2016 Half-year Results
Debt Investor Update

March 2016

Wesfarmers

Group Performance Summary

Wesfarmers' future operating business structure

Wesfarmers

Richard Goyder
Managing Director
Wesfarmers

Coles	Home Improvement	Department Stores	Industrials	Officeworks & Associates
				
John Durkan Managing Director Coles	**John Gillam** Chief Executive Officer Bunnings Group	**Guy Russo** Chief Executive Officer Department Stores	**Rob Scott** Managing Director Industrials	**Terry Bowen** Finance Director Wesfarmers
coles	BUNNINGS	Kmart Target	Wesfarmers Chemicals, Energy & Fertilisers Wesfarmers Industrial and Safety Wesfarmers Resources	Officeworks

Associates:
- bwp TRUST
- WESPINE
- GRESHAM

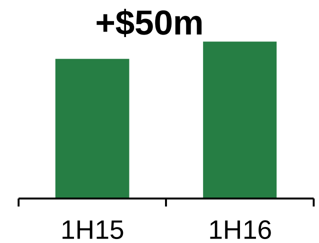
Group performance summary

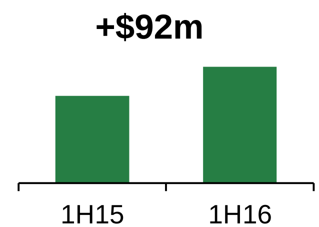
Half-year ended 31 December ($m)	**2015**	**2014**	**↕%**
Revenue	33,462	31,970	*4.7*
EBIT	2,110	2,076	*1.6*
Net profit after tax	**1,393**	**1,376**	*1.2*
Operating cash flow	2,404	2,281	*5.4*
Net capital expenditure	675	899	*(24.9)*
Free cash flow	1,665	1,269	*31.2*
Interim ordinary dividend (cps)	91	89	*2.2*
Net debt (reported)	6,108	5,139	*18.9*
Net debt (post interest rate swap assets)	5,261	4,509	*16.7*
Interest cover (cash basis) (R12, times)	19.3	18.1	*6.6*
Fixed charges cover (R12, times)	3.0	3.1	*(3.2)*

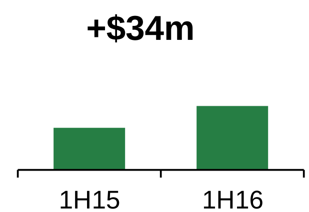
Divisional EBIT summary

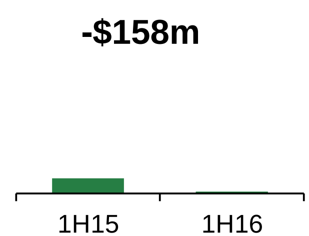
EBIT ($m) Half-year ended 31 December	2015	2014	↕ %
Food, liquor & petrol retailing	**945**	**895**	*5.6*
Coles	945	895	*5.6*
Home Improvement & Office Supplies	**760**	**668**	*13.8*
Home Improvement	701	618	*13.4*
Office Supplies	59	50	*18.0*
Department Stores	**393**	**359**	*9.5*
Kmart	319	289	*10.4*
Target	74	70	*5.7*
Industrials	**22**	**180**	*(87.8)*
WesCEF	104	95	*9.5*
Industrial & Safety	36	50	*(28.0)*
Resources	(118)	35	*n.m.*

EBIT growth



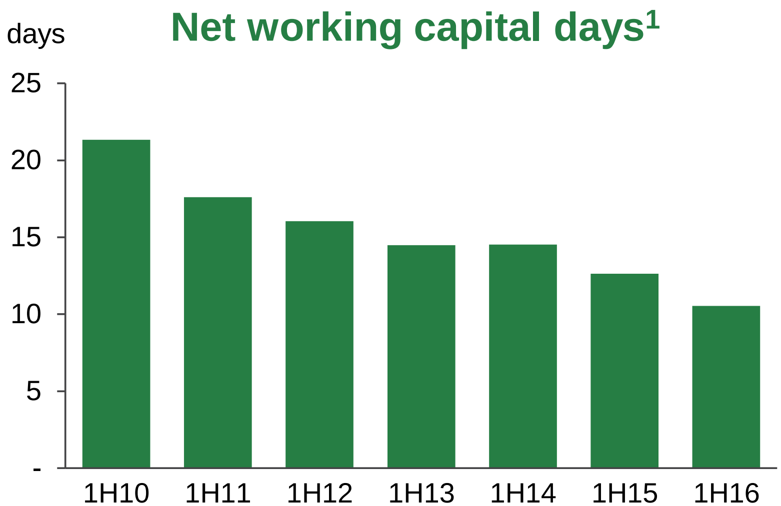






Working capital management

- Working capital well managed despite retail store network growth, a lower Australian dollar impacting inventory costs & retail sales growth
  - Good productivity improvement in net working capital days, falling 2.1 days to 10.5 days



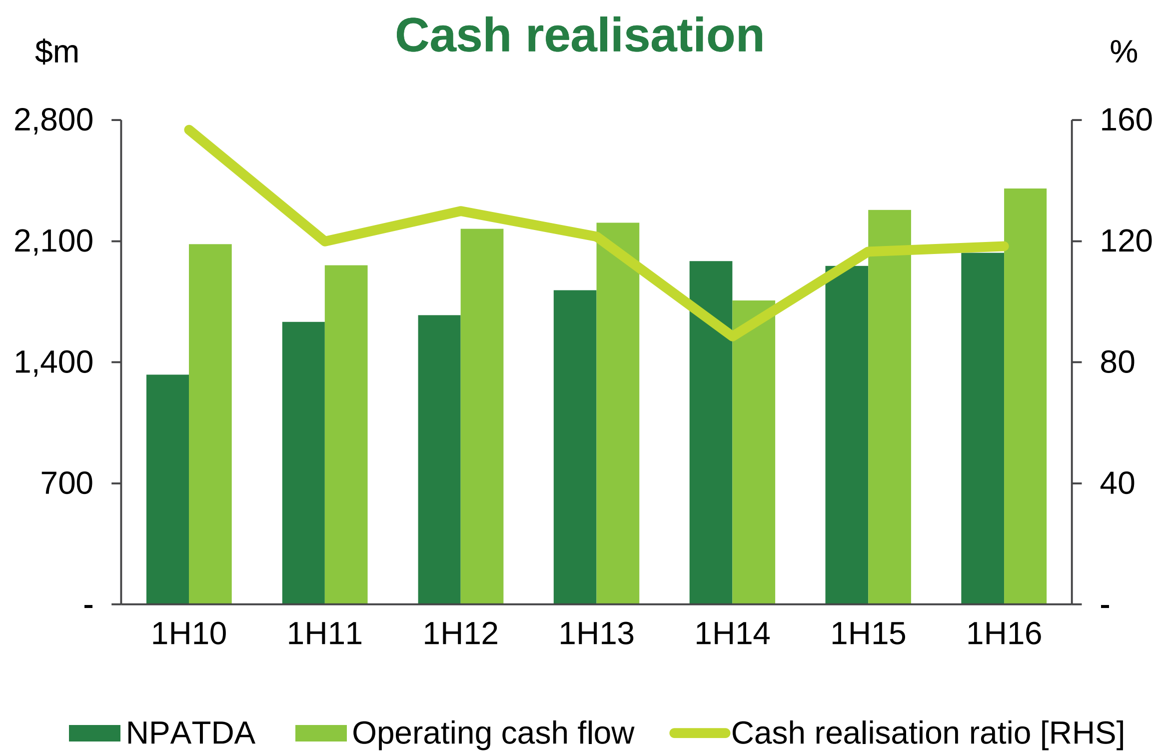
Half-year ended 31 December ($m)	2015	2014
Cash movement inflow/(outflow)[2]		
Receivables & prepayments	(13)	47
Inventory	(1,066)	(660)
Payables	1,345	941
Total	**266**	**328**
Working capital cash movement		
Retail	348	635
Other	(82)	(307)
Total	**266**	**328**

[1] Calculated as average net working capital balance divided by R12 revenue multiplied by 365.

[2] Cash movement relating to inventories, trade & other receivables, prepayments & trade & other payables.

Solid operating cash flow generation

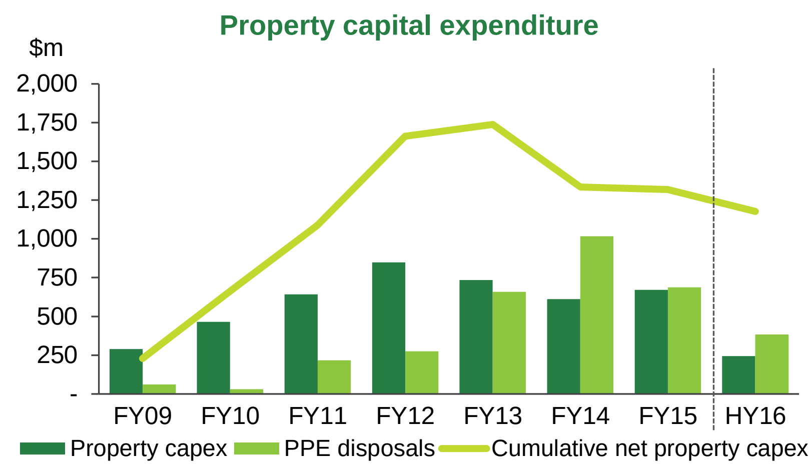
- Continued strong cash realisation
- Higher operating cash flow performance includes lower income tax paid as a result of higher prepayments in prior corresponding period



Capital investment & property recycling

- Effective deployment of capital to capture highest growth & return opportunities
  - Retail businesses comprised 89% of capital expenditure (in line with the pcp)
  - Coles HY16 RoC[2] of 30.0% (excl. goodwill)
  - HIOS HY16 RoC[2] of 49.5% (excl. goodwill)
  - Department Stores HY16 RoC[2] of 31.9% (excl. goodwill)
- Continued proactive management of property portfolio
  - Yield compression on freehold property disposal supporting good outcomes for Group
- FY16 net capital expenditure estimate of $1.3 to $1.6 billion, subject to net property investment

Half-year ended 31 December ($m)[1]	2015	2014	↕%
Coles	459	537	*(14.5)*
HIOS	337	370	*(8.9)*
Kmart	79	93	*(15.1)*
Target	66	78	*(15.4)*
WesCEF	21	39	*(46.2)*
Industrial & Safety	29	25	*16.0*
Resources	67	65	*3.1*
Other	1	-	*n.m.*
Total capital expenditure	**1,059**	**1,207**	*(12.3)*
Sale of PP&E	(384)	(308)	*(24.7)*
Net capital expenditure	**675**	**899**	*(24.9)*



[1] Capital investment provided on a cash basis.
[2] Rolling 12 months.

Coles

Coles performance summary

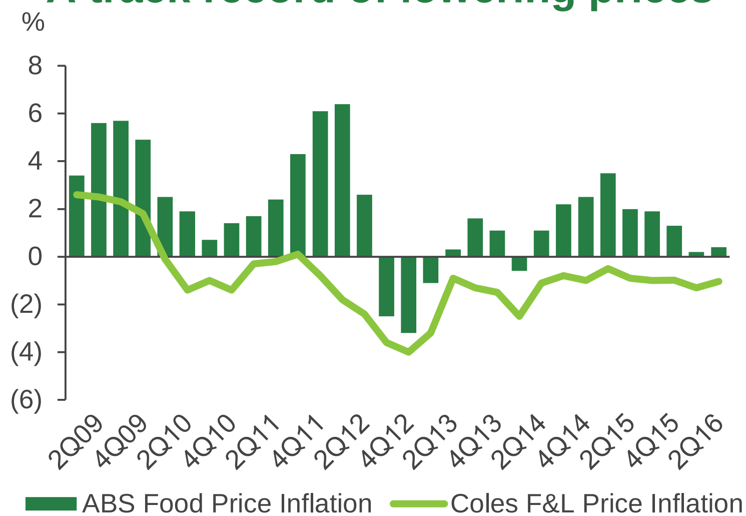
Half-year ended 31 December ($m)		2015	2014	↕ %
Coles Division	**Revenue**	**20,087**	**19,483**	*3.1*
	EBITDA	1,250	1,171	*6.7*
	EBIT[1]	**945**	**895**	*5.6*
	EBIT margin (%)	4.7	4.6	
Food & Liquor	**Revenue[2]**	**16,496**	**15,559**	*6.0*
	Headline sales growth (%)[3,4]	5.4	5.3	
	Comparable sales growth (%)[3,4]	4.3	4.2	
	Inflation/ (deflation)	(1.2)	(0.7)	
Convenience	**Revenue**	**3,591**	**3,924**	*(8.5)*
	Total store sales growth (%)[3]	11.6	11.5	
	Comp. fuel volume growth (%)[3]	(3.8)	(6.9)	

1 Includes property EBIT for the half-year ended 31 December 2015 of $10 million & for the half-year ended 31 December 2014 of $8 million.
2 Includes property revenue for the half-year ended 31 December 2015 of $13 million & for the half-year ended 31 December 2014 of $15 million.
3 2016 growth reflects the 27 week period 29 June 2015 to 3 January 2016 & the 27 week period 30 June 2014 to 4 January 2015. 2015 growth reflects the 27 week period 30 June 2014 to 4 January 2015 & the 27 week period 1 July 2013 to 5 January 2014.
4 Includes hotels, excludes gaming revenue & property.

Food & Liquor highlights
Focused on creating trusted value, fresh & customer service

- Continued strong growth in fresh food
- Better value led by price reductions in key lines including chicken breasts, Coles Brand free range eggs, Coles Brand roast chicken & lower produce prices
  - Improving fresh quality through greater product consistency & greater in-store focus
- Putting the customer 'front & centre'
  - Increased investment in checkouts & service hours to ensure a better customer experience
  - More team members trained in a craft skill
  - More than 50% of the fleet now makes bread from scratch
- Continued long-term investment in creating trusted value
  - 6.5% cumulative deflation since FY09
  - More than 2,300 products now on Every Day pricing
  - Coles Brand delivering high quality & value

A track record of lowering prices



Food & Liquor highlights

Project Unity delivering end-to-end simplicity

- Building better supplier partnerships
  - More long-term supply partnerships
  - Implementation of new supplier standards to ensure greater simplicity & transparency
- More efficient supply chain improving product life, freshness, availability & sales
  - 18% of stores now Grocery ‘Day 1 for Day 1’
  - Successful conversion of all meat, deli & dairy product to flow through in Tasmania
  - Coles Brand milk transition to flow through accelerated, adding two extra days of product life
- Simpler stores
  - Delivered improvements in ticketing & markdowns & front end customer service
  - Continued investment in tools & processes to drive productivity

Food & Liquor highlights
Extending into new services & channels

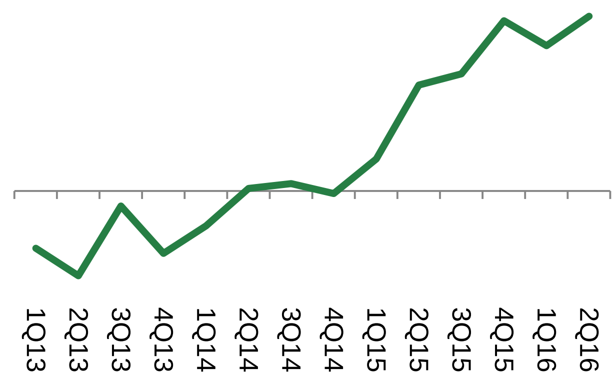
- Delivering more convenience through Coles Online
  - Continued strong sales & customer growth
  - Optimised network to service growing demand
  - In-aisle specials now available online
- Providing greater choice & value through flybuys
  - Double-digit growth in active households in Q216
  - New partnership with Etihad Airlines
- Growing Coles Financial Services
  - c. 970,000 customer accounts & growing
  - Coles Gift MasterCard added in October 2015 to existing suite of competitive products
- Coles Mobile launched providing customers even more flexibility & simplicity

Food & Liquor highlights
Progressing the Liquor transformation

- Customer-led turnaround continues to gain momentum with significant long-term opportunities for improvement remaining
- Progress to date has been driven by
  - Significant price investment
  - Liquorland renewals & network optimisation
  - Simplified range with greater customer appeal
  - Higher conversion of Coles supermarket customers
- Significant opportunity for further improvements
  - Continue investment in price, range & customer offer
  - Accelerate Liquorland renewal program following encouraging early results
  - Expansion of exclusive brands offer
  - Growing Liquor Direct
  - First Choice renewal trial underway

Refreshed Liquorland store

Liquor transaction growth

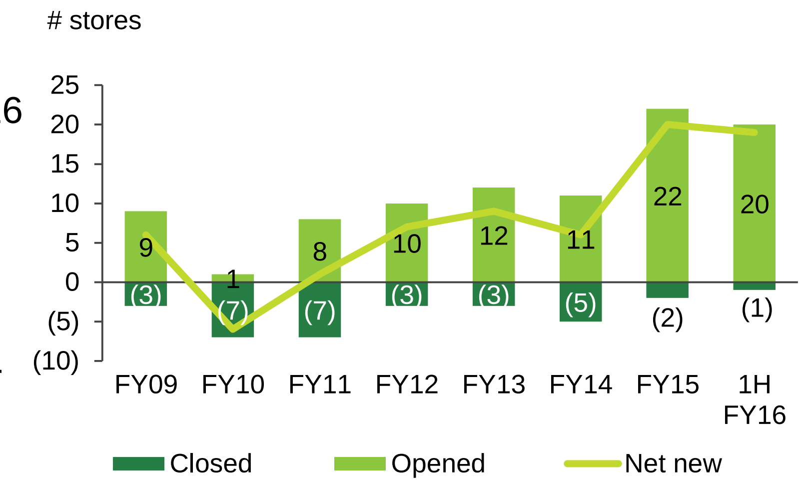


Convenience highlights
Driving convenience growth

- Creating trusted value
  - 11.6% C-Store headline sales growth on the back of record shop transaction growth
  - Completed rollout of Coles ‘Every Day’ value offer, including strong growth in Coles Brand sales
- Growing food-to-go
  - Record food-to-go sales growth driven by ‘Expresso-To-Go’ coffee rollout
  - Growth category, with further initiatives
- Delivering a better store network
  - Opened 20 new sites & closed one site in 1H FY16
  - Bigger, bolder stores opened
- Leveraging quality fuel offering
  - Continuing focus on customer demand for greater availability of diesel & premium fuel grades

Driving value for customers

Expanding the Convenience network



Home Improvement & Office Supplies

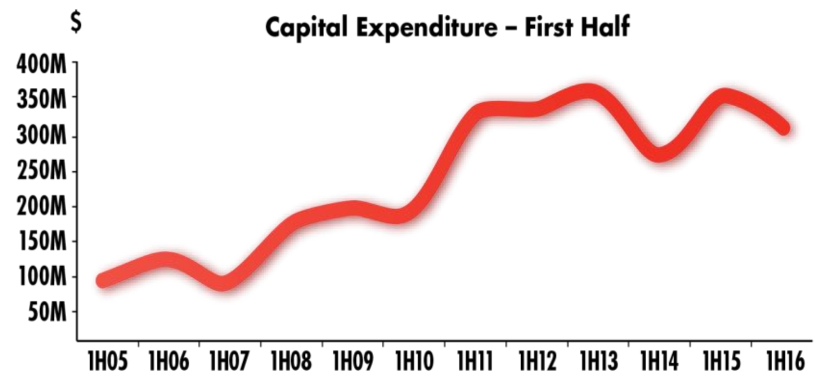
Bunnings Warehouse · Bunnings · Bunnings Trade · Officeworks

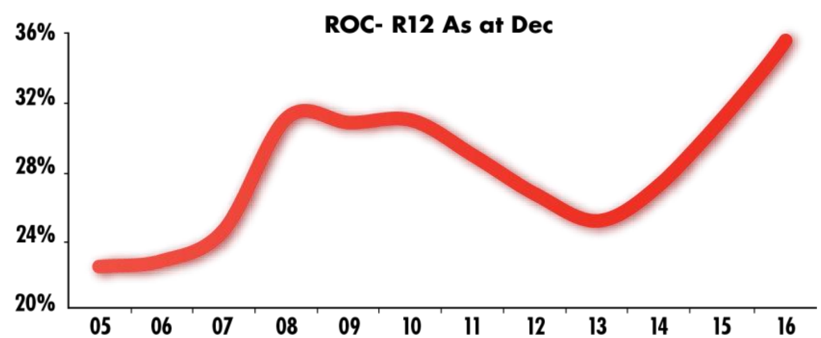
HIOS performance summary

Half-year ended 31 December ($m)		2015	2014	↕%
Revenue	Home Improvement	5,500	4,959	*10.9*
	Office Supplies	875	802	*9.1*
	Total	**6,375**	**5,761**	*10.7*
EBITDA	Home Improvement	776	686	*13.1*
	Office Supplies	70	61	*14.8*
	Total	**846**	**747**	*13.3*
EBIT	Home Improvement	701	618	*13.4*
	Office Supplies	59	50	*18.0*
	Total	**760**	**668**	*13.8*

Home Improvement highlights

- Strong revenue uplift of 10.9%
  - Total store growth of 11.0%; store-on-store growth of 7.9%
  - Broad strength of trading performance across all major regions & all categories
  - Good improvement in consumer & commercial
- EBIT increase of 13.4%
  - Strong trading performance
  - Good cost control & process efficiencies
  - Continued value creation & network refresh costs
  - Favourable property development outcomes
- RoC (R12) uplift of 420 bps
  - Ongoing investment for growth
  - Active property divestment program



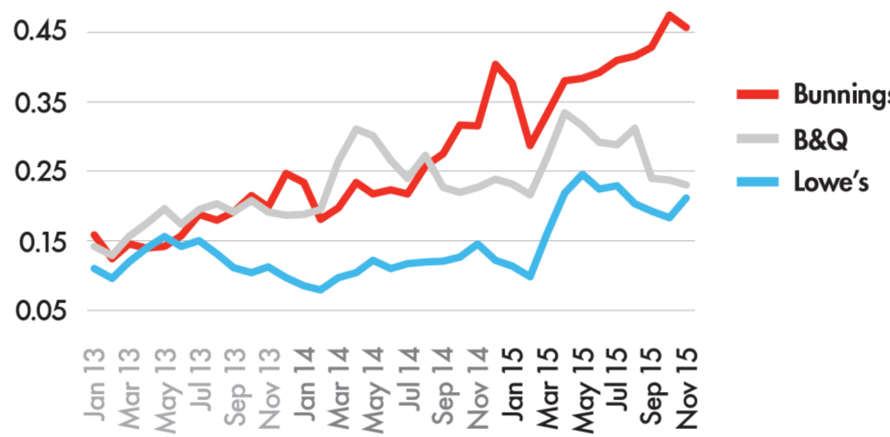


Home Improvement highlights

- Contributions from all growth drivers
  - Creating more value
  - Better customer experiences
  - Accelerating brand reach
    - » Physical & digital
  - Expanding commercial presence
  - More merchandise innovation

- Investments strengthening core business
  - Team
  - Stock flow
  - Productivity
  - Community

Accelerating digital engagement - visits per capita per month



Acquisition of Homebase

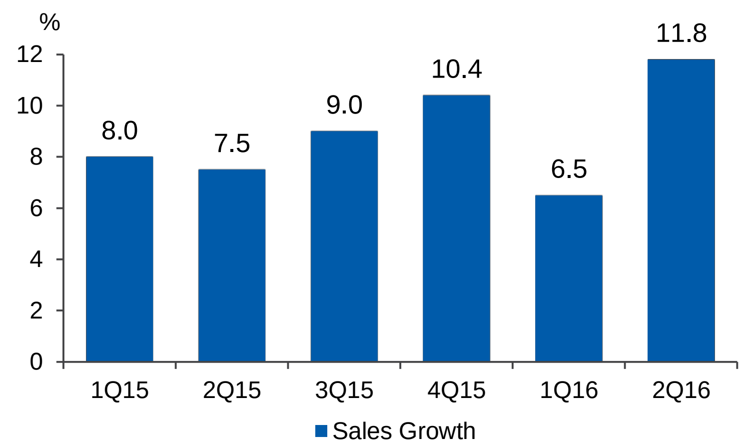
- January 2016 announcement of agreement to acquire Homebase for £340 million (~A$700 million)
  - Further progress on operational/ integration plans
  - Post completion, first 12 months focused on building strong business foundations
  - FY16 EBIT impact immaterial
  - More detailed update at June 2016 Strategy Briefing Day

Phase 1	Phase 2	Phase 3
Build strong business foundations	Introduce new Bunnings branded offer	Drive long-term growth
First 12 months	In 3 to 5 years	5 years plus

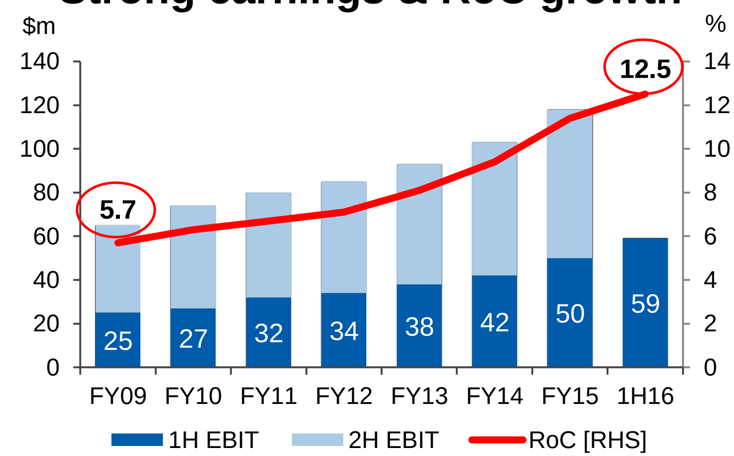
Office Supplies highlights

- Revenue growth of 9.1%
  - Strong store sales growth
  - 16 consecutive halves of store transaction growth
    - » More customers, more often
  - Annualised website sales c. $260 million
    - » Seven year 1H website sales CAGR of 21.4%
  - ‘Every channel’ investment continues to resonate
- EBIT up 18.0%
  - Seven year 1H EBIT CAGR of 13.1%
  - New categories delivering growth
  - Improvement in reducing cost & complexity
- RoC (R12) uplift of 202 bps
  - Earnings growth & productivity improvements

Sales growth momentum



Strong earnings & RoC growth



Office Supplies highlights

- Continuing investments in ‘every channel’ strategy
  - New & expanded categories
  - Store layout & design improvements
  - Ongoing website enhancements
  - Four new stores opened to extend reach
  - Positive results in B2B market
- Strong focus on customer offer
  - Differentiated ‘one stop shop’ offer
  - Price investments delivering more value
  - Lifting customer service in all channels

Kmart

Kmart Tyre & Auto Service

Kmart performance summary

Half-year ended 31 December ($m)	2015	2014	↕ %
Revenue	**2,750**	**2,442**	*12.6*
EBITDA	368	333	*10.5*
Depreciation & amortisation	(49)	(44)	*(11.4)*
EBIT	**319**	**289**	*10.4*
EBIT margin (%)	11.6	11.8	
Total sales growth[1] (%)	12.4	5.3	
Comparable store sales growth[1] (%)	9.1	2.4	

[1] December 2015 growth reflects the 27 week period 29 June 2015 to 3 January 2016 & the 27 week period 30 June 2014 to 4 January 2015. December 2014 growth reflects the 27 week period 30 June 2014 to 4 January 2015 & the 27 week period 1 July 2013 to 5 January 2014.

Kmart highlights

- Double digit sales growth
  - Continued investment in price
  - Growth in customer transactions & units sold
  - New ranges that connected with customers
  - Contribution new stores & refurbishments

- Strong growth in EBIT & RoC
  - Productivity improvement across stores & supply chain
  - Enhanced product ranges
  - Effective working capital management
  - Effective management of foreign exchange impact

- Continued investment in store network
  - Opened three new Kmart stores
  - Completed 18 major Kmart store refurbishments
  - Opened four new & closed one Kmart Tyre & Auto stores

Target

Target performance summary

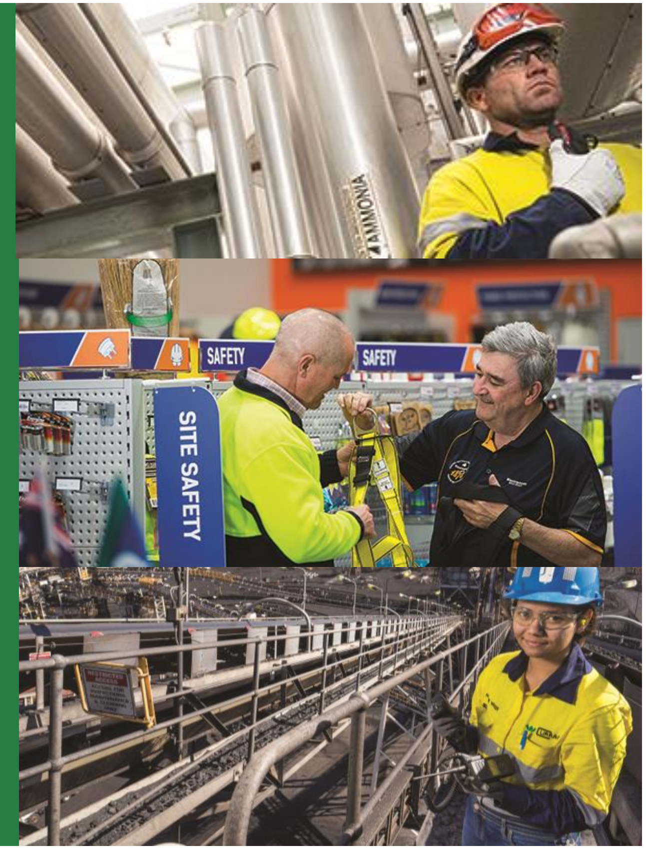
Half-year ended 31 December ($m)	2015	2014	↕ %
Revenue	**1,972**	**1,935**	*1.9*
EBITDA	119	112	*6.3*
Depreciation & amortisation	(45)	(42)	*(7.1)*
EBIT	**74**	**70**	*5.7*
EBIT margin (%)	3.8	3.6	
Total sales growth[1] (%)	1.6	(1.8)	
Comparable store sales growth[1] (%)	1.4	(1.0)	

[1] December 2015 growth reflects the 27 week period 28 June 2015 to 2 January 2016 & the 27 week period 29 June 2014 to 3 January 2015. December 2014 growth reflects the 27 week period 29 June 2014 to 3 January 2015 & the 27 week period 30 June 2013 to 4 January 2014.

Target highlights

- Sound transformation progress
- Higher customer transactions & units sold
- Further seven stores launched in new format, with encouraging results
- Profitable online sales growth
- Continued strong investment in lower prices as part of ‘first price, right price’ strategy
- Price deflation of 1.8%, with prices permanently lowered on over 1,000 products
- Initial benefits of supply chain investments being realised

Industrials



Wesfarmers Chemicals, Energy & Fertilisers

Wesfarmers Industrial and Safety

Wesfarmers Resources

Industrials performance summary

Half-year ended 31 December ($m)		2015	2014	⬍%
Revenue	Chemicals, Energy & Fertilisers	753	810	*(7.0)*
	Industrial & Safety	927	835	*11.0*
	Resources	598	689	*(13.2)*
	Total	**2,278**	**2,334**	*(2.4)*
EBITDA	Chemicals, Energy & Fertilisers	161	144	*11.8*
	Industrial & Safety	57	67	*(14.9)*
	Resources	(44)	108	*n.m.*
	Total	**174**	**319**	*(45.5)*
EBIT	Chemicals, Energy & Fertilisers	104	95	*9.5*
	Industrial & Safety	36	50	*(28.0)*
	Resources	(118)	35	*n.m.*
	Total	**22**	**180**	*(87.8)*

Chemicals, Energy & Fertilisers highlights

- Strong earnings improvement
  - Higher earnings across chemicals businesses (excluding PVC); solid improvement in ammonia & ammonium nitrate with all plants operating at full capacity in period
  - Significant improvement in Kleenheat earnings following negotiation of improved terms for gas feedstock for LPG production
  - Includes contribution from 13.7% interest in Quadrant Energy
- Decision to cease PVC manufacturing from late February 2016 incurred $30 million of associated one-off costs in 1H FY16
- Strong WA harvest resulted in a positive first half for fertilisers, albeit with volumes & earnings below the prior corresponding period

Industrial & Safety highlights

- Revenue increase of 11.0%
  - Largely due to inclusion of Workwear Group's contribution which was acquired in December 2014
  - Increased market share in specialty services & large accounts through more integrated MRO solutions, more than offset by lower customer demand, notably in mining
  - Strong growth in Coregas driven by new distribution channels, including closer collaboration with Blackwoods & Bunnings
- Lower volumes & margins due to reduced mining investment & business activity across industrial markets, partially offset by benefits from cost reduction initiatives undertaken in FY15
  - FTE reduction of approximately 9% in Australia during 1H FY16
- Workwear Group performance impacted by lower demand in industrial wear segment
- 'Fit for Growth' restructure commenced in November 2015
  - Transformative change integrating Blackwoods, Protector Alsafe, Bullivants & related businesses into one market leading platform; reducing complexity & costs while improving customer offer; leveraging scale in merchandise, supply chain & branch network
  - Transformation benefits to support longer term earnings growth
  - Restructuring costs of approximately $35 million in FY16 with $5m incurred in 1H FY16

Resources highlights

- Continued improvement in safety performance
  - No Lost Time Injuries reported in calendar year 2015
- Seaborne metallurgical coal markets remained in oversupply
  - Significant decline in US$ export revenue due to lower export coal prices
- Benefits of a lower Australian dollar largely offset by hedge book losses
  - FY16 currency hedges fully closed-out (hedge losses of $70 million in 1H FY16)
  - FY17 currency hedges largely closed-out
- Revenue impacted by an unfavourable metallurgical coal sales mix
  - Lower quality coal due to customer demand
  - Mine sequencing resulting in greater exposure to lower grade coal
- Financial performance continued to be adversely affected by Stanwell Corporation obligations
  - 1H FY16 included export rebate payments (cost of $35 million) & contracted domestic coal supplied below cost (in-period earnings impact of $42 million)

Resources highlights (continued)

- Very strong focus on cost control & productivity improvement at Curragh
  - 1H FY16 unit mine cash costs approximately 7% below FY15 & 35% below peak of 1H FY12
  - Lower coal production due to planned mine site shutdown to upgrade power related to a required overhaul of coal crushing facilities & adjustments to mine plan to facilitate lower mine cash costs in 2H FY16
  - Lower unit mine cash costs more than offset by higher port costs & higher inventory drawdown due to lower coal production
  - Employee headcount reduced by 16% during the half
  - Following completion of ROM upgrade, capital expenditure reduced to stay-in-business activity

- Sales volumes from Bengalla in line with 1H FY15

- Bengalla earnings lower than the prior corresponding period
  - Significant decline in export steaming coal prices & currency hedge losses that offset benefits of a lower Australian dollar
  - Mine cash costs increased as a result of greater maintenance activity & higher strip ratios

Outlook

Outlook

Retail

- Retail businesses have good sales momentum & are well positioned in an environment where consumers remain value-conscious with household budgets carefully managed
- In strongly competitive markets, performance is expected to be supported by ongoing focus on delivering further value, better service & improved ranges
- Strategies to also focus on merchandise innovation, supply chain productivity, digital engagement & store network improvement
- Post completion of Homebase acquisition, first 12 months focused on building strong business foundations
- Through newly created Department Stores division, streamlined coordination & better alignment of functions, expected to realise benefits for both businesses & Group

Industrials

- Outlook mixed; whilst outlook for WesCEF is generally positive, difficult trading environment for broader Industrials division, particularly Resources given current low commodity prices
- Industrial & Safety volumes & margins expected to stabilise in second half; earnings will be adversely affected by further restructuring costs associated with ‘Fit for Growth’ transformation; longer term earnings growth supported by benefits of transformation activities
- Resources to seek to further lower cost structure, but low commodity prices expected to remain a significant headwind to revenue; hedge currency losses in 2H FY16 expected to offset the likely benefit of a lower Australian dollar: Group continues to look at all options to maximise shareholder value from Resources business

Outlook (continued)

Group

- Generally optimistic in outlook
- Maintain a strong balance sheet
- Secure growth opportunities through entrepreneurial initiative
- Ensure sustainability through responsible long-term management
- Leverage & build human resource capability

Debt Management

Financial discipline is core to Wesfarmers' strategy

Maintaining prudent capital structure and strong credit rating is important to Wesfarmers

Ability to raise capital and maintain balance sheet strength

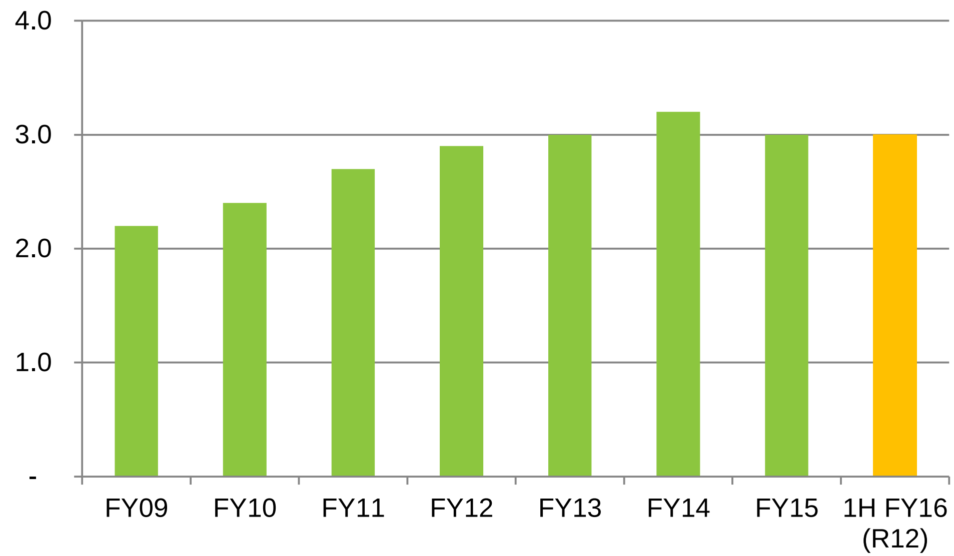
- Recent activity
  - Jul 15: Repaid €500 million (A$756 million) 5 year Euro bond
  - Jan 16: Extended A$925 million existing bank facilities to 2019
  - Feb 16: New £340 million bank facilities to fund acquisition of Homebase
  - Feb 16: New £250 million bank facilities to fund ongoing working capital and capital expenditure requirements of Homebase
- Future activities
  - Refinance maturing debt with DCM issues in supportive markets
- Future maturities
  - May 16: US$650 million (A$604 million) 5 year US144A bond
  - Nov 16: A$500 million 5 year domestic bonds
  - Ongoing refinancing of short term bank facilities

Maintaining strong credit metrics

Solid credit metrics

- Strong credit ratings: Moody's A3 (stable); Standard & Poor's A- (negative)
- Continued strength in Group's debt service position
  - Net debt of $5.3 billion post interest rate swap assets of $847 million
  - Debt levels higher due to acquisitions of 13.7% interest in Quadrant Energy (US$100 million) & remaining 50% of credit card JV
  - Strong liquidity position, supported by $3 billion of committed undrawn facilities
  - "All-in" effective borrowing cost further reduced to 4.63%

Fixed charges cover ratio (times)

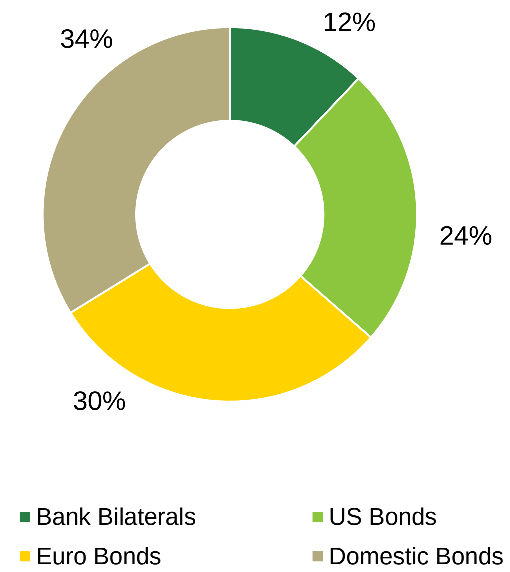


Pro-active debt management

Refinancing objectives

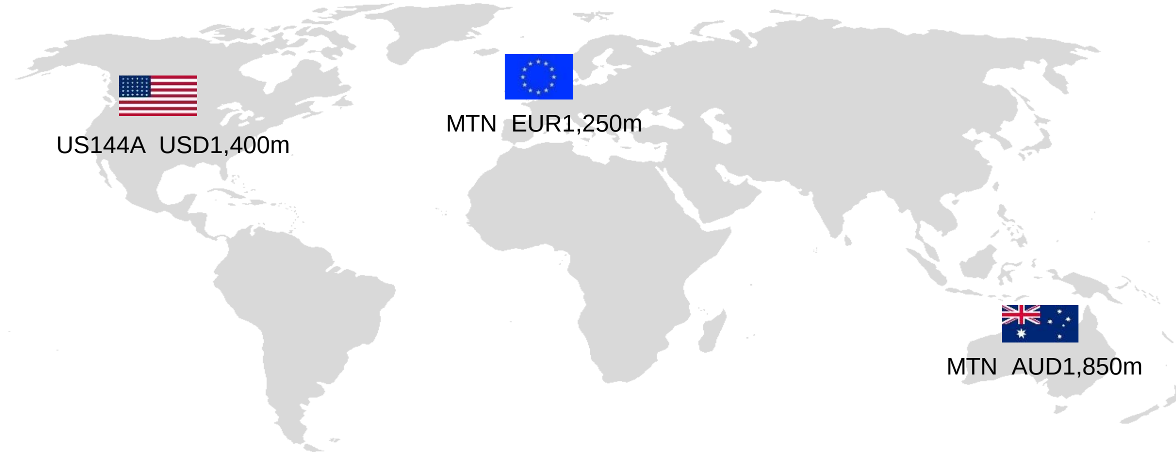
- Continued focus on maturity profile and maintaining liquidity headroom in revolving bilateral bank facilities
- Commitment to maintain diversity of funding sources including the domestic and international debt capital markets
- Standard terms and conditions across all DCM programmes, with a common guarantee structure that applies to all funding arrangements

Funding Diversity at 31 December 2015

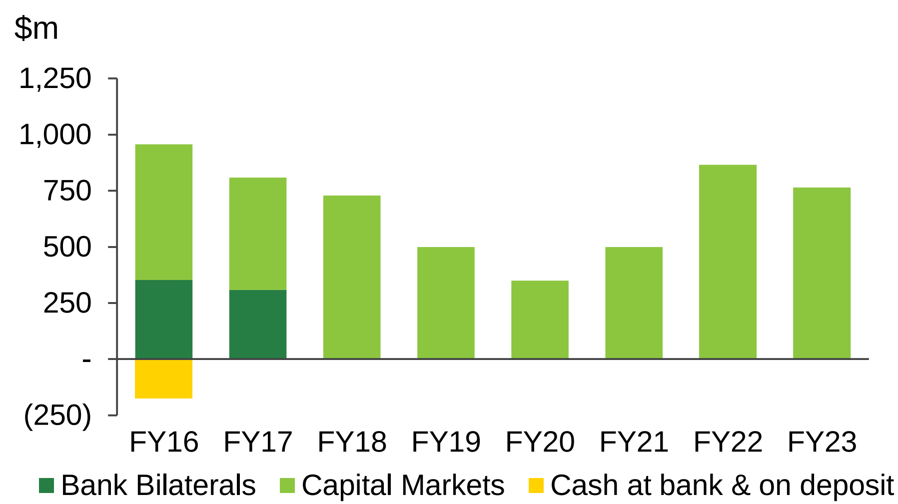


Pro-active debt management

Geographical DCM Funding Diversity



Maturity Profile at 31 December 2015



Capital management considerations

- Dividend policy takes into account through the cycle free cash flow requirements and debt refinancing
- Strong phase of capital expenditure led growth
- Dividend investment plan neutralised since 2008/09 final dividend; potential to preserve cash
- Potential cash proceeds from future asset sales; recycling capital via property monetisation remains a current focus for the Group
- Focus on maintaining strong credit metrics

Questions

Wesfarmers