2017 Half-year Results
Debt Investor Update

February 2017

Wesfarmers

Wesfarmers' operating business structure

Richard Goyder
Managing Director
Wesfarmers

Wesfarmers

Coles

John Durkan
Managing Director
Coles

coles

Home Improvement

Michael Schneider
Managing Director
Bunnings Australia & New Zealand

Peter (PJ) Davis
Managing Director
Bunnings UK & Ireland

BUNNINGS

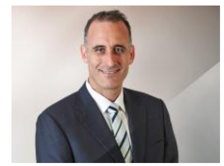
Department Stores

Guy Russo
Chief Executive Officer
Department Stores

Kmart

Target

Industrials



Rob Scott
Deputy Chief Executive Officer Wesfarmers / Managing Director Industrials

Anthony Gianotti
Deputy Managing Director
Industrials

Wesfarmers Chemicals, Energy & Fertilisers

Wesfarmers Industrial and Safety

Wesfarmers Resources

Officeworks & Associates

Terry Bowen
Finance Director
Wesfarmers

Officeworks

Associates:
- bwp TRUST
- WESPINE
- GRESHAM

Group Performance Summary

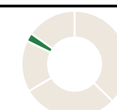
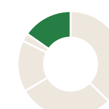
Group performance summary

Half-year ended 31 December ($m)	2016	2015	var %
Revenue	34,917	33,462	*4.3*
EBIT	2,429	2,110	*15.1*
Net profit after tax	**1,577**	**1,393**	***13.2***
Operating cash flow	2,648	2,404	*10.1*
Net capital expenditure	400	675	*(40.7)*
Free cash flow	2,231	1,665	*34.0*
Interim ordinary dividend (cps)	103	91	*13.2*
Net financial debt[1]	5,360	5,261	*1.9*
Interest cover[2] (R12, times)	18.9	19.3	*(2.1)*
Fixed charges cover[2] (R12, times)	2.7	3.0	*(10.0)*

[1] Interest bearing liabilities less cash at bank & on deposit, net of cross currency interest rate swaps & interest rate swap contracts.
[2] 2016 excludes pre-tax non-cash impairments of $2,116m relating to Target & Curragh recorded in the 2016 financial year.

- Strong earnings growth for the half, with the results reflecting the benefits of the Group's conglomerate structure
- Total retail earnings broadly in line with the prior corresponding period, with very strong results for Bunnings Australia & New Zealand (BANZ), Kmart & Officeworks
- Industrials division reported significantly higher earnings, primarily driven by Resources
- Cash flow management a highlight; balance sheet further strengthened

Divisional earnings

EBIT ($m) Half-year ended 31 December	2016	2015	var %	var $m	% of EBIT
Coles	**920**	**945**	***(2.6)***	***(25)***	 37%
Home Improvement	**722**	**701**	***3.0***	***21***	 29%
Bunnings Australia & NZ	770	701	*9.8*	*69*	
Bunnings UK & Ireland	(48)	-	*n.m.*	*n.m.*	
Department Stores	**387**	**393**	***(1.5)***	***(6)***	 16%
Target[1]	16	74	*(78.4)*	*(58)*	
Kmart	371	319	*16.3*	*52*	
Officeworks	**62**	**59**	***5.1***	***3***	 3%
Industrials	**377**	**22**	***n.m.***	***355***	 15%
WesCEF[2]	187	104	*79.8*	*83*	
Industrial & Safety[3]	52	36	*44.4*	*16*	
Resources	138	(118)	*n.m.*	*256*	

[1] 2016 includes a provision of $13m recognised for restructuring costs associated with the planned relocation of Target's store support office. 2015 includes rebate income of $21m recognised contrary to Group policy which was reversed in the second half of 2016, having no effect on the 2016 full-year results.
[2] 2016 includes a profit on sale of land of $22m. 2015 includes $30m of one-off restructuring costs associated with the decision to cease PVC manufacturing.
[3] 2015 includes $5m of restructuring costs associated with the 'Fit for Growth' transformation.

Operating cash flows

- Operating cash flows increased 10.1% to $2,648m
- Cash realisation[1] of 119.7%, up from 118.3% in the prior corresponding period
- Higher working capital inflow during the period
  - Inventory management initiatives across retail businesses
- Industrials movement due to higher receivables, primarily driven by higher coal prices

Half-year ended 31 December ($m)	2016	2015
Cash movement inflow/(outflow)		
Receivables & prepayments	(110)	(13)
Inventory	(617)	(1,066)
Payables	1,136	1,345
Total	**409**	**266**
Working capital cash movement		
Retail	634	348
Industrials & Other	(225)	(82)
Total	**409**	**266**

[1] Operating cash flows as a percentage of net profit after tax, before depreciation & amortisation, & NTIs.

Capital expenditure

- Gross capital expenditure declined $135m to $924m
  - Fewer store openings in Home Improvement
  - Reduced investment in Target
- Proceeds from property disposals increased $140m to $524m
  - Sale of Coles' interest in a number of joint venture properties to ISPT
  - Sale of land by WesCEF
- Net capital expenditure reduced 40.7% to $400m
- Free cash flows of $2,231m, 34.0% higher than prior year due to higher operating cash flows & lower net capital expenditure
- FY17 net capital expenditure of $1.1b to $1.3b expected, subject to net property investment

Half- year ended 31 December ($m)[1]	**2016**	**2015**	**var %**
Coles	463	459	*0.9*
Home Improvement	228	314	*(27.4)*
Kmart	85	79	*7.6*
Target	38	66	*(42.4)*
Officeworks	17	22	*(22.7)*
WesCEF	20	21	*(4.8)*
Industrial & Safety	16	29	*(44.8)*
Resources	53	67	*(20.9)*
Other	4	2	*n.m.*
Total capital expenditure	**924**	**1,059**	***(12.7)***
Sale of PP&E	(524)	(384)	*36.5*
Net capital expenditure	**400**	**675**	***(40.7)***

Half- year ended 31 December ($m)[1]	**2016**	**2015**	**var %**
Property	257	243	*5.8*
Plant & Equipment	605	774	*(21.8)*
Intangibles	62	42	*47.6*
Total capital expenditure	**924**	**1,059**	***(12.7)***

[1] Capital investment provided on a cash basis.

Coles

coles coles.com.au coles express VINTAGE CELLARS first CHOICE liquor BI-LO LIQUORLAND spirit HOTELS coles Financial Services

Coles performance summary

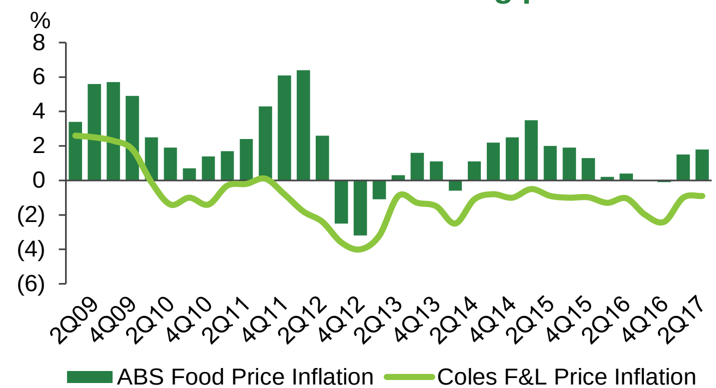
Half-year ended 31 December ($m)		2016	2015	var %
Coles	**Revenue**[1]	**20,056**	**20,087**	***(0.2)***
	EBIT[2]	**920**	**945**	***(2.6)***
	EBIT margin[2] (%)	4.6	4.7	
Food & Liquor	**Revenue**[1]	**16,878**	**16,496**	***2.3***
	Headline sales growth[3,4] (%)	2.2	5.4	
	Comparable sales growth[3,4] (%)	1.3	4.3	
	Inflation/(deflation)[3]	(0.9)	(1.2)	
Convenience	**Revenue**	**3,178**	**3,591**	***(11.5)***
	Total store sales growth[4] (%)	6.4	11.6	
	Comp. fuel volume growth[4] (%)	(13.3)	(3.8)	

1 Includes property revenue for 2016 of $10m & for 2015 of $13m.
2 Includes property EBIT for 2016 of $56m & for 2015 of $10m.
3 Includes hotels, excludes gaming revenue & property.
4 2016 growth reflects the 27 week period 27 June 2016 to 1 January 2017 & the 27 week period 29 June 2015 to 3 January 2016. 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.

Food & Liquor summary
Maintaining our focus on the customer

- Focusing on the customer in a competitive market
  - Over seven years of lowering prices for customers
  - Continued investment in service, availability & quality
- Continued positive momentum positions the business for sustainable long-term growth
- EBIT declined by 2.6%
  - Significant investment in value driving lower shelf margin
  - Simplicity benefits partially mitigated the impact of shelf margin investment on EBIT
- Cash realisation was above 100%

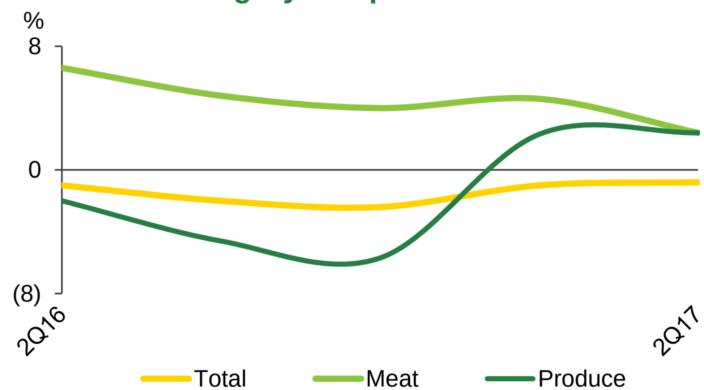
Track record of lowering prices



Food & Liquor summary
Shelf margin deterioration a factor

- Shelf margin lower than prior year
  - Represents gross margin excluding loss & logistics
  - Decline driven by proactive investment, including absorption of meat costs, & competition
- Continued investments in service, quality & availability
- Input cost increases in meat are a significant factor
  - Cost increases have not been fully reflected in prices
  - Meat accounts for ~20% of the shelf margin impact
- Shelf margin impact was more pronounced in 2Q17

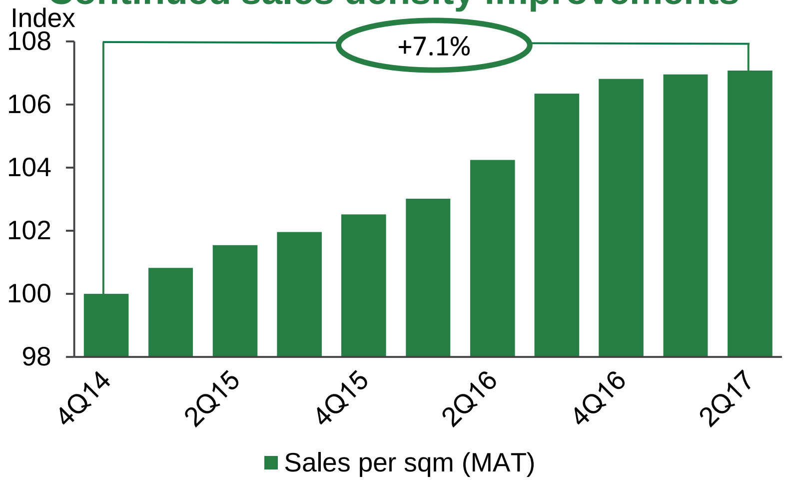
Category sell price inflation



Food & Liquor highlights
Improving our customer offer

- Maintaining a consistent customer proposition
  - Focus remains on improving the customer offer
- Key metrics continue to improve
  - Continued growth in comparable transactions, basket size & sales density
  - Improved 'Tell Coles' metrics across the period demonstrate an overall improvement in customer service, availability & quality perceptions
- Continued growth in comparable sales
  - 2Q17 comparable growth in Food of 1.0%, building on 5.3% growth in the prior period
- Maintaining a customer focus in a period of increased competition will position the business for sustainable long-term growth

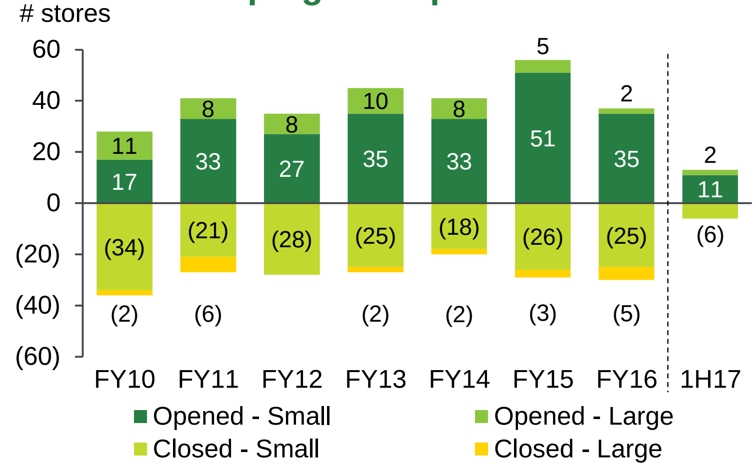
Continued sales density improvements

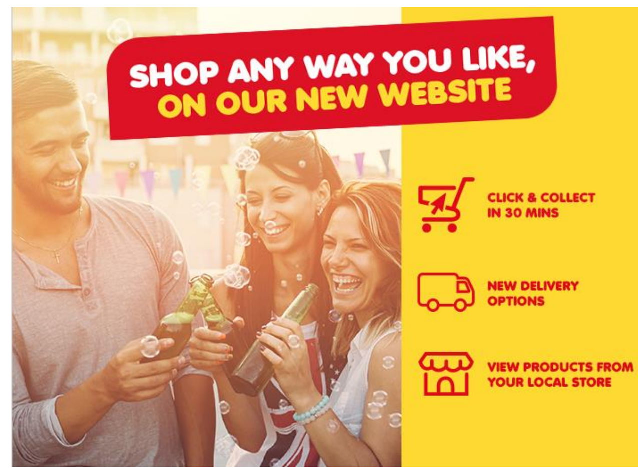


Food & Liquor highlights
Progressing the Liquor transformation

- Positive momentum continues
  - Five quarters of comparable sales growth
  - Strong transaction growth remains the driver
- Increased renewal activity
  - 92 Liquorland renewals completed
  - On track to deliver 200 renewals in FY17
  - Further trials of Liquor Market
- Enhanced omni-channel offer
  - All banners now offering click & collect
  - 30 min click & collect offered in Liquorland stores
- The five year turnaround is progressing as expected

Reshaping the liquor network





Home Improvement

Home Improvement performance summary

Half-year ended 31 December ($m)	2016	2015	var %
Revenue	**6,995**	**5,500**	***27.2***
Bunnings Australia & NZ	5,957	5,500	*8.3*
Bunnings UK & Ireland ($)	1,038	n.a.	
Bunnings UK & Ireland (£)	612	n.a.	
EBIT	**722**	**701**	***3.0***
Bunnings Australia & NZ[1]	770	701	*9.8*
Bunnings UK & Ireland ($)	(48)	n.a.	
Bunnings UK & Ireland (£)	(28)	n.a.	
EBIT Margin (%)	10.3	12.7	

[1] Includes net property contribution for 2016 of $44m & for 2015 of $33m.

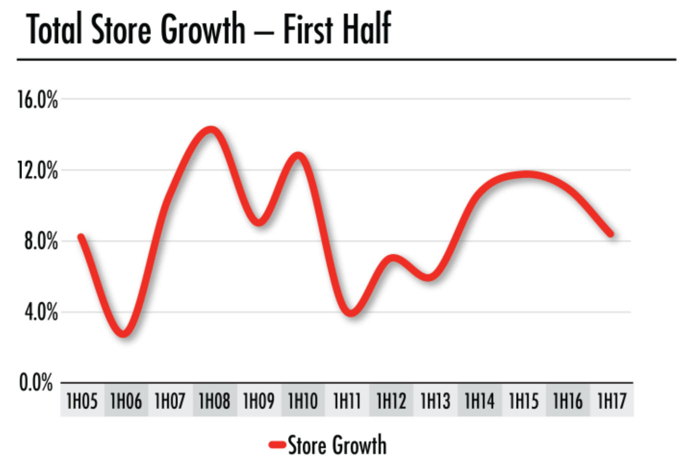
Home Improvement

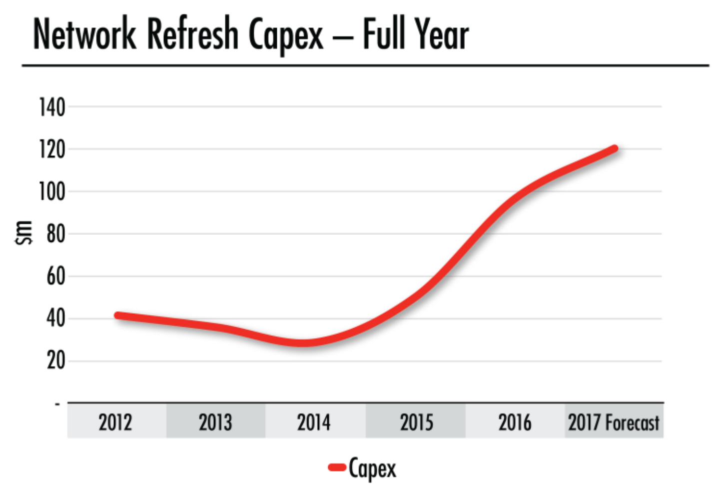
Bunnings Australia & New Zealand

Home Improvement overview

Bunnings Australia & New Zealand (BANZ)

- Revenue uplift of 8.3%
  - Total store growth of 8.4%; store-on-store growth of 6.5%
  - Broad strength of trading performance across all major regions; consumer & commercial
  - Weather & stock liquidation impacts
- EBIT increase of 9.8%
  - Disciplined cost control
  - Continued value creation
  - Favourable property disposal outcomes
- Strong capital management discipline
  - Property recycling program
  - Reduced building & fit-out costs
  - Network refresh focus
- Store closure provisions recognised due to agreement with Home Consortium for new sites





Home Improvement

Bunnings United Kingdom & Ireland

Acquisition Overview: Three Phase Investment Plan

Phase 1	Phase 2	Phase 3
Build strong business foundations	**Introduce new Bunnings branded offer**	**Drive long-term growth**

Phase 1

- Retail basics focus
- Invest in team
- Invest in core business activities
- Develop pilots for Bunnings Warehouse

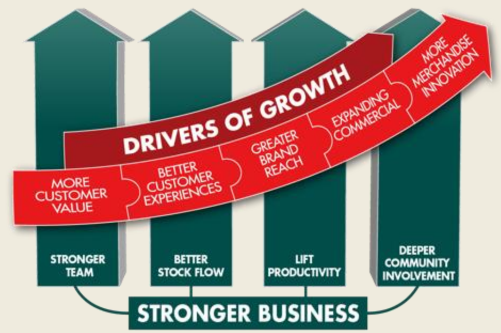
First 12 months

Phase 2

- Combine essential local elements with best of Bunnings to build new business
- Warehouse format
- Lowest prices, wider choice with trusted brands, great service
- Easy to get to with hours to suit all customers
- Extensive digital engagement
- Servicing both consumer & trade
- "Everything you want under one roof"

In 3 to 5 years

Phase 3



5 years plus

Home Improvement overview

Bunnings United Kingdom & Ireland (BUKI)

- Solid progress on phase 1
- Revenue of £612m ($1,038m), EBIT loss £28m ($48m)
  - £13m ($21m) restructure costs included; concessions & transition activity
  - Price deflation in line with expectations
  - Clearance activity largely complete

<u>Retail basics</u>

- Higher stock weights & wider assortments
- Move to ‘Always Low Prices’
- 9.1% increase in transactions (like-for-like)
- Encouraging participation in core categories

HOMEBASE

Always low prices

Home Improvement overview

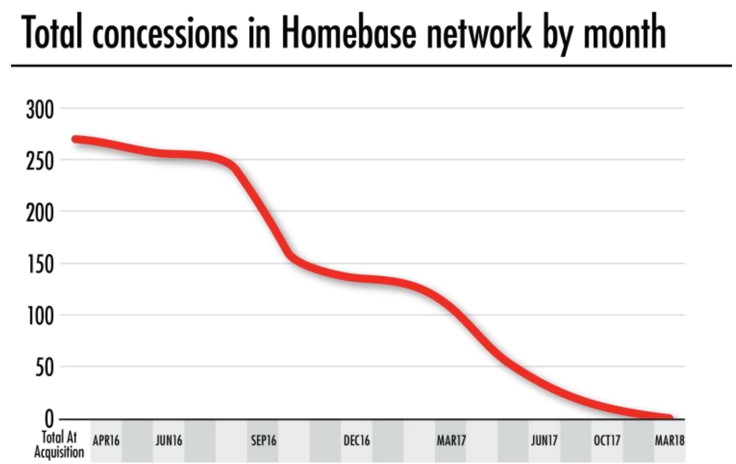
Bunnings United Kingdom & Ireland (BUKI)

<u>Invest in team</u>

- Leadership development
- Service training for over 10,000 Team Members
- Supplier trained product knowledge

<u>Invest in core business activities</u>

- Separation well advanced
    - Majority of services transitioned
    - Home delivery & Information Technology remain
    - Trailing costs until August 2017
- Concession exits
    - Agreements reached with all concession holders
    - Additional space & no impediment to roll out



Home Improvement overview

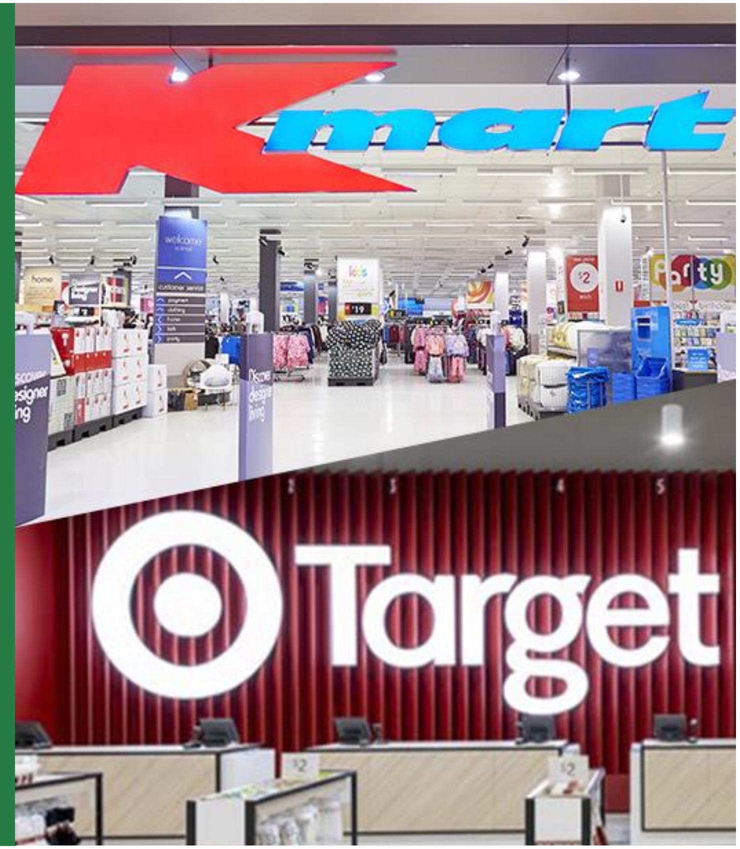
Bunnings United Kingdom & Ireland (BUKI)

<u>First Bunnings Warehouse pilot launched</u>

- Strong Supplier support
- Widest range of trusted brands
- Positive customer feedback
- Expect to open four pilot stores in FY17

Successful pilots an absolute precursor to further investment

Department Stores



Department Stores performance summary

Half-year ended 31 December ($m)		2016	2015	var %
Revenue	Target[1]	1,623	1,972	*(17.7)*
	Kmart	2,996	2,750	*8.9*
	Total	**4,619**	**4,722**	***(2.2)***
EBIT	Target[1]	16	74	*(78.4)*
	Kmart	371	319	*16.3*
	Total	**387**	**393**	***(1.5)***

[1] 2016 includes a provision of $13m recognised for restructuring costs associated with the planned relocation of Target's store support office. 2015 includes rebate income of $21m recognised contrary to Group policy which was reversed in the second half of 2016, having no effect on the 2016 full-year results.

Target overview

- Total sales decline of 17.4%
  - Difficult trading period, reflecting significant business transition
  - Deflation through conversion to EDLP, including Toy Sale exit
  - Buying programs & inventories reset, with lead times affecting availability of seasonal stock & fashion in womenswear & childrenswear
- Earnings include $13m for restructuring costs following binding commitments for relocation of Target's store support office
- Lower gross profit partially offset by good progress on cost base reset
  - Accelerated supply chain streamlining & restructuring of store support centre
  - Improvements in store productivity
- Improved merchandise disciplines & planning processes delivered SKU reductions & lower inventory
- Higher cash flow generation reflecting improved working capital management & moderated capital expenditure
- Opened one store & closed three stores (two conversions to Kmart)

Kmart overview

- Strong sales performance; up 9.1% on last year
  - Further investment in price drove volume growth across all categories
  - Increased customer transactions & units sold
- EBIT growth of 16.3%
  - Strong contribution from everyday ranges sold at full price
  - Improved clearance & inventory quality
  - Continued benefits from sourcing & supply chain efficiency
- Continued investment in store network
  - Opened five new Kmart stores, including two Target conversions
  - Completed 15 major Kmart store refurbishments
  - Opened five new Kmart Tyre & Auto stores & closed three

Officeworks

Officeworks performance summary

Half-year ended 31 December ($m)	2016	2015	var %
Revenue	**927**	**875**	***5.9***
EBIT	**62**	**59**	***5.1***
EBIT margin (%)	6.7	6.7	
Total sales growth[1] (%)	5.8	9.1	

[1] 2016 growth for Officeworks represents the six month period 1 July 2016 to 31 December 2016 & 1 July 2015 to 31 December 2015. 2015 growth for Officeworks represents the six month period 1 July 2015 to 31 December 2015 & 1 July 2014 to 31 December 2014.

Officeworks overview

- **Pleasing headline results**
  - Revenue growth of 5.9%
  - EBIT growth of 5.1%, eight year 1H CAGR of 12.0%
  - RoC (R12) up 136 bps to 13.9%
- **Intense focus on customer offer**
  - Merchandise layout & store design changes implemented
  - New & expanded product ranges
  - Price investment driving customer loyalty
  - Differentiated service proposition
- **Continued investment in extending 'every channel' reach**
  - Four new stores opened
  - Improved online functionality
  - Strong momentum in B2B segment
- **Effective cost control & disciplined inventory management**

Revenue growth

Earnings & RoC growth

Industrials

Wesfarmers Chemicals, Energy & Fertilisers

Wesfarmers Industrial and Safety

Wesfarmers Resources

Industrials performance summary

Half-year ended 31 December ($m)		2016	2015	var %
Revenue	Chemicals, Energy & Fertilisers[1]	695	753	*(7.7)*
	Industrial & Safety	884	927	*(4.6)*
	Resources	742	598	*24.1*
	Total	**2,321**	**2,278**	***1.9***
EBIT	Chemicals, Energy & Fertilisers[2]	187	104	*79.8*
	Industrial & Safety	52	36	*44.4*
	Resources	138	(118)	*n.m.*
	Total	**377**	**22**	***n.m.***

[1] Includes interest revenue from Quadrant Energy loan notes & excludes intra-division sales.
[2] 2016 includes $22m gain on sale of land. 2015 includes $30m of costs associated with the decision to cease PVC manufacturing.

Chemicals, Energy & Fertilisers overview

- Revenue declined 7.7%
  - Cessation of PVC manufacturing in chemicals
  - Lower global fertiliser pricing
  - Lower Saudi CP pricing & lower LPG exports offset by growth in natural gas retailing
- Strong growth in underlying earnings & RoC
  - Chemicals earnings increased largely due to higher AN sales volumes, lower raw material costs & the move to a PVC import model
  - Ammonia business negatively affected by lower selling prices & unplanned shutdowns
  - Kleenheat earnings improved as a result of continued strong growth in the natural gas retailing business; partially offset by lower earnings across the LPG & LNG businesses & a lower Saudi CP
  - One-off profit of $22m recognised from the sale of land

Industrial & Safety overview

- Revenue declined 4.6% due to continuing subdued investment across mining & resources sectors
- Earnings improved during the half
  - Lower operating costs achieved through the ‘Fit for Growth' simplification program, completed during 1H17
  - Improved category management & pricing disciplines across Blackwoods
  - Higher earnings in Coregas with strong growth through Trade N Go & higher bulk sales
  - Workwear Group performance improved, driven by transformation activities focused on reducing cost-to-serve & improving merchandising capabilities
- Work continued to transform Blackwoods to a more customer-centric & competitive platform
  - Sales team realigned to customer segments
  - Merchandising & pricing strategies delivering margin benefits
  - Digital channels expanded through launch of BlackwoodsXpress.com.au
- Coregas expansion into the New Zealand market following acquisition of Supagas NZ in November 2016

Resources overview

- 24.1% increase in revenue
  - Significant increase in metallurgical & thermal coal prices during 2Q17, partially offset by impact of carryover tonnage
  - 1H17 sales mix: Hard 39%; Semi 26%; PCI 35%
  - Lower hedge book losses of $45m ($70m in 1H16)
- Wet weather disruptions during 1Q17 led to higher mine cash costs for the half
  - Strong production & mine cash cost recovery in 2Q17
  - Continued implementation of productivity initiatives & revised mine plan
  - Opportunistic use of contract fleet to take advantage of higher prices
- Benefit from lower depreciation & amortisation
- Conditional Commonwealth approval received for the mining leases within the MDL 162 area, extending Curragh's mine life into the 2030s

Outlook

Outlook

Retail

- Generally optimistic outlook
- Strong momentum & market leading positions provide for a positive outlook for BANZ, Kmart & Officeworks
- Coles to continue to deliver strong customer proposition to support long-term growth in earnings & returns despite short-term margin pressures
- BUKI to focus on implementing pilot stores & continuing to reposition the business to drive a stronger operating performance
- Target’s 2H17 earnings expected to improve as merchandising improves & restructuring costs incurred in the prior year are not repeated

Industrials

- Resources full-year result is expected to benefit from the material increases in coal prices; thermal & metallurgical coal prices are expected to remain highly volatile for the remainder of the year
- WesCEF performance subject to commodity prices, exchange rates, seasonal conditions & competitive factors
- Industrial & Safety merchandising & pricing strategies & cost savings are expected to mitigate impact of subdued market conditions

Outlook (continued)

Group

- Progressing strategic reviews of Resources & Officeworks
- Maintain a strong balance sheet & cash flow generation
- Secure growth opportunities through entrepreneurial initiatives
- Ensure sustainability through responsible long-term management

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

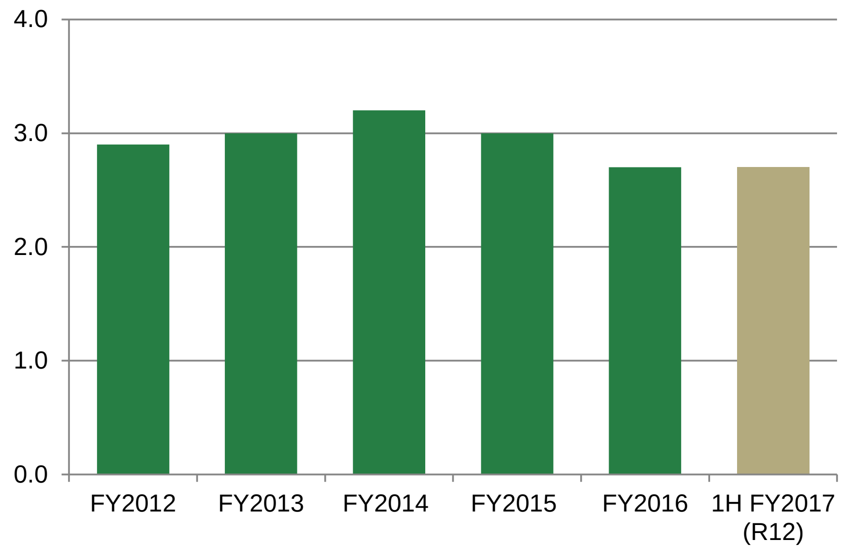
- Recent activity
  - Nov 16: Repaid A$500 million five-year domestic bond
  - Feb 17: Received A$937 million from sale of Coles credit card receivables; proceeds have been used to repay Group debt
  - Feb 17: Reduced committed bank facilities by A$500 million
- Future maturities
  - Mar 18: US$750 million (A$728 million) five-year US 144A bond
  - Ongoing refinancing of bank facilities
- Future activities
  - Continue to monitor debt capital markets for favorable issuance opportunities

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 financial debt[1] of $5.4 billion in line with corresponding period of $5.3 billion; significantly decreased from $6.5 billion at 30 June 2016
  - Net financial debt[1] at 30 June 2016 was largely driven by the acquisition of Homebase & working capital investments in the retail portfolio
  - Strong liquidity position, supported by $3.2 billion of committed undrawn facilities

Fixed charges cover ratio (times) (R12) [2]



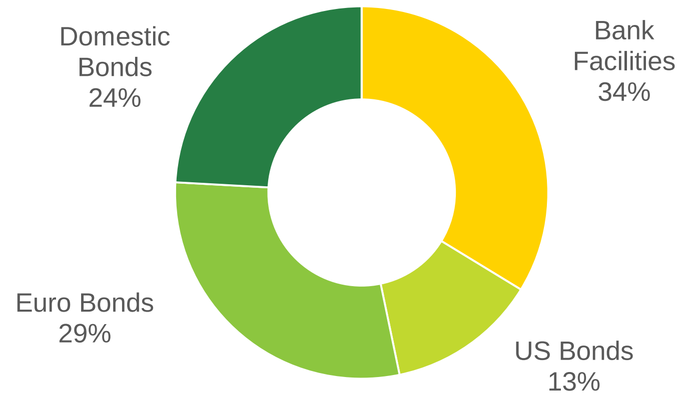
[1] Interest bearing liabilities less cash at bank & on deposit, net of cross currency swaps.
[2] FY2016 excludes pre-tax non-cash impairments of $2,116 million relating to Target & Curragh.

Pro-active debt management

Refinancing objectives

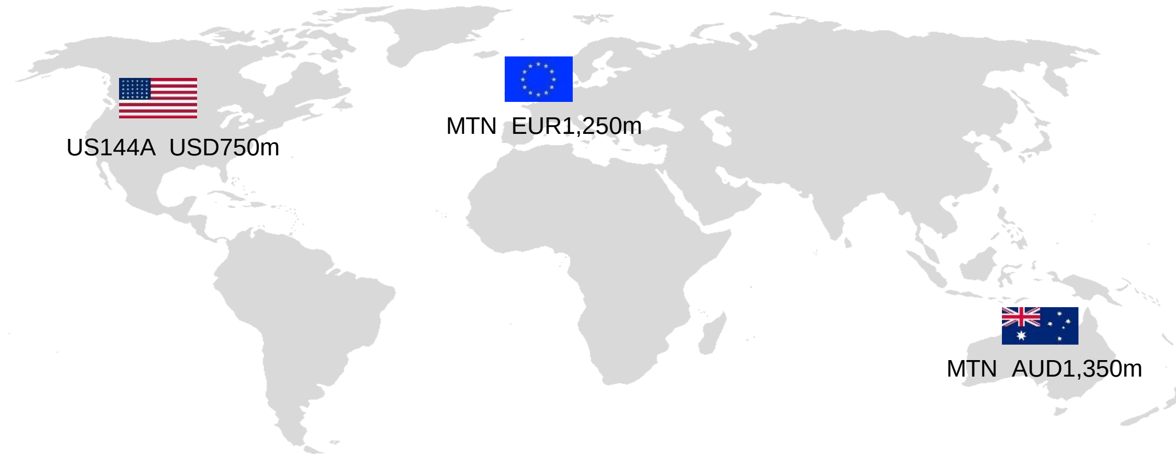
- Continued focus on maturity profile and maintaining liquidity headroom in revolving bilateral bank facilities
- Commitment to maintain diversity of funding sources including the domestic and international debt capital markets
- Standard terms and conditions across all DCM programmes, with a common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

Funding Diversity at 31 December 2016

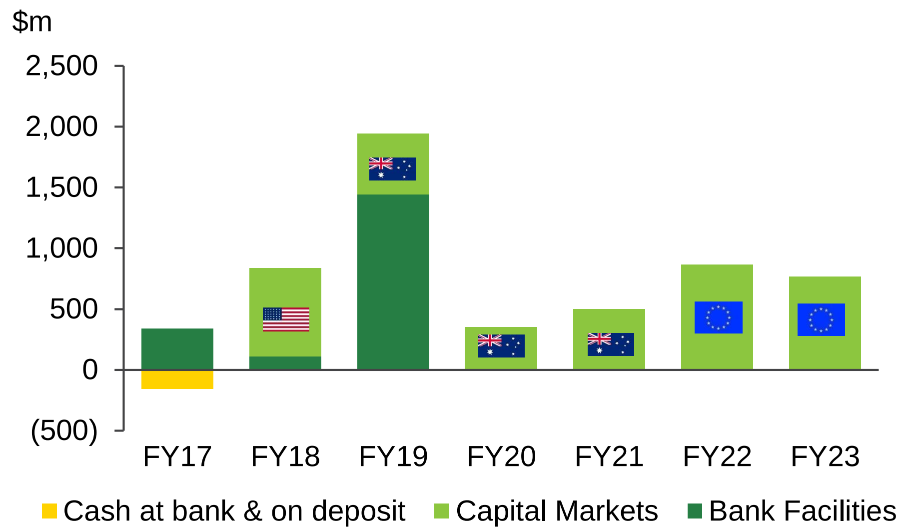


Pro-active debt management

Geographical DCM Funding Diversity

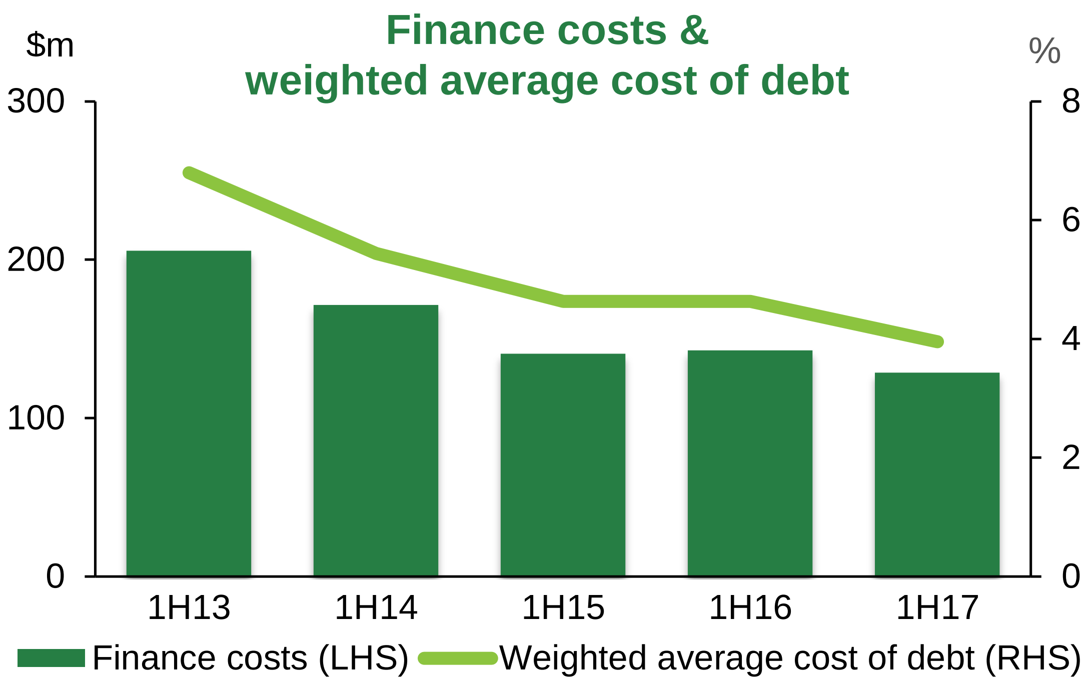


Maturity Profile at 31 December 2016



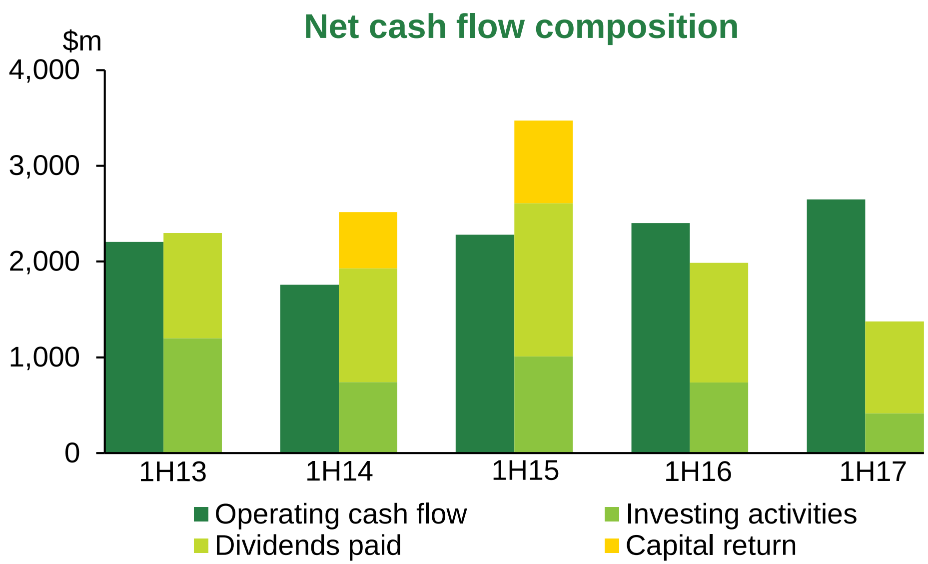
Reduced funding costs

- 'All-in' effective borrowing cost further reduced by 68 basis points to 3.95%
- Reflects active management of debt sources & the benefit of lower base rates



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 FY09 final dividend until FY16 interim dividend
- DIP not neutralised for FY16 final dividend and FY17 interim dividend to support the balance sheet and credit metrics
- Focus on maintaining strong credit metrics



Questions

Wesfarmers