**Cranbourne**  
New store opened March 2015

# ACCESSIBLE THROUGHOUT AUSTRALIA



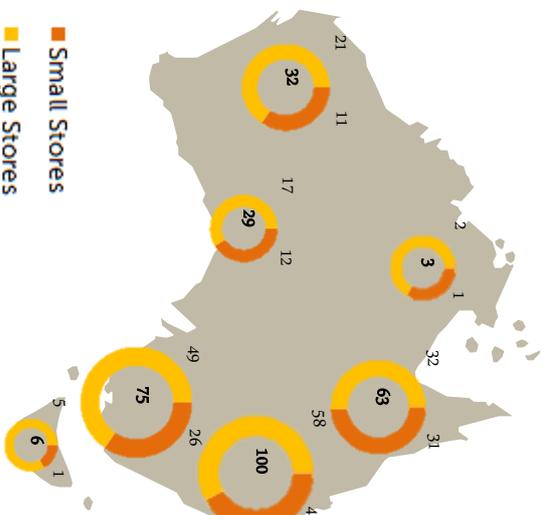
## Progress so far

- 308 stores
- 10 stores opened
- 17 stores closed
- 30 leases renewed on favourable terms
- Capital plan aligned where appropriate to centre developments

## Our plan

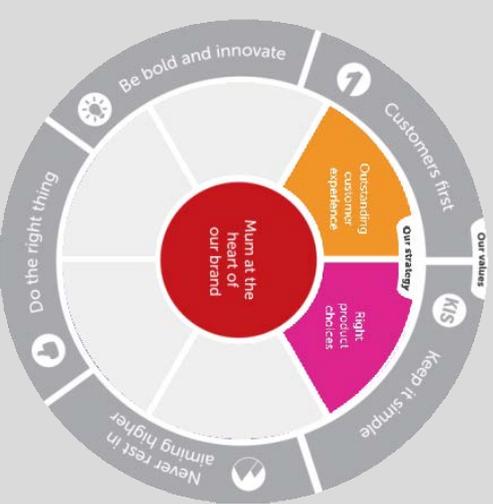
- Open profitable new stores in market gaps
- Optimal selling floor size of 5,500 sqm
- Continue to optimise small store network
- Close underperforming stores, where no market potential exists

## Fleet today



# RIGHT PRODUCT CHOICES

- Narrower range
- Improved sales density
- Adherence to critical path



# NARROWER RANGE



## Progress so far

- SKUs reduced by 27%
- Expansion of new ranges
- Reduction in underperforming & declining categories
- Reduction in seasonal stock weight

## Our plan

- Further 13% reduction in SKUs during H1 FY16
- Create further space to expand new & innovative ranges
- Build more confidence in buying teams to back volume



# IMPROVED SALES DENSITY



## Progress so far

- New layouts piloted in Womens, Home & Childrens
- Greater emphasis on demonstrating value
- New store grading structure implemented

## Our plan

- Roll-out best performing elements of pilots
- Continue to ensure new format stores perform above fleet average
- Improve commercial & merchandising skills of store managers



# ADHERENCE TO CRITICAL PATH



## Progress so far

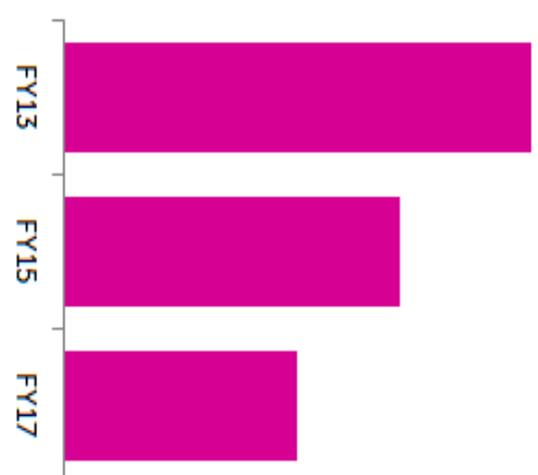
- Critical path implemented across all buying groups
- Childrens most advanced in implementation & shows in results
- 50 day reduction in lead time

## Our plan

- Drive further 40 day improvement in lead time
- Expand vertical integration during FY16
- Increased focus on fabric consolidation

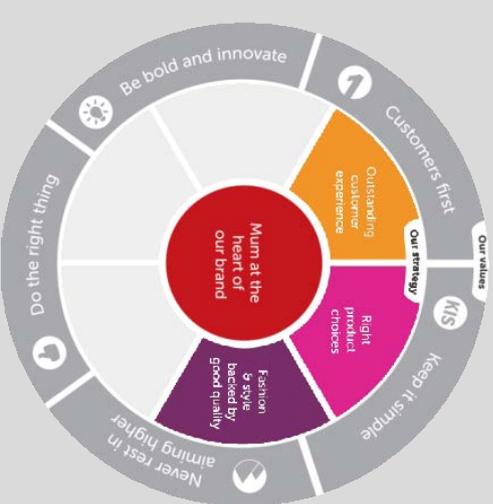
## Shorter lead times

Number of days in critical path



# FASHION & STYLE BACKED BY GOOD QUALITY

- On trend & in the moment fashion
- Consistent fit & durability
- Re-launch the brand



# ON TREND & IN THE MOMENT FASHION



## Progress so far

- Good-Better-Best range architecture in place
- Clear sub-brands established across Womens
- Re-launched Designers for Target
- Volume & value lines now 12% of total units sold

## Our plan

- Maintaining balance between fashion & great everyday basics
- Further refinement of range architecture with focus on Better
- Shorter lead times critical to support 'fast fashion'





Target

2015 Strategy Briefing Day | 157

**bellecurve.**  
At Belle Curve we believe  
women of all sizes should  
be able to enjoy fashion.



Target



Target



2015 Strategy Briefing Day | 159



Target

# CONSISTENT FIT & DURABILITY



## Progress so far

- Refresh of quality promise
- New fabric & fit standards embedded across all clothing buying groups
- Rationalised design teams in Australia & Asia

## Our plan

- Leverage fabric consolidation to create greater consistency
- Ensure customers see the value in the quality we offer

**WE PROMISE.**

At Target, we promise great quality and lower prices every day.

That's why everything we sell comes with a 5 Point Quality Promise across fit, wash, colour, wear and safety.

This promise means our clothing won't fall apart after a few washes. It means it's tested against stretching, shrinking and pilling.

And the fabrics are tested to make sure colours don't run or fade, wash after wash, after wash.

Not all brands can say that.

We promise never to compromise on quality, even though we've lowered our everyday prices.

And just like our low prices, our Quality Promise is here to stay.

Great quality. Lower prices. Every day.

# RE-LAUNCH THE BRAND



## Progress so far

- Different approaches tested, with mixed results
- Improvement in fashion, style & quality perceptions
- More work to do on value perception
- Catalogue transitioned to 'first price, right price'

## Our plan

- Focus on demonstrating value through consistent message across all media
- Regular 'drumbeat' rather than only event-driven

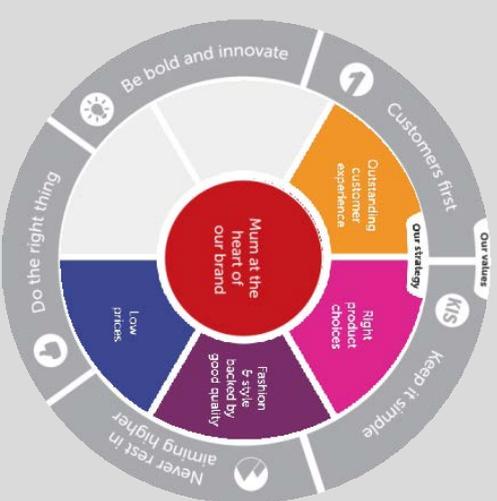


# RE-LAUNCH THE BRAND



# LOW PRICES

- Source at the lowest cost
- Establish the Target price



# SOURCE AT THE LOWEST COST



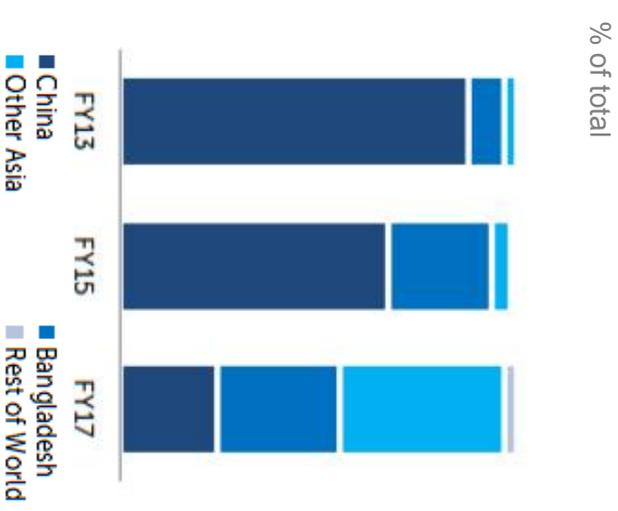
## Progress so far

- Direct sourcing increased
- Improved intake margin
- Reduced reliance on China
- New ethical sourcing framework embedded
- Halved supplier base

## Our plan

- Further consolidation of supplier base
- Greater control over fabric & trims
- Continue transition from China based suppliers to those in more cost effective environments

## Country footprint





# SOURCE AT THE LOWEST COST

## Progress so far

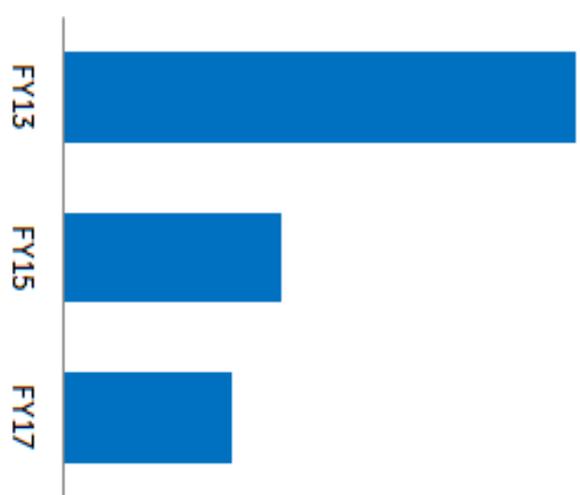
- Direct sourcing increased
- Improved intake margin
- Reduced reliance on China
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- Halved supplier base

## Our plan

- Further consolidation of supplier base
- Greater control over fabric & trims
- Continue transition from China based suppliers to those in more cost effective environments

## Suppliers

Number of suppliers



Target



# essentials



# \$15 AND UNDER



its Target 

Some colors and items may vary from store to store.

Target

# ESTABLISH THE TARGET PRICE



**Good**

Essentials  
straight leg  
**\$10**



**Better**

Modern  
super skinny  
**\$20**



**Best**

Dannii Minogue  
Petites  
**\$59**



# ESTABLISH THE TARGET PRICE

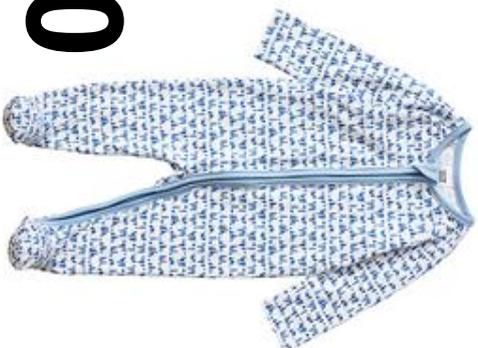


**Good**



**\$5**  
Essentials  
coverall

**Better**



**\$10**  
Zip front  
print coverall

**Best**



**\$20**  
Disney  
coverall

# ESTABLISH THE TARGET PRICE



**Good**



**\$20**

Essentials microfibre  
double quilt

**Better**



**\$59**

Duck feather  
double quilt

**Best**

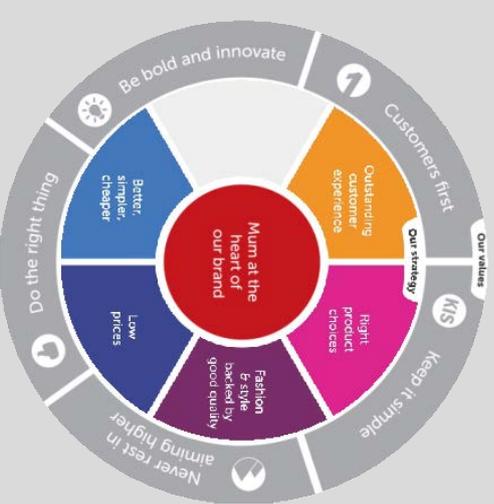


**\$99**

Australian wool  
double quilt

# BETTER, SIMPLER, CHEAPER

- Productive stores
- Flexible supply chain
- Lean & effective support team
- Efficient working capital management



# PRODUCTIVE STORES



## Progress so far

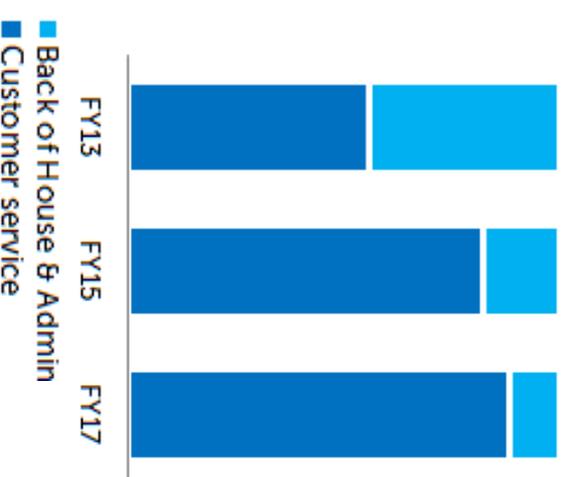
- New rostering system implemented, supporting investment in customer service
- Pilot store established to restructure back-of-house operations

## Our plan

- Continue to refine rostering to invest in customer service
- Focus on trust & fashion departments
- Roll-out of new back-of-house operating model critical

## Allocation of hours

% of total store hours



Target

# PRODUCTIVE STORES



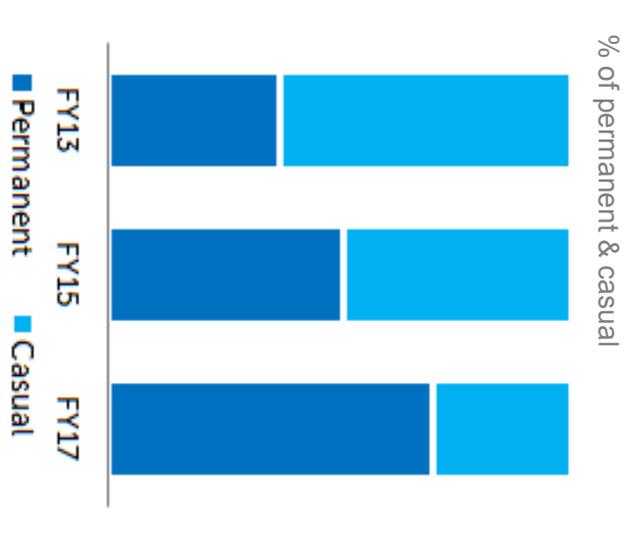
## Progress so far

- New rostering system implemented, supporting investment in customer service
- Pilot store established to restructure back-of-house operations

## Our plan

- Continue to refine rostering to invest in customer service
- Focus on trust & fashion departments
- Roll-out of new back-of-house operating model critical

## Team members



# FLEXIBLE SUPPLY CHAIN



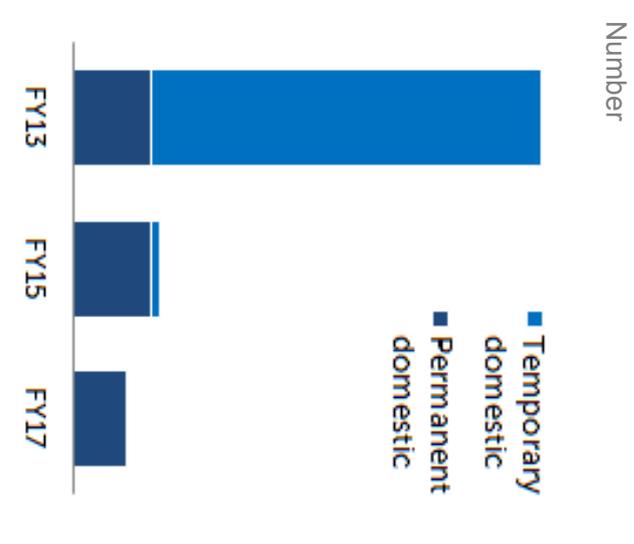
## Progress so far

- 53 supply chain facilities closed
- Three replenishment centres opened
- New warehouse management system implemented to improve stock visibility

## Our plan

- Close further eight facilities to achieve optimal network
- All activities coordinated through our 'Factory to Customer' program

## Supply chain facilities

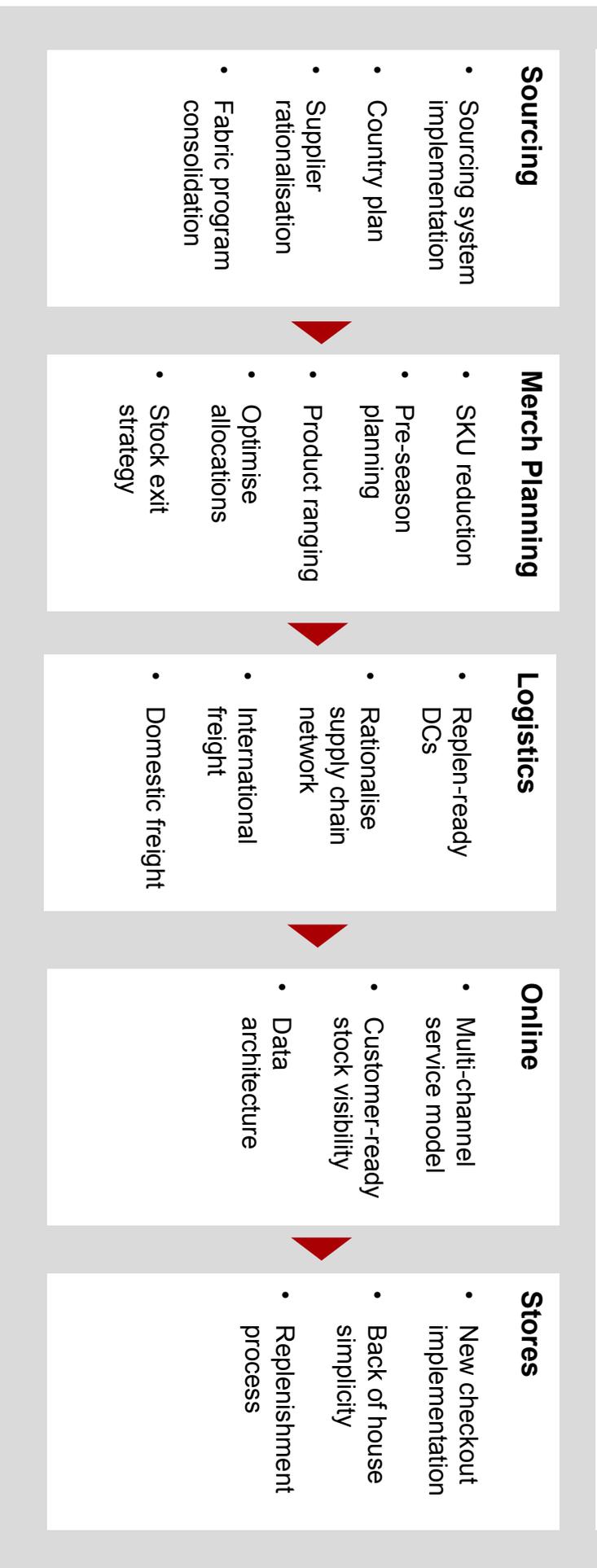


Target

# FACTORY TO CUSTOMER PROGRAM



## Program governance team



Target

# LEAN & EFFECTIVE SUPPORT TEAM



## Progress so far

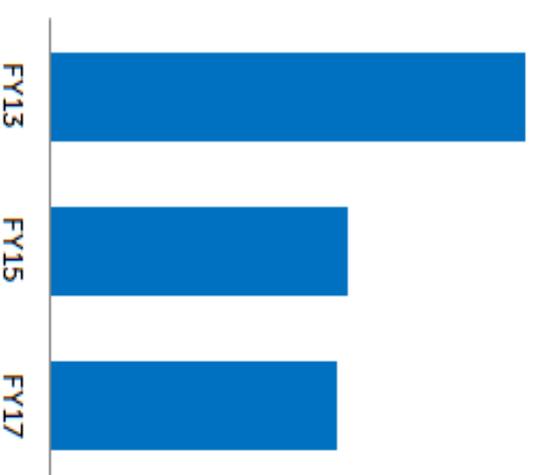
- Reduced total CODB
- 25% reduction in store operating costs
- 38% reduction in support operating costs
- 30% reduction in GNFR suppliers

## Our plan

- Further refine support team operating model to keep it simple
- Improve returns on marketing spend
- Implement new GNFR procurement process in H1 FY16

## Cost of doing business

% of sales



Target

# EFFICIENT WORKING CAPITAL MANAGEMENT



## Progress so far

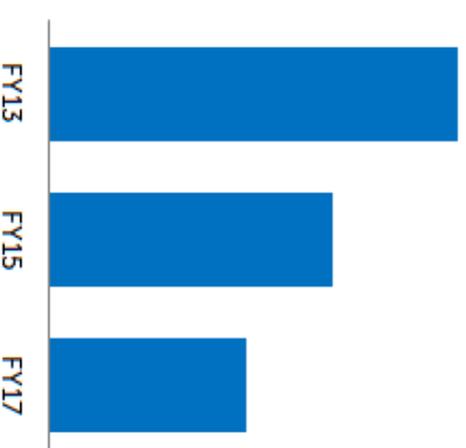
- Greater control over stock
- Reduction in net inventory days

## Our plan

- Realise further inventory benefit from reduced SKUs & supplier rationalisation
- Continue to simplify GNFR supplier base

## Net inventory days

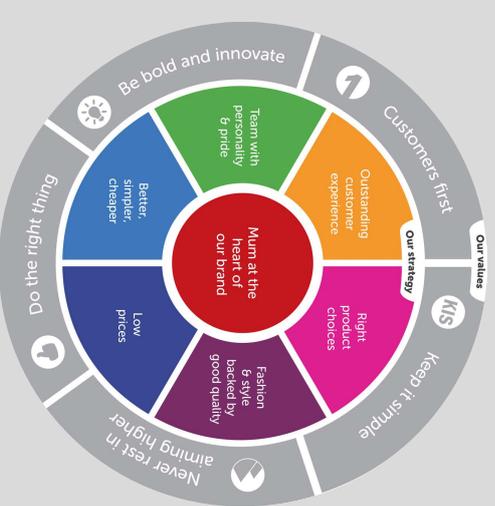
Days



Target

# TEAM WITH PERSONALITY & PRIDE

- Uncompromising on safety
- Foster team pride
- Attract & retain the best talent
- Create & protect a sustainable business model



# UNCOMPROMISING ON SAFETY

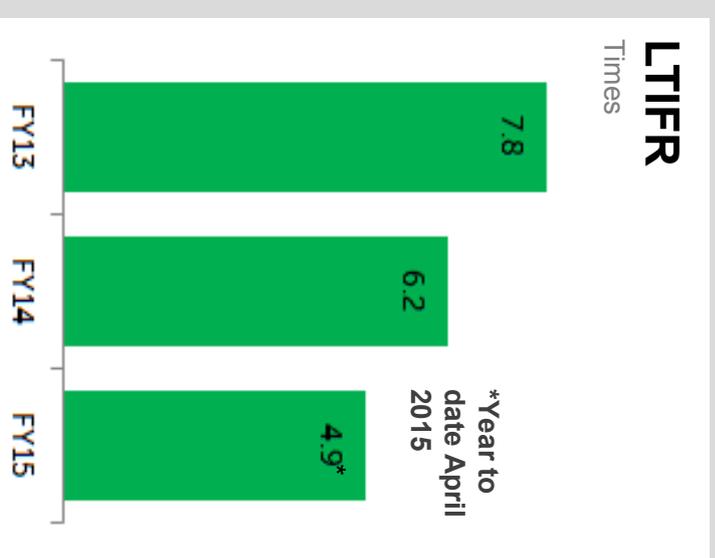


## Progress so far

- Safety performance continues to improve
- Lowest ever LTIFR
- Lower Workers Compensation premium

## Our plan

- Maintain safety standards
- Simplify training to ensure greater consistency & lower cost



Target

# FOSTER TEAM PRIDE



## 1 Customers first

Everything we do is designed to make our customers happy

## KIS Keep it simple

We are obsessed with simplicity, always seeking the best way of doing things & eliminating bureaucracy



## Do the right thing

We operate in a safe & ethical way, & respect our customers, team members, suppliers & communities



## Be bold & innovate

We foster innovation & creativity to continually improve our products & the experience of our customers



## Never rest in aiming higher

We work hard to deliver results & constantly challenge ourselves to improve



# ATTRACT & RETAIN THE BEST TALENT

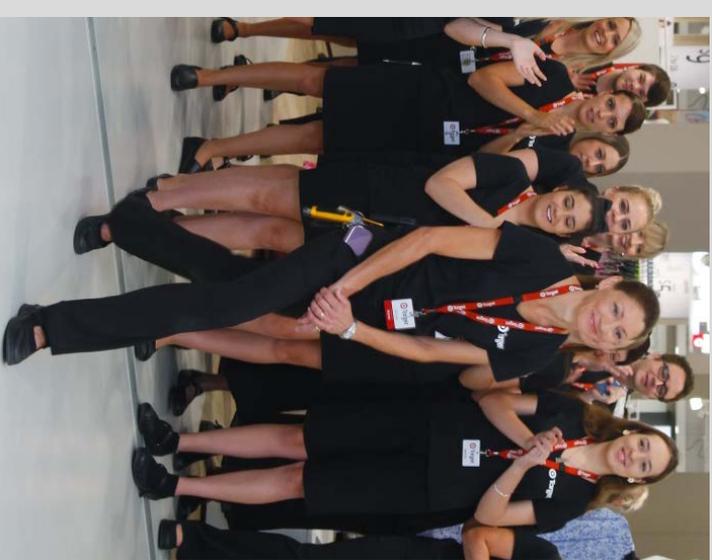


## Progress so far

- Retail Leaders & Merchandise Academy training programs launched
- 'Achieve & Develop' performance management tool implemented

## Our plan

- Engagement survey to be completed in June
- Expand Retail Leaders to build stronger stable of future store managers & leaders
- Re-launch graduate program



# CREATE & PROTECT A SUSTAINABLE BUSINESS MODEL

## Progress so far

- Launched our sustainability Plan
  - Aboriginal & Torres Strait Islander Strategy
  - Published factory lists for Bangladesh, India & Sri Lanka
  - Community programs in Australia & Asia
  - Implemented energy plan

## Our plan

- Continue to embed our sustainability plan
- Publish factory lists for all countries we source from
- Continue to support our communities





## OUR COMPETITIVE ADVANTAGE

- Brand is accessible & has broad appeal
- Wide store network reach
- Strong platform for profitable online growth
- Market leader in trust categories
- Potential beyond some of our competitors





# Questions

Target

# Questions

Stuart Machin  
Managing Director

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**Great quality.  
New lower prices.  
Every day.**



# Chemicals, Energy & Fertilisers

Tom O'Leary  
Managing Director



# Business overview

Business	Geography	Sector	Key Customers
 Ammonia	WA	Nickel, internal	BHPB, Minara, AN, AGR, Fertilisers
 Ammonium nitrate (AN)	WA/Global	Iron ore, gold	Dyno Nobel, Downer, Rio Tinto, Orica
 Ammonium nitrate (AN) (50%)	Qld	Coal	BMA, Curragh, Rio Tinto
 Sodium cyanide (SC) (75%)	WA/Global	Gold	Newmont, Barrick, AngloGold
 PVC/chemicals Decking	Vic/Australia Australia/Global	Construction	Iplex, Vinidex, Pipemakers Timber merchants, home builders
 Energy retailing, gas production & distribution	WA/NT	Residential, transport, industrial	Gas distributors, resources, engineering, residential, leisure, autogas, transport, power generation
 Fertilisers	WA	Agriculture	Landmark, independent distributors

## Our strategies

---

Invest in our businesses' capacity  
to meet the needs of our  
customers

Execute opportunities for growth  
in existing and new markets

Foster a culture that recognises  
people are central to our success

Focus on sustainable operations  
for the benefit of team members,  
customers & communities in  
which we operate

# Agenda

---

## Building a foundation for growth

- Update on capacity expansion investments
- Expanded AN capacity to continue delivering earnings uplift
- Increased SC production capacity servicing export markets
- Rightsizing division following recent divestments

## Realising value from existing businesses

- Structured portfolio management
- Proactive response to commodity price volatility
- Ongoing focus on operational excellence & plant reliability
- Key strategies update

## Well positioned to expand portfolio

- Evaluating a wide range of growth opportunities in relevant sectors, both domestic & overseas

## Building a foundation for growth

### Expanded AN capacity to continue delivering earnings uplift

---

#### Project completion & plant operating performance

- Completion on time & within budget
- AN3 operational 4Q FY2014 with plant performance above expectations

#### Offtake status

- Contracted volumes supporting the major Australian miners underpin base load production
- Significant volumes currently sold, as planned, into markets additional to WA EGAN
  - Placement of export tonnes more challenging given current global market dynamics; remaining rational despite lower export pricing
  - ANsol diversion to UAN consistent with continued growth in liquid fertilisers market

#### Financial performance & outlook

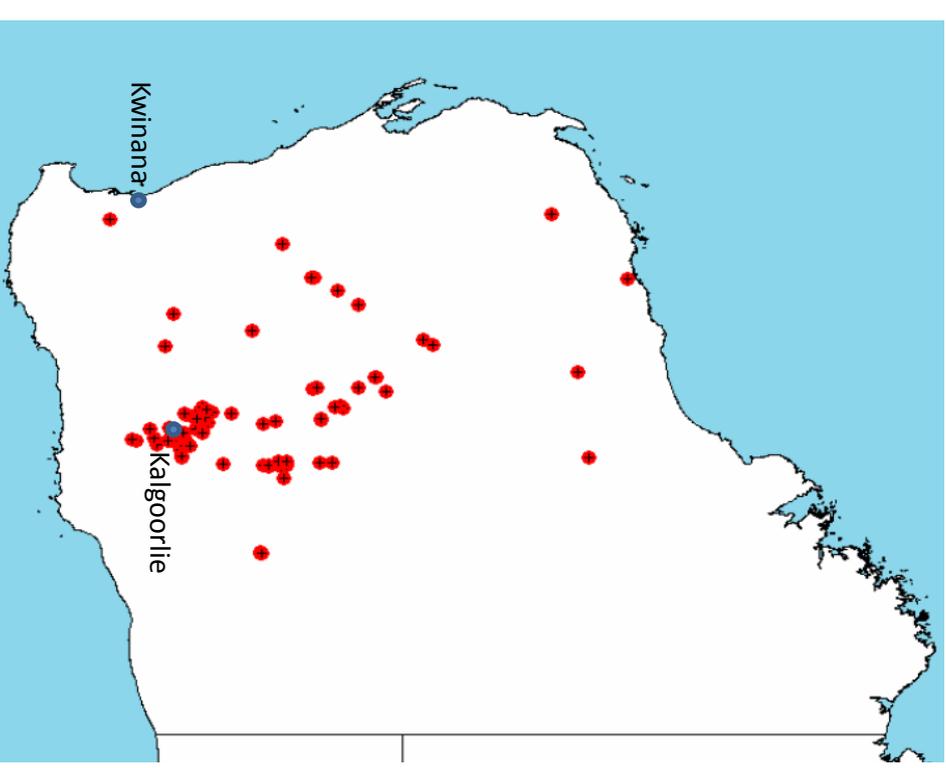
- AN business continuing to deliver earnings growth following expansion
  - Improvement in sales mix expected as the WA EGAN market grows
  - AN3 contract negotiations delivered pricing increases from FY12; further contracted pricing increases in future years
- AN business expected to continue to generate satisfactory return on capital
  - Returns to date from AN3 expansion in line with investment case
  - Longer term, AN earnings to be subject to market impacts

## Building a foundation for growth

### Increased SC production capacity servicing export markets

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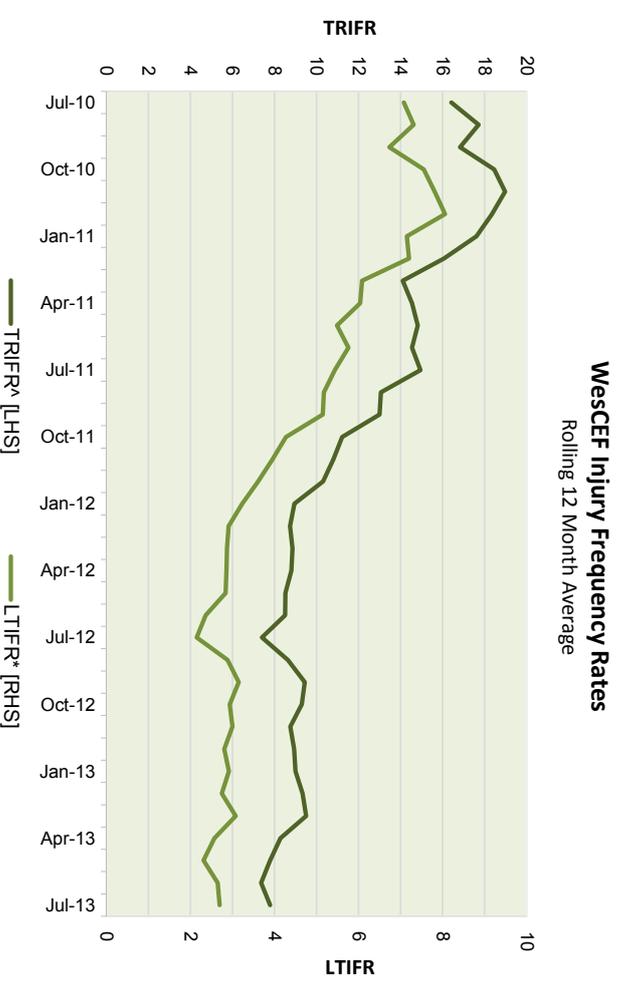
- Continued strength of AGR competitive positioning to serve domestic SC solution market
  - SC solution preferred form for gold producers due to product handling considerations
  - AGR proximity to WA gold producers remains a key differentiator
- Increased solid production capacity allows AGR to grow share in export markets
- Despite recent challenging global market conditions, sales covering total expanded production capacity now in place
- Pricing has returned to more normal historic levels, and the expansion is meeting investment case criteria



# Building a foundation for growth

## Rightsizing division following recent divestments

- Review of support functions completed following recent divestments to ensure division is right sized for current portfolio
  - 20 per cent reduction in divisional support function FTE achieved, implemented in 2HFY15
- Remain focused on improving health, safety & environmental performance as a key priority
- Strong continuous improvement culture aligned to lean manufacturing principles



^ No. medical treatment injuries, restricted duties injuries and lost time injuries on a rolling 12 months basis, per 1 million hours worked

\* No. lost time injuries on a rolling 12 months basis, per 1 million hours worked

**SAFE** 

**PERSON • PROCESS • PLACE**

Be a safe person, use a safe process, create a safe place.

# Agenda

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## Building a foundation for growth

- Capacity expansion investment update
- Expanded AN capacity to continue delivering earnings uplift
- Increased SC production capacity servicing export markets
- Rightsizing division following recent divestments

## Realising value from existing businesses

- Structured portfolio management
- Proactive response to commodity price volatility
- Ongoing focus on operational excellence & plant reliability
- Key strategies update

## Well positioned to expand portfolio

- Evaluating a wide range of growth opportunities in relevant sectors, both domestic & overseas

## Realising value from existing businesses

### Structured portfolio management

---

- Proceeds of \$295 million realised through portfolio management<sup>1</sup> since 2011
- Divestment of Kleenheat Gas' east coast LPG operations completed in late February 2015
  - Transaction involved sale of business to Elgas, Renegade Gas (trading as Supagas) & Origin Energy
  - Proceeds of \$76 million realising profit on sale of \$14 million with minimal impact on future underlying earnings
  - Sale allows increased management focus on improving performance of Kleenheat Gas WA/NT operations

<sup>1</sup> Portfolio management includes Aug 2011: Sale of enGen, Jan 2012: Sale of Bangladesh LPG Joint Venture interest, Dec 2013: Sale of 40% interest in Air Liquide WA, Feb 2015: Sale of Kleenheat Gas east coast LPG operations.

## **Realising value from existing businesses**

### **Proactive response to commodity price volatility**

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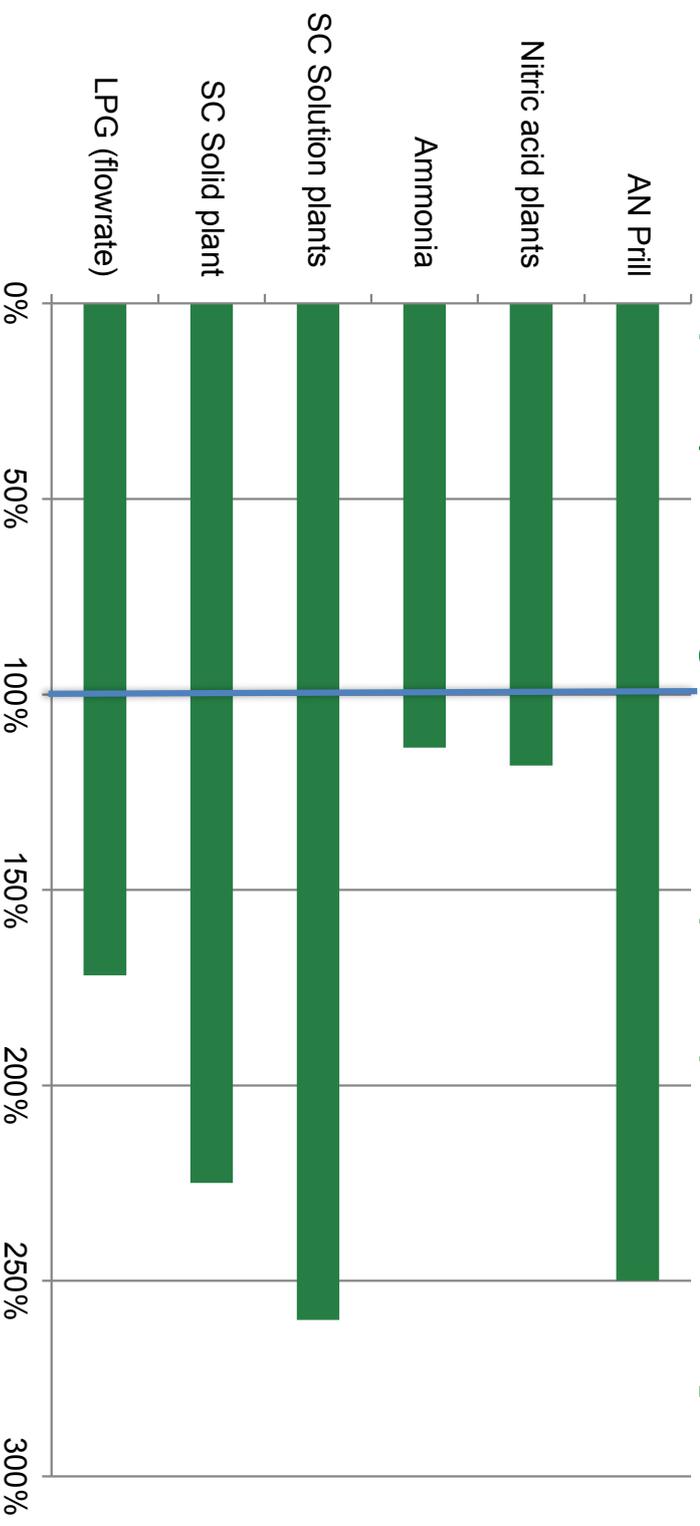
- Economics of LPG production facility currently challenged given low Saudi CP & LPG content in the DBNG pipeline
  - Review completed which supports continued production in current market environment
  - Production continuity important to suppliers with a consequent input costs reduction expected
- Strategic review of AV's PVC manufacturing business underway

## Realising value from existing businesses

### Ongoing focus on operational excellence & plant reliability

- Leveraging installed plant capacity through ongoing debottlenecking, process optimisation & strong reliability

#### Production uplift (from original nameplate performance [=100%])



# Realising value from existing businesses

## Key strategies update

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Strategy	Update
Growth	<ul style="list-style-type: none"><li>• AN3 operational late Q2 CY2014</li><li>• Current focus to optimise risk &amp; return for additional volumes resulting from AN expansion</li></ul>
Continuous Improvement	<ul style="list-style-type: none"><li>• Continue to drive business efficiencies &amp; long-term productivity improvements</li></ul>
Growth	<ul style="list-style-type: none"><li>• Feasibility study underway to improve LPG production volumes</li><li>• Develop retail natural gas &amp; electricity markets</li></ul>
ENERGY	
Returns from existing businesses	<ul style="list-style-type: none"><li>• Continue to implement business improvement initiatives &amp; efficiencies in the WA &amp; NT LPG business post sale of east coast operations</li><li>• Leverage existing LNG infrastructure in existing &amp; developing markets</li></ul>

# Realising value from existing businesses

## Key strategies update

### Strategy

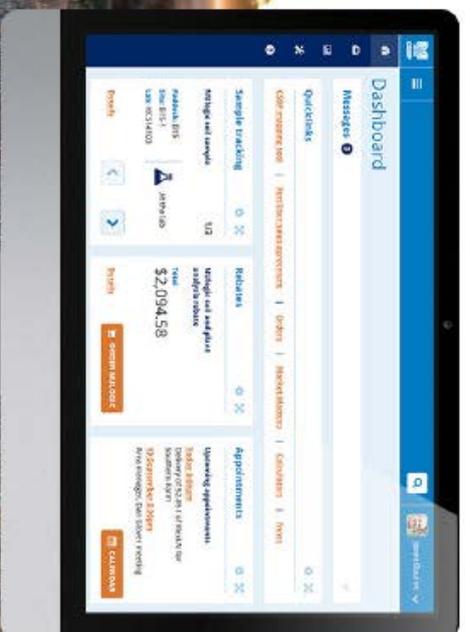
### Update

FERTILISERS	
Growth	<ul style="list-style-type: none"><li>• Focus on corporate &amp; business farmer requirements, including a focus on innovation</li><li>• Implementation of fertiliser use efficiency technologies</li><li>• Continued forecast growth in liquids market</li></ul>
Business efficiency	<ul style="list-style-type: none"><li>• Improved processes, control &amp; distribution related to soil analysis &amp; fertiliser recommendation tool (NuLogic)</li><li>• Leverage systems investment to drive business efficiency</li></ul>
Business model	<ul style="list-style-type: none"><li>• Continuous improvement to enable cost efficiencies to be passed on to customers</li><li>• Investment in sales team &amp; tools to enhance the customer value proposition</li></ul>
Growth	<ul style="list-style-type: none"><li>• Ongoing evaluation of opportunities to grow in existing &amp; new markets</li></ul>
Culture	<ul style="list-style-type: none"><li>• Make improved safety performance sustainable using Safe Person, Safe Process, Safe Place program</li><li>• Continue to attract, develop &amp; retain an engaged &amp; diverse workforce with focus on aboriginal engagement &amp; gender diversity</li></ul>
Sustainability	<ul style="list-style-type: none"><li>• Community acceptance &amp; regulatory compliance</li><li>• Abatement technology in AN continuing to deliver significant emissions reductions</li><li>• Complete remediation &amp; divest surplus assets (Bayswater)</li></ul>

Sampling Pro

[myCSBP.com.au](http://myCSBP.com.au)

Mapping tool



Facilitate information and sharing

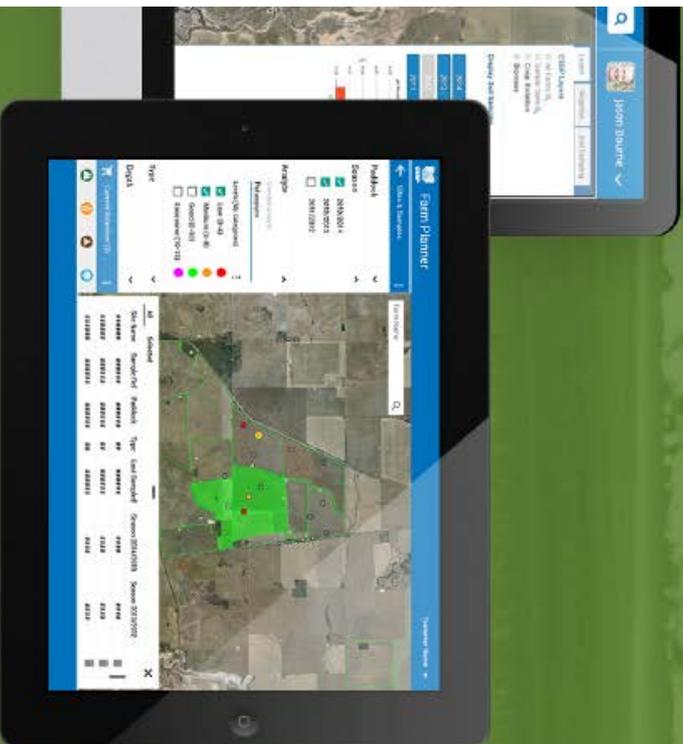


## Sampling Pro

- Captures paddock information (PIF)
- Combines GPS data with PIF
- Imports existing files via KML or CSV files
- View samples on Google Maps
- Navigate to pre-planned sites via the app
- Easily sends data to CSBP



## Mapping tool



View, interact and mark up changes to farm maps

Stack and view layers of images

Plan, view and interact with your samples

Upload and view yield data

myCSBP.com.au



Account & profile  
management



Agreements & NULogic  
sample tracking



Sales history &  
future collections



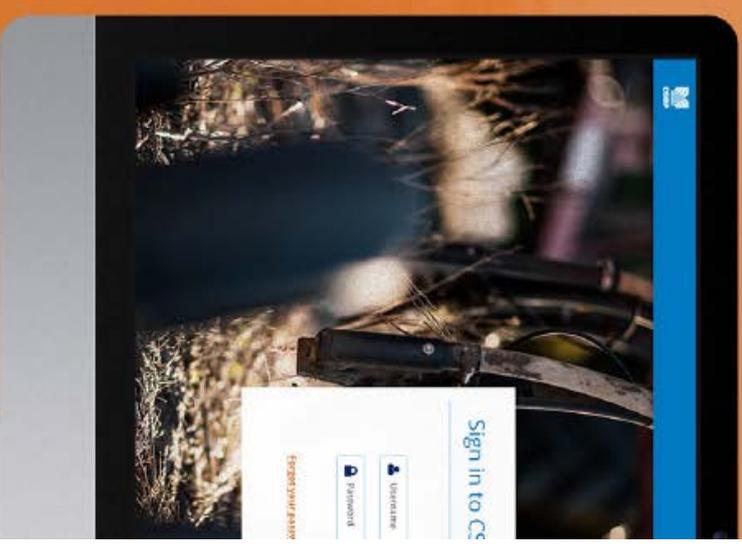
Document library  
& support



Premium  
content



Mapping  
services



# Agenda

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## Building a foundation for growth

- Capacity expansion investment update
- Expanded AN capacity to continue delivering earnings uplift
- Increased SC production capacity servicing export markets
- Rightsizing division following recent divestments

## Realising value from existing businesses

- Structured portfolio management
- Proactive response to commodity price volatility
- Ongoing focus on operational excellence & plant reliability
- Key strategies update

## Well positioned to expand portfolio

- Evaluating a wide range of growth opportunities in relevant sectors, both domestic & overseas

## Outlook

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- Continue to expect growth in our chemicals businesses leveraged to the resources sectors
- Fertilisers' focus on continuous improvement positions the business well to provide stable earnings performance in a mature market
  - Performance remains dependent upon farmers' terms of trade & seasonal breaks
- Kleenheat earnings remain dependent upon LPG production economics, particularly global prices & gas input costs
- Continue to focus on plant efficiencies & maximising returns from plant capacity investments
- Division positioned well to take advantage of value generating opportunities, whether organic or through acquisition

# Questions

Tom O'Leary  
Managing Director

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# Resources

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Stewart Butel  
Managing Director



# Contents

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1. Wesfarmers Resources overview
2. Global environment
  - Short-term
  - Long-term
3. Current export prices & Wesfarmers Resources FY16 outlook
4. Strategy review
5. Sustainability
6. Outlook summary

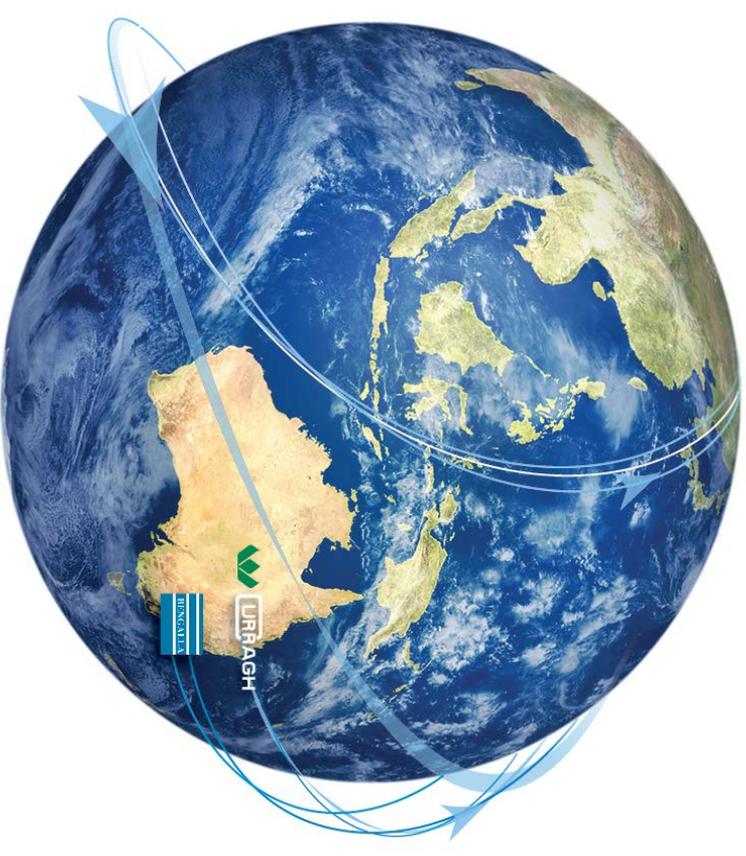
## Wesfarmers Resources – overview

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- Two world-scale coal mines
- Global markets with majority of exports to Asia
- Curragh QLD (100% equity interest)
  - Metallurgical coal for off-shore steel-making
  - Steaming coal for domestic power generation
- Bengalla NSW (40% equity interest)
  - Export steaming coal for Asia



Resources



## Resources investment cycle is long-term: Wesfarmers' Resources' mines are long-life assets

- **Opportunity, but with cyclicality:** Coal export market provides global exposure; both mines have track records of strong but cyclical returns
  - **Look-back:** Strong realised investment IRRs to date
  - **FY16:** Continued low export coal prices expected
- **Long-term sustainability:** Both mines positioned for long-term sustainability; maintaining readiness for next export market upswing
  - **Export markets:** Long-term fundamentals robust
  - **Reserves:** Long remaining mine lives
  - **Mine performance:** Established track records in mine cash cost performance, with significant reductions achieved; both mines are capital efficient

### Balance sheet & reserves base Metrics as most recently reported

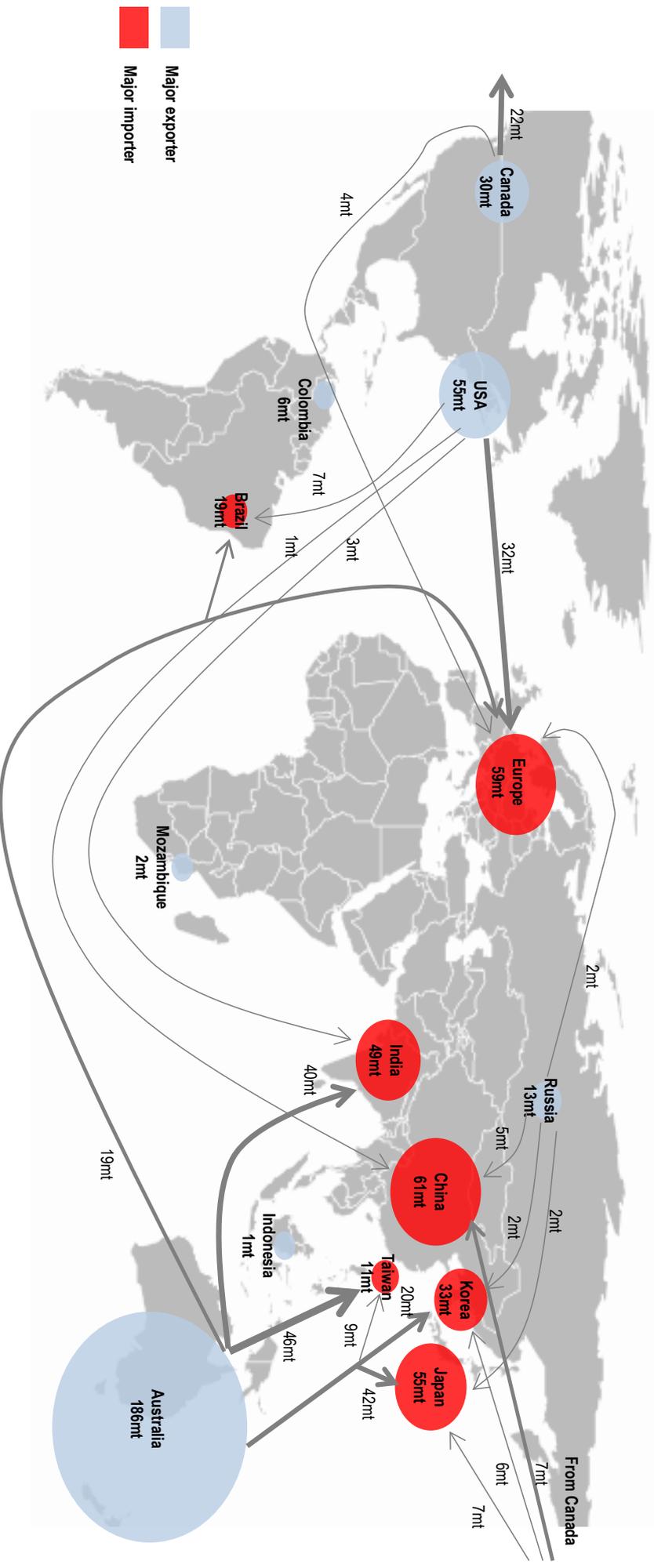
<b>BALANCE SHEET<sup>1</sup></b>	Division capital employed (R12 \$ million)	<b>1,465</b>
<b>COAL RESERVES (MILLION TONNES)<sup>2</sup></b>	Curragh Bengalla (40%)	<b>284</b> <b>108</b>

<sup>1</sup> As at 31 December 2014. <sup>2</sup> Curragh as reported to ASX by Wesfarmers Limited as at 30 June 2014; Bengalla as reported by Rio Tinto to ASX on 28 November. Refer disclosure notes on slide 234.

- **Growth & counter-cyclical investment:**
  - 'Capital-light' expansions of Bengalla (complete) and Curragh (end of CY15)
  - MDL162, adjacent to Curragh, acquired January 2014
  - Further counter-cyclical opportunities being evaluated

# The metallurgical coal market is global, driven by demand for steel

Seaborne demand forecast to grow ( ~300 million tonnes per annum (mtpa) in 2014 to >400 mtpa by 2035<sup>1</sup>



Map source: Customs data, Macquarie Research, February 2015.

## Resources

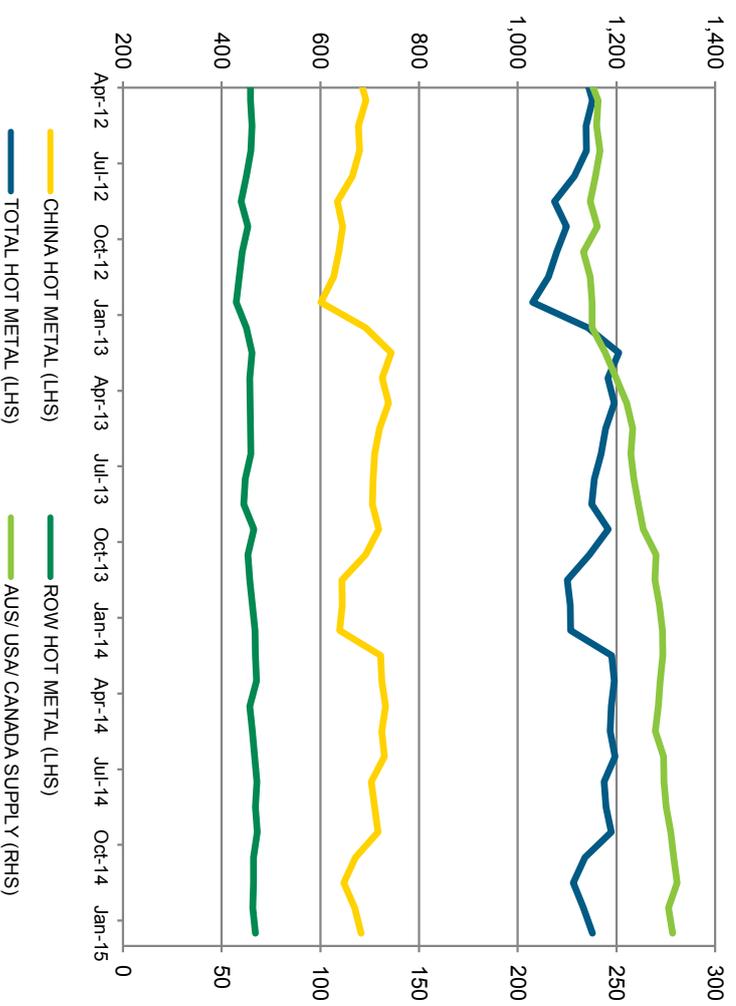
\* Coking coal and pulverised coal Injection (PCI), 2014 full-year data, making assumptions for land-borne trade.  
<sup>1</sup> Source: Wood Mackenzie/Other WRL research.

## Global environment – current & short-term trends

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- World blast furnace iron production stable excluding China
  - Volatility from China, excess steel capacity constrains price
- Metallurgical coal market continues to be oversupplied
  - Continued strong seaborne supply from Australia
  - Competition for market share with Chinese domestic industry
  - Limited coal export supply rationalisation materialising
  - High growth expectation from India not yet reflected in demand profile
- Oversupply continues to weigh heavily on spot prices, including a weak Chinese market
- Many producers struggling to meet cash costs of production at current low export prices
- A\$:US\$ exchange rate has weakened since June 2014, however benefit has been largely offset by price declines
- Despite short-term cyclical pressures, long-term metallurgical coal fundamentals remain sound

## Short-term indicators 2014 – metallurgical coal supply growth



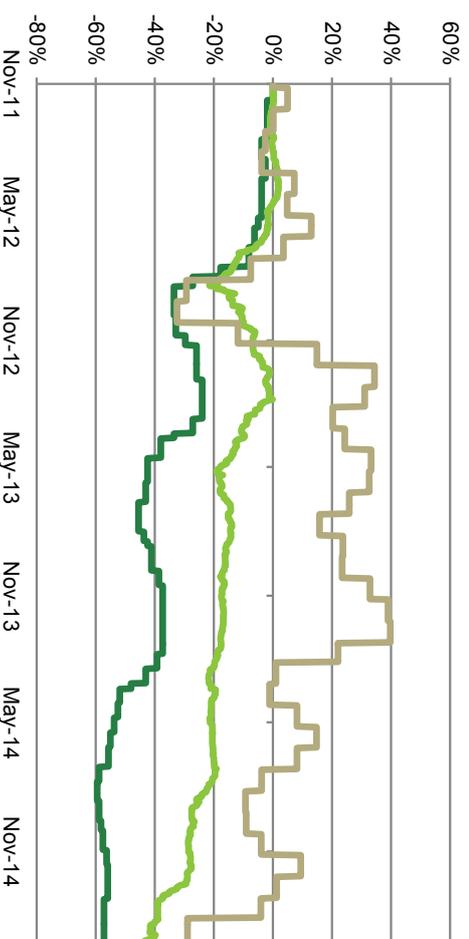
- 2014 metallurgical coal market characterised by continued strong supply (+3%), predominantly from Australia
- Productivity response continues from most producers
- Australian industry cost competitiveness improving compared to US producers

Source: Wood Mackenzie, World Steel Association, Wesfarmers Resources research.  
1 Million tonnes per annum.

Resources

# Short-term indicators 2015 - continued deceleration of Chinese growth

## China



- Slowing internal steel demand
- Increased Chinese steel exports into the global market
- Variable metallurgical coal import demand

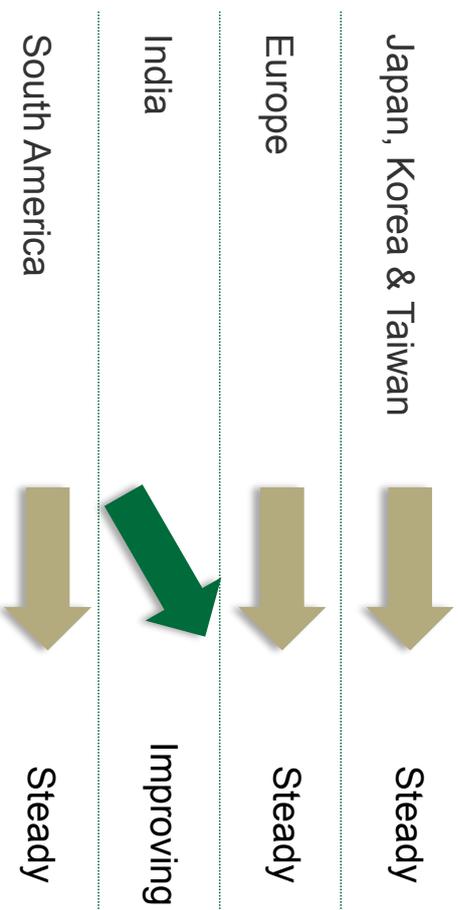
Source: Mysteel, SX Coal, Wesfarmers Resources research.

Resources

## Rest of the world

### Region

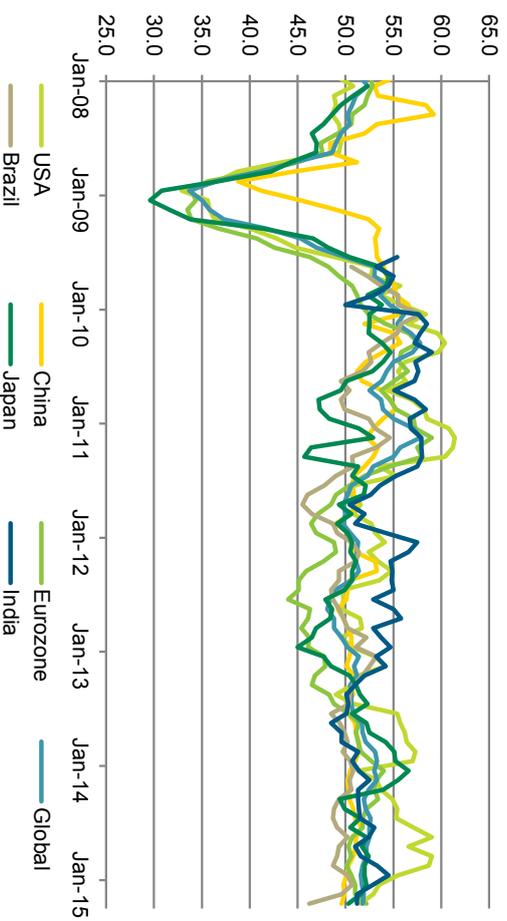
### Steel & Metallurgical coal outlook



## Short-term indicators – global indicators (PMI & GDP)

- Global forward indicators remain flat
- Strong long-term growth rates expected for developing economies, notably China & India

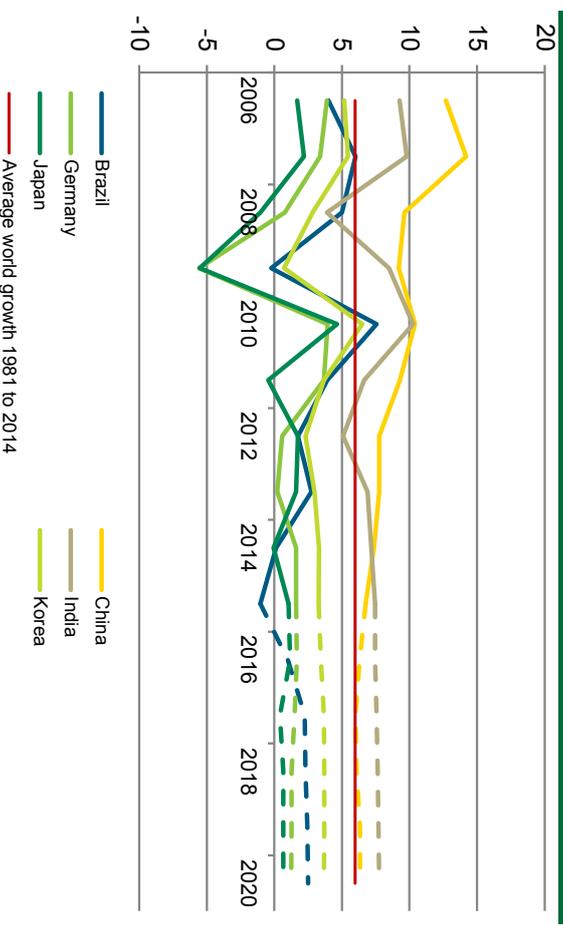
Historical global manufacturing PMI



Source: IMF, Wesfarmers Resources research.

Resources

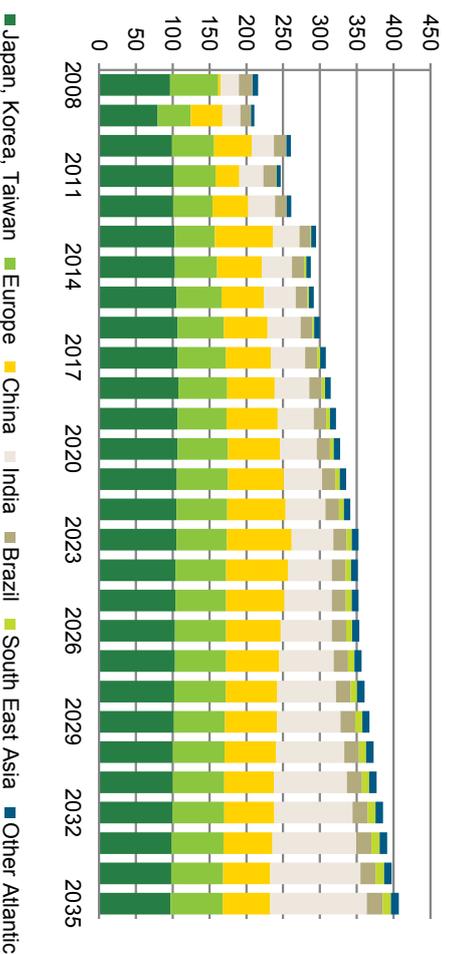
Year-on-year GDP growth for key metallurgical coal import countries



## Metallurgical coal – global demand outlook to 2035

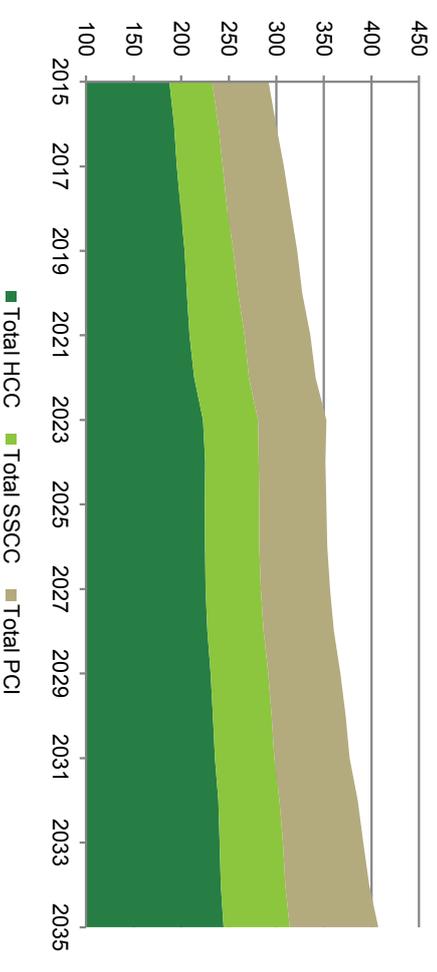
- Growth in emerging economies to drive steel demand & metallurgical coal demand
  - Chinese seaborne demand forecast to peak at ~90mt in mid 2020's
  - Indian seaborne demand forecast to grow to ~65mtpa in mid 2020's
  - Rest of the world's demand remains stable
- Current pricing does not support investment in new mine capacity
- Market rebalancing to low cost sustainable supply

### Seaborne metallurgical coal demand



Source: Wood Mackenzie Coal Market Service.  
Resources

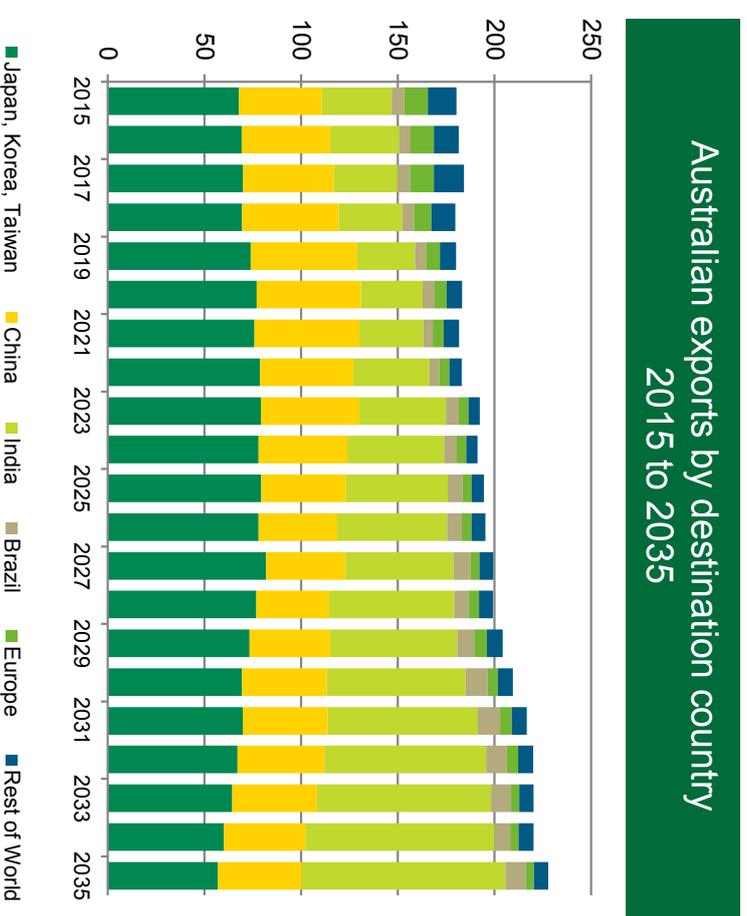
### Seaborne metallurgical coal demand by coal type



Source: Wood Mackenzie Coal Market Service.

## Metallurgical coal – Australian supply outlook to 2035

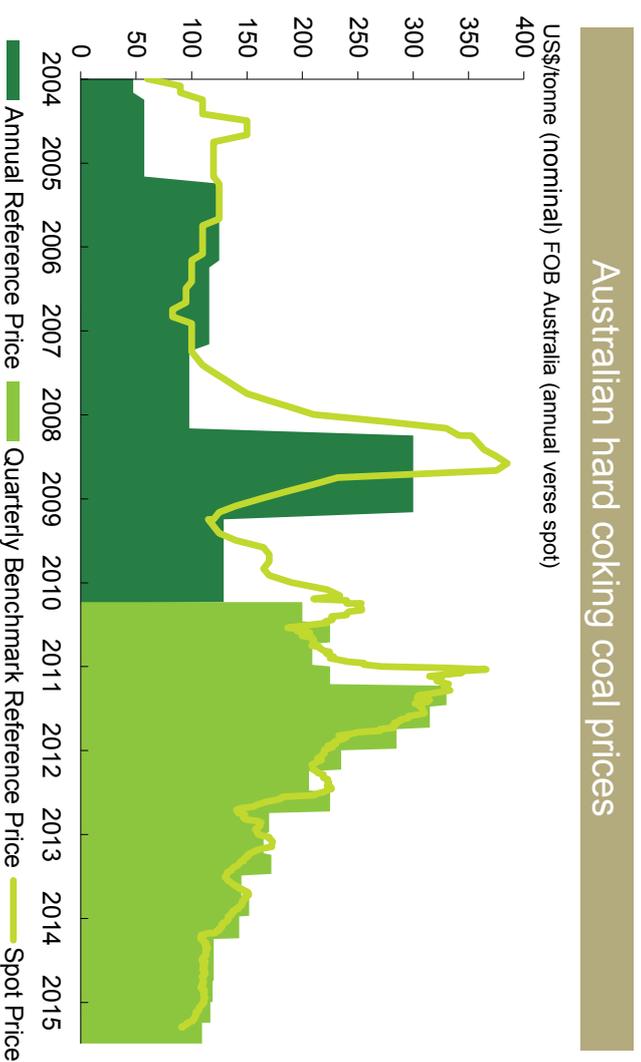
- Productivity response from suppliers continues
- Australia well placed to maintain market share in Asia
- Australian metallurgical coal exports forecast to increase by 26% by 2035



Source: Wood Mackenzie Coal Market Service.

## Australian export metallurgical coal market prices – 10 year look-back

- US\$ coal benchmark prices have significantly weakened since record prices in 2011
- Price relativity between metallurgical coal & steaming coal has compressed over last 12 months
- US\$ price declines exacerbated by continued high A\$:US\$ exchange rate despite recent falls
- Metallurgical coal spot price decline continues

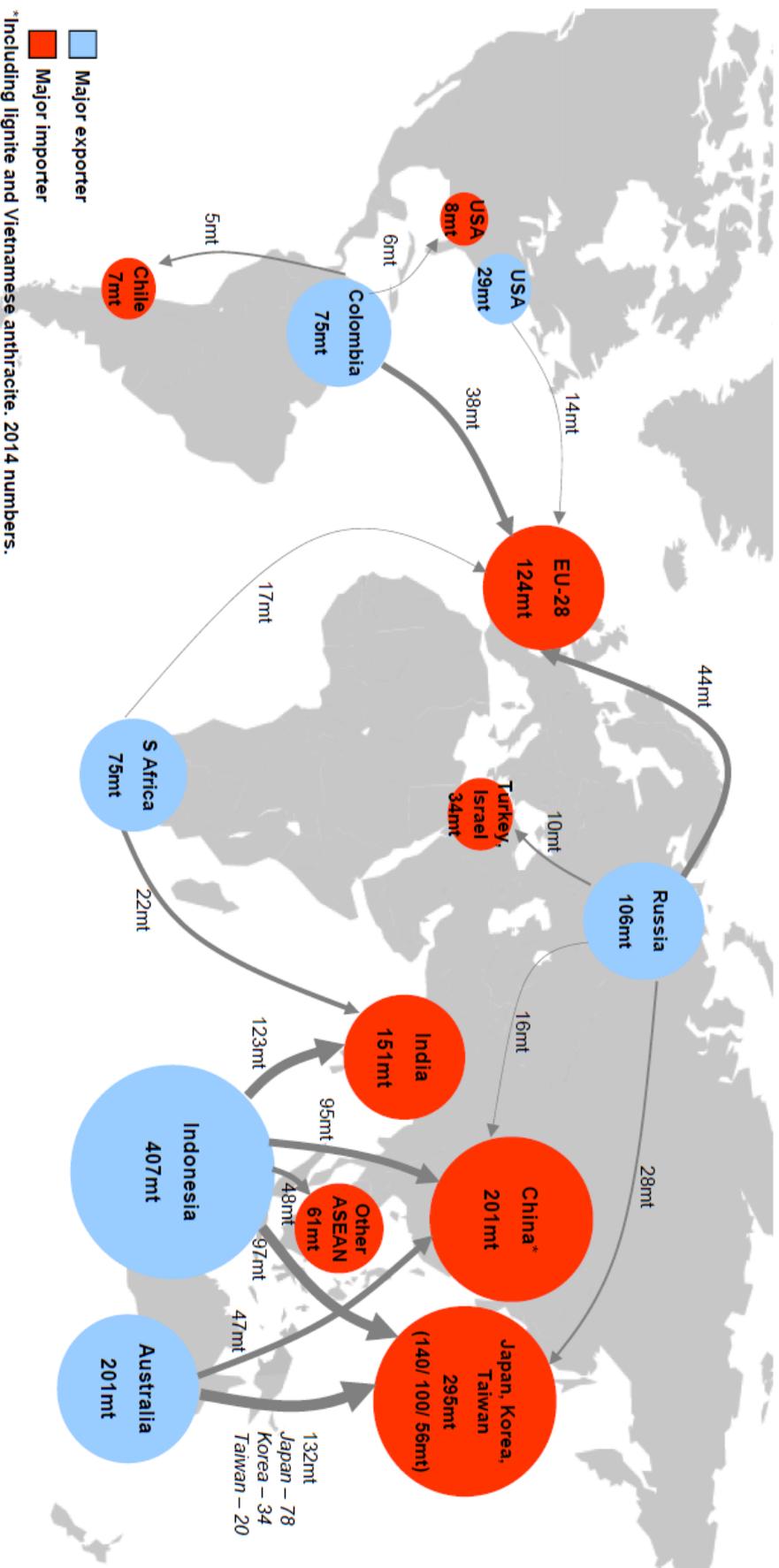


Source: Energy Publishing, Tex Report, Macquarie Research, CRU.

Resources

# The steaming coal market is global, driven by demand for power

Seaborne demand forecast to grow (~1 billion tonnes per annum (btpa) in 2014 to 1.6 btpa by 2035)<sup>1</sup>



\*Including lignite and Vietnamese anthracite. 2014 numbers.

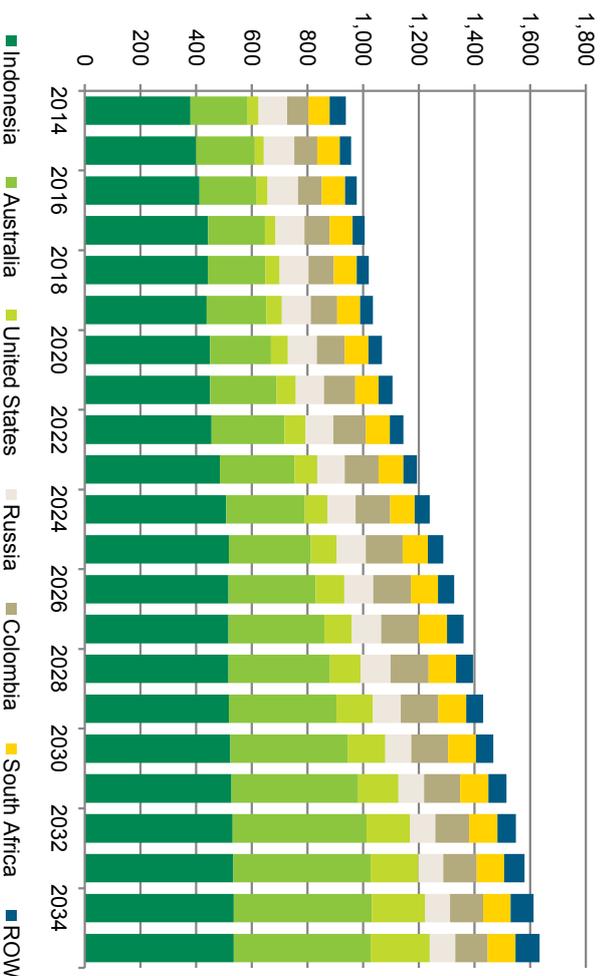
## Resources

Map source: Customs data, Macquarie Research, March 2015.  
<sup>1</sup> Source: Wood Mackenzie/Other WRL research.

## Steaming coal – outlook to 2035

- Continued import demand growth anticipated from China & India
- Australian & Indonesian producers expected to compete as major suppliers

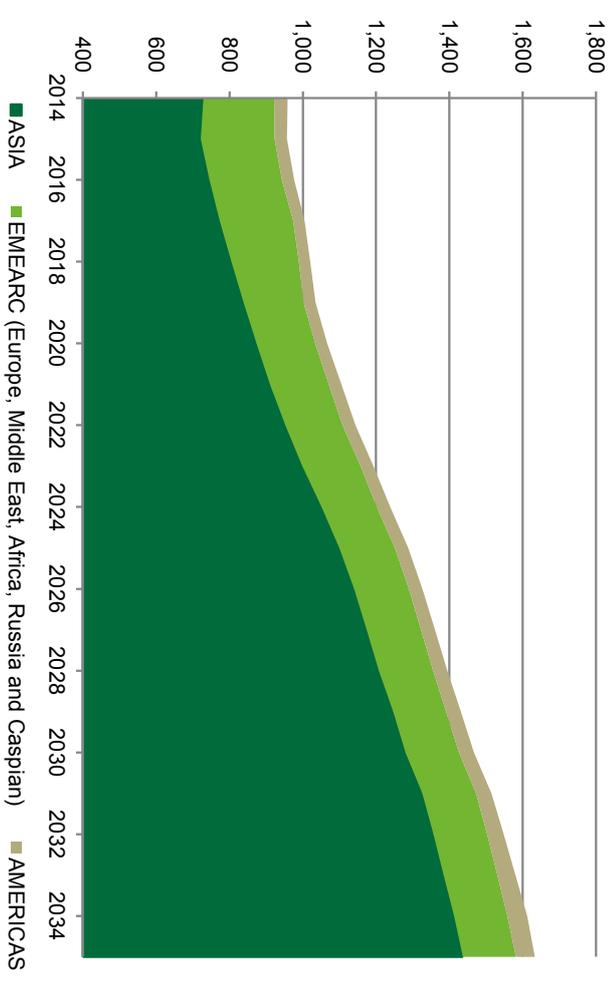
Steaming coal seaborne exports by country



Source: Wood Mackenzie Coal Market Service.

Resources

Steaming coal seaborne demand by region

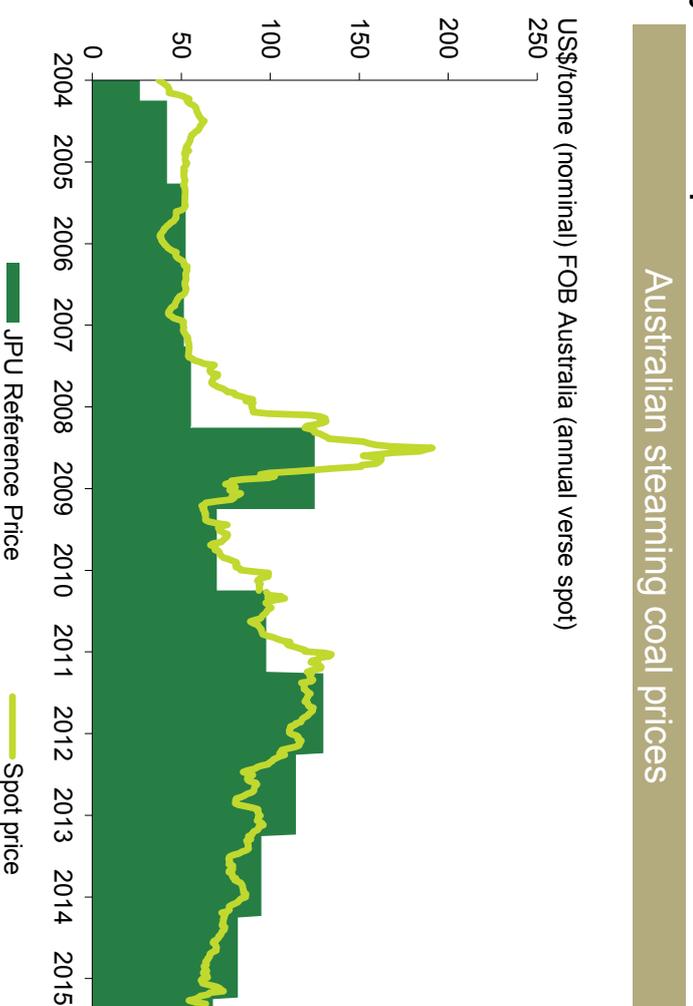


Source: Wood Mackenzie Coal Market Service.

## Australian export steaming coal market prices – 10 year look-back

---

- US\$ coal prices have significantly weakened since JPU reference price peak in 2011
- Price relativity between metallurgical coal & steaming coal has compressed
- Market shift to more indexed-based sales
- Recent volatility in index price



Source: Energy Publishing, Tex Report, Macquarie Research, CRU.

Resources

## Wesfarmers Resources – FY15 outlook

---

- Difficult export market conditions to continue in 2H15
- Curragh's June 2015 weighted average metallurgical coal pricing down 6% from previous quarter
- Current spot prices significantly below quarterly
- Forecast Curragh metallurgical coal sales of 8.0mt – 9.0mt
- Estimated full-year sales mix (Hard 42%; Semi 31%; PCI 27%)
- Continuing strong mine cash cost focus
- Full-year Stanwell Rebate estimate of \$50 - 70 million at A\$:US\$ of 0.77 for remainder of year (0.82 full year average)
- Basis of calculation of Stanwell Rebate in legal dispute with Stanwell Corporation

## Coal production volumes to 31 March 2015

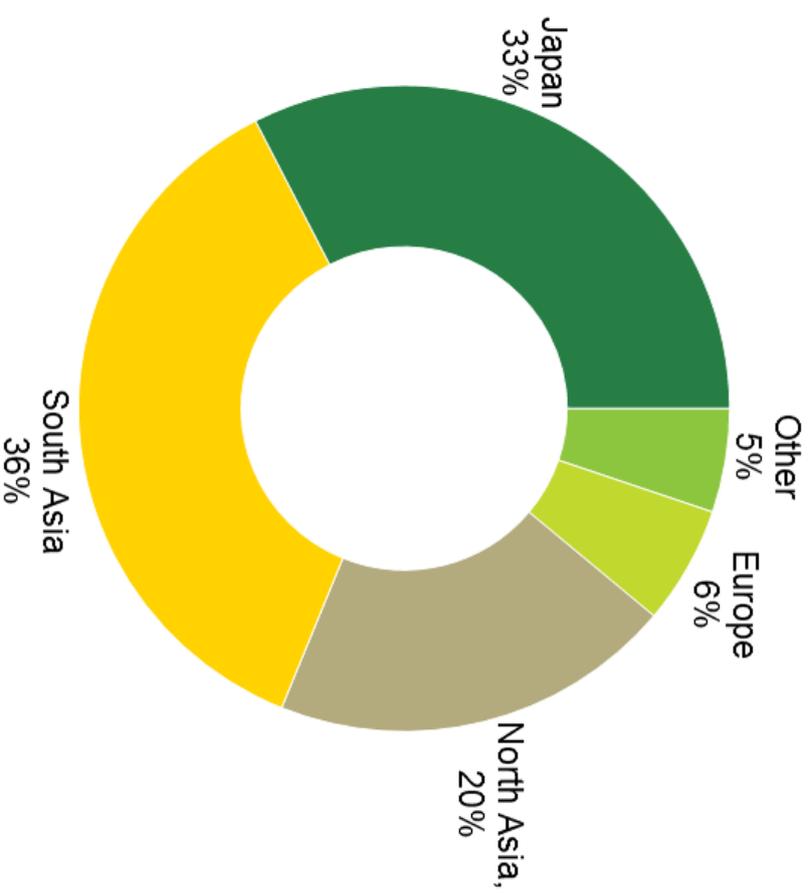
Mine	Equity/UVJ Interest	Coal Type	YTD ended ('000 tonnes)	
			Mar-15	Mar-14
Curragh, QLD	100%	Metallurgical	6,757	6,404
		Steaming	2,365	2,570
Bengalla, NSW <sup>1</sup>	40%	Steaming	2,594	2,633
<b>Total<sup>1</sup></b>			<b>11,716</b>	<b>11,607</b>

<sup>1</sup> Wesfarmers attributable production.

Resources

## Curragh's metallurgical coal sales by destination FY15<sup>1</sup>

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<sup>1</sup> Forecast for the 12 months to 30 June 2015.

Resources

## Curragh's export metallurgical sales product mix

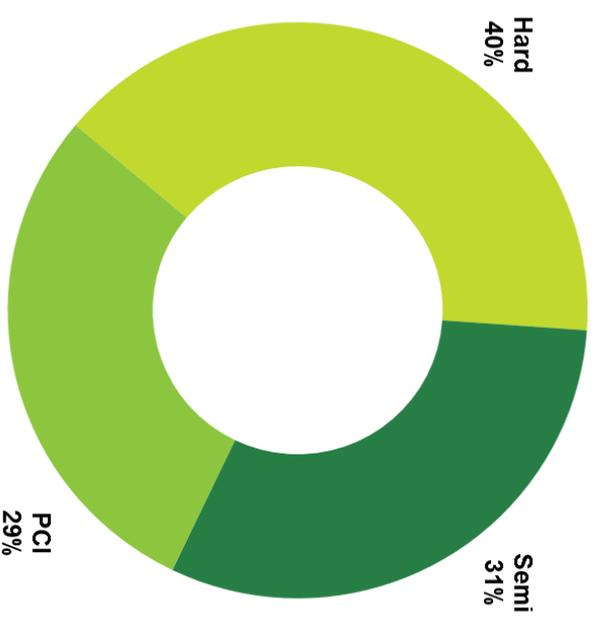
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- Product mix affected by steel mill preference for lower quality coals

**FY15 forecast**  
8.0 – 9.0 million tonnes



**FY16 outlook**  
8.5 – 9.5 million tonnes



## FX hedging profile

### CURRAGH

Year end 30 Jun	Current US\$ sold forward (US\$m)	Average A\$ / US\$ hedge rate
2016	430	0.88
2017	330	0.84
2018	174	0.79
2019	48	0.75

### BENGALLA

Year end 30 Jun	Current US\$ sold forward (US\$m)	Average A\$ / US\$ hedge rate
2016	154	0.89
2017	105	0.84
2018	76	0.79
2019	24	0.75

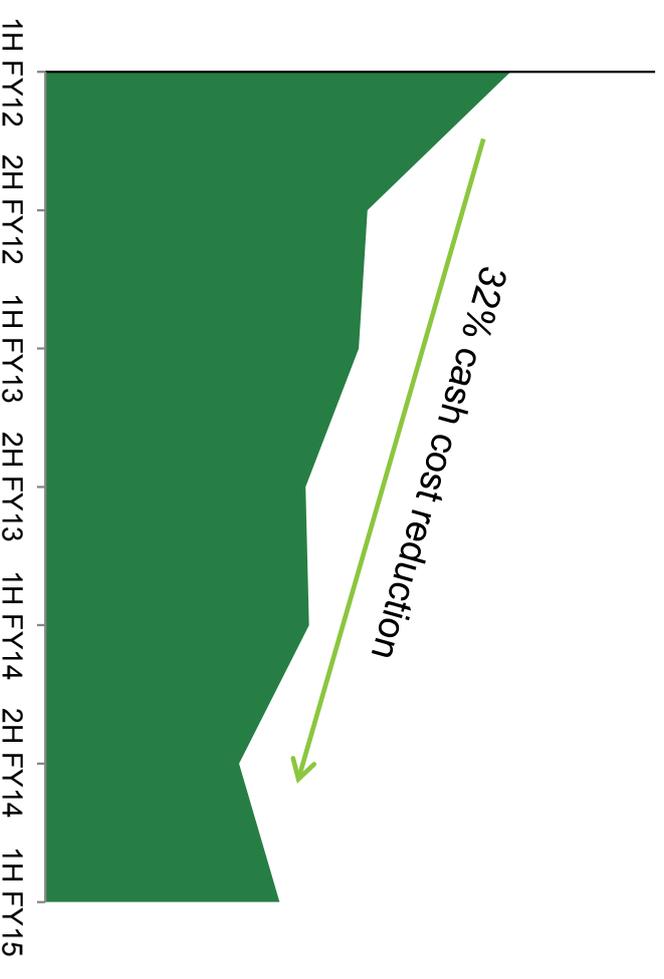
# Strategy review

Strategy	Comments
<b>PRODUCTIVITY &amp; MINE OPTIMISATION</b> Maximise shareholder value from reserves over time <ul style="list-style-type: none"><li>• Cost control</li><li>• Mine optimisation</li></ul>	<p>Curragh</p> <ul style="list-style-type: none"><li>• 9.0 – 10.0mtpa export capacity</li><li>• 32% cash cost reduction from 1H FY12 peak</li></ul> <p>Bengalla</p> <ul style="list-style-type: none"><li>• Operating at 10.7mtpa ROM capacity</li><li>• Further reduction in unit cash cost rate achieved</li></ul> <p>Lowest cost quartile mine cost structures for both HCC (Curragh) &amp; export steaming coal (Bengalla)</p>
<b>MINE EXPANSION</b> Expand existing mines	<p>Low cost capital expansion</p> <ul style="list-style-type: none"><li>- Curragh: expansion to 10mtpa export capacity (subject to market conditions)</li><li>- Bengalla: expanded to 10.7mtpa ROM capacity (delivered)</li></ul>
<b>PRODUCT EXTENSION &amp; MARKET REACH</b>	<ul style="list-style-type: none"><li>• MDL 162 acquisition; mining lease application underway</li><li>• Bengalla Development Consent Approval extends mine operations to 2039</li><li>• Evaluate acquisitions that offer economies of scale or downstream benefits</li><li>• Counter-cyclical timing may present opportunities</li></ul>
<b>SUSTAINABILITY</b>	<ul style="list-style-type: none"><li>• Significant improvement in safety performance</li><li>• Environmental performance</li><li>• Community engagement</li><li>• Bengalla's high energy coal expected to be preferred in a carbon emission constrained generation market – thermal efficiency</li></ul>

## Productivity & mine optimisation – Curragh mine cash costs update

- Continued focus on cost control & productivity improvements
- ~32% cash cost reduction from 1H FY12 peak
- Cost performance sustained by:
  - Reduced contractor activity
  - Optimised mine design
  - Engagement with all mine suppliers
  - Mine productivity improvements

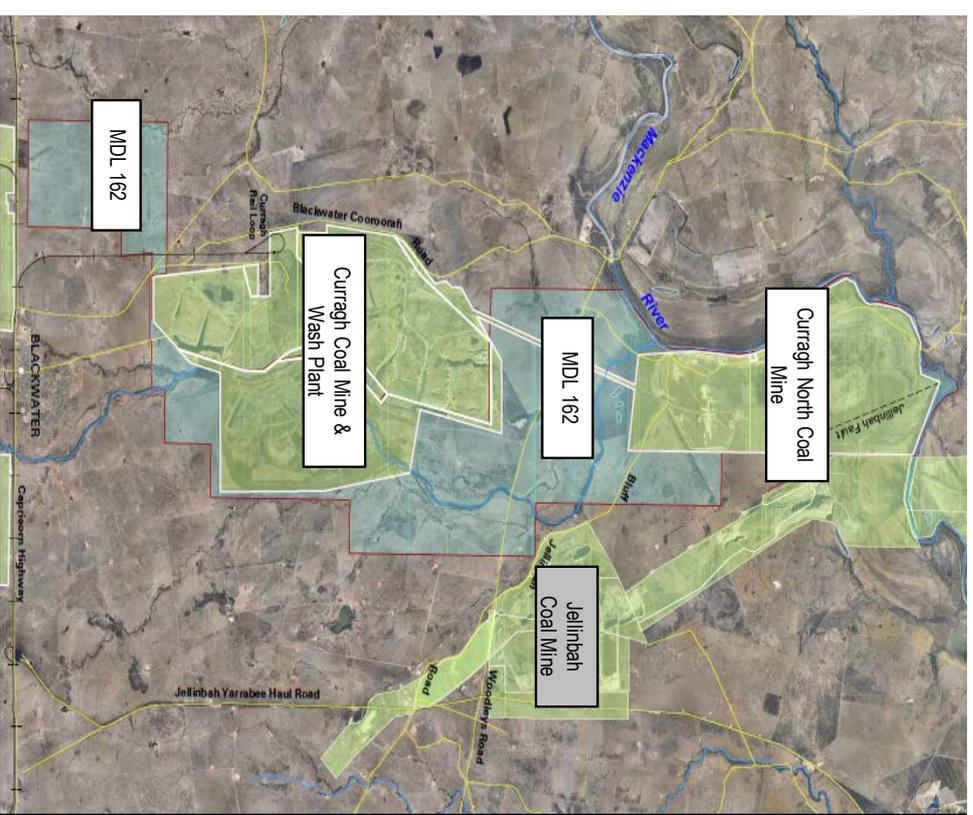
### Mine cash costs per tonne (excl. carbon tax)



## Curragh mine expansion: 'capital light' expansion to 10mtpa

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- Curragh expansion to 10mtpa export capacity
  - Feasibility study complete
  - Major infrastructure in place
  - Low incremental capital cost
  - Tier 2 Stanwell Rebate to apply
  - Market development in place
  - Timing subject to market conditions
- WICET<sup>1</sup> Stage 1 (27mtpa) commissioning complete
  - Curragh share of capacity is 1.5mtpa
  - Above & below track rail capacity in place



<sup>1</sup> Wiggins Island Coal Export Terminal.  
Resources

## Bengalla mine expansion – ‘capital light’ expansion to 10.7 mtpa ROM

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- Expansion completed in early 2015, on time & below budget
  - Low incremental capital cost
  - HME successfully commissioned & operating
  - Operating at 10.7mtpa ROM capacity
- New Development Consent
  - Granted 4 March 2015
  - Extend mine operations until 2039
  - Increased maximum production limit of 15mtpa ROM
- Further expansion potential
  - Concept Study to expand up to 15mtpa ROM
  - Joint venture approval of study Q4 FY15



## Product extension & market reach – Curragh development of MDL 162

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- Acquisition of MDL 162 in January 2014
  - Utilises existing Curragh infrastructure including CHP1, rail loop & mining equipment
  - Extends Curragh mine life & provides option to further optimise mine operations
  - Coal produced is not subject to Stanwell Rebate
- Feasibility study completed as part of 10mtpa expansion study
- Further exploration drilling (16 holes) completed – results to be included in 2015 JORC update
- Anticipated timeline to development
  - Mining Lease application 1H 2015
  - Grant of Mining Lease estimated Mid 2016
  - Initial coal mining from MDL162 FY2018

<sup>1</sup> Coal handling & preparation plant.

Resources

## Sustainability: Safety performance

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- Continued implementation of safety best practice arising from benchmarking project
- Review & simplification of Curragh Safety & Health Management System
- Increased & sustained frequency of safety interactions
- 66% reduction in TRIFR over past two years
- Targeting zero harm

	R12 LTIFR		R12 TRIFR	
	30-Jun-14	31-Mar-15	30-Jun-14	31-Mar-15
<b>As at</b>				
<b>Division</b> (excluding Bengalla)	0.6	0.3	5.0	4.9

## Outlook

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- Export markets
  - Metallurgical coal market continues to be oversupplied
  - Difficult export market conditions expected to continue in the near term
  - Spot prices remain low, with continued low export coal prices anticipated in FY16
- FY16
  - Product mix continues to be affected by steel mill preference for lower quality coal
  - Forecast Curragh metallurgical sales of 8.5 – 9.5mtpa (HCC 40%; Semi 31%; PCI 29%)
  - Stanwell Rebate expected to be in the order of A\$65 - \$75 million assuming A\$:US\$ of 0.77
  - Continuing focus on cost minimisation & productivity improvement

## Outlook (cont.)

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- Near term outlook remains challenging, but strong mine fundamentals exist
  - Long-life mines with excellent infrastructure
  - Long-term rail & port access in place with strong, long-term customer relationships
- Growth
  - Low capital cost mine expansions
  - Continue to evaluate counter-cyclical opportunities

# Coal reserves notes (as per slide 209)

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## Curragh coal reserves

The estimates of Curragh coal reserves have been carried out under the Australasian Code of Reporting of Exploration Results, Mineral Resources & Ore Reserves 2004 (Curragh South and North Mining Leases) (the "JORC Code 2004") and the Australasian Code of Reporting of Exploration Results, Mineral Resources & Ore Reserves 2012 (Mineral Development Licence 162) (the "JORC Code 2012") (collectively the "**JORC Code**") and were reported as at 30 June 2014 in the 2014 Westfarmers Limited Annual Report issued on 9 September 2014 and available at <http://www.asx.com.au> or [www.westfarmers.com.au](http://www.westfarmers.com.au). Estimates of coal reserves comprise 244 million tonnes of proved coal reserves and 40 million tonnes of probable coal reserves. Figures are rounded to the nearest million tonnes. The Curragh coal reserves information was compiled by, is based on, and fairly represents information and supporting documentation prepared by Mr Barry Saunders (Member AusIMM), Mr Johan Ballot (Member AusIMM) and Mr Ken Hill (Member AusIMM) who have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC Code. Mr Ballot, Mr Saunders and Mr Hill have consented to the inclusion in the report of the matters based upon their information in the form and context in which they appear. Mr Ballot is an employee of Westfarmers Curragh Pty Ltd. Mr Saunders is an employee of QGESS Pty Ltd. Mr Hill is an employee of Xenith Consulting Pty Ltd

## Bengalla coal reserves

On 28 November 2014, Rio Tinto announced that it had increased its assessment of total ROM coal reserves for the Bengalla mine to 271 million tonnes (100% basis) comprising 165 million tonnes of proved coal reserves and 106 million tonnes of probable coal reserves (as at 31 October 2014).

The information in Rio Tinto's announcement of 28 November 2014 which is cross referenced in this statement that relates to coal reserves is based on, and fairly represents, information compiled by Mr Andrew Prentice and Mr Richard Ruddock. Mr Prentice is a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy and is employed by Rio Tinto Coal Australia Pty Ltd. Mr Prentice has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Prentice consents to the inclusion in this statement of the matters based on his information in the form and context in which it appears. Mr Ruddock is a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy and is employed by Rio Tinto Coal Australia Pty Ltd. Mr Ruddock has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Ruddock consents to the inclusion in this statement of the matters based on his information in the form and context in which it appears.

For full details see Rio Tinto's announcement on the ASX website <http://www.asx.com.au/asx>

# Questions

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Stewart Butel  
Managing Director



# Industrial & Safety

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Olivier Chretien  
Managing Director



## WIS charter

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### Security of Supply

The trusted provider of industrial & safety products & services

### Service & Value

Enabling customers to seamlessly & cost-efficiently run, maintain & grow their business

### Ethical standards

Living by the strongest values, safety & sustainability standards

### Shareholder value

Delivering satisfactory returns to shareholders

# Execution through four business streams



<sup>1</sup> Maintenance, Repair & Operations – includes safety.

# Strong competitive positions & expanding addressable markets

## Markets

	MRO	Services	Gas	Workwear wholesale <sup>1</sup>	Uniforms
Australia	#1	<ul style="list-style-type: none"> <li>On-site</li> <li>Training</li> <li>Testing/tagging</li> <li>Consulting</li> </ul>	#3 (consolidated market)	#1	#1
New Zealand	#1	<ul style="list-style-type: none"> <li>Training</li> <li>Consulting (2015 entry)</li> </ul>		#1	#1
International	<ul style="list-style-type: none"> <li>Indonesia</li> <li>PNG/Pacific, Africa (export)</li> </ul>	<ul style="list-style-type: none"> <li>Indonesia (consulting)</li> </ul>	<ul style="list-style-type: none"> <li>PNG (export)</li> </ul>		<ul style="list-style-type: none"> <li>UK, UAE</li> <li>Select global customers</li> </ul>

## Geography

<sup>1</sup> Includes Defence & Emergency services.

## Meeting evolving customer needs

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Broad range of products

Solutions & services

High growth in end-markets

Cost-down agenda

Site-based purchasing

Centralised & consolidated procurement

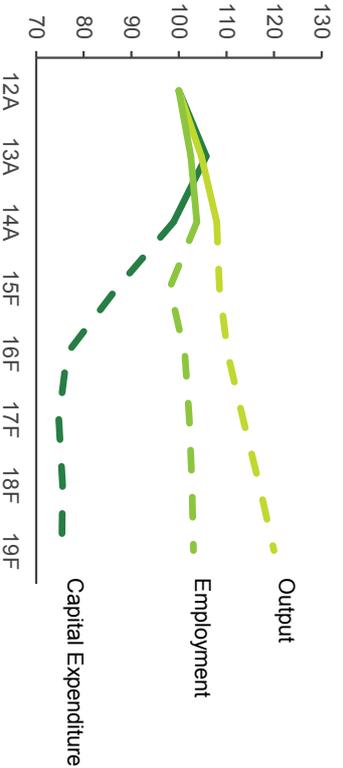
Quality & safety driving premium brands preference

Private label alternatives in more commoditised ranges

## in the context of a challenging market

### Activity Drivers<sup>1</sup>

Indexed Real Growth

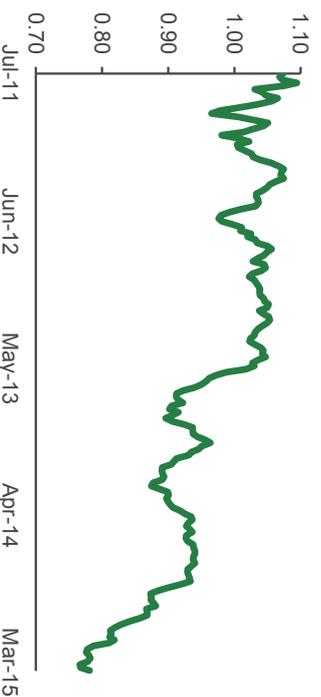


### Lower customer activity

- Large customers' cost-down agenda
- Sharp contraction in capital investment
- Reducing employment levels & turnover
  - direct impact on workwear & PPE<sup>2</sup> sales

### Exchange Rate

AUD/USD



### Sharp currency decline

- Material net impact in 2H15
- Increased cost of goods only partially & gradually passed through to customer base

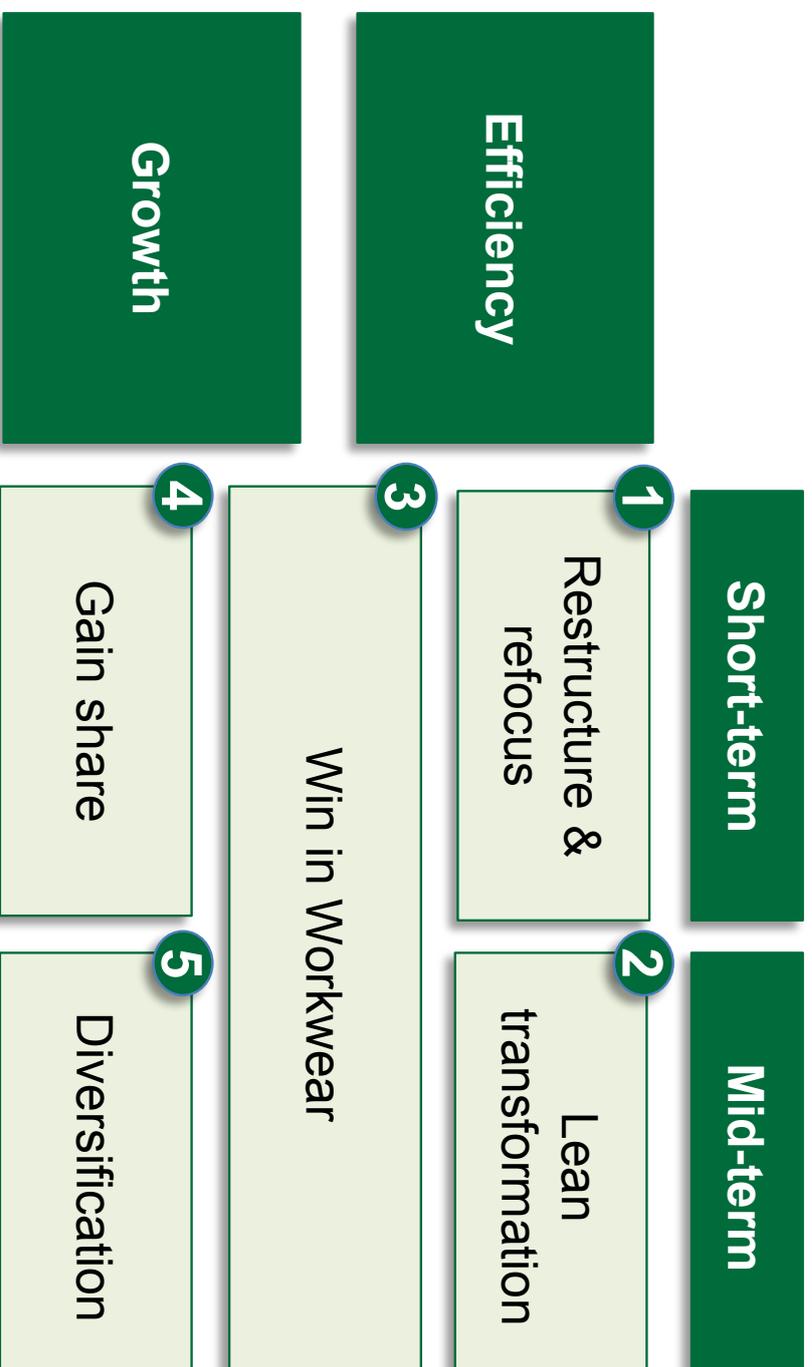
<sup>1</sup> Activity drivers represent end customer activity levels weighted by WIS industry exposure.

<sup>2</sup> Personal Protective Equipment.

Source: Deloitte Access Economics (March 2015), Oanda, Internal estimates.

# Strategic agenda – efficiency & growth

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# 1

## Efficiency (short-term) – restructure & refocus

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### Restructure organisation & reshape portfolio

- Network rationalisation & workforce efficiency<sup>1</sup> (28 closures, 11% FTE<sup>2</sup>)
- Specialists restructuring – Workwear Group, Bullivants, Protector Alsafe, Greencap, Packaging House, hose factory exit (New Zealand)

### Sourcing excellence

- Implemented partnership program with key suppliers (wave 2 underway)
- Merged global sourcing teams in China

### Simplification & optimisation

- Stock turn improvement through improved sales & operational planning
- Capex reduction – reprioritised & de-scoped investments
- Waste minimisation – cease non-value adding activities

<sup>1</sup> Over the last two years; excludes acquisitions.  
<sup>2</sup> Full time equivalent.

## 2

### Efficiency (mid-term) – lean transformation

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#### Supply chain

- Sales & Operations Planning, Distribution Centre efficiency
- Warehouse technology
- Supply chain optimisation

#### Customer service & sales force

- Customer service centralisation (virtual) – telephony roll-out
- Sales force effectiveness

#### Process redesign

- Upgraded New Zealand, Coregas & Bullivants ERPs<sup>1</sup>
- Protector Alsafe & Blackwoods new ERP implementation (2016/17)
- Lean implementation in Workwear Group

<sup>1</sup> Enterprise Resource Planning.

## 2 Efficiency (mid-term) – warehouse technology

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- Automated warehouse facility in Greystanes (NSW)
  - “Goods to Person” (GTP)
- Approximately 80% SKUs<sup>1</sup> held in GTP
  - Handling ~60% of pick activity for the region
- Improved productivity, service levels & inventory management
- Recognised with Australian Supply Chain & Logistics award

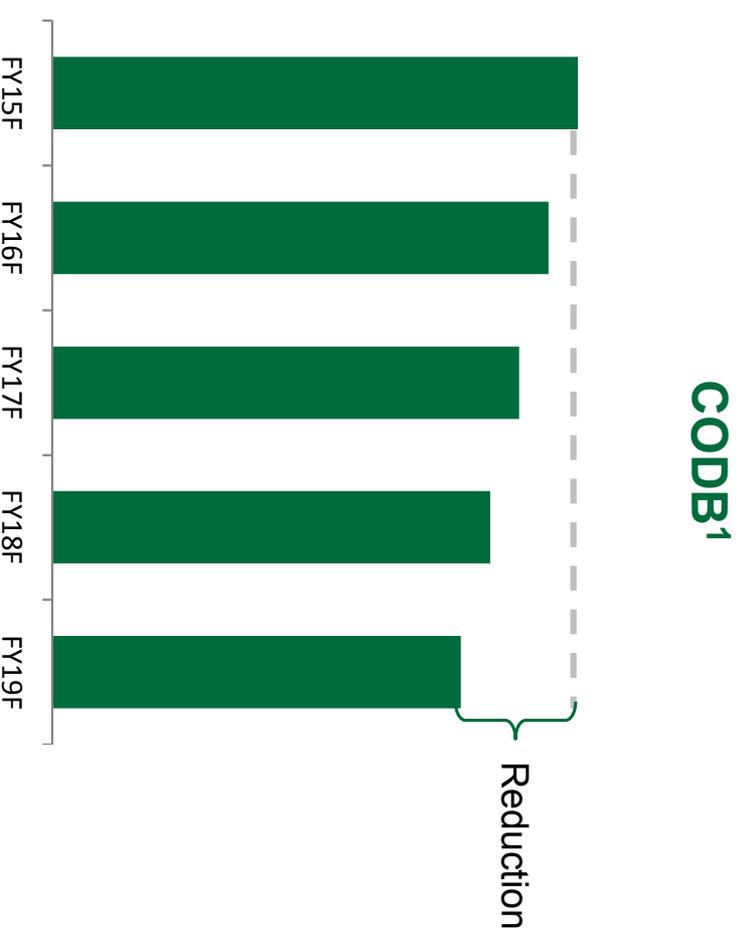


<sup>1</sup> Stock Keeping Units.

## 2

### Efficiency (mid-term) – resetting the cost base

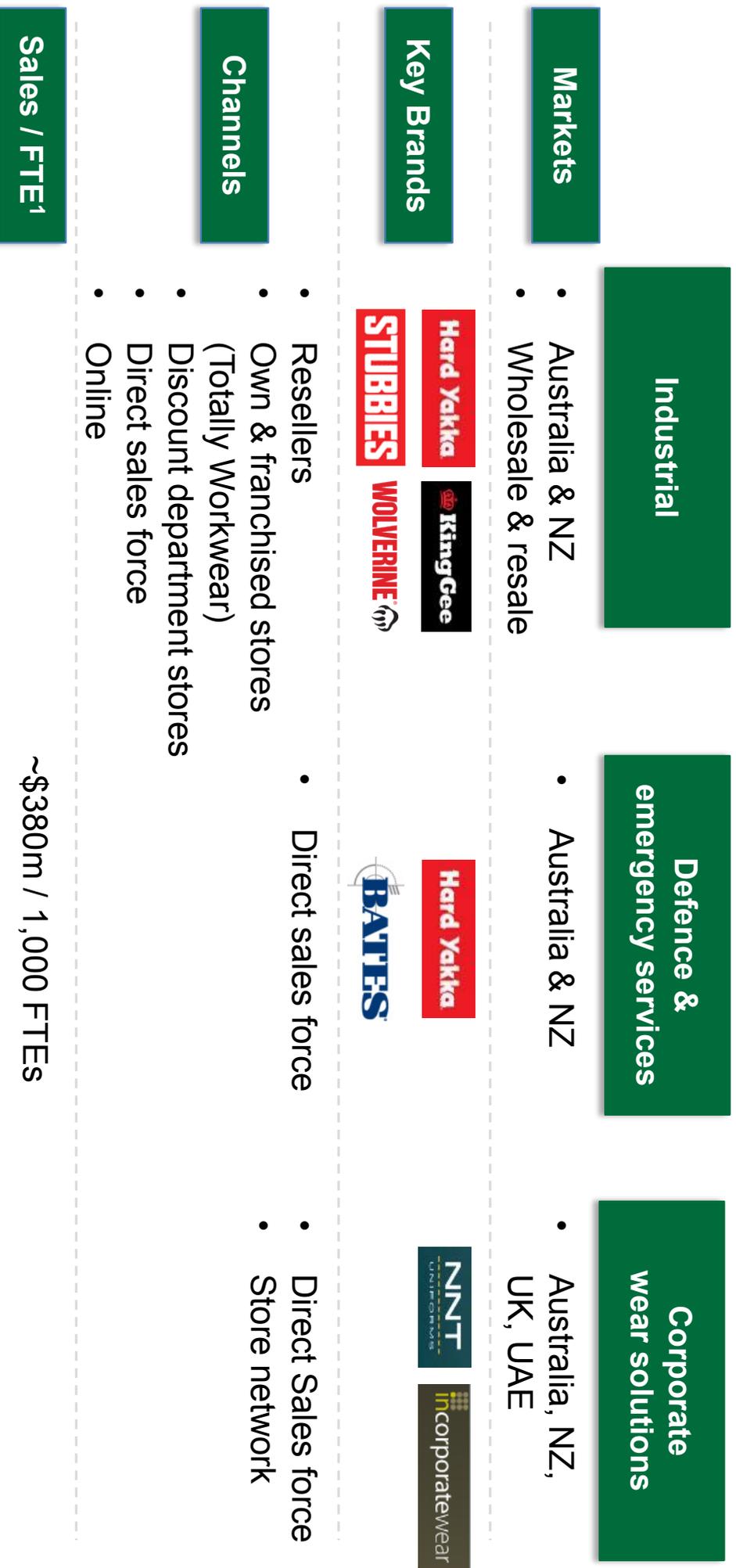
- Material reduction in CODB<sup>1</sup> expected:
  - After reinvestment in customer service
  - Build more competitive long-term platform
  - Offset margin pressures
  - Deliver greater economies of scale
- Delivered through combination of:
  - Reshaping portfolio & restructure
  - Technology & lean transformation
  - Waste minimisation



<sup>1</sup> Cost of Doing Business defined as ratio of operating expenses to sales.

<sup>2</sup> Subject to forecast pricing & growth assumptions.

### 3 Workwear Group – business overview



<sup>1</sup> FY14 Sales / FTEs.

### 3 Workwear Group – acquisition rationale

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#### Market leading Workwear position

Gain share through:

- Leading brand portfolio with iconic brands complementing 'MIS' private labels
- Integrated clothing offer with improved value-add services

#### New growth platforms

- Expand into new customer segments in industrial & corporate wear
  - e.g. banking, retail, hospitality, health, transport, emergency services
- International platform & pipeline of future opportunities

#### Synergies

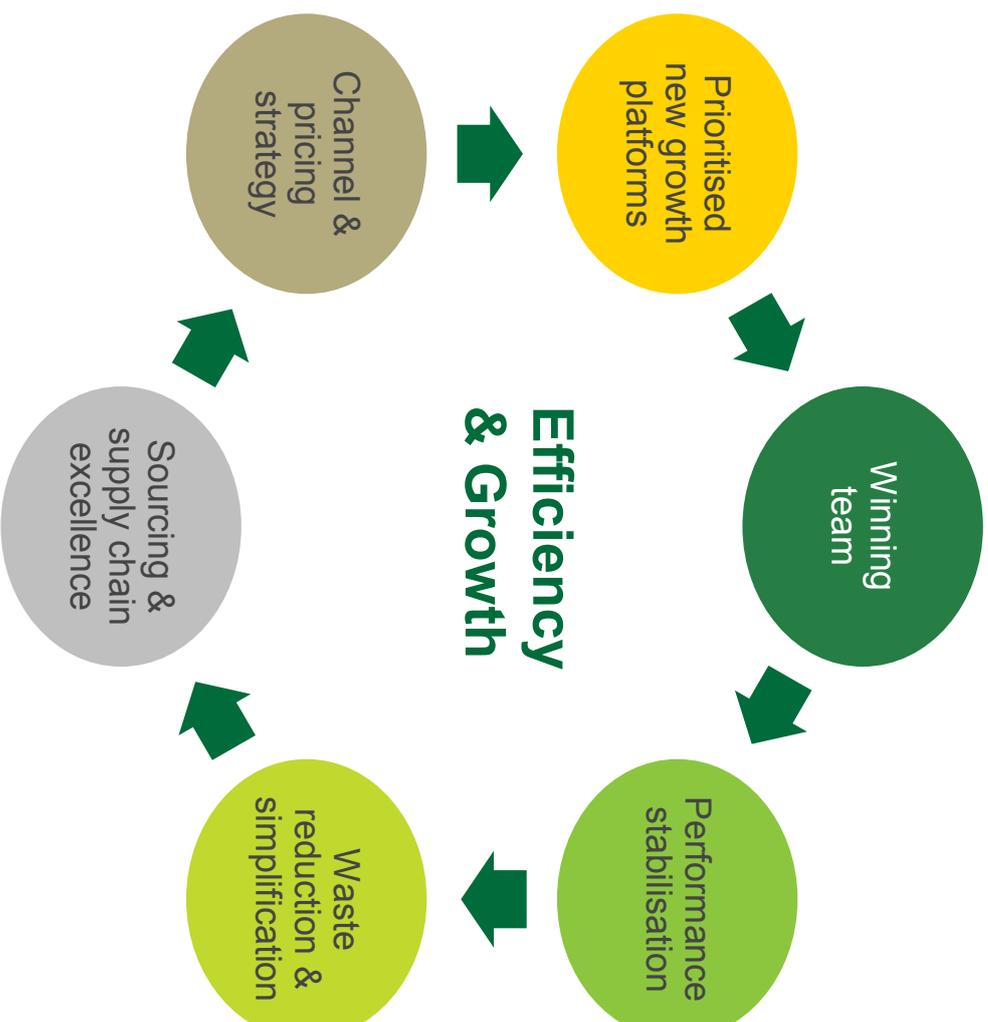
- Customer relationships, sourcing & distribution channels, working capital

#### Performance turnaround benefits

- Re-engage workforce & stabilise business processes
- Sourcing, supply chain & customer service improvement opportunities
- Reinvest in iconic brands' marketing & product innovation

### 3 Workwear Group – strategic agenda

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### 3

## Workwear Group – progress to date

### Completed to date

- Restructured senior leadership team & set key business stabilisation priorities
- Re-engaged workforce, reduced turnover
- China & NZ merged with WIS teams
  - Scale in global sourcing & NZ wholesale/manufacturing
- Reinvested in enabling platforms
  - HR, HSE, commercial & finance
  - Ethical sourcing review
- Inventory review
- Whole of business strategies in place for customer retention & pipeline capture

### Work in progress

- Core brands review
  - Range rationalisation
  - Pricing review
  - Brand portfolio & channel strategy
  - Reinvestment in product innovation
- Supply chain & customer service improvement initiatives underway
- Shift from transactional to strategic sourcing relationships
  - Supply base consolidation
- Lean process simplification roll-out
- Footscray (VIC) defence manufacturing under review

### 3 Workwear Group – key apparel brands

Growth through product innovation



Differentiated brand offer of strength & durability

Global corporate wear solutions



Positioned to target value segments

## 4 Growth (short-term) – gain share

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### Share of spend

- Securing key accounts (ANZ) through ongoing investment in value
  - Leveraging & growing own brands
- Multiple channels to maximise reach

### Range extensions

- Product innovation (e.g. fire retardant)
- Investing in category management & leveraging strategic suppliers

### Solutions

- Expanding onsite services, OH&S training<sup>1</sup> & consulting services
- Implementing integrated supply solutions with select customers

Share opportunities: WIS only captures ~10-15% share across its key markets

<sup>1</sup> Includes NSCA acquisition (August 2014).

## 4 Growth (short-term) – Blackwoods building on unique value proposition

How we do it	What we do
Make it easy	
Make it smart	
Make it relevant	
Make it happen	
Smarter ways to work.	<b>Blackwoods</b>

Industrial & Safety

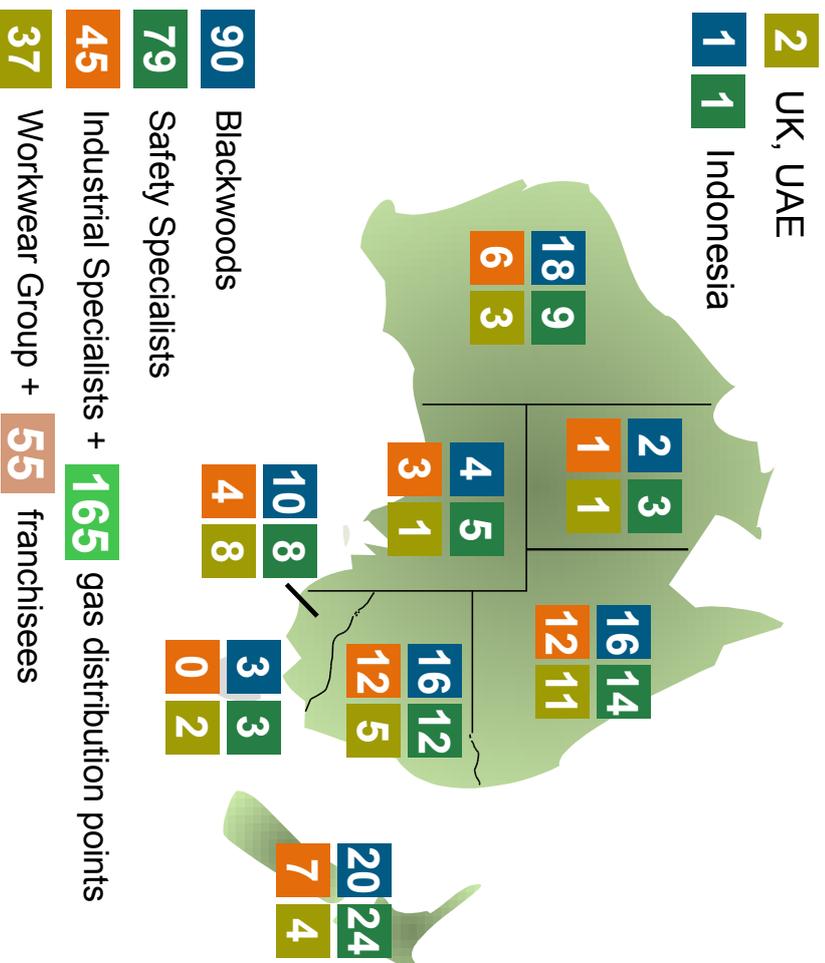
<sup>1</sup> Three month rolling average.

### What it means

- Customer centric service
- Delivery promise in full & on time
- Multichannel
- 80 product specialists & site facilitators
- Vendor management & product innovation
- Tailored solutions for large & small
- Convenience & simplicity, multi-channel
- Broadest range over 32 product categories
- 260,000 SKUs available
- Competitive pricing

## 4 Growth (short-term) – multiple channels to maximise reach

### 471 Network Locations<sup>1</sup>



<sup>1</sup> As at 31 December 2014.

Industrial & Safety

### Other Channels

- Salesforce / Consultants  
>1,100 FTEs
- Customer Service  
>800 FTEs

- ~1/4 eBusiness sales
- 2.5M order lines per annum



## 4 Growth (short-term) – own & exclusive ranges

**Tools  
Hardware  
Welding &  
abrasives**



**JBS**  
PROVEN INDUSTRIAL PERFORMANCE

**Fasteners**



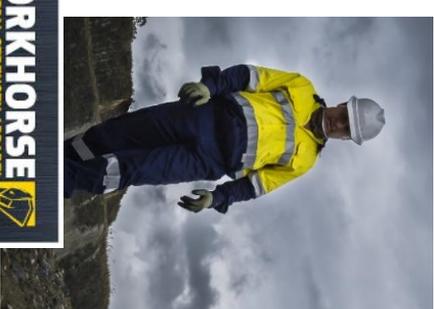
**QBCO**  
Focused on Fasteners

<sup>1</sup> Personal Protective Equipment.  
Industrial & Safety



**PPE<sup>1</sup>**

**Apparel**



**WORKHORSE**  
INDUSTRIAL STRENGTH APPAREL

**Footwear**



**WOLVERINE**

## 5 Growth (mid-term) – diversification

### Under-penetrated segments

- SME segment (<5% market share)
  - Blackwoods, Safety, Workwear store networks (ANZ) & omni-channel
  - Tools, workwear, PPE, welding & gas focus

### Higher growth sectors

- Increase penetration e.g. service industries, construction

### Geographies & channels

- Geographic & channel expansion in gas
- Multichannel expansion in workwear & uniforms
- Further international expansion, including UK

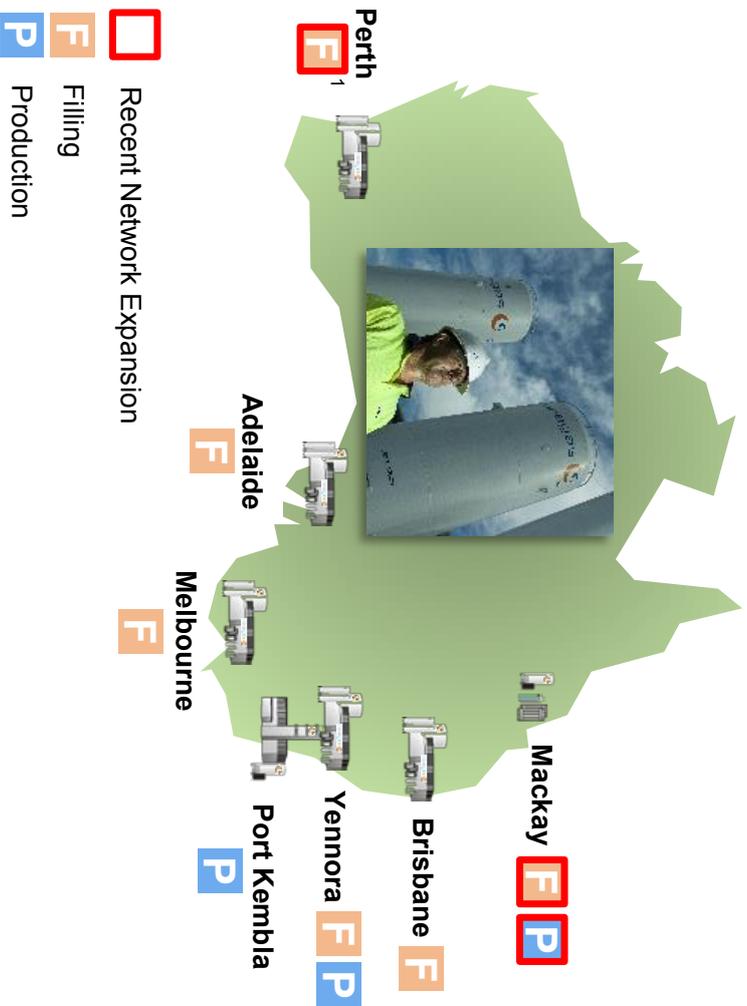
### Scope of services

- Growth in safety & risk consulting services

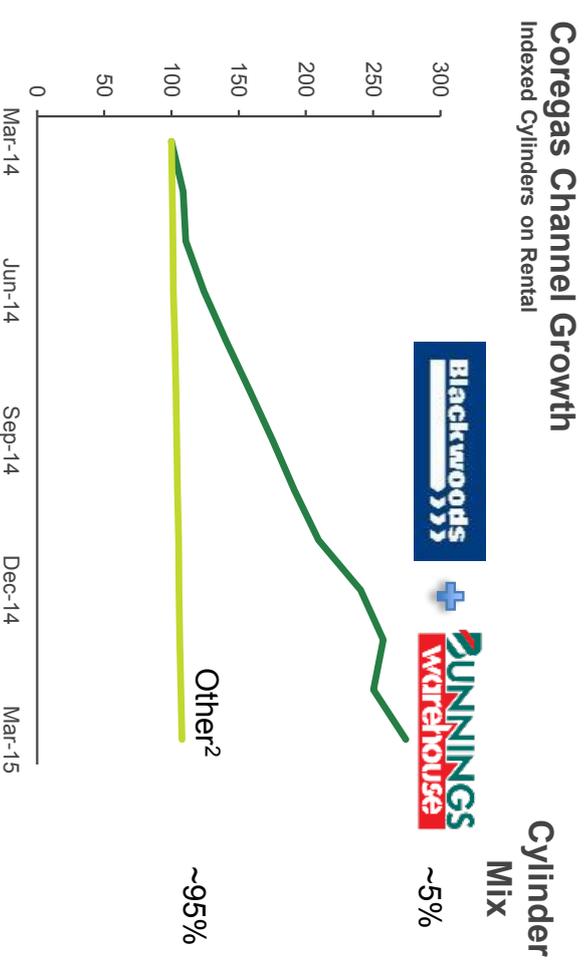
Also exploring acquisition opportunities to accelerate diversification

# 5 Growth (mid-term) – Coregas network & channels

## Primary Locations



## Distribution Channels



<sup>1</sup> Permanent Perth facility is under construction.

<sup>2</sup> Other channels include CG network locations, directly-serviced customers & depots & distributors.  
Industrial & Safety

# Outlook

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## Challenging market conditions in Australia

- Weak customer activity & margin pressure expected to continue in 2015/16
- Stable to moderate growth in New Zealand

## Focus on gaining share while reducing cost to serve

- Win/retain volume through investment in value & home brands
- Cost base reduction through business restructuring (\$15-20m of one-off restructuring costs in 2H15, notably Workwear)

## Long-term outlook remains positive

- Expanding addressable markets & sources of growth (e.g. Workwear, SMEs)
- Pursuing acquisitions to consolidate positions & accelerate diversification

## FY15 earnings outlook

- FY15 earnings of circa \$70m (post one-off restructuring costs) reflecting challenging market conditions, investment in value & restructuring to re-align the business for long-term sustainability

# Questions

## Olivier Chretien Managing Director





**Westfarmers**