



2 June 2011

The Manager  
Company Announcements Office  
Australian Securities Exchange

Dear Sir,

**PRESENTATION TO BE GIVEN AT INVESTOR BRIEFING - SYDNEY**

Following is a presentation that is to be given today at an investor briefing in Sydney.

This briefing will be webcast and can be accessed at:

**Investor Briefing at 8:45 am (EST)**

[http://www.thomson-webcast.net/au/dispatching/?event\\_id=83f77f1450d53a3f3830ff69fce14f28&portal\\_id=cff2f208e945b0c05d992e6231cc3d44](http://www.thomson-webcast.net/au/dispatching/?event_id=83f77f1450d53a3f3830ff69fce14f28&portal_id=cff2f208e945b0c05d992e6231cc3d44)

Yours faithfully,

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

L J KENYON  
COMPANY SECRETARY

Enc.

# Wesfarmers Limited Investor Briefing Day

2 June 2011



**Wesfarmers**

**Richard Goyder**

**Managing Director, Wesfarmers Limited**



**Wesfarmers**

# Agenda

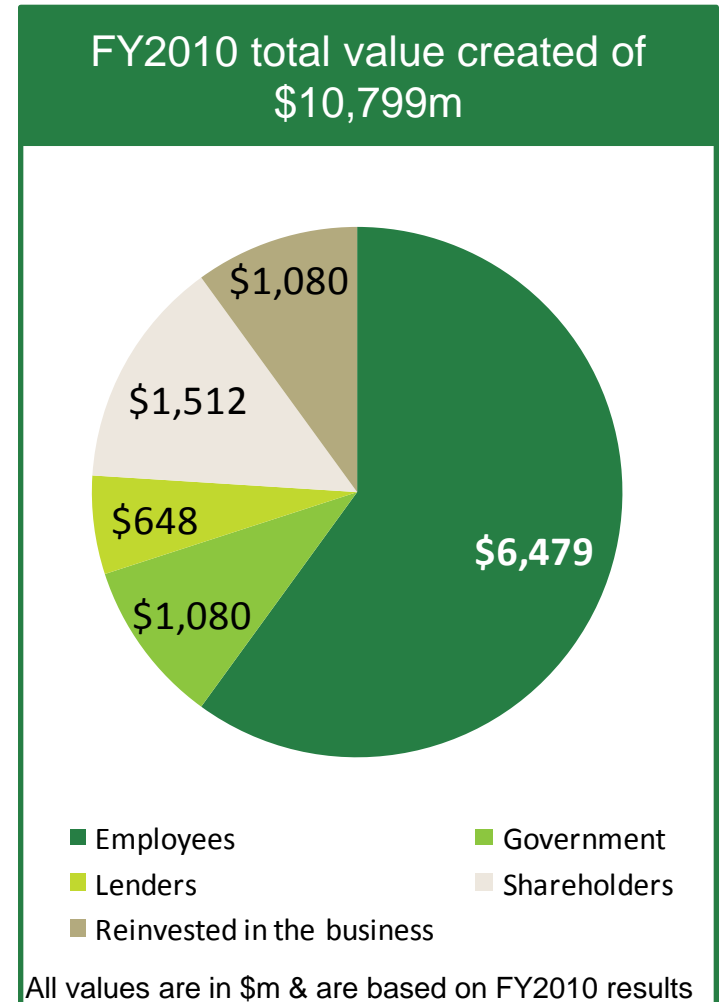
8.45	Introduction
9.00	Coles
9.55	Home Improvement & Office Supplies
10.50	Morning Tea
11.15	Target
12.00	Kmart
12.45	Lunch
1.30	Resources
2.15	Chemicals, Energy & Fertilisers
2.45	Industrial & Safety
3.15	Afternoon Tea
3.30	Insurance
4.00	Capital Management
4.15	Q&A
4.30	Close



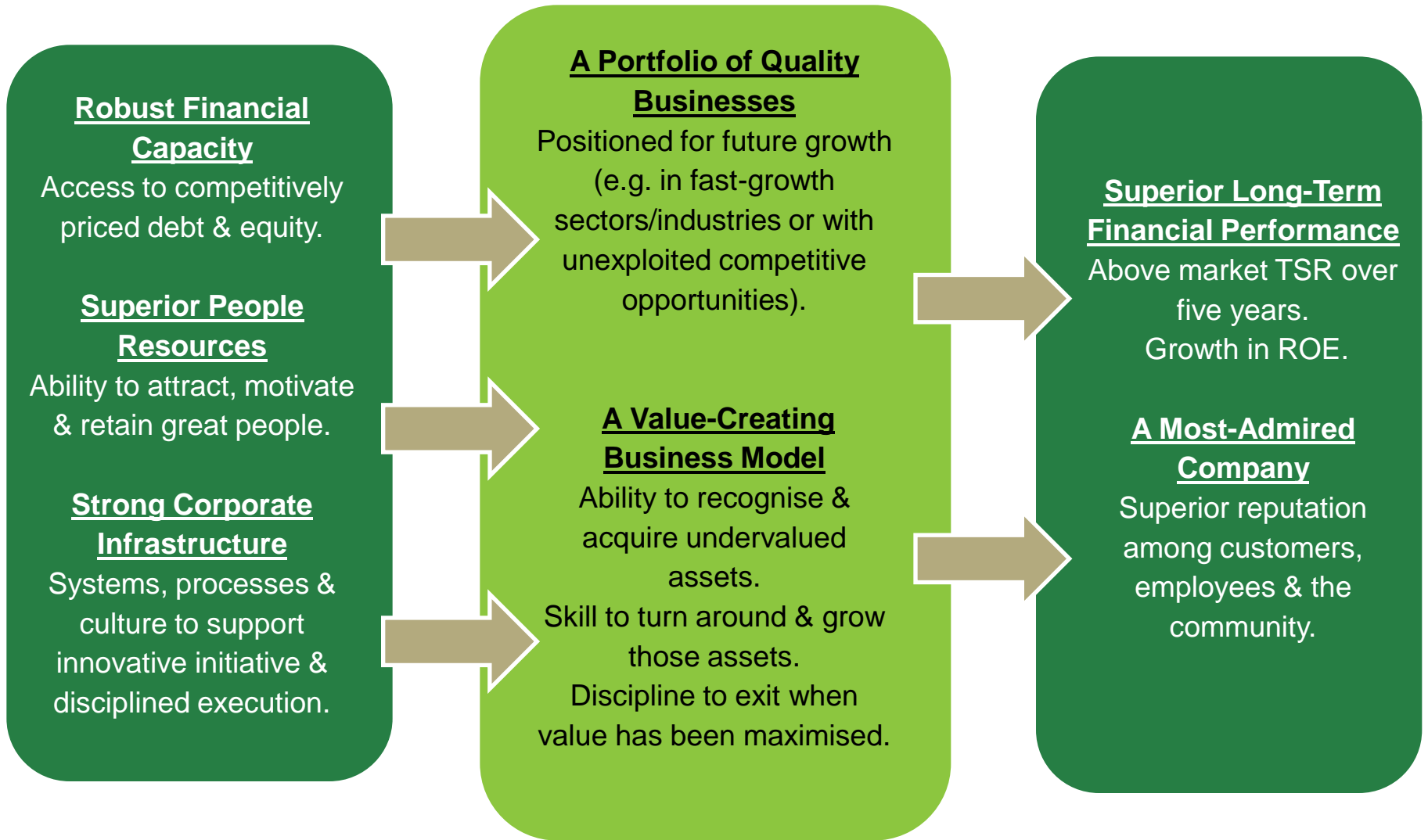
# Wesfarmers – an overview

- Eight autonomous divisions
- Employing 207,614 individuals across:
  - 3,400 retail locations
  - Industrial operations in every state
- Generating \$51.8 billion<sup>(1)</sup> in annual revenue
- Creating \$10.8 billion<sup>(1)</sup> of value including:
  - \$6.5 billion in employee payments
  - \$1.1 billion in government taxes & royalties
  - Returning \$1.5 billion to shareholders
  - Reinvesting \$1.1 billion in the business for future growth

<sup>(1)</sup> During FY2010



# Wesfarmers' centenary vision



# Strong sustainability focus for future success

Five sustainability priorities identified at a Group level with actions & accountability held at a divisional level:

1. The importance of people
2. Carbon emissions reduction & energy management
3. Community investment
4. A reduced overall environmental footprint
5. A strong economic contribution

Tailored approach by division to ensure industry & business positioning



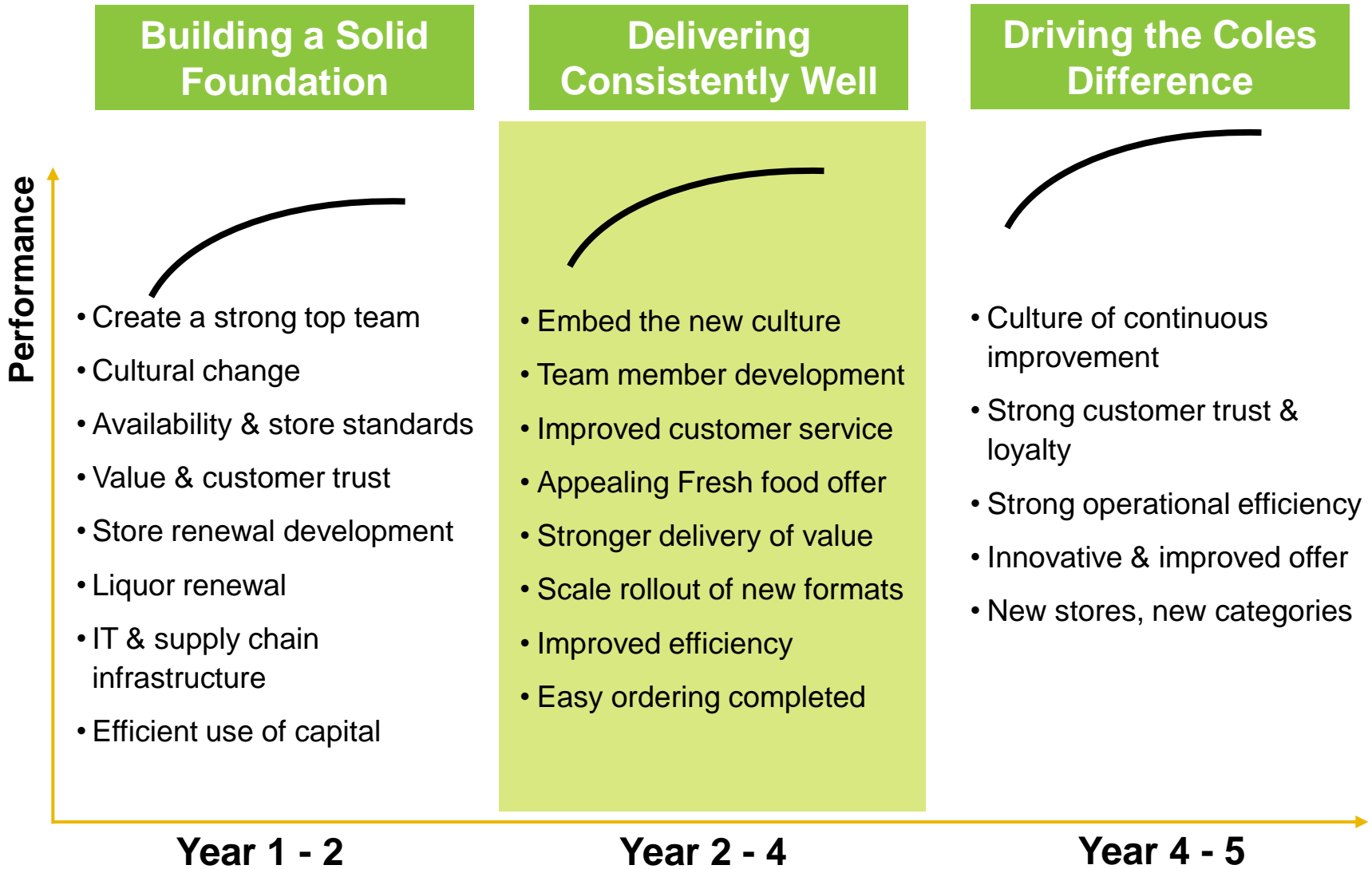


Coles  
Ian McLeod  
Managing Director



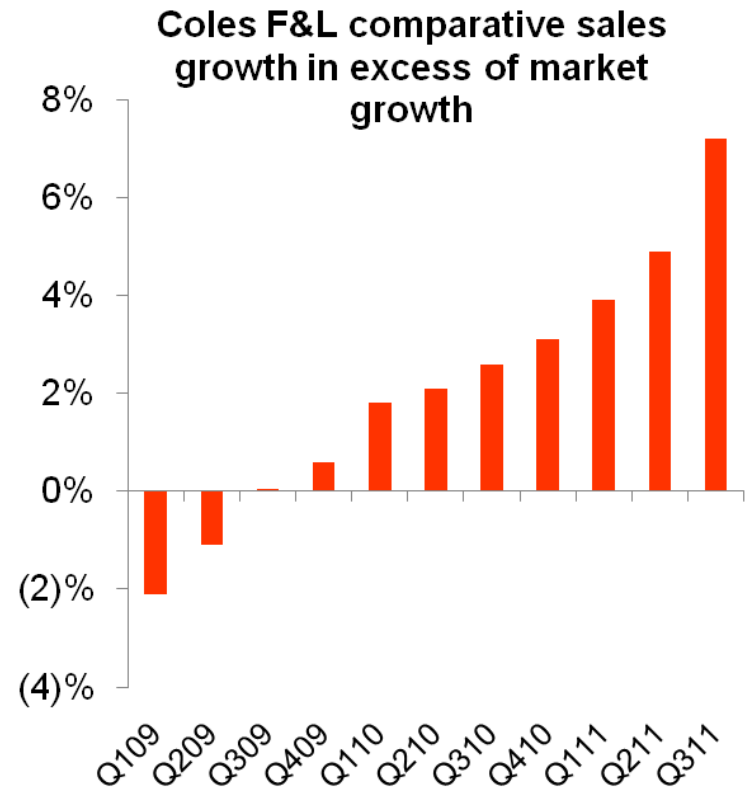


# Coles' three phase strategy



# Building sustainable sales momentum

- \$4 billion incremental sales
- Three year headline sales CAGR of 6.3%
- Eight consecutive quarters of industry outperformance
- Two million more transactions every week
- Double digit increase in basket size
- Australia's fastest growing fresh food retailer!

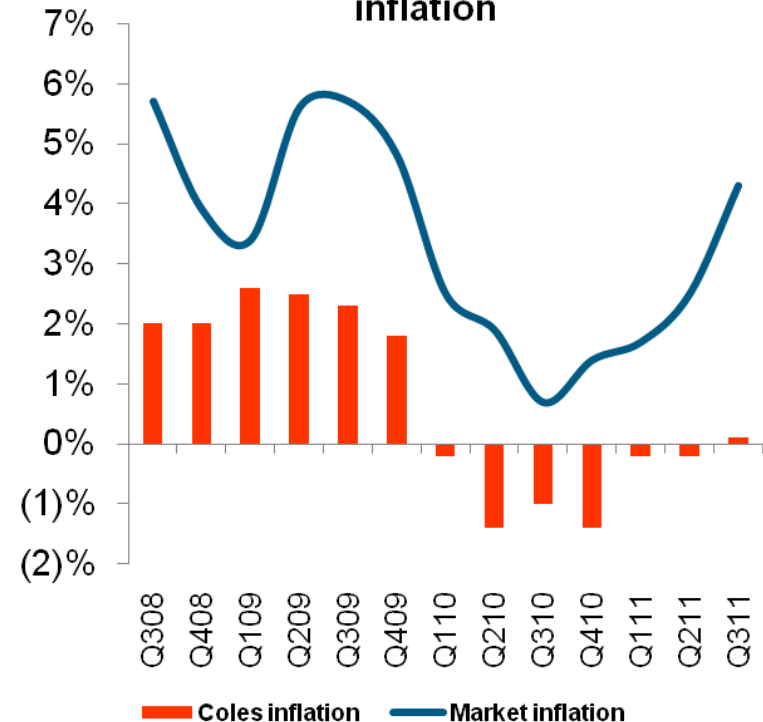


Source: Coles data & Australian Bureau of Statistics

# Saving Australians \$800 million

- Investment in lower prices to help Australian families
  - Historical<sup>(1)</sup> market food inflation of 4.4%
  - Market food inflation of 3.3% since FY2007
  - **Coles prices flat since early 2009**
- “Australia First” sourcing policy
  - Partnering to deliver efficient & quality supply
  - 96% Australian grown fresh produce
  - 75% of Coles brand Australia sourced
  - Coles brand has most “Australian made” products in the country

Coles versus market food & liquor inflation

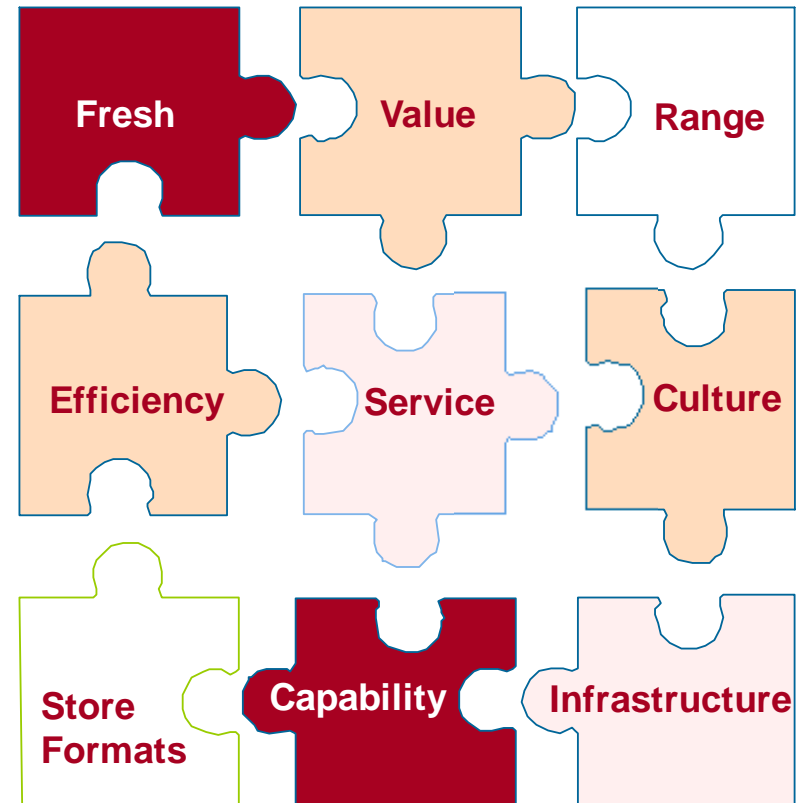


Source: Coles data & Australian Bureau of Statistics

<sup>(1)</sup> FY2002 – FY2007 average

# A five year turnaround plan

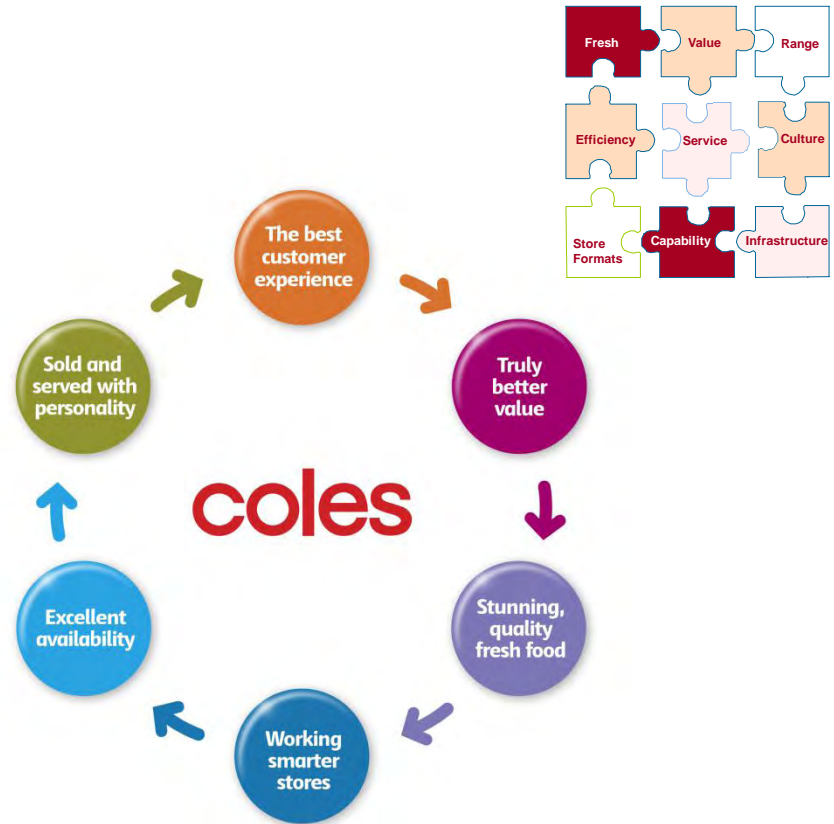
- Multi-faceted challenge
- Complex issues to fix





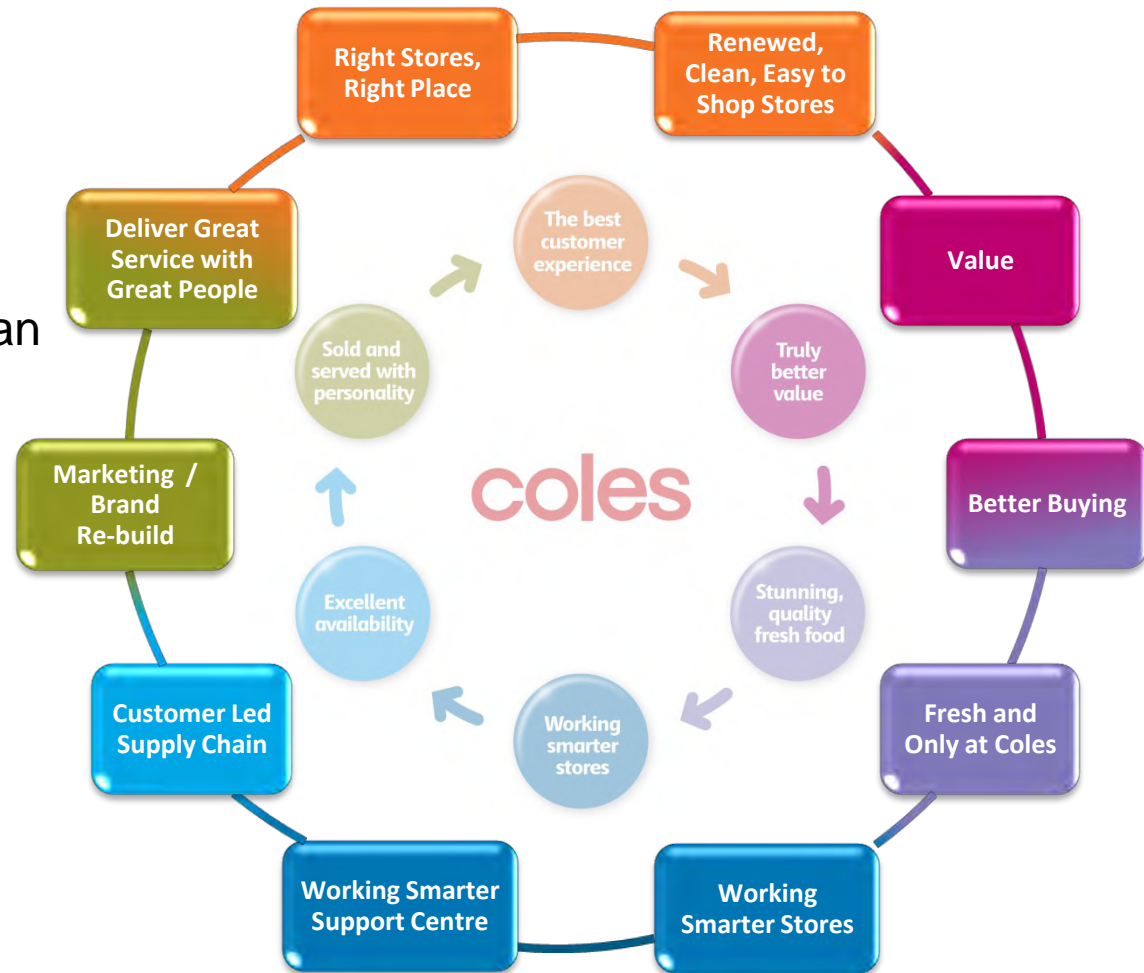
# A five year turnaround plan

- Multi-faceted challenge
- Complex issues to fix
- Converted to a comprehensive six point plan
- Delivering far-reaching change across Coles



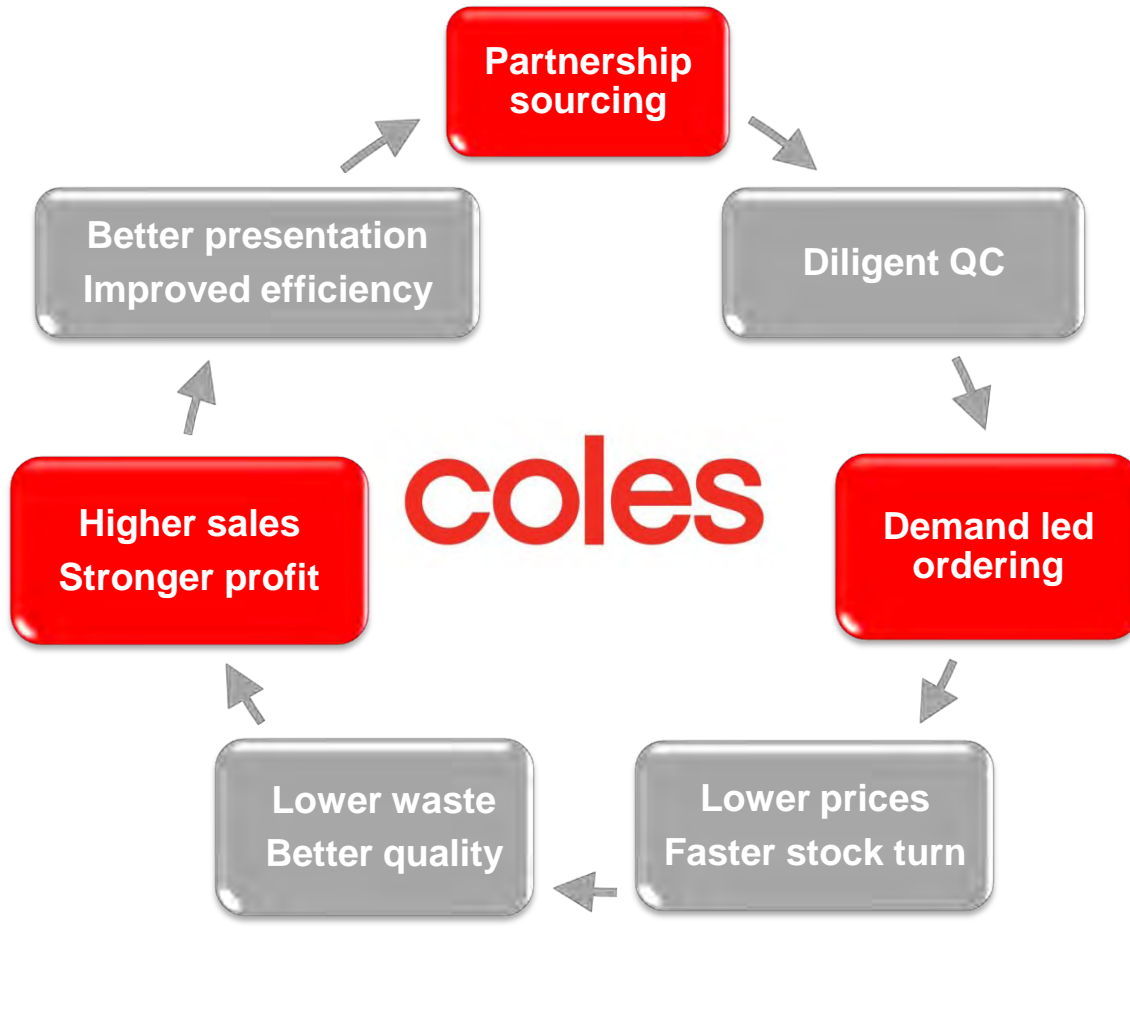
# A five year turnaround plan

- Multi-faceted challenge
- Complex issues to fix
- Converted to a comprehensive six point plan
- Delivering far-reaching change across Coles
- Underpinned by 10 detailed cross-functional programs
- Consistent direction over three years





# Fresh Produce at Coles now



## Outcomes so far

- \$300 million incremental sales
- Double digit growth in basket size
- Better availability of fresher produce
- Better quality
- 50% reduction in waste & markdowns
- Double digit growth in profitability



## Driving freshness & quality

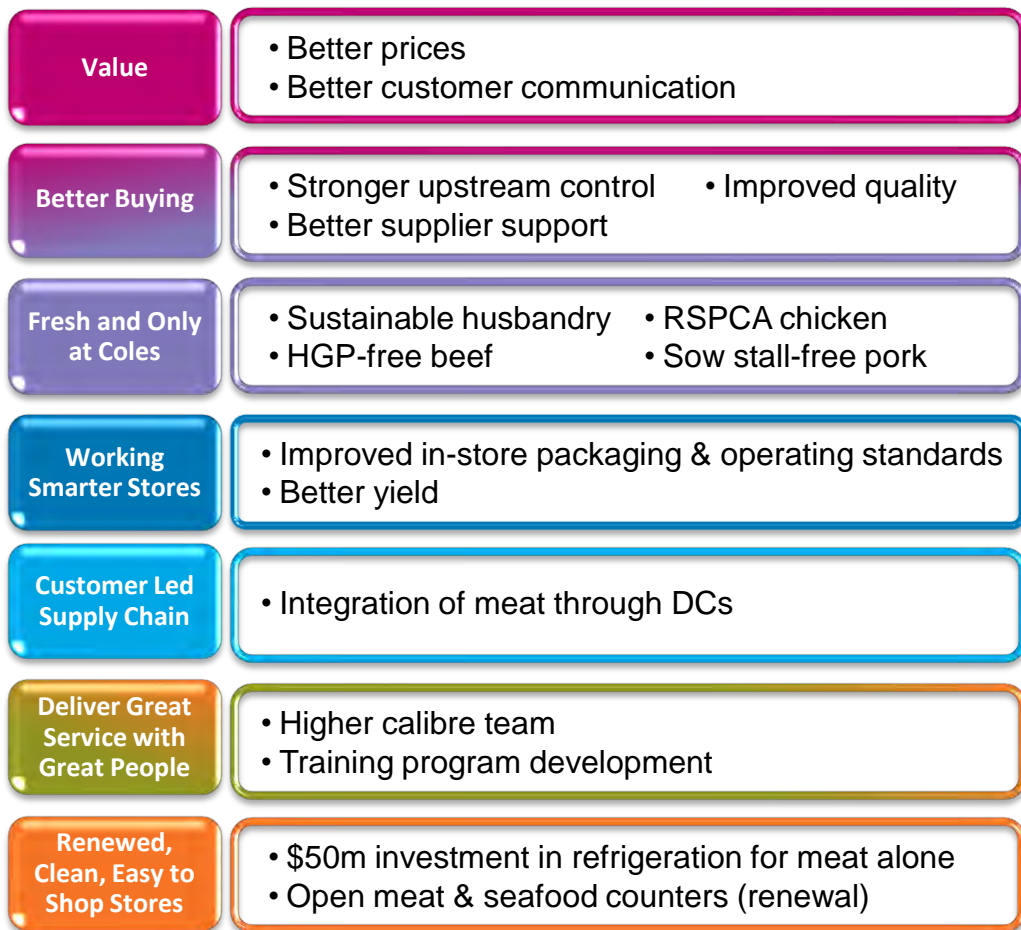


## Outcomes so far

- \$400 million incremental sales
- Double digit growth in customers
- Better availability
- Better quality
- 50% reduction in waste & markdowns
- Double digit growth in profitability

# Meat & Seafood at Coles now

## Driving freshness & quality



## Outcomes so far

- \$700 million incremental sales
- Double digit growth in customers
- Better availability
- Better quality
- 40% reduction in waste & markdowns
- Double digit growth in profitability

- Prices customers can trust
  - 5,000+ prices reduced by more than 10%
  - 2,100 price increased by 4%
  - State-based pricing
- Customer-driven ranging
  - Better choice through improved availability & reduced duplication
  - Greater availability through demand led ordering
  - Double digit Coles brand growth
- Investing in under-indexed categories
  - \$50 million investment in improving 675 Health & Beauty & Baby departments
  - 115 upgraded entertainment & paper shops

Because we  
all buy milk...



**\$2**

\$0.10 per 100ml

**DOWN  
AND STAYING  
DOWN**

Because we  
all buy oil...



**\$23**

\$0.58 per 100ml

**DOWN  
AND STAYING  
DOWN**



- \$800 million incremental sales
- Double digit growth in participation
- Reinvigorating the Coles brand ranges
  - Three tier brand positioning
  - Quality, value & innovation focus
  - Trialling pool of 2,500 'Mums'
  - Investment in test kitchen & food science
  - Packaging redesign
  - 28 quality awards in the last six months

## You'll love Coles in FY2007



## Coles brand in FY2011





# Only at Coles – Coles brand

- \$800 million incremental sales
- Double digit growth in participation
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## Smart Buy in FY2007

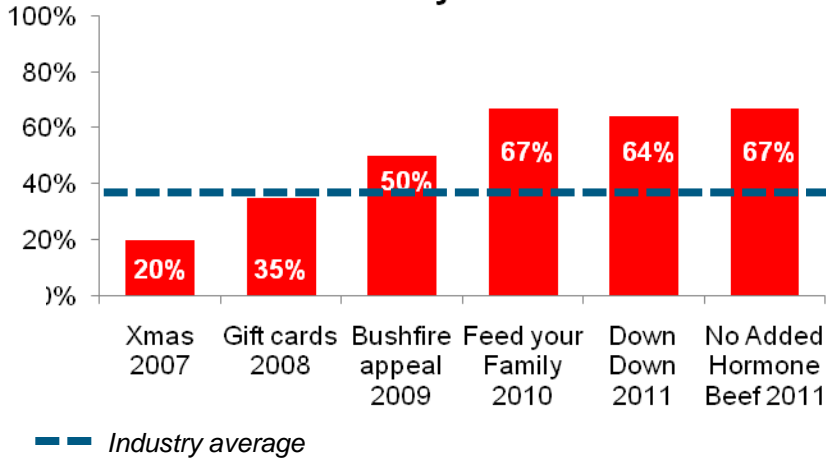


## Smart Buy in FY2011



# Marketing / brand re-build

Did they see it?



- Previously uncoordinated use of a large number of smaller campaigns
- Shift to fewer, bigger & better campaigns with a unique Coles personality
- More effective advertising expenditure
- Significant increase in TVC cut-through

## Coles in FY2008



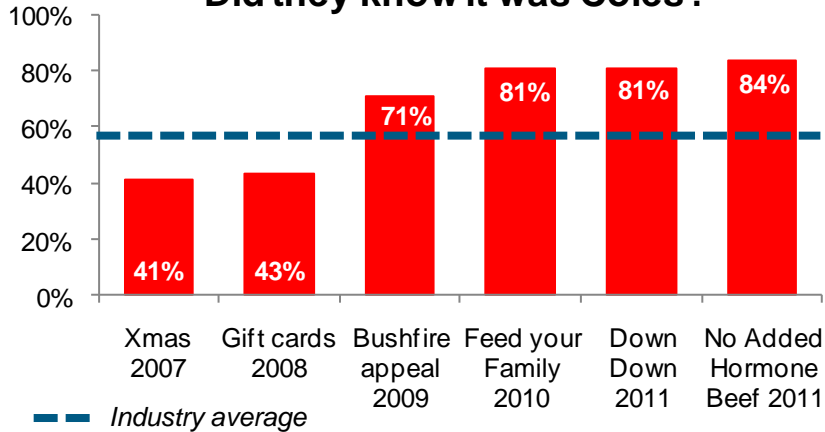
## Coles in FY2011





# Marketing / brand re-build

## Did they know it was Coles?



- Before 2008 no compelling, engaging & unique brand platforms & frequent changes in messages
- Focus on creating properties to be used throughout television, radio, outdoor, print, in-store POS, products
- Creating a unique brand personality

## Coles in FY2008



## Coles in FY2011

Quality food costs less at **coles**



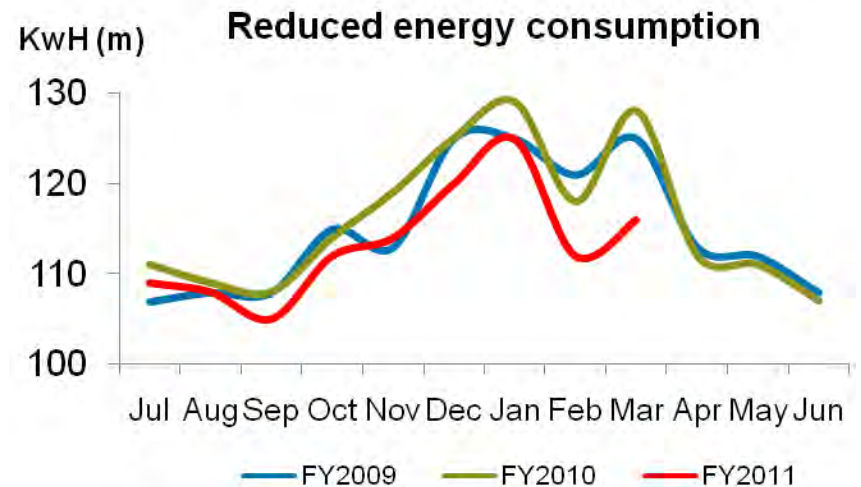
- Creating employment through growth
  - Full & part-time job creation in new & enlarged stores
- Building a Coles talent pool
  - More than 120 graduates
  - More than 100 'Retail Leaders' in store manager roles
  - More than 1,000 'Retail Leaders' now departmental managers
- Embedding a leadership culture
  - Top 400 leaders attended Coles Leadership program with more to attend in FY2012
  - Over 1,200 Team Members participated in High Performing Team development
- 40% reduction in absenteeism
  - Recovering more than two million 'lost' hours





# Working smarter stores

- Increasing in-store productivity
  - Shelf-friendly packaging in key grocery categories
  - Sales driven rostering
  - 650 self-scan checkouts deployed in more than 100 stores
- Cost savings through better energy management
  - Night-blinds on refrigeration equipment
  - Voltage optimisation reducing energy consumption
  - Deployment of LED lighting
  - HVAC optimisation



- Easy Ordering complete by July 2011
  - Successful execution of cascade model
  - Over 700 stores now live
- Store driven “Total Loss” program
  - Low sales density focus
  - Demand led ordering
  - Improved production planning
  - Product yield management
  - Pro-active code-life management
- Early signs of benefits
  - \$100+ million annual reduction in waste
  - 5% reduction in stock holding for Easy Ordering alone
  - Halved out of stocks



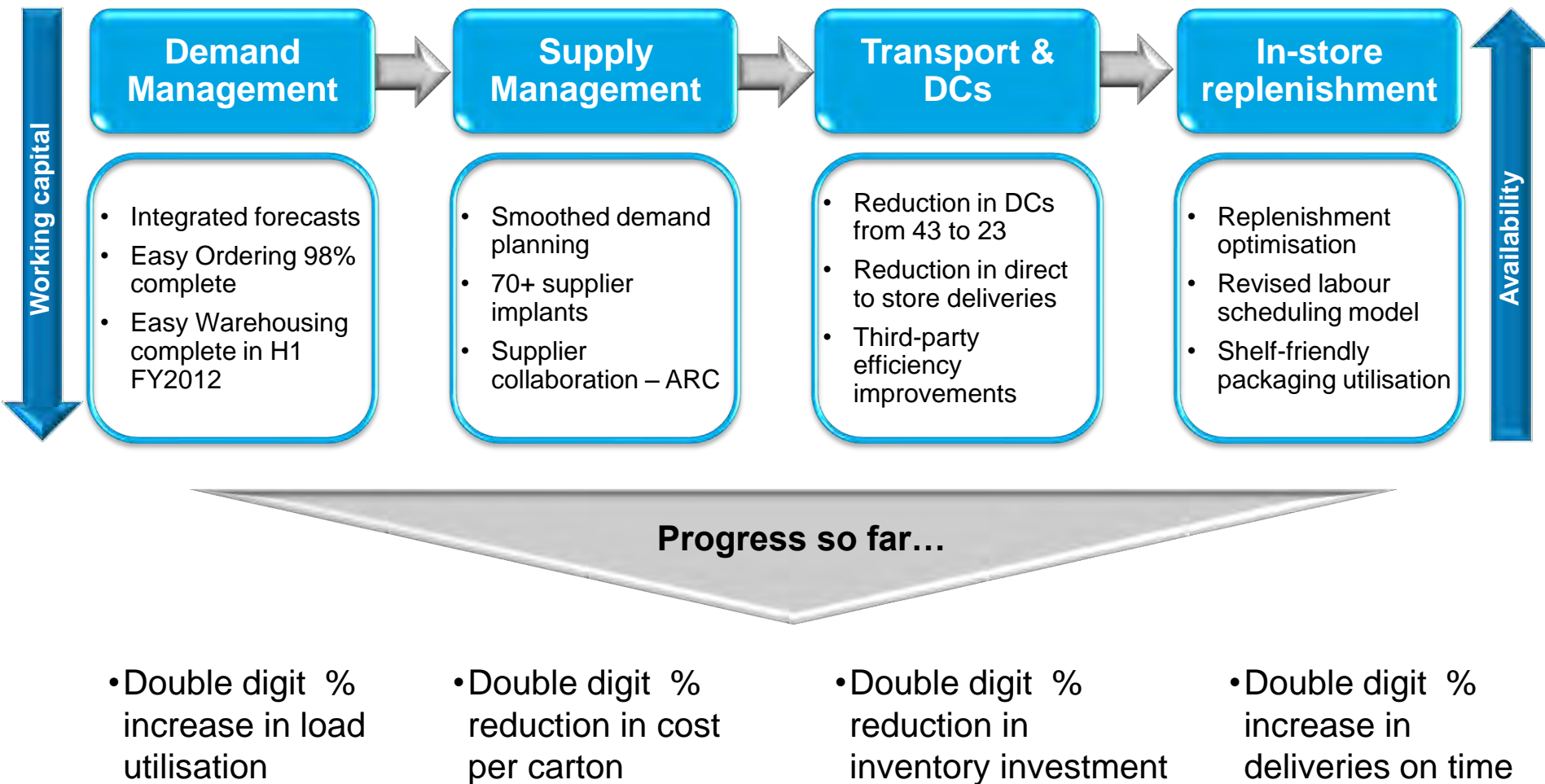


# Working smarter support centre

- \$150 million annual savings from better procurement practices
  - Rigorous approach to specification design
  - Structured tendering processes
- Progressive move towards category management
- Stores first culture
  - 2,000 Team Members working in stores at Christmas
  - Monthly 'town hall' support centre briefing
- Significant investment in IT systems
  - Integration of supply chain systems
  - Enhanced product & category analytics



# Leveraging the supply chain





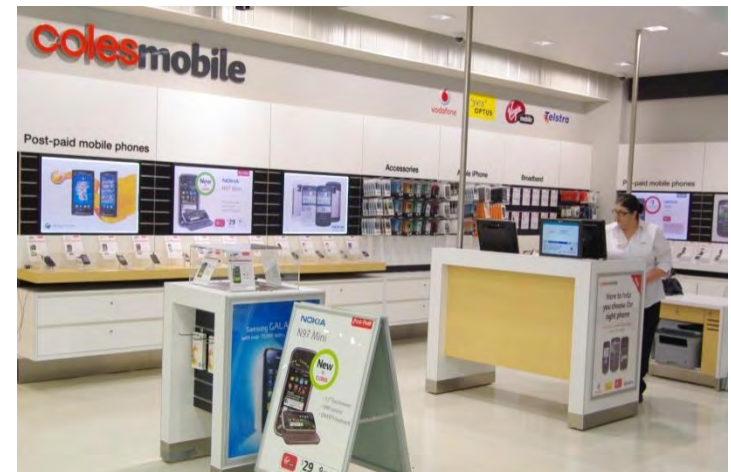
# Renewed, clean, easy to shop stores

- Roll-out of renewal stores continues at pace
  - 75 renewal stores delivered so far in FY2011 (125 renewals now operating)
  - c.100 additional renewal stores in FY2012
- Strategic move towards larger stores
  - Better choice, broader range, more theatre
  - First large format store opened in Berwick in Q2 FY2011 with strong customer response
  - More large stores planned
  - Clear category alignment
  - Customers demanding extended ranges throughout our network
- Developing innovative formats for customers

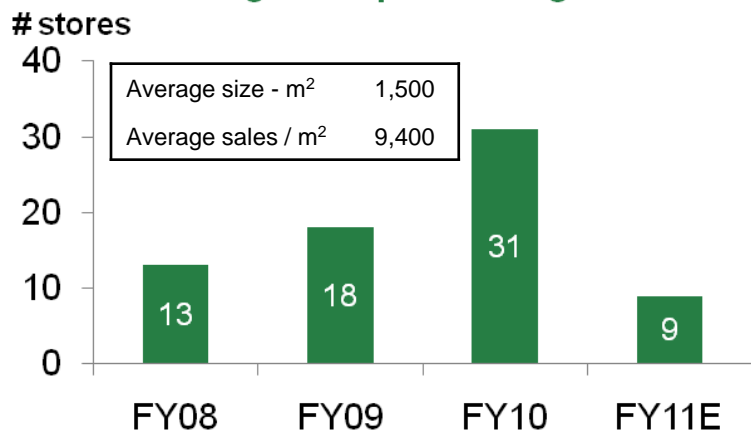


# Additional platforms for growth

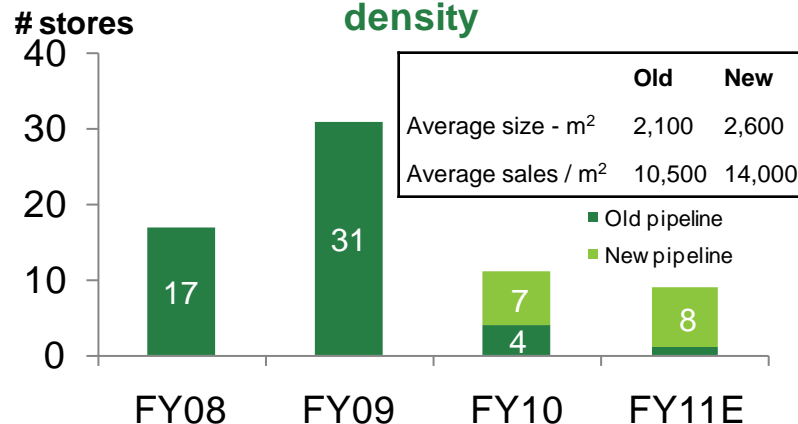
- Further extension of financial services
  - 500,000+ GE & NAB FlyBuys credit cards
  - Car, Breakdown & Home Insurance exceeding expectations
  - Purchased FlyBuys
- Coles Mobile – 10 store trial
  - Pre-paid, post-paid & mobile data from all major operators
  - Initial customer response encouraging
- Coles Online growth
  - Available to 85% of Australians
  - Click & Collect trial available in all states



## Closing underperforming stores



## New bigger stores with better density



- The inherited network

- Weak pipeline of new stores; undersized, poorly located & high rents
- Tail of small stores compromising profitability
- Chronic under-investment in store infrastructure
- Sub-optimal mix of freehold & leasehold
- Landlords & developers viewed Coles as a second class citizen

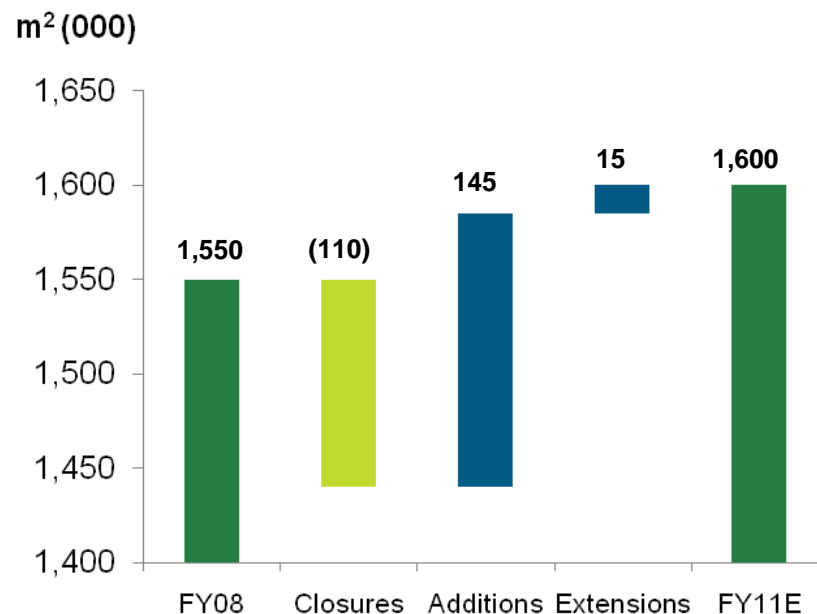
- A better network pipeline

- Invigorated new store pipeline
- Data driven approach to site selection & format alignment
- Closed & divested underperforming stores
- Freehold acquisition to expedite change
- Strengthening developer relationships



- Focus on quality space to drive sales density....bigger stores with a broader customer offer
  - 1% to 2% net new space per annum
  - Continued churn of non-conforming stores
  - Resizing undersized stores
  - Bigger stores to fractionalise costs & drive returns
  - Freehold acquisition where necessary
  - Capital recycling when sites mature

## Optimising network space





- Growing share in a challenging market
  - Private label products growing faster than market
  - Targeted promotional activity to reward customers
  - New format for each brand
- Improving store efficiency
  - IT platform redesigned & implemented
  - Development of improved labour scheduling
- Optimising our network
  - FY2012 network expansion identified
  - Quality sites focus



# Coles Express

- Solid performance driven by continued fuel volume growth
  - Successful fuel discount offers
- Three year network investment plan
  - New sites
  - New formats trial
  - New price boards & pumps
- IT upgrade planned for FY2012
  - Faster customer service
  - Stronger customer insight
  - Improved reliability



# From recovery to future growth

## Building a Solid Foundation

Performance ↑



- Create a strong top team
- Cultural change
- Availability & store standards
- Value & customer trust
- Store renewal development
- Liquor renewal
- IT & supply chain infrastructure
- Efficient use of capital

Year 1 - 2

## Delivering Consistently Well



- Embed the new culture
- Team member development
- Improved customer service
- Appealing Fresh food offer
- Stronger delivery of value
- Scale rollout of new formats
- Improved efficiency
- Easy ordering completed

Year 2 - 4

## Driving the Coles Difference



- Culture of continuous improvement
- Strong customer trust & loyalty
- Strong operational efficiency
- Innovative & improved offer
- New stores, new categories

Year 4 - 5



# From recovery to future growth

## Driving the Coles Difference

Performance ↑

- Culture of continuous improvement
- Strong customer trust & loyalty
- Strong operational efficiency
- Innovative & improved offer
- New stores, new categories

Year 4 - 5

- Improved category management
- Continued renewal roll-out
- Coles brand development
- Leveraging supply chain

Year 5+

- Investment in Team Members
- New & bigger stores
- Stronger supplier partnerships
- Continued delivery of value
- New products & ranges
- Better utilisation of FlyBuys
- Support centre efficiency
- New categories
- More to come...



# Questions





# Home Improvement & Office Supplies

John Gillam / Mark Ward



# Agenda

## 1. Bunnings

- Background & market trends
- Strategic agenda
- Current trading & outlook



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## 2. Officeworks

- Background
- Strategic agenda
- What has been done & moving forward
- Current trading & outlook



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## 3. Q&A









## LOWEST PRICES.

## WIDEST RANGE.



## BEST SERVICE.



# Long-term growth drivers

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

*Achieving growth in every store & by expansion*



- Dynamic evolution over three decades
  - “Hardware” to “home improvement & outdoor living”
  - 1980’s: two markets ... commercial or retail
  - 1990’s: big box formats enter
- 2011: one much larger market
  - Home improvement and outdoor living
  - Retail and commercial
- Australian market >\$36 billion<sup>(1)</sup>
  - Fragmented
  - Long term growth anticipated
  - Homogenous, major players ‘vertically capable’

*Similar trends in New Zealand*

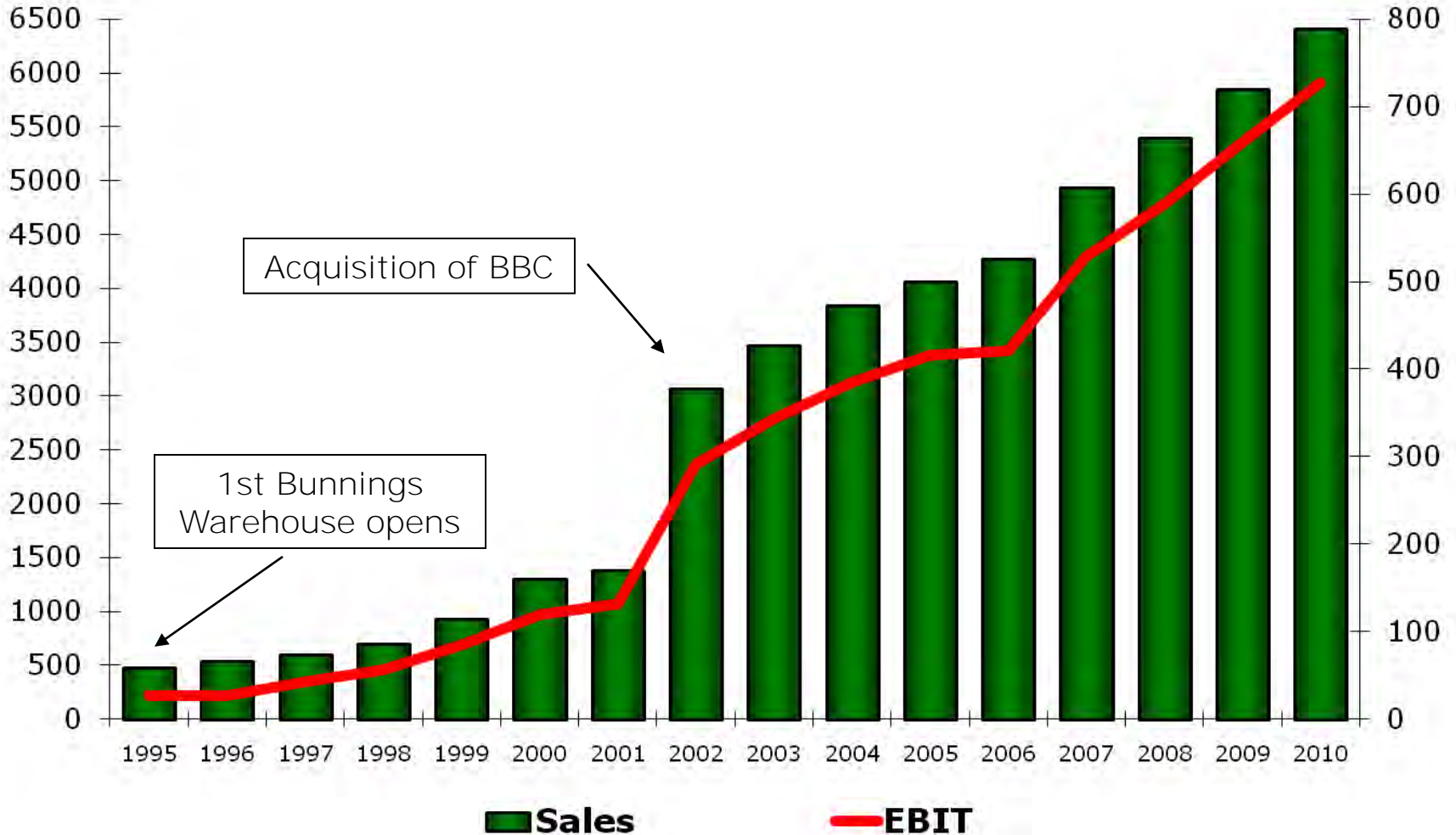
<sup>(1)</sup>\$36bn in 2008



# Bunnings: sales & EBIT growth

Sales (\$m)

EBIT (\$m)



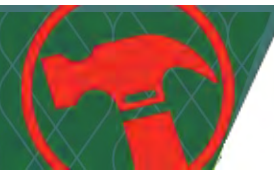
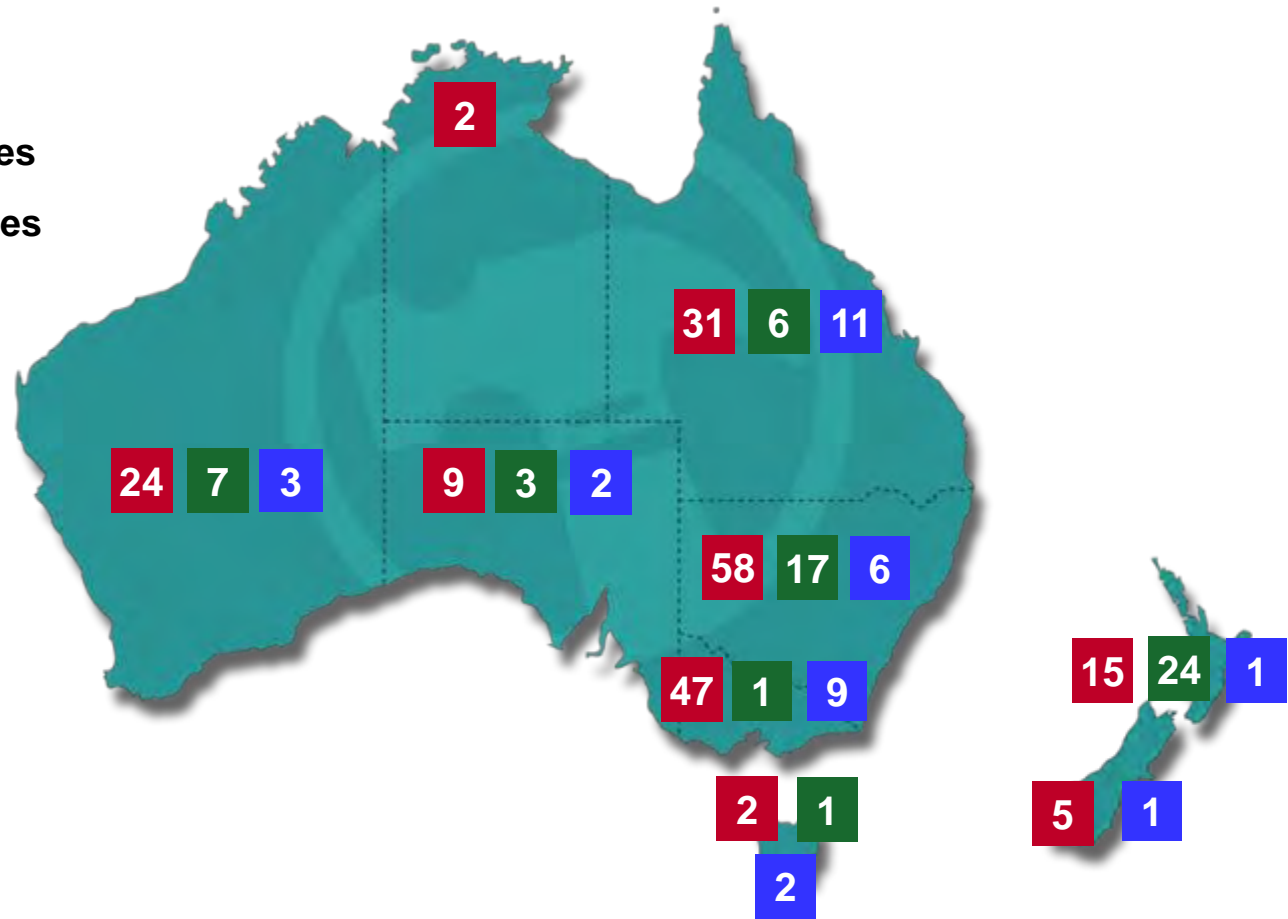
# Store & Trade Centre network

At May 2011

■ 193 Warehouse stores

■ 59 Small format stores

■ 35 Trade Centres









# Strategic agenda

Well embedded strategic agenda ...

1. Profitable sales growth
2. Better stock flow
3. Stronger team engagement & development
4. Improving productivity & execution
5. Sustainability & community engagement

*... conscious choices across all business activities aimed at delivering customers the best offer*



# Strategic agenda

## 2. Better stock flow

- Hybrid model – improving productivity across all components
- Driving higher in-stock performance
- Reducing costs, lifting GMROI



## 3. Stronger team engagement & development

- High team member retention  
*“proud to work at Bunnings”*
- Deep connection with Bunnings brand
- Ongoing investments in product knowledge, development, safety





# Strategic agenda

## 4. Improving productivity & execution

- Cost disciplines firmly entrenched
- Strong business improvement & “do it right” focus
- Increasing productivity across core processes
  - Better for customers; lifting team availability



## 5. Sustainability & community engagement

- Sustainability important for customers & team
  - What we sell, what we do & what we say
- Less energy, less waste, less water = less cost
- Sincere localised community engagement



# Strategic agenda

## 1. Profitable sales growth

- Service
- Category expansion & enhanced merchandising
- Network expansion & reinvestment
- Commercial market presence
- Investing productivity gains in lower prices to drive volume



## Continuing to increase customer centricity

- Key growth initiative for past five years
- Great team delivers good service basics
  - Taking care of consumers & tradies
  - Pleasing research trends
- Opportunity to improve consistency ... *“friendly & helpful”*
- Ongoing work in five key areas
  1. Coverage
  2. Knowledge
  3. Product availability
  4. How to use, how to choose
  5. Technology: mobile & web





# Category expansion

## Market evolution drives new ranges & category expansion

- Multiple forces: lifestyle trends; environmental & economical changes; innovation across products, projects & services
- DIY product & project innovation
  - Grows whole market
- In-home services
- Core merchandising team capability
  - Strong support from key suppliers



# Category expansion examples



2006 - kids play equipment



2007 - pool accessories



2008 - the fifth room



2009 - kitchen appliances



2010 - carpet DIY & installed



2010 - vacuum cleaners



# Enhanced merchandising

“Range reset” program well advanced; catalyst for significant business enhancements

- Increasing customer value
- Maintaining customer choice (“widest” ...)
  - *Stronger positions with market leading, quality brands*
- Store de-cluttered, unlocking more selling space
  - *Space for new & expanded categories*
- Forging stronger supplier partnering with shared gains
  - *Volume uplift, innovation, training, stock-flow*





# Enhanced merchandising

**Widest Range means delivering the best offer to our customers**

## Range Review & Reset Program

We are currently reviewing our entire product range to ensure we continue to deliver the widest range to our customers. This will include removing unnecessary duplications and freeing up space to allow the introduction of exciting new ranges into our stores. We need your help and support to make sure our offer is the best it can be!

What it means for:

### OUR CUSTOMERS

- Lower prices
- New product ranges
- Less confusion & duplication
- Easier product selection
- Better packaging and product information
- Better in-stock position

### OUR SUPPLIERS

- Improved efficiencies in store
- More volume
- Better training
- Better in-stock position
- Better execution

### OUR BUSINESS

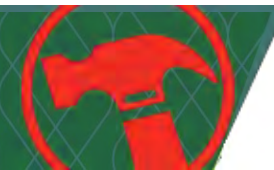
- Delivering widest range to our customers
- Easier for our team to sell
- Better in-stock position
- Improved financial performance



**BUNNINGS**



**BUNNINGS**



**Wesfarmers**

# Network expansion & reinvestment

## Total Market Capability

### Store Network DIY & Trade



- Retail & commercial customers
- Price / range / service
- Wide commercial mix
  - Pick-up & small deliveries
  - Local trades, maintenance, repair, government, business & corporate
- Local relationships

**BUNNINGS**  
warehouse

**BUNNINGS**



### Trade Centres



- DIFOT focus
- Specific customer
  - Medium & large building trades in project volumes
- Core trade product ranges
  - Cover all building stages
  - Frame & truss capability
- Business relationships

**BUNNINGS**  
TRADE



# Network expansion

- Considerable opportunity for new stores
  - Increased by format innovation (i.e. multi-level)
- Plans for 16 to 26 new locations annually
  - Uncompromising focus on site location & amenity
  - 10 to 14 warehouses
  - 2 to 4 small format stores
  - 4 to 8 trade centres
- Opened 25 locations YTD FY2011
- Strong property pipeline
  - Range of store sizes
  - Larger stores to showcase & grow range





# Network reinvestment

Before

Broadmeadows

After



# Network reinvestment

- Long standing program of store reinvestment
  - Expanding existing stores where commercially feasible
  - Reinvigorating with new merchandising standards & concepts
- In past four years, ~30% of capex into existing stores
  - Core program touches ~13% of stores p.a.
  - New concept rollouts touches ~75% of stores p.a.
- Average age of existing warehouse network 4.6 years

# Commercial markets

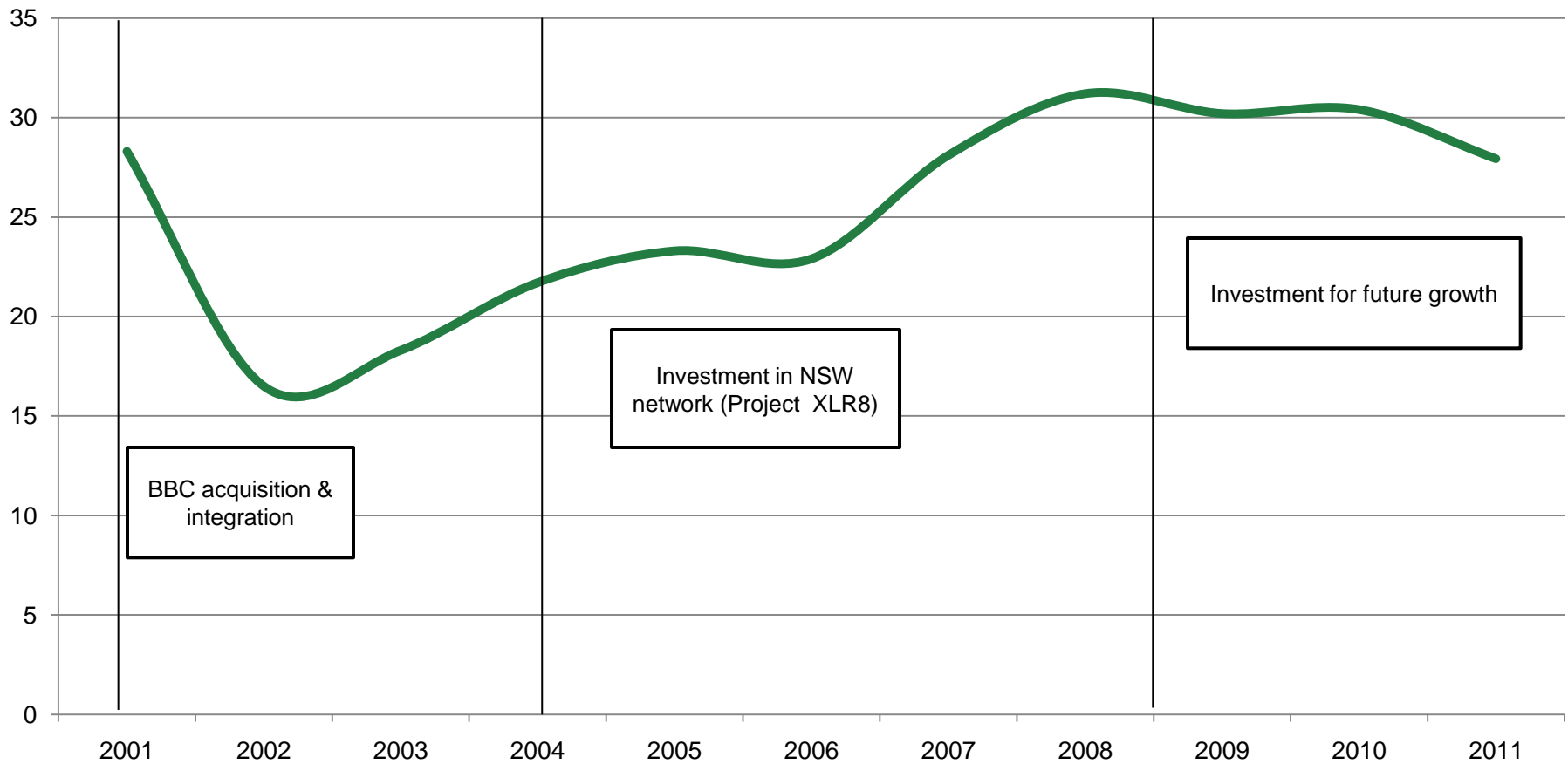
- Good growth in commercial business over past five years
- Leveraging strength of store & trade centre network
  - Total market capability
- Ongoing work in three areas;
  1. Light commercial (in-store)
    - Better ranges, service & services
    - Enhanced direct marketing to all segments
  2. Heavier commercial
    - Expanding Trade Centre network
    - Building stronger customer relationships
  3. Stronger operational disciplines







## Return on Capital % FY2001 to FY2010





# Current trading & outlook

- Nine months to 31 March 2011
  - Store sales growth of 5.4% (3Q growth 8.3%)
  - YTD store-on-store growth of 2.9% (3Q growth 5.5%)
  - Good commercial sales growth
- Good performance despite deflationary impacts of “value focus” work, adverse weather conditions & cycling high pcp
  - Driven by merchandising, service & network expansion
- Deflationary impacts to continue
- Significant work on customer & business improvements
- Ongoing network expansion & store investment





# Positioned for continued growth

- \$36 billion<sup>(1)</sup> plus market growing faster than GDP
- Strong customer loyalty & trust
- Significant growth opportunities through multiple drivers
  - Service
  - Network expansion & store reinvestment
  - New categories & merchandising
  - Commercial
  - Value
- Committed, engaged & energised team
- Strong cost disciplines & productivity improvements
  - Fueling the productivity loop

<sup>(1)</sup>\$36bn in 2008







# Agenda

## 1. Bunnings

- Background & market trends
- Strategic agenda
- Current trading & outlook



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## 2. Officeworks

- Background
- Strategic agenda
- What has been done & moving forward
- Current trading & outlook



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## 3. Q&A

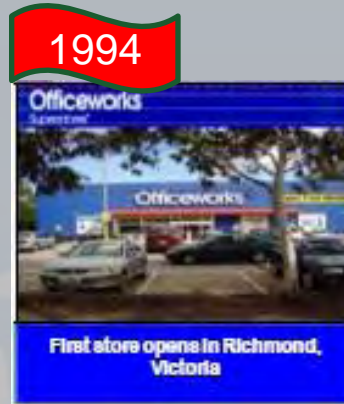






# Background

- 17 years old
- Category killer
- Origins in B2B
- Long term relationships



# Background

## An evolving business

### 1990s

- Big box office supplies
- B2B focussed
- EDLP

### By end of 2007

- Strategy off track
- Hi-Lo pricing
- Smaller store sizes
- Compromised range
- Losing customer trust

### 2008 - 2011

- Category killer focus
- EDLP position
- Rebuilding trust
- Wider customer base
- Market growth flat



# Market trends & environment

- Growth in online shopping
  - Not at “Bricks & Mortar” expense
  - Officeworks in top 10 visited websites in Australia<sup>(1)</sup>
- Increased use of mobile technologies
- Interest rates & economic conditions affecting consumer & SME business confidence
- Value requirement driving customer behaviour

<sup>(1)</sup> Source: *news.com.au* “Revealed: Where Australians shop online” Mar 11, 2011

# Strategic platform



lowest  
prices



widest  
range

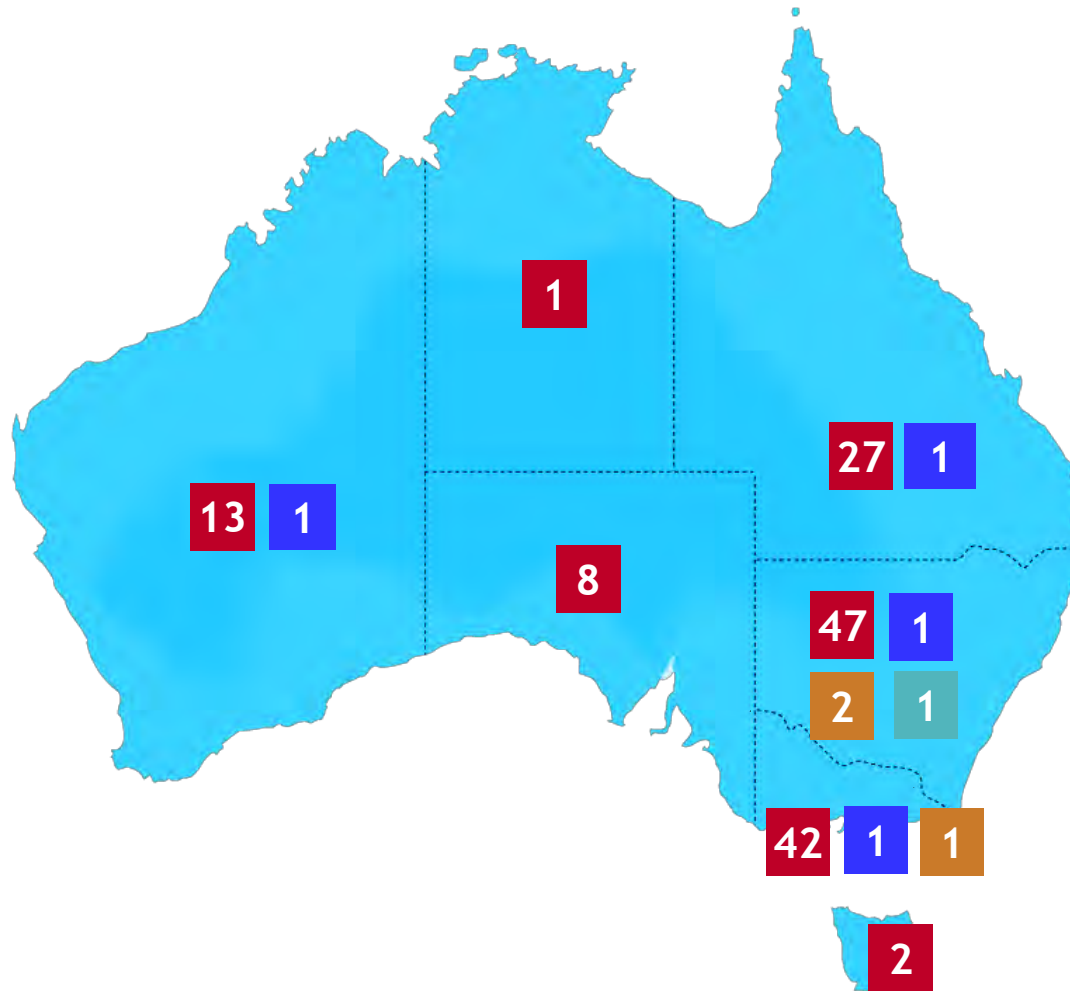


great  
service

**LOWEST PRICE  
GUARANTEE**  
Find an identical stocked item at a lower price and  
**WE'LL  
BEAT  
IT BY 5%**  
Excludes stock liquidations and contract pricing.



# Office Supplies network



At May 2011

## Retail Stores

■ 140 Stores

## Business

■ 4 Fulfilment Centres

■ 3 Service Centres

■ 1 Print Hub







# Strategic agenda update

- Evolve our customer offer
- Improve our customer service
- Team development & engagement
- Make things simple & reduce our CODB<sup>(1)</sup>
- Drive sales & profitability



(1) Cost of doing business

# Evolve our Customer Offer

- Services & solutions
  - Tech Services
  - Office Fit Out
  - Online Print Service
  - Pack, Post & Send
- Print & Copy expansion
- Commercial furniture range
- Buying improvements delivering lower prices
- Range resets next phase





# Improve our Customer Service

## Stores

- Further improvement focussed on
  - Knowledge
  - Consistency of service
  - In stock
  - Coverage
  - Specialist team in key categories



## Business

- Account Managers
- Sales Reps

# Improve our Customer Service

## Website rebuilt

- Updated Retail website
- Enhanced Business site
- Positive customer response
- Optimised Search engine
- Streamlined Checkout
- Improved product presentation





# Team development & engagement

- Targeted training solutions
- Health & wellbeing programs
- Future Leaders Program
- “Gain share” philosophy





# Make things simple & reduce our COBD

- Processes under constant review
- Re-investing hours saved into customer service
- SAP upgrade
- Focus on removing costs & complexity

LOWEST PRICES  
EVERYDAY

# Drive sales & profitability

- Network enhancement / expansion
  - 10 new stores, six upgrades
  - Property team expansion to accelerate pipeline
- Strong transaction & unit growth
- Expected growth categories
  - Catering & cleaning
  - Tablets & smart phones
  - Furniture
  - Services
  - Print solutions & services

- Environment
  - Ink & Toner cartridge & Mobile phone recycling
  - Reduced pricing of recycled products
  - Solar power lighting trials
  - Rainwater harvesting
- Community
  - Local community growth “core to philosophy”
  - Strong support for Queensland flood disaster
  - Australian Literacy & Numeracy Foundation
  - Blue September Sponsor



# Trading update

- 3Q headline sales growth 3.6%, YTD 5.5%
- 3Q Retail sales growth up 4.7%, YTD 6.4%
- Strong transaction & unit growth underpinning sales growth
  - At lower average sale
- 10 new stores, six upgrades
  - 140 store network with one-third trading under new format
- OW Business building capability & customer relationships
- HT integration into Officeworks B2B technology offer

- Challenging market conditions
- Competitive pressure on sales & margin
- Focus on executing strategic agenda:
  - Drive sales
  - Improve & evolve customer offer & service
  - Expand & upgrade store network
  - Reduce costs & complexity
  - Grow B2B offer





Thank you for  
at

LOWEST PRICE  
GUARANTEE  
WE'LL  
BEAT  
IT BY  
**5%**

You don't have to sign

Thank you for shopping at Officeworks

greener  
ever!

very excited to  
se our new 20c  
gradable shopping  
made from corn st  
nted with natural  
this bag is certifi  
gradable to Austr  
AS4736-2006.

help  
ement!





# Questions





**Target**  
**Launa Inman**  
**Managing Director**



# It's all about the customer...

- **Age**
  - 76% over 31
- **Family Status**
  - 69% married or living with partner
  - 61% youngest child is over 10 years of age
- **Household income**
  - 41% earn over \$70k p.a.
- **Research shows customers come to Target primarily to buy...**
  - Ladies, men's & childrenswear, as well as homewares
  - Other supporting categories still an important part of the mix





# Our strategy remains sound

Founded on differentiation driving great quality, style & value for our customers



- Our performance will continue to be affected by external challenges & changing market conditions



## Deflation



- Continued deflation of like-for-like prices which is further compounded by mix shift from better to good



- Re-investing in price & product mix to meet customer expectations



## Credit Markets



- Poor availability of credit for property developers continues to delay our store expansion plans



- Re-investing in existing stores & pursuing new store formats



## Consumer Behaviour



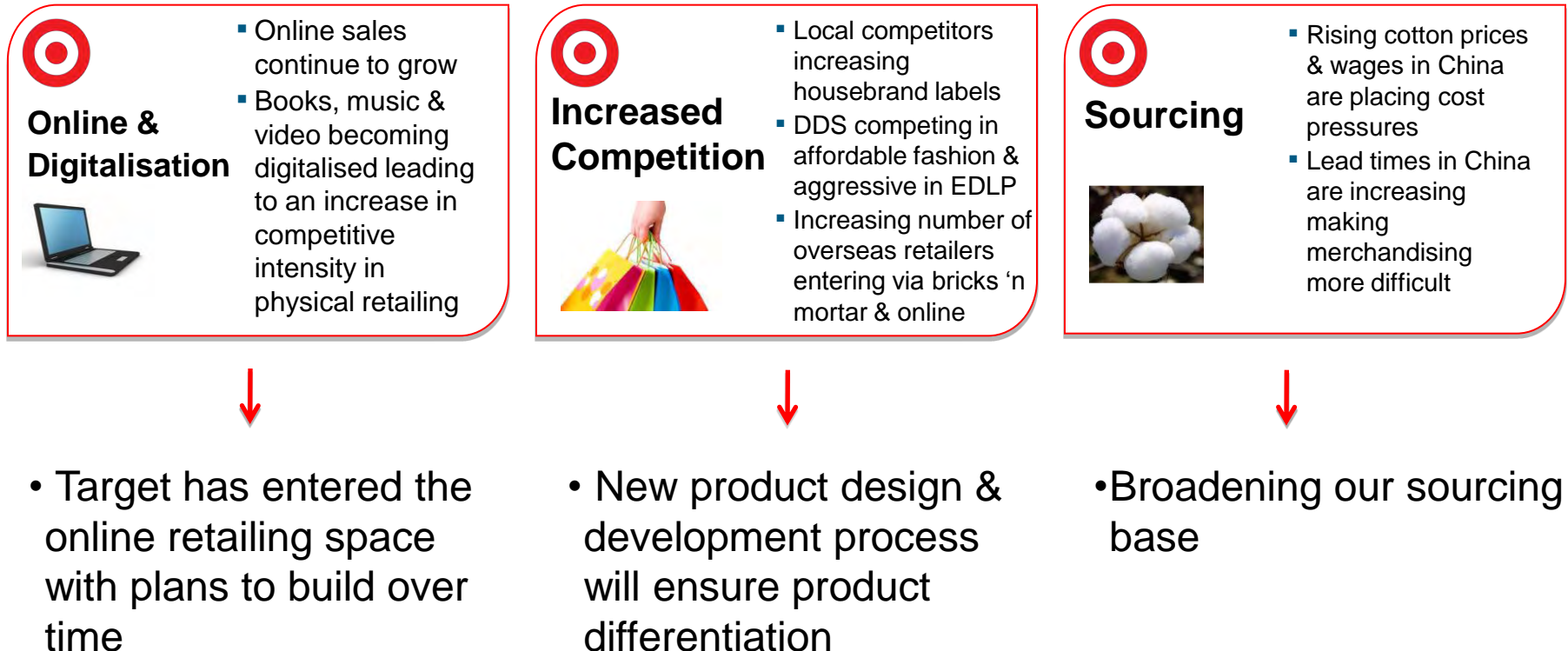
- Consumers have shifted from overt materialism to conscious, considered purchasing & increased savings
- Increasingly shopping direct to off-shore retailers



- Target well positioned & known for offering great style, quality & value

# Continuing external challenges

- Our performance will continue to be affected by external challenges & changing market conditions





# Track record of delivering on our priorities

Target 90

- **New product design & development**
  - Process implemented
  - Product delivered from Q3
- **Store investment**
  - Refurbishments
  - New stores
- **Customer communication**
  - Re-engineered marketing program
- **Operational efficiency**
  - IT investment
  - Supply Chain efficiency
- **People**
  - New development programs stores/offices



All delivered & encouraging customer response during Q3

- Trend identification
  - Forecast the top six trends nine to 12 months out & select the three most commercial
- Design for authority
  - Items are designed in-house & stand-alone or co-ordinate as a total package across categories
- Source the best direct
  - Offer the best value to the customer by going direct to source the right fabrics/materials & manufacturer for each product
- Make a statement
  - Tailor customer communications through marketing & in-store display to showcase the unique & differentiated product

# Product design & development

## Butterfly story

- Trend identification



- Q3 colour palette for homewares & general merchandise







# Product design & development

## Butterfly story

- Design for authority

500: 16 Piece Dinner Set STYLE NO: 

FABRIC REF. No: 01	PRINT/ EMBELLISHMENTS: DECAL	RANGE NAME :	RRP:
TREATMENT/WASH:	SIZE:	CLASSIFICATION: BETTE	
			
DINNER PLATE 270mm Coupe 001	SIDE PLATE 200mm Coupe 002	RICE BOWL 140mm 016	MUG Conical 177
COLOURWAYS	PACKAGING & LABELS  REF. No.	ARTWORK (NOT TO SCALE) Refer to separate artwork pages  ART REF. No.	

CONFIDENTIAL COMMUNICATION. THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE CONFIDENTIAL AND PROPRIETARY TO TARGET AUSTRALIA PTY LTD. IF YOU HAVE RECEIVED THIS DOCUMENT IN ERROR, PLEASE NOTIFY TARGET AUSTRALIA PTY LTD IMMEDIATELY. 983207046 DATE: 16/04/2015 09:50:00

# Product design & development

## Butterfly story

- Make a statement

**25% off** dinnerware, servingware and glasses

30 piece white textured porcelain dinner set  
Purple burst glasses  
Flute, wine or cocktail glass

**\$4 ea**  
Save \$2

**\$37 set**  
Save \$13

4 pack Grandma's purple napkins Save \$3 Now \$7pk

**25% off** bath mats

55 x 85cm  
**\$22 ea**  
Save \$8

Egyptian bath mats  
White, plum, dusty rose or platinum

**\$15 ea**  
Save \$5

Ellen Vivienne bath towels  
Hand towel also available

**25% off** decorator towels

69 x 140cm  
**\$16 ea**  
Save \$8

Egyptian bath towels  
Platinum  
Dusty rose  
White  
Plum

**30% off** Egyptian Luxury towel range

18 piece set  
**\$30 set**  
Save \$10

16 piece Modern Living Sunday dinner set

**25% off** statues, boxes and photo frames

29.5cm  
**\$25**  
Save \$9

Purple swirl vase

**new**

Brilliance mirror  
Save \$4 Now \$27

**new**

Quilt cover set includes:  
1 x quilt cover and  
2 x pillowcases

**\$95 set**  
Save \$24

Sunday quilt cover set

Puffed hydrangea to glass  
25cm  
**\$18**  
Save \$6

**25% off** vases

Hand-painted glass vase 30cm  
Save \$13 Now \$36

**new**

Glass candleholder on stem  
29cm  
**\$11**  
Save \$4

**\$18**  
Save \$4

Ceramic butterfly vase

**new**

Quilt cover set includes:  
1 x quilt cover and  
2 x pillowcases

**\$63 set**  
Save \$16

Like butterflies quilt cover set

No rainchecks on all items and offers on this page. Accessories not included.

If an item is unavailable for any reason, we will offer a raincheck for the item at the advertised price or comparable equivalent goods. This offer does not apply if otherwise specified. We reserve the right to limit quantities to reasonable retail quantities. Best response in \$40 price. Savings are off regular prices. Savings shown in the catalogue may differ from the actual savings in your store. 2011 Please dispose of this catalogue by recycling. Do not litter.

For your nearest store and trading hours contact  
1300 130 000  
www.target.com.au

No rainchecks on all items and offers on this page.



# Product design & development

## Sharing knowledge & collaboration

Target 95

- New Design & Innovation Studio opened to host regular Concept & Trend Forums
  - Improved knowledge share
  - Collaboration between all stakeholders





# Product design & development

## Mock Shop

- Introduction of new Mock Shop facility to improve in-store execution
  - Test
  - Trial
  - Trade



# Product design & development

## Mock Shop



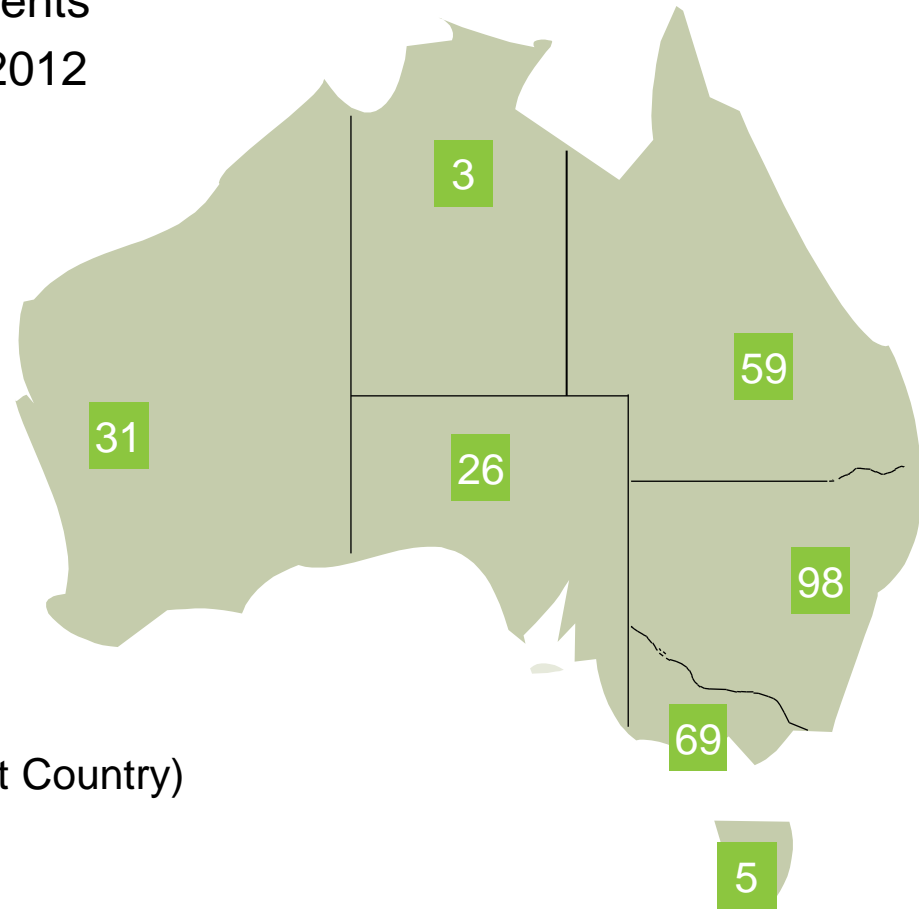


# Store investment

## New store investment remains a priority

Target 98

- Near term openings continue to be affected by GFC impacts on property developments
- 11 new stores planned for FY2012



At May 2011

■ 291 Target stores (incl 119 Target Country)



# Store investment

Target

99

## Ongoing focus on upgrading the store network

- Target
  - 29 store refurbishments to be completed in FY2011
  - 11 planned in FY2012
- Target Country (Project Glow)
  - 37 store refurbishments to be completed in FY2011
  - 18 planned in FY2012



# Store investment

## Baby Shop & Cook Shop roll out

Target 100

- Baby Shop
  - 171 Target stores



- Cook Shop
  - 152 Target stores





- Refocusing our marketing
  - Clear, simple communication
  - Reinforcing our style, quality & value proposition
  - Constantly re-evaluating the mix across communication channels

**Target.**  
100% happy

**20% off**  
quilt covers

Quilt cover set includes:  
1 x quilt cover and  
2 x pillowcases.  
(1 x 58)

Lilo butterflies quilt cover set  
Call Save \$16 Now \$63set

**25% off**  
dinnerware,  
servingware  
and glasses

Purple burst glasses  
\$4<sup>ea</sup>  
Save \$2

**25% off**  
artificial plants  
and garden  
accessories

120cm  
\$69  
Save \$30  
Potted spiral topiary

34cm  
\$40  
Save \$19  
new

Topiary ball

**INTO THE GARDEN**

Thursday 28 April - Tuesday 3 May 2011 [www.target.com.au](http://www.target.com.au)



# Operational efficiency

- Supply Chain
  - Two new multi-store offsites
  - Five single store offsite closures
  - Increased capacity in South East Asian ports
- IT investment with benefits to be realised over the longer term
  - Merchandise systems improvement
  - Online site
  - Marketing tool



- Investment in people development
  - My Mentor Women’s Development Program (30 participants in 2011)
  - Future Leaders Program (285 store participants graduating in 2011)
  - Target Store Leadership Program (555 team members enrolled)
- Development of high potentials & succession planning
- Recognition & Reward



# Current Priorities

## Ensuring we remain relevant to our customer

Target 104

- Store investment
  - New store format: Urban by Target
- Customer engagement
  - Analysis
  - Online retailing
  - Social Media
- People
  - Program to improve customer service
- Operational efficiency
  - Sourcing strategy





## New store format – Urban by Target

- New format trial to reach customers in inner city areas
- First store to open in Chapel Street, Melbourne



**URBAN**   
by **Target.**

## New store format – Urban by Target

- Tailored range to match each store's demographic
- New shopping experience – fixtures, fittings, flooring etc. will differ to Target suburban stores



**URBAN**   
by **Target.**

# Customer engagement Analysis

Target 107

- Increasing investment in customer analysis influencing how we go to market
  - Online research community
  - Milward Brown weekly measures
  - Ethnicity data used to tailor marketing distribution & stock allocation
- Increasing engagement with customers





# Customer engagement Online retailing

www.target.com.au

**catalogues**  
• Mother's Day

**stores/hours**  
Find your nearest store and trading hours info fast!

**what's online**  
The latest promotions and competitions

**buy gift cards**  
Target Gift Cards. The perfect gift giving idea.

**subscribe**  
Be the first to know - sign up for Right on Target eNews.

**shop online**  
For Baby, Nursery, Kids + Schoolwear

**CUSTOMER NOTICE - PRODUCT SAFETY RECALL**

**Kids**  
Shop our **Online Store**  
For Baby, Nursery, Kids + Schoolwear

Look for MORE PRODUCT ONLINE SOON

**Tell us what you think!**  
Complete our short survey for your chance to Win a \$500 Target Gift Card. Do the survey now ▶

**Win 20 Gifts in 20 Days for mum** Exclusive to facebook

Catalogues | Stores/Hours | Online Store | Personal Shopping | Company | Careers | Contacts | What's on | eNews **Target. 100% happy**

**20% off**  
kids' and babies' jackets, knitwear and denim clothing 00-16  
On Sale Thursday 28 April - Tuesday 3 May 2011

Feature Products

\$20.80	\$33.60	\$17.60

**Our baby, kids and schoolwear stores are now open!**

You can now buy online with us, anytime.

Hot Items...

3 Pack Ribbed Baby Mitts	76 Print Long Sleeve Knitted Jacket	Acrylic Wool Coat	Cotton Striped Knitted Pinafore Skirt	Fisher-Price Backwood Bouncer - Cane Cradle

# Customer engagement Social Media

Target

109

- Launched our Social Media presence via Facebook in February 2011
- Number of 'likers' continues to grow
- Opportunity to engage real time with our customers
- We will selectively grow our social media presence

The screenshot shows the Facebook page for Target Australia's Mother's Day Competition. The page features a search bar at the top, the Target logo with the slogan '100% happy', and a navigation menu on the left. The main content area is a promotional post for the competition, which has been closed. The post includes a 'LIKE US' call to action, a 'Win! 20 Gifts, 20 Days! 20 ways to love your mum' headline, and a list of winners with their prizes. The winners are: 'Love' (May 6, 2011) with a \$200 prize, 'Inspire' (May 5, 2011) with a book, and 'Motivate' (May 4, 2011) with a book. The page also shows 17,683 likes and a list of people who liked the page, including Walt Disney Studios Australia and New Zealand, St John Ambulance Australia, Tefal Portugal, and SIDS and Kids.

facebook Target Australia Mother's Day Competition  
Retail and consumer merchandise

**LIKE US**  
Click on 'LIKE' above to be kept updated on this competition!

**Win! 20 Gifts, 20 Days!**  
20 ways to love your mum

Thanks for helping Target celebrate Australian Mums this Mother's Day!

Our Mother's Day competition has now closed, but we'd like to thank all those who entered and wish all Australian Mums a Happy Mother's Day!

Terms & conditions apply. Please [click here](#) for full terms & conditions.

**17,683** people like this

**Love** May 6 2011  
Winner has yet to be announced... Check back here tomorrow.

**Inspire** May 5 2011  
Congratulations Jane Derbyshire We hope your mum loves her present!  
Garlic prawns because they're divine. Mum & I then chat together over a glass of wine. She always loves her Mother and Daughter time!

**Motivate** May 4 2011  
Congratulations Laura Briggs We hope your mum loves her present!  
It doesn't matter what we do, when it's with my mum we have a blast :)

Facebook © 2011 - English (UK) About · Advertising · Create



- Operation Target
  - Strengthening team member engagement with our customers
  - Recruit for attitude & train for skill
  - Dedicated customer service training rolled out over the last eight months
  - Pleasing customer response to date





# Operational Efficiency

## Sourcing strategy

- Broadening sourcing base
- Coles Group Asia – separation of Target & Kmart overseas sourcing operations
- Increasing Quality Assurance expertise



# Efficiency in a crisis

## 2011 Queensland natural disasters

- Priorities
  - Protection of human life
  - Protection of company stock & assets
  - Service to the community
  - Minimise loss of sales
- Community & team support
  - \$100,000 donated to Queensland Premier's Flood Appeal
  - \$280,543 in Customer donations collected through registers



- Clearer understanding of our environmental footprint
- Key focus areas include:
  - Minimising energy consumption
  - Reducing excessive packaging & cartons
  - Improving recycling through education & equipment upgrades
- Ethical Sourcing





# Community involvement

- The Alannah & Madeline Foundation
- St John's Ambulance (customer first aid training courses)
- Uniting Care Christmas Appeal (Operation Santa)
- SIDS & kids (Red Nose Day)

**Thanks a million.**

**Together we've raised \$1 million for children in need across Australia.**

Thank you for helping us distribute more than 8,000 Buddy Bags to children in emergency accommodation.

All profits from the sale of Target's red reusable bags are donated to The Alannah and Madeline Foundation's Buddy Bags Program, so please support the program by buying a red bag today.

The Alannah and Madeline Foundation  
Keeping children safe from violence

Target.  
100% happy

- Customers are still purposeful in their purchasing but will respond to new & interesting product that represents great value
- Margins continue to be under pressure
- Sound strategy & strong fundamentals
- Taking major steps to ensure our ongoing relevance with customers
- Expect further innovations as we continue to adapt to the changing landscape



# Questions





# Kmart

Guy Russo



# Introduction





# Since last year...

- Our prices have dropped
- High/low pricing is gone
- Everyday ranges drive sales
- Shelf talkers dramatically reduced
- Continuous research & talking to mum





# Kmart is helping mum & her family



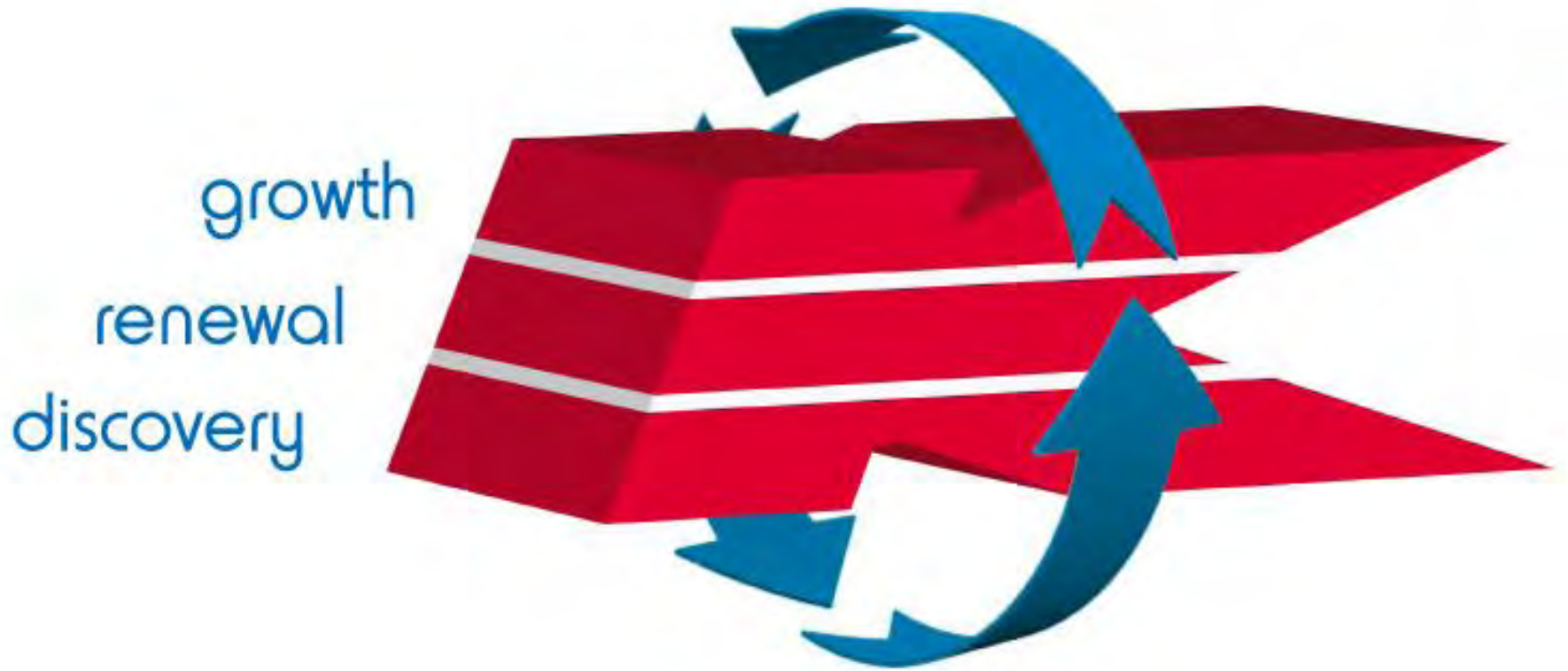




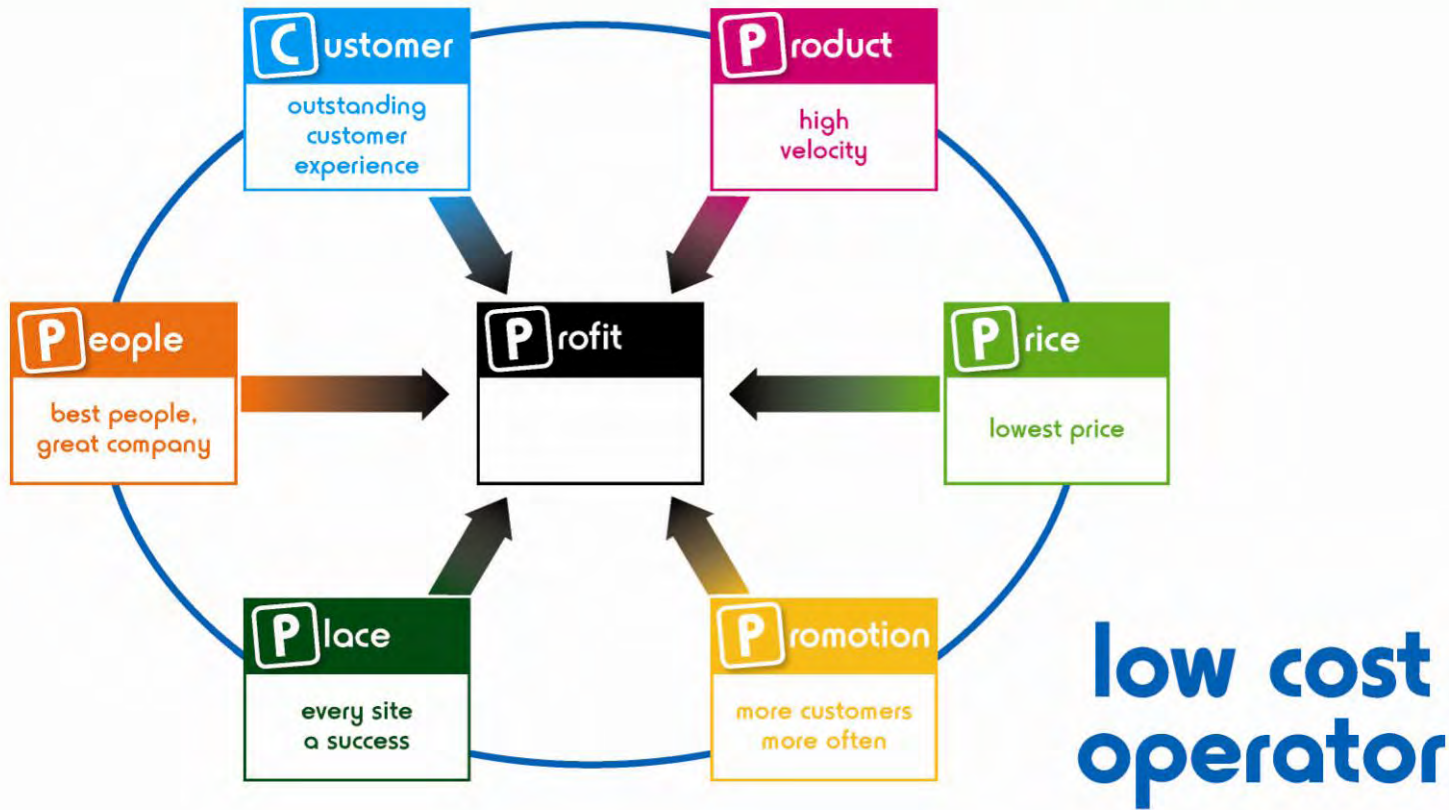
Where families come first for the lowest prices on everyday items



# The journey so far



## 2011 Kmart strategy









# Price



**P**rice

lowest price





# Price



**P**rice

lowest price





# Price



**P**rice

lowest price





**P**rice

lowest price



- Lowest price
  - Every product, every day
- Lowest cost driving own brand
- Kmart Australia Sourcing
  - Best suppliers
  - Delivering volume
  - Lowest cost





# Product

**P**roduct

high  
velocity





**P**roduct

high  
velocity







**P**roduct

high  
velocity





# Product



**P**roduct

high  
velocity







**P**roduct

high  
velocity



# Summary - Product

- Everyday items that mum & her family need
- High volume products at the lowest prices
- Forecasting the right volumes has been challenging
- Improving the flow of high volumes of product to stores
- Continue to pressure test our ranges
- Increasing on-shelf availability & sales







**P**lace

every site  
a success







**P**lace

every site  
a success





# Place



**P**lace

every site  
a success

- More stores in our fleet trading positively
- Increasing shopping convenience with more 24/7 stores
- Clearer signage to highlight value
- Increasing self service checkouts
- Improving store layouts & shopping environments
- More stores in the pipeline
- Improving processes to flow stock more efficiently







**P**eople

best people,  
great company



# Summary - People

- Keeping team members safe is our first priority
- Reward & recognition for good performance
- Reducing store remuneration through improved efficiency
- Great store execution & continued customer service training
- Increasing team member engagement
- Working together as a team







**C**ustomer  
outstanding  
customer  
experience







 **ustomer**

outstanding  
customer  
experience





# Summary - Customer

- Mum & her family underpins every decision we make
- Continue what we introduced last year:
  - Fast & friendly service
  - Clean & tidy stores
  - Wide aisles
  - Convenient shopping hours
- Drive on shelf availability to further improve customer service





**P**romotion

more customers  
more often





# Summary - Promotion

- More customers, more often
- Convince customers all products are lowest price, across the store, every day
- It is now time to increase this focus
- Last year we asked customers to 'Expect Change'
- This year the change is here







# Kmart's commitment to sustainability

- Supporting local social causes aligned to families
- Continue to identify ways to reduce energy, gas, water & packaging usage
- Partnering with community programs to help children in countries we source from
- High focus on sustainable purchasing:
  - Sourcing ethically
  - Supplier collaboration
  - Meeting compliance standards
  - Reputation management
  - Processes & reporting system improvements

- Customer engagement is our priority
- Refine product offer across the store
- Improve the flow of product
- Continue to source at lowest cost
- Reduce store remuneration through improved efficiency
- Network expansion opportunities are well underway



# Customers get it



our price  
**\$5**





Where families come first for the lowest prices on everyday items



# Questions





# Resources

## Stewart Butel







Export metallurgical & domestic steaming coal

QLD



Domestic steaming coal

WA



Export & domestic steaming coal

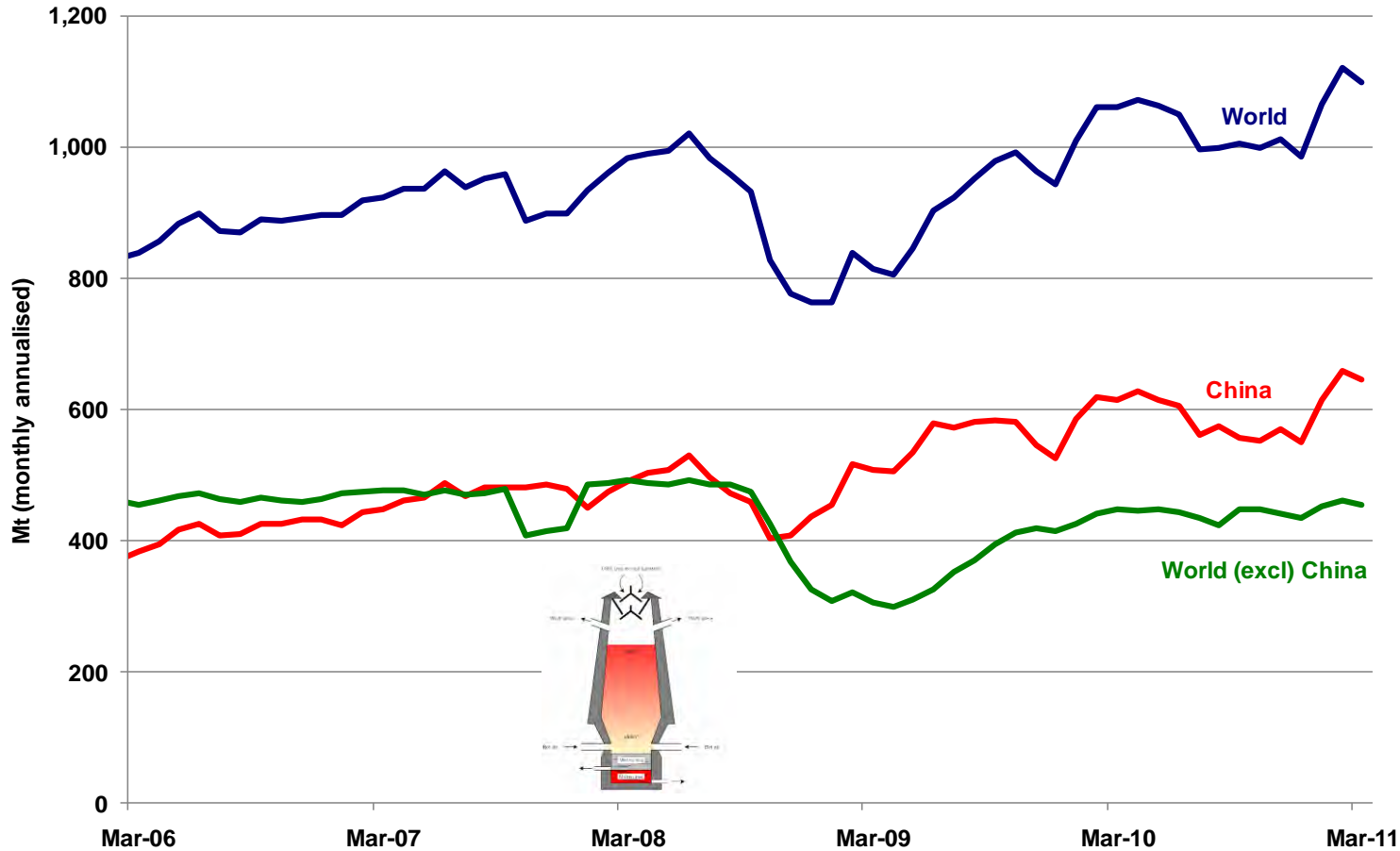
NSW  
(40% ownership)

# Business environment

- Global demand for coal
  - Stable environment for most world major economies
  - Global steel production has recovered to above pre-GFC levels
  - Temporary impact of earthquake & tsunami on Japanese consumption
- Supply issues
  - Queensland metallurgical coal production severely affected by floods
- Prices
  - Record uplift in US\$ prices for export metallurgical & steaming coal
  - Move to short-term pricing for metallurgical coal
  - Strong A\$/US\$ exchange rate
- General industry environment
  - Major Australian capital projects announced in coal, iron ore & LNG
  - Re-emergence of tight labour market & industry cost pressures
  - Possible introduction of Minerals Resource Rent Tax & carbon tax
  - Longer-term outlook for export coal remains positive



# Production: world pig iron

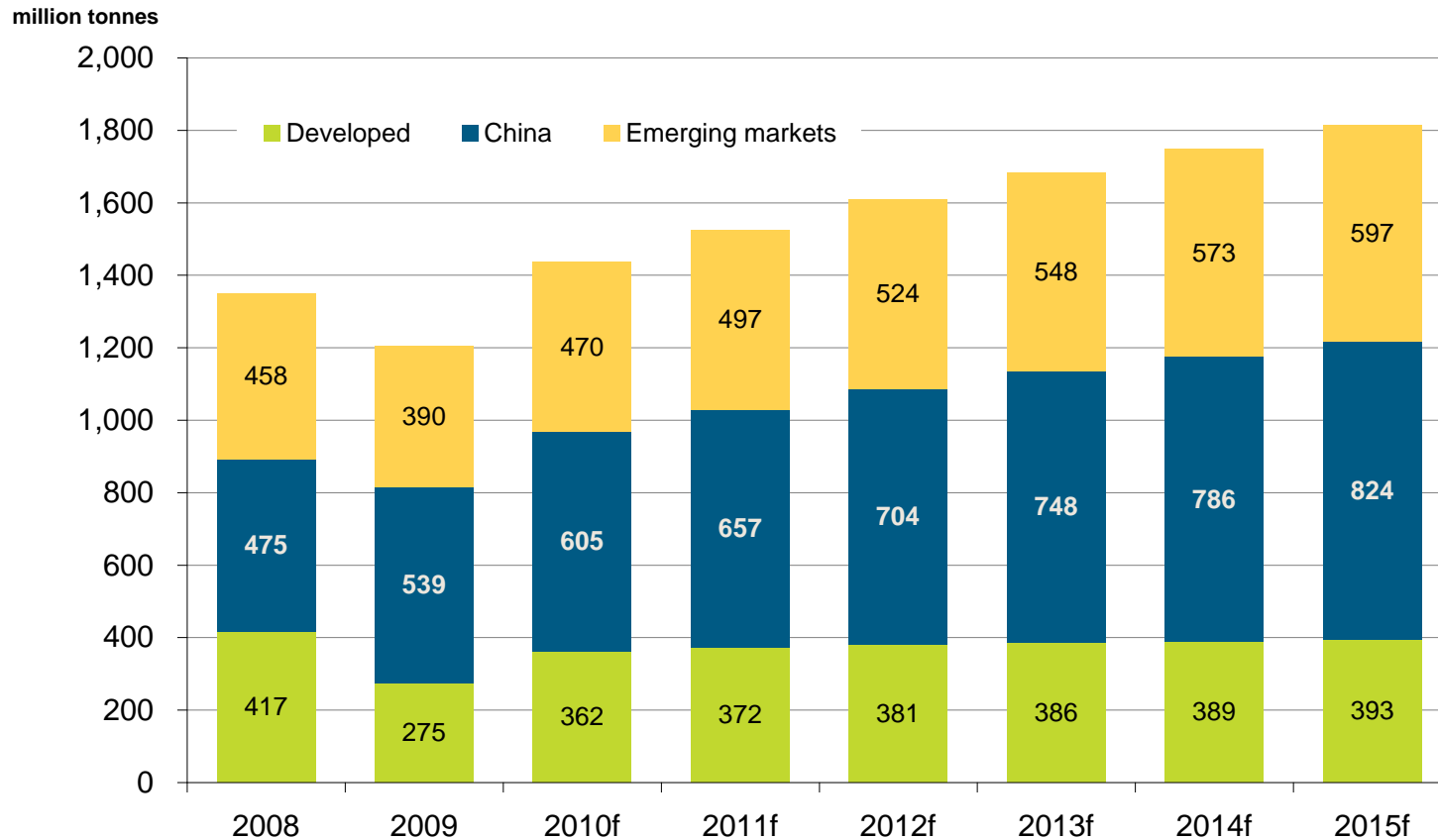


Source: WSA

# Global steel demand growth

## Robust long-term outlook

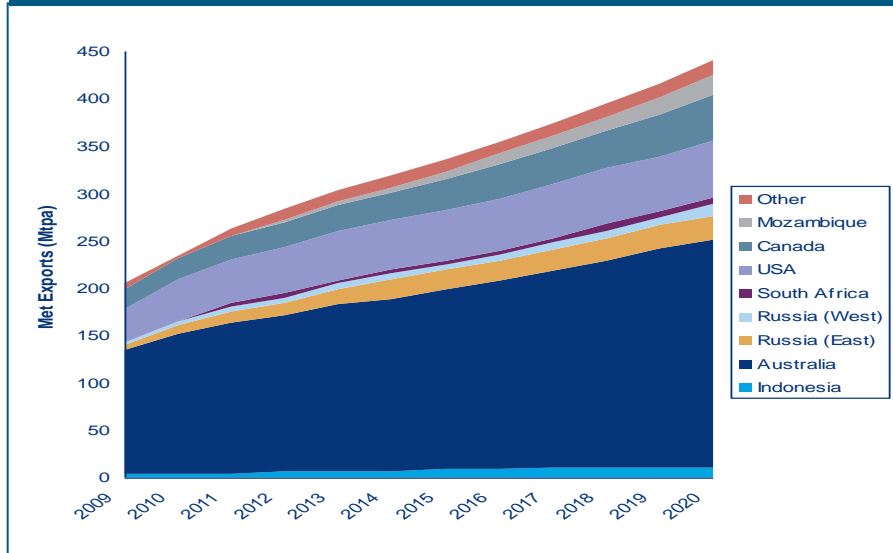
### Crude steel consumption



Source: NBS, Worldsteel, Macquarie Research, March 2011

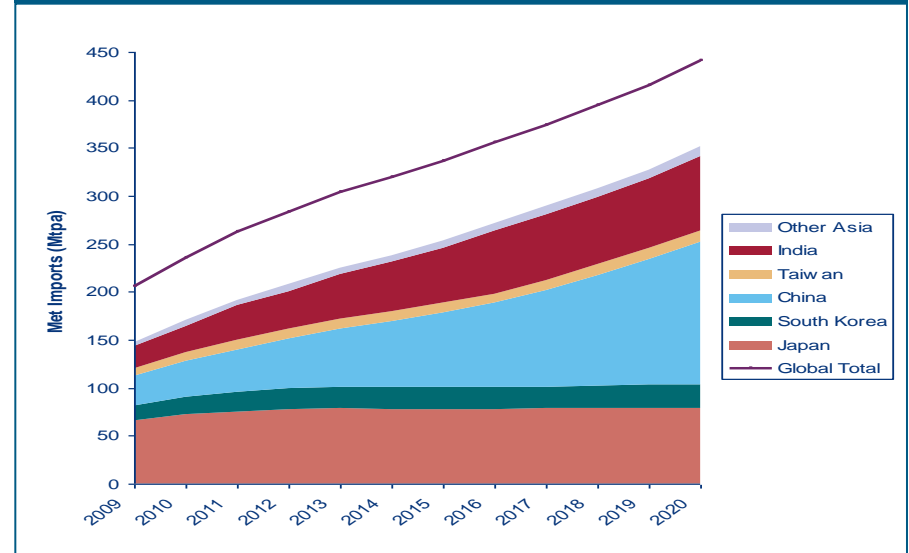


## Global Metallurgical Coal – Export Projections



Source: Wood Mackenzie Coal Market Service 2010

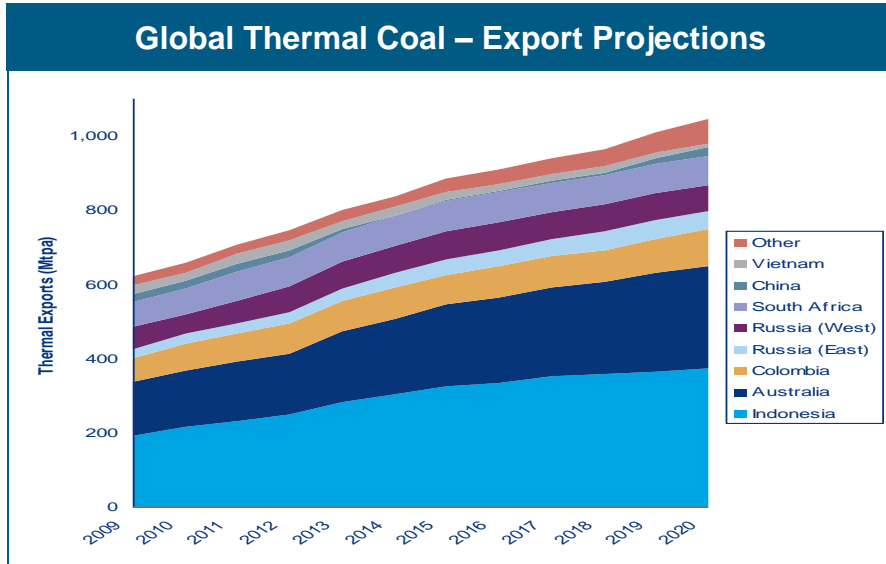
## Asian Metallurgical Coal - Import Projections



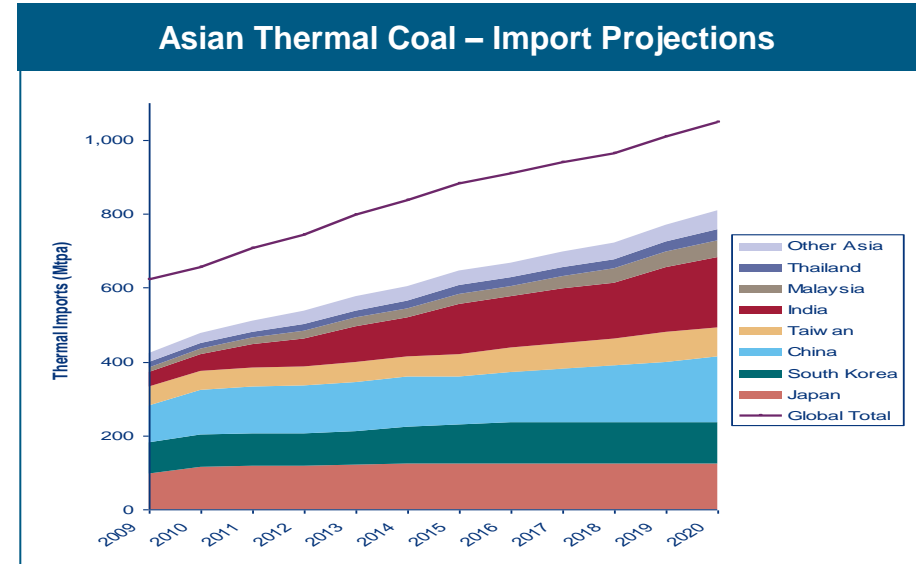
Source: Wood Mackenzie Coal Market Service 2010



- Metallurgical coal demand to double by 2020
- Substantial import growth from China & India
- Australia will continue to be the dominant supplier



Source: Wood Mackenzie Coal Market Service 2010



Source: Wood Mackenzie Coal Market Service 2010

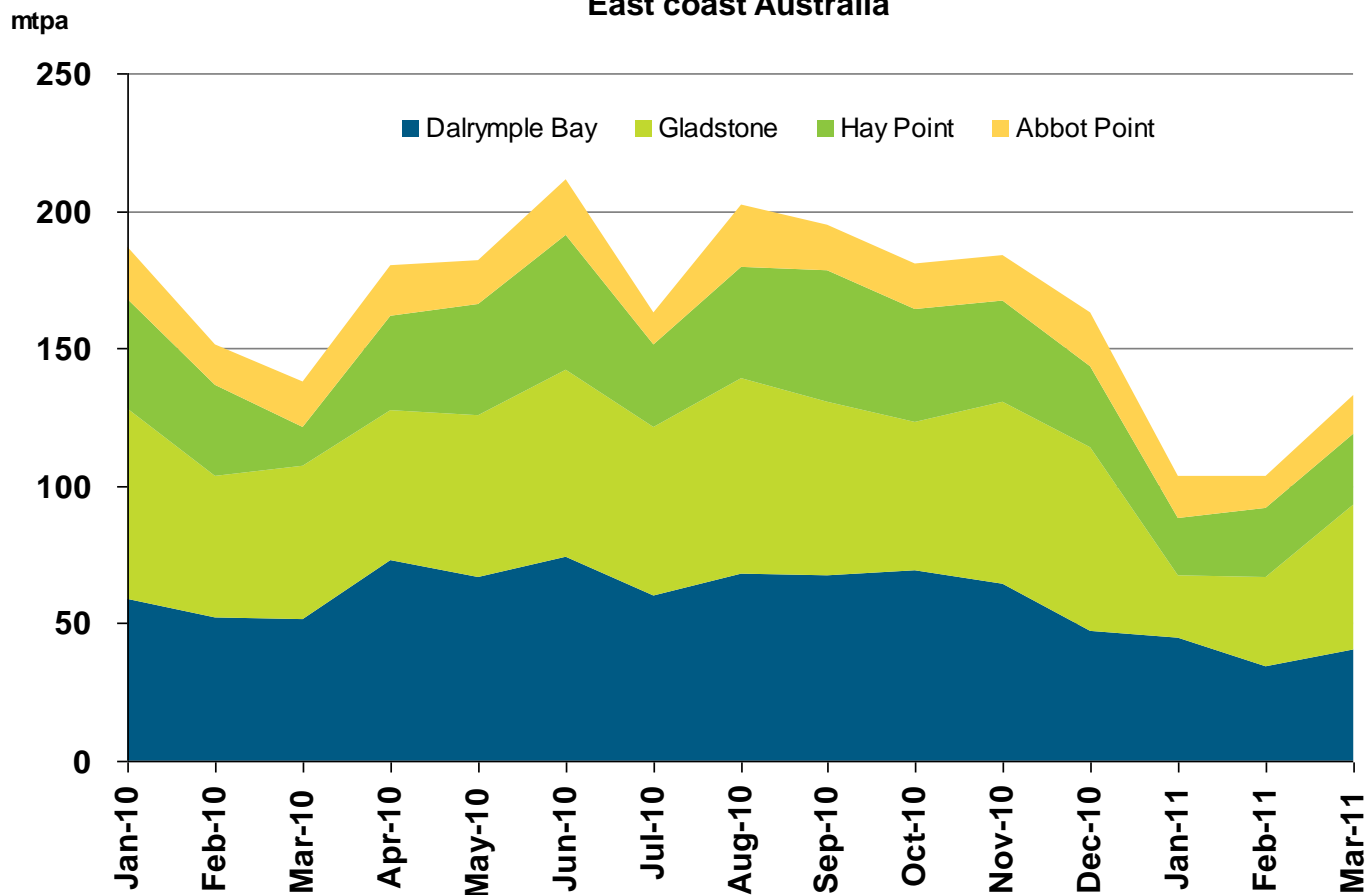


- Strong import demand growth from China & India
- Import demand growth from Taiwan, South Korea, EU-15 is likely to be subdued
- Indonesia & Australia to maintain their position as the main suppliers



# Floods: Continuing Queensland export impact

### Coal Port Congestion East coast Australia



Source: Shipping data, Macquarie Research, March 2011

# Curragh flood event January 2011



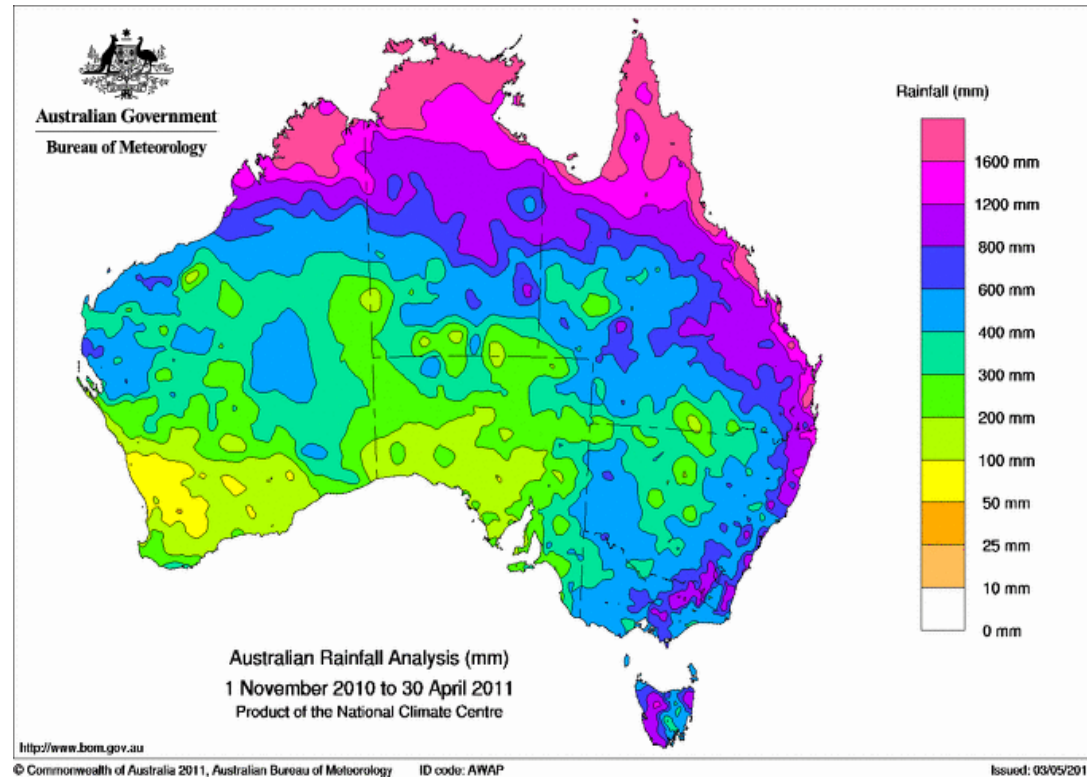
Curragh  
North

Mackenzie River adjacent to Curragh North





- Record rainfall in central Queensland over last six months
- Three major flood events – one in September & two in December
- December rainfall at Curragh of 452mm was 7x monthly average
- Unseasonal rainfall in March, April & May

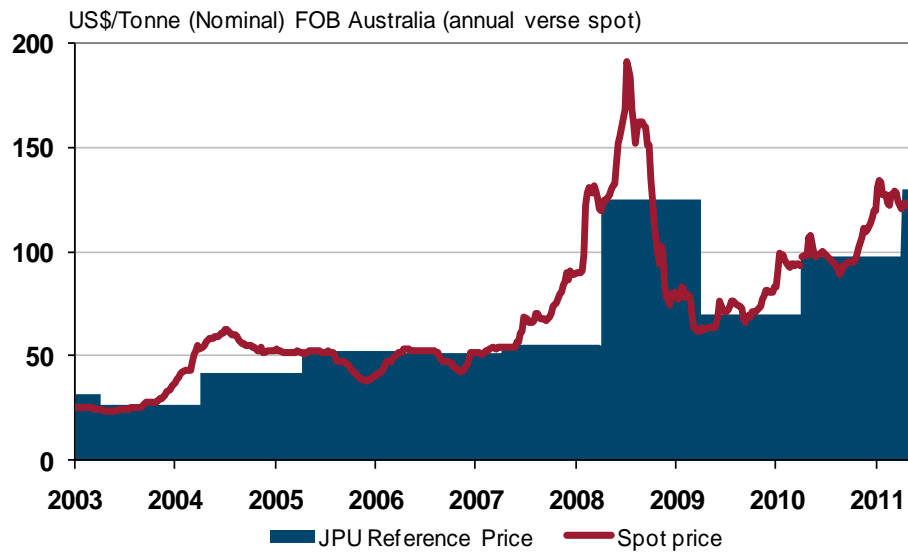


# Ongoing impact of water at Curragh

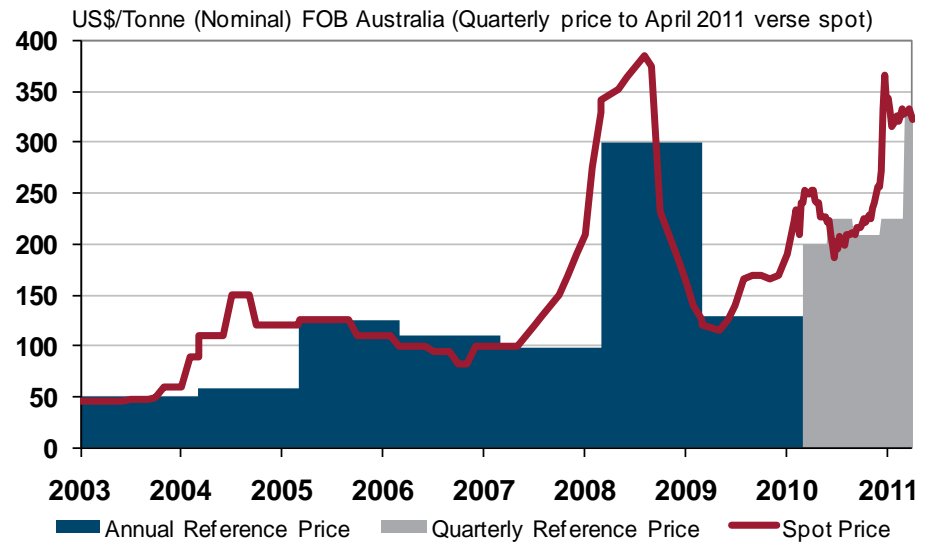
- Continued production issues in April – June FY2011 quarter
  - Groundwater inflow into mining areas
  - Super-saturated spoil has resulted in major low wall failures in mining areas preventing access to exposed coal
  - Coal production at reduced levels
  - Mine dewatering ongoing
  - Conveyer belt failure 22 May 2011
- Export customer force majeure lifted during April FY2011
- Forecast metallurgical coal sales of 5.1 – 5.4 million tonnes for FY2011
- Significant adverse cost impact from wet weather & lower volumes in 2H FY2011



## Australian steaming coal prices

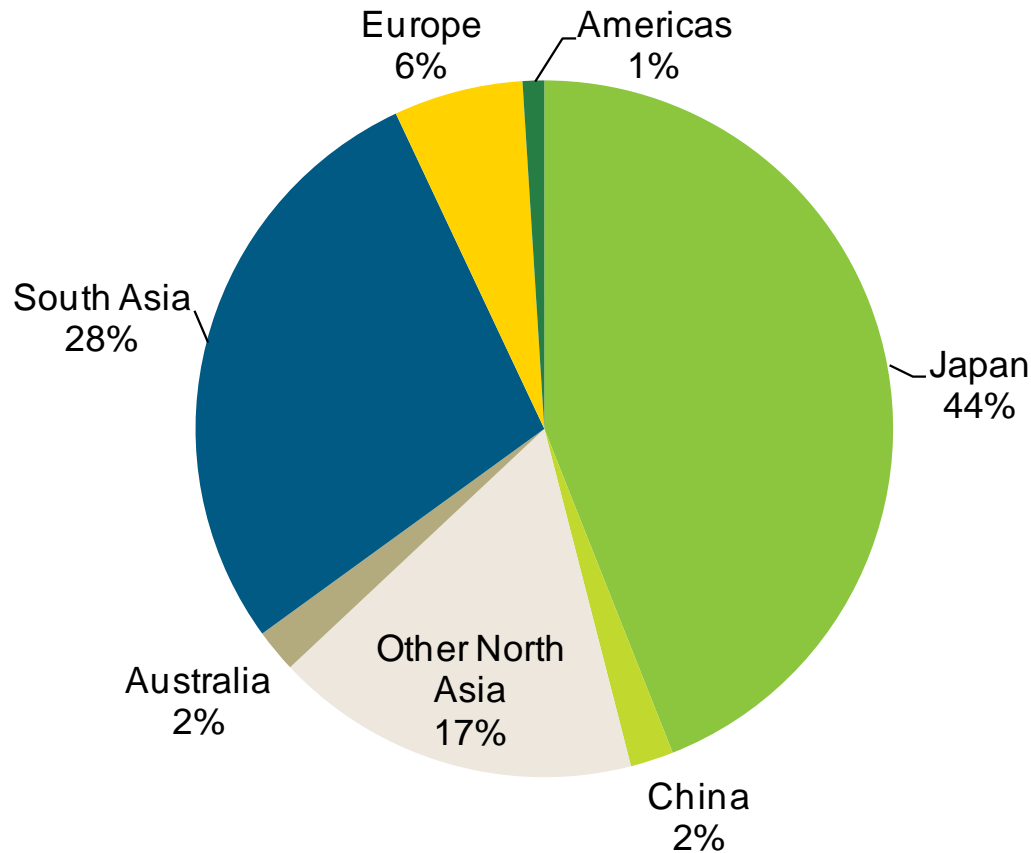


## Australian hard coking coal prices



Source: Energy Publishing

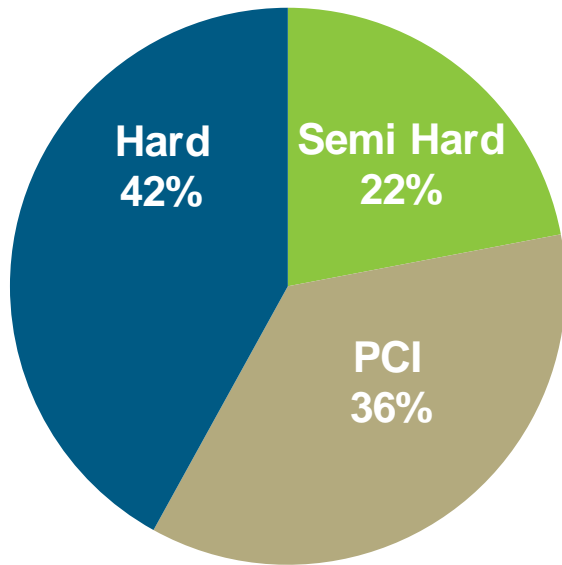
# Metallurgical coal sales mix by destination: FY2011



Queensland Japan Chamber of  
Commerce & Industry  
Export Excellence Awards - Winner

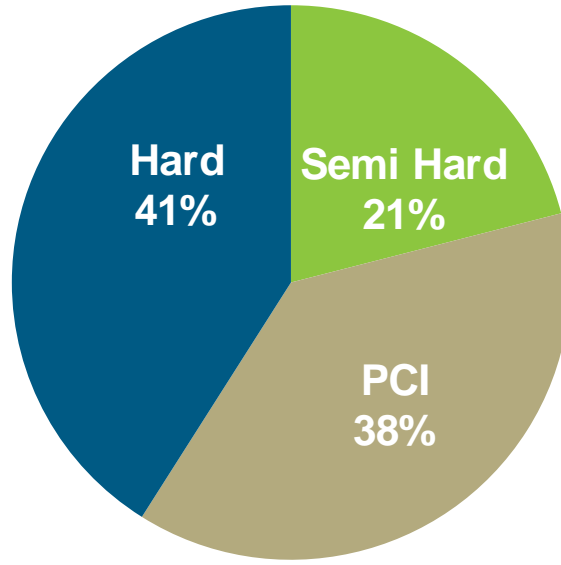


# Curragh export metallurgical sales: product mix



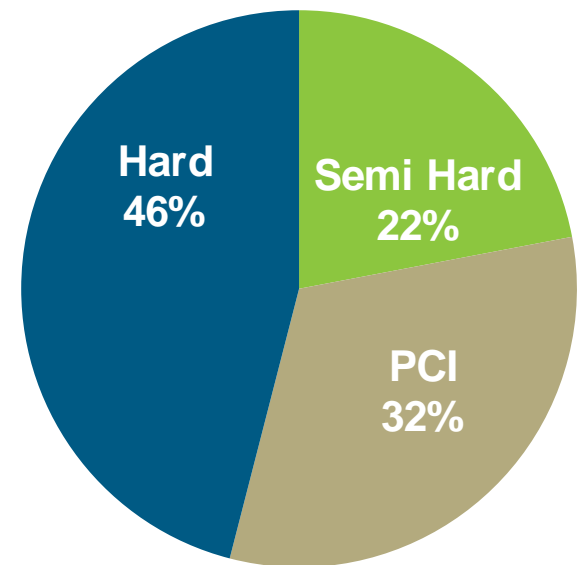
**2010/11 actual**

**9 months to 31 March**



**2010/11 estimate**

**5.1 – 5.4 million tonnes**



**2011/12 outlook**

**6.8 – 7.2 million tonnes**

# Coal: production volumes

Mine	Beneficial Interest	Coal Type	YTD ended ('000 tonnes)	
			Mar-11	Mar-10
Curragh, QLD	100%	Metallurgical	4,130	5,001
		Steaming	1,817	1,784
Premier, WA	100%	Steaming	2,561	2,162
Bengalla, NSW <sup>(1)</sup>	40%	Steaming	1,707	1,652
<b>Total<sup>(1)</sup></b>			<b>10,215</b>	<b>10,599</b>

<sup>(1)</sup> Wesfarmers attributable production



# Resources strategies

Strategic initiatives	Comments
Growth	<p>Curragh</p> <ul style="list-style-type: none"> <li>• Underway - expansion to 8.0 - 8.5mtpa export capacity</li> <li>• Targeted - next stage expansion to 10mtpa export capacity</li> </ul> <p>Bengalla</p> <ul style="list-style-type: none"> <li>• Underway - expansion to 9.3mtpa ROM capacity</li> <li>• Targeted - next stage expansion to 10.7mtpa ROM capacity</li> </ul>
Cost control	<ul style="list-style-type: none"> <li>• Curragh: Continuing focus on tight cost control</li> <li>• Industry cost pressures continue</li> <li>• Water issues: Costs exacerbated in short-term by continuing dewatering costs &amp; ground saturation impacts</li> </ul>
Extend product & market reach	<ul style="list-style-type: none"> <li>• Evaluate acquisitions that offer economies of scale or downstream benefits</li> <li>• Brownfield growth opportunities</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>• Improved safety performance</li> <li>• Environmental performance</li> <li>• Community engagement</li> </ul>
Premier Coal (Collie)	<ul style="list-style-type: none"> <li>• Strategic review</li> </ul>

# Curragh mine expansion

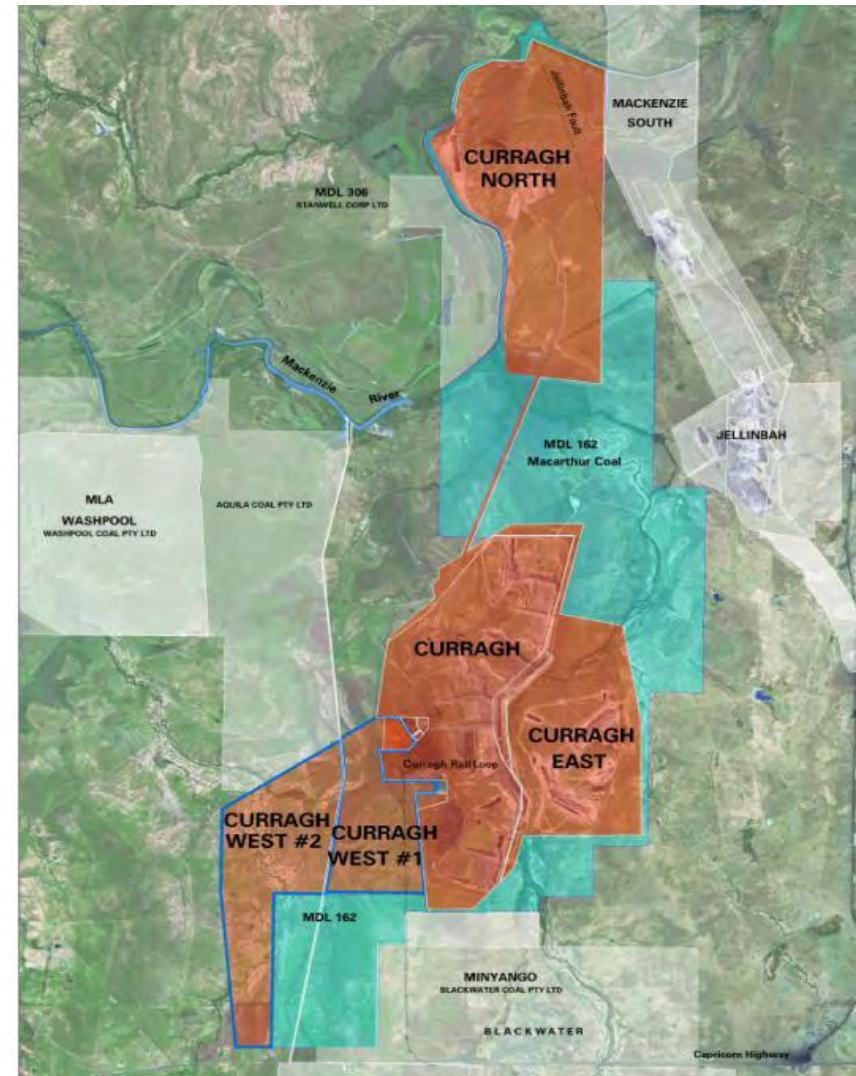
- Wesfarmers approved in November 2009 the investment of \$286 million to expand Curragh metallurgical coal exports to 8.0 – 8.5mtpa
- Curragh has rail & export capacity contracted at 8.5mtpa
- Curragh has forward-sold the additional production to existing & new long-term customers
- Construction is underway, with the expansion due for completion in Q1 CY2012
- Two week shutdown of existing CHPP to tie in new plant completed in January/February 2011





# Curragh expansion study to 10mtpa

- Feasibility study (FS) commenced
  - Mining & Coal Handling Preparation Plant studies
- Potential to expand Curragh to 10mtpa metallurgical exports from FY2014
  - Wiggins Island commissioning
  - Additional rail capacity required
  - Potential for additional dragline
- Re-evaluation of remaining reserves at Curragh/Curragh East
- Drilling commenced on Curragh West deposit
- Exploration completion in Q3 CY2011
- FS completion Q4 CY2011



# Wiggins Island coal export terminal

- Stage One development of 27mtpa port capacity (Curragh share 1.5mtpa)
- Decision on investment & take-or-pay commitment in mid CY2011
- First shipment 2014
- Potential cumulative capacity from subsequent stages – up to 80mtpa





# Bengalla expansion study

- Expansion to 10.7mtpa ROM tonnes through two stages
  - Stage One 9.3mtpa ROM
  - Stage Two 10.7mtpa ROM
- Stage One approved – November 2010 (\$56m) <sup>(1)</sup>
- Additional port capacity secured
- Phase one completion targeted for 1Q CY2012
- Stage Two feasibility study ongoing



Concrete pour - temporary lube bay

<sup>(1)</sup> Wesfarmers share of capital expenditure

# Curragh focus on cost control

## Past performance

- Mine cash costs (\$/t) increased 19.9% 1H FY2011 vs 1H FY2010
  - Mine cash costs (\$/t) reduced 9.2% in FY2010 vs FY2009

## FY2011 key issues

- Adverse cost impacts from wet weather
- Adverse revenue impacts from lower volume, exacerbated by proportionally more carry-over pricing in Q4 sales
- Cash costs per tonne to increase by approximately 40% - 50% on FY2010 levels due to reduced production & wet weather effects
- Lost production cannot be caught-up during FY2011 due to:
  - Continued ground saturation & low wall failures
  - CHPP capacity constraints prior to expansion completion
  - Catch-up further constrained by 22 May 2011 conveyer belt failure



# Curragh focus on cost control (cont)

- Ongoing strategies targeted for FY2012 & beyond include:
  - Mining & processing practices
  - Equipment utilisation & productivities
  - Procurement optimisation on key input costs
  - Contractor usage & roles
- Re-emergence of tight labour market & industry cost pressures
  - Higher staff turnover
  - Contractors, parts, consumables, power
  - State & Stanwell royalties

Focus area	Comments
Our people	<ul style="list-style-type: none"> <li>• Safety                             <ul style="list-style-type: none"> <li>- Unrelenting target of zero lost time injuries</li> </ul> </li> <li>• ‘Attract, engage, retain’                             <ul style="list-style-type: none"> <li>- Provide a safe, stimulating &amp; ethical working environment that encourages high levels of personal &amp; professional development</li> </ul> </li> </ul>
Carbon & energy management	<ul style="list-style-type: none"> <li>• Energy intensity down 9.3% &amp; greenhouse gas emissions intensity down 5.5% in FY2010</li> <li>• Dewatering energy draw at Curragh/lost production will constrain unit intensity performance for FY2011</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Water use for FY2010 was down 32.7% on 2006 baseline</li> <li>• FY2010 land rehabilitated - 408 hectares</li> </ul>
Citizenship & community	<ul style="list-style-type: none"> <li>• Reporting &amp; accountability - annual divisional ‘<i>Sustainability in action</i>’ report</li> <li>• Community contributions through both direct economic contribution &amp; community support</li> </ul>





# Premier strategic review

## Background to opportunity

- Premier's mining leases contain large scale coal resources surplus to Verve requirements
- Recent sale transactions indicate significant value in operating coal mines & in-situ coal resources

## Key focus of review

- Key options include:
  - Continued pursuit of WA domestic market opportunities
  - Development of substantial export business
  - Future ownership structure of Premier Coal including divestment or joint venture

# FX hedging profile: 31 March 2011

## Curragh

Year end 30 Jun	Current US\$ sold forward (US\$m)	Average A\$ / US\$ hedge rate
2011 <sup>(1)</sup>	194	0.85
2012	690	0.85
2013	431	0.80
2014	224	0.78
2015	120	0.76

<sup>(1)</sup> Represents three month period ending 30 June 2011

## Bengalla

Year end 30 Jun	Current US\$ sold forward (US\$m)	Average A\$ / US\$ hedge rate
2011 <sup>(1)</sup>	35	0.85
2012	93	0.82
2013	64	0.79
2014	42	0.77
2013	27	0.74

<sup>(1)</sup> Represents three month period ending 30 June 2011

# Resources outlook

- **FY2011:** Curragh metallurgical sales now in range of 5.1 – 5.4 million tonnes, due to further flood & water-related impacts
  - Estimated sales mix (Hard 41%; Semi-Hard 21% ; PCI 38%)
  - Stanwell royalty estimate A\$110 - \$120 million for FY2011 assuming average A\$:US\$ of \$1.05 for May & June
  - Significantly higher cash costs per tonne due to reduced production & wet weather effects
- **FY2012:** Forecast Curragh metallurgical sales of 6.8 – 7.2 million tonnes
  - Estimated sales mix (Hard 46%; Semi-Hard 22%; PCI 32%)
  - Stanwell royalty estimate A\$195 - \$210 million for FY2012 assuming A\$:US\$ of \$1.05



# Questions












# Chemicals, Energy & Fertilisers

Tom O'Leary





# Business overview

	Business	Geography	Sector	Key Customers
	Ammonia	WA	Nickel	BHP, Minara, internal
	Ammonium Nitrate (AN)	WA	Iron Ore	Orica, Dyno Nobel, Rio Tinto, Downer
 (50%)	Ammonium Nitrate (AN)	Qld	Coal	BMA, AngloCoal, Rio Tinto
 (75%)	Sodium Cyanide	WA/Global	Gold	Newmont, Barrick
	PVC Resin / Specialty Chemicals	Vic/Aust	Construction	Iplex, Vinidex
	Gas Production & Distribution	WA/Aust	Residential, Transport, Industrial	Gas distributors, resources, engineering, residential, leisure, autogas, transport, power generation
 (40%)	Gas Production & Distribution	WA/NT	Industrial & commercial	TiWest, BHP Nickel West, BOC, Hismelt, oil & gas, gold mining
	Power	WA/SA	Mining, Community	Mine sites, remote towns
	Fertilisers	WA	Agriculture	Landmark, independent distributors



# Market update

## Chemicals

- Producer of ammonia for the nickel extraction industry & internal usage
- Explosive-grade AN growth in WA of 10%+ pa over past five years driven by iron ore production growth
- Strong demand for sodium cyanide both domestically & overseas given tight supply market & profitability of gold mines as a result of high gold price
- Sole producer of PVC in Australia
  - Australian housing starts affected by GFC
  - Key drivers linked to Asian & global supply & demand dynamics



# Market update

## Kleenheat

- Manufacturer/distributor of gaseous fuels in Australia
  - High Saudi CP prices but LPG content in pipeline variable
  - High diesel prices stimulating increased interest for LNG as a heavy transport fuel

## Fertilisers

- Largest supplier of fertiliser products in the WA market
  - Drought has driven de-stocking of livestock & crop nutrient carryover
  - Positive terms of trade for farmers & satisfactory seasonal break



# Key strategies update

	Strategy	Update
CHEMICALS	AN3 Expansion	<ul style="list-style-type: none"> <li>• AN3 FEED study now complete</li> <li>• Environmental approval process underway</li> <li>• Customer discussions well progressed</li> <li>• On track to commence production in Q1 CY2014, subject to Board decision</li> </ul>
	Growth	<ul style="list-style-type: none"> <li>• Explore &amp; evaluate further opportunities to debottleneck/increase capacity</li> </ul>
	Continuous improvement	<ul style="list-style-type: none"> <li>• Continued focus on cost &amp; process efficiency/utilisation of assets &amp; business processes</li> </ul>
KLEENHEAT	Growth	<ul style="list-style-type: none"> <li>• Grow LPG market share</li> <li>• Grow LNG sales into heavy duty vehicle market – APG<sup>(1)</sup> trials, east coast refuellers &amp; power generation markets</li> </ul>
	Returns from existing businesses	<ul style="list-style-type: none"> <li>• Invest in the business &amp; drive out unnecessary costs</li> <li>• Exploit opportunities to maximise LPG production from lower pipeline content</li> </ul>

<sup>(1)</sup> American Power Group



# Key strategies update

	Strategy	Update
FERTILISERS	Business efficiency	<ul style="list-style-type: none"> <li>Investment in systems consolidation &amp; enhancements</li> </ul>
	Growth	<ul style="list-style-type: none"> <li>Logistics &amp; operational efficiencies</li> <li>Improved pricing analysis &amp; contract management</li> <li>Implementation of fertiliser use efficiency technologies</li> </ul>
	Business model	<ul style="list-style-type: none"> <li>Market share maintained</li> <li>Further customer segmentation &amp; target marketing</li> </ul>
DIVISION	Culture	<ul style="list-style-type: none"> <li>Merger of divisions to form WesCEF now complete</li> <li>Building strong culture in Health, Safety &amp; Environment</li> </ul>
	Growth	<ul style="list-style-type: none"> <li>Dedicated Business Development function created</li> <li>Evaluate opportunities to grow in existing &amp; new markets</li> </ul>
	Sustainability	<ul style="list-style-type: none"> <li>Community acceptance and regulatory compliance</li> <li>Trial of nitrous oxide abatement technology</li> <li>Investment in regenerative thermal oxidiser</li> <li>Remediation &amp; sale of surplus land (Bayswater)</li> </ul>

# Sustainability initiatives

## Carbon emissions reduction

- Nitrous oxide (greenhouse gas) abatement technology trial continuing

## Reduced environmental footprint

- Fertilisers awarded the Fertiliser Industry Federation of Australia's Platypus Environment Award for achievements in reducing nutrient levels in wastewater

## A commitment to safe operations

- Safety reports for Ammonia/AN production & Kleenheat Gas production accepted
- Sodium Cyanide achieved recertification with the International Cyanide Management Code (ICMI)



*Catalyst to reduce nitrous oxide emissions at CSBP Kwinana*

# Sustainability initiatives

## The importance of our people

- Employee training & development continued with the launch of a Capability Framework for the Division

## Strong positive community partnerships

- Community support activities continued

## Other

- Work underway on regenerative thermal oxidiser to help diversify phosphate rock feedstock. Commissioning on track for late CY2011/early CY2012



*Wes CEF participants in this year's Freeway Bike Hike for Asthma in WA*



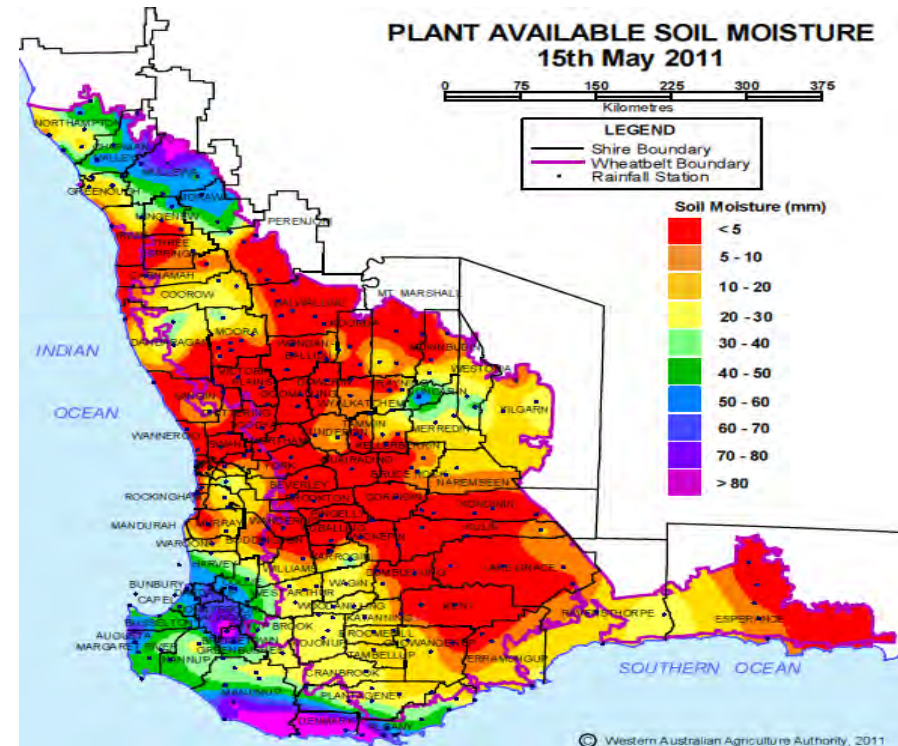
# Outlook

- Division well placed to benefit from growth in resources industries
  - Continuing strong production & demand for ammonia, AN & sodium cyanide
  - AN3 expansion from CY2014
  - Potential for further debottlenecking
- LPG earnings dependent on international LPG prices & growing uncertainty around LPG content in the pipeline
- Growing demand for LNG from the heavy-duty vehicle market remains challenging but recent trials & market economics encouraging



- Seasonality of Fertiliser earnings
  - Dependent on weather conditions & farmers' terms of trade
  - Strong ongoing competitive market position in WA
- Potential divisional impacts:
  - Natural gas prices in WA
  - Impact of Government carbon, Mineral Resource Rent Tax & Alternative Fuels policies
  - High Australian dollar
  - Skills availability

## WA Plant Available Soil Moisture (May 2011)



Source: Department of Agriculture & Food



# Questions





# Industrial & Safety

Olivier Chretien



## Australia

## New Zealand

**Generalists**  
'One stop shop'



Blackwoods Paykels



**Safety Specialists**

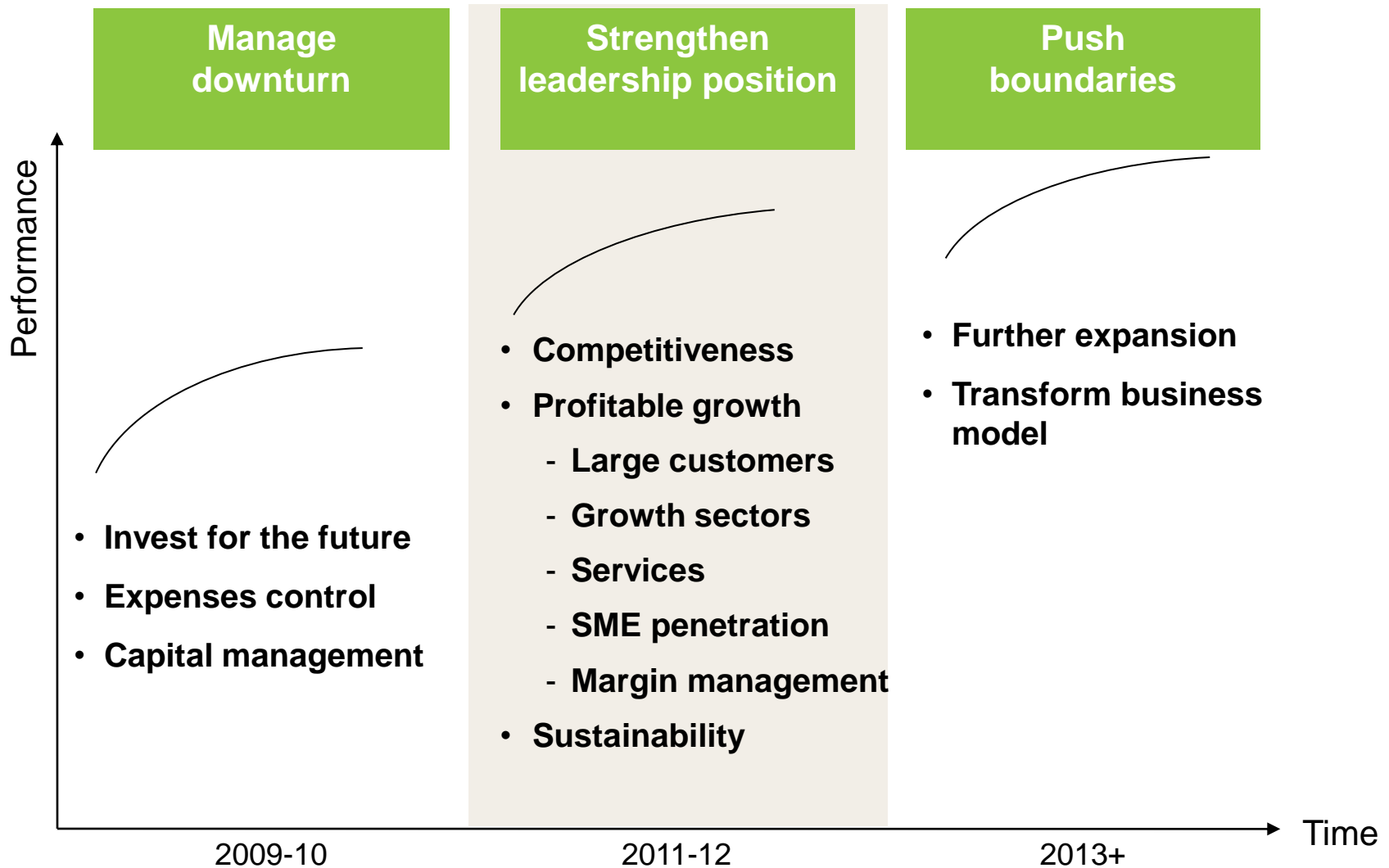


**Industrial Specialists**

coregas

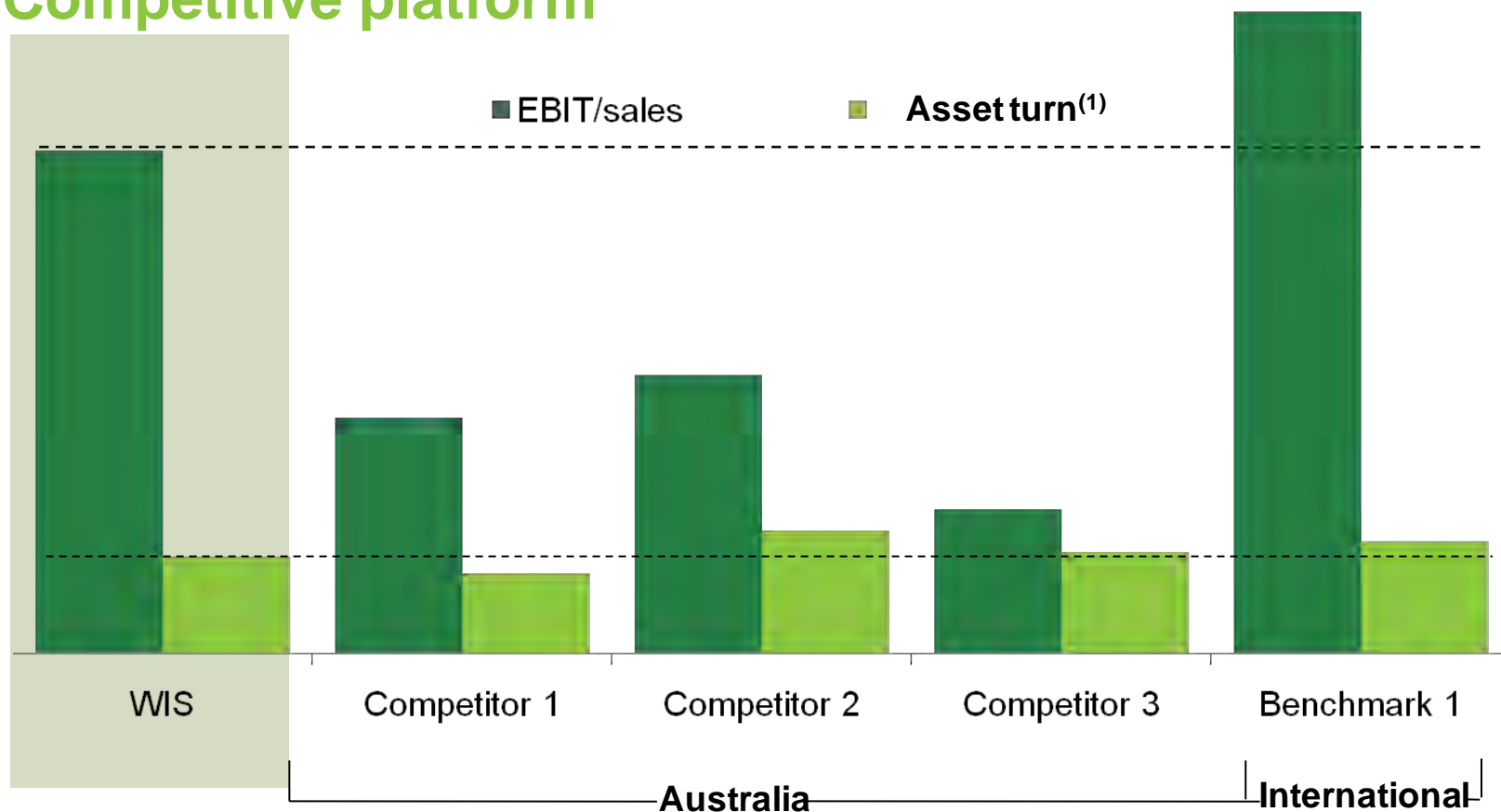


# Strategic agenda





## Competitive platform



<sup>(1)</sup> Excluding goodwill

Note: FY2010 financials for WIS & competitors 2 & 3, & Benchmark 1; FY2009 financials for competitor 1 due to non availability of financial data

## Broad effectiveness agenda

- Supply chain efficiency
  - Distribution centres
  - Network improvement & alignment to growth opportunities
- Enabling technology
- Portfolio performance
- Expense & capital management discipline



FY2008 – FY2011 (YTD)	
Activity	No. Branch locations
Opening / acquisition	25
Closing	(22)
Refurbishment	55
Relocation / expansion	83

Note: FY2011 is YTD (as at 31 March 2011)

# Strategies - profitable growth

## Increasing sales to large customers

- Security of supply
- Delivery performance / DIFOT<sup>(1)</sup>
- Contract management
- Sales force effectiveness / CRM<sup>(2)</sup>
- Containment of procurement cost
- Range expansion
- Value added services
- eBusiness growth
- Network development



<sup>(1)</sup> Delivered in full on time

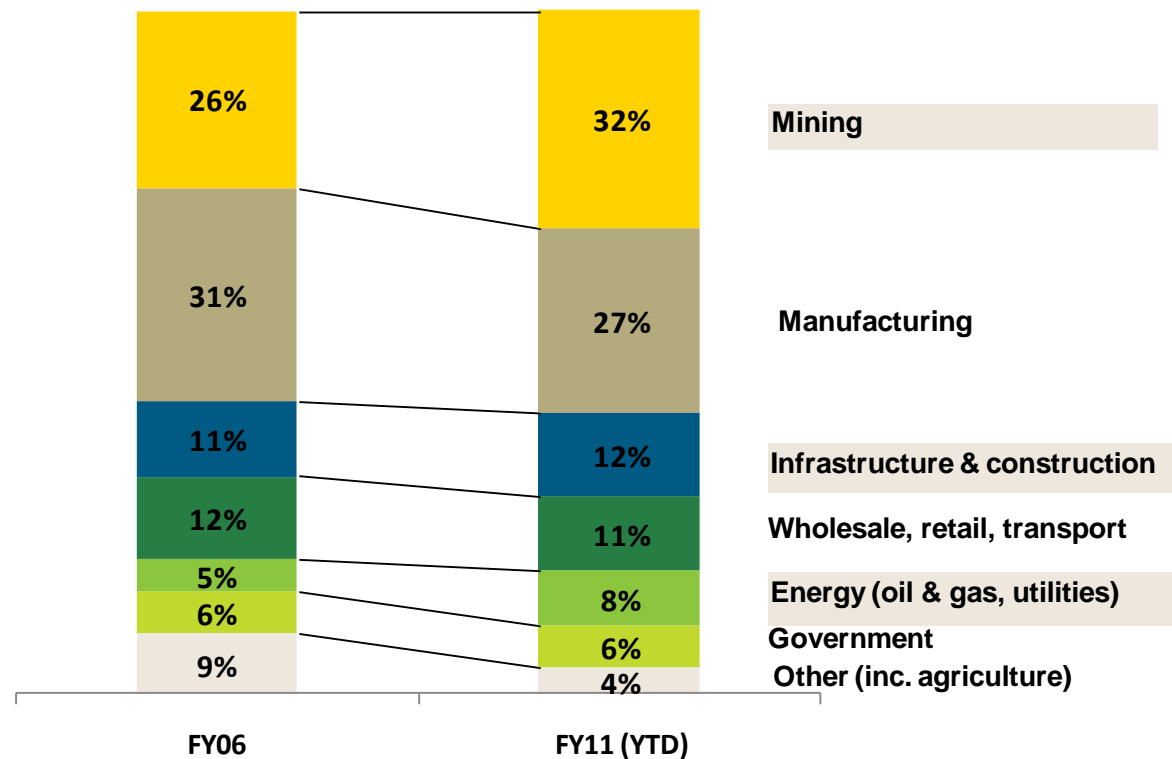
<sup>(2)</sup> Customer relationship management



## Developing into higher growth sectors

- Major projects key driver of current & future growth
  - Good traction with dedicated teams
  - Differentiated value add solutions for customers
- Better industry mix
- Continuing to invest in resources & capability
- Offshore opportunities

**WIS Industry Sales Mix**



Note: FY2011 is YTD (as at 31 March 2011)  
 Data is representative of Australian business only (ex Coregas)

# Strategies - profitable growth

## Growing services

- 6% of sales & growing
- Expanding scope of Blackwoods Onsite Services
- Protector Alsafe leveraging safety expertise into training & specialist services
- Opportunity to accelerate growth via acquisitions



# Strategies - profitable growth

## Coregas

- Strategic review completed last year
- Team restructure
- Positive sales trend
  - Key accounts
  - Growth through distribution
  - Opportunities to further increase channel effectiveness
- Secured long term supply
- Enhanced value proposition to WIS customers
- Scope to develop into targeted geographies, sectors & product areas







# Strategies - profitable growth

## Margin management & ranging strategy

- Clear Good-Better-Best ranging strategy
- Strong supplier relationships
- Leveraging international supply chain
  - 15 employees in China
  - Multi-country consolidation distribution centre (Shenzhen)
- Tailored service solutions for customers





## Multi-faceted sustainability strategy

- People
  - Safety is paramount
  - Training & development
  - Workforce diversity
- Community
  - Support through natural disasters
  - Aboriginal strategy
- Environment
  - Focus on energy efficiency
  - Sustainable range solutions
  - Supplier packaging & waste





- Leveraging competitive platform to drive sustainable growth
  - Building capabilities for the next phase of growth
- Favourable market conditions, however
  - Increasing labour shortage & cost challenge
  - Margin pressure remains
- Future growth driven by
  - Expanding product & services relationships with large customers
  - Large mining, gas & infrastructure projects
  - More diversified industry exposure
  - Acquisition opportunities

# Questions





# Insurance

Rob Scott





## Wesfarmers Insurance

Australian Underwriting

New Zealand Underwriting

Broking

Premium Funding

Lumley  
*(Intermediary Partners)*

WFI  
*(Rural & Commercial)*

Affinity & Direct

Lumley

Lumley Business Solutions

AUS

NZ

UK

WI Premium Funding



# Market conditions

- Unprecedented number of catastrophe events in Australia & NZ
- Increases in catastrophe reinsurance costs
- Rate increases evident in property classes, particularly on higher risk exposures
- Significant increases in earthquake rates in NZ
- Government review of flood insurance in Australia
- Relatively stable interest rate environment

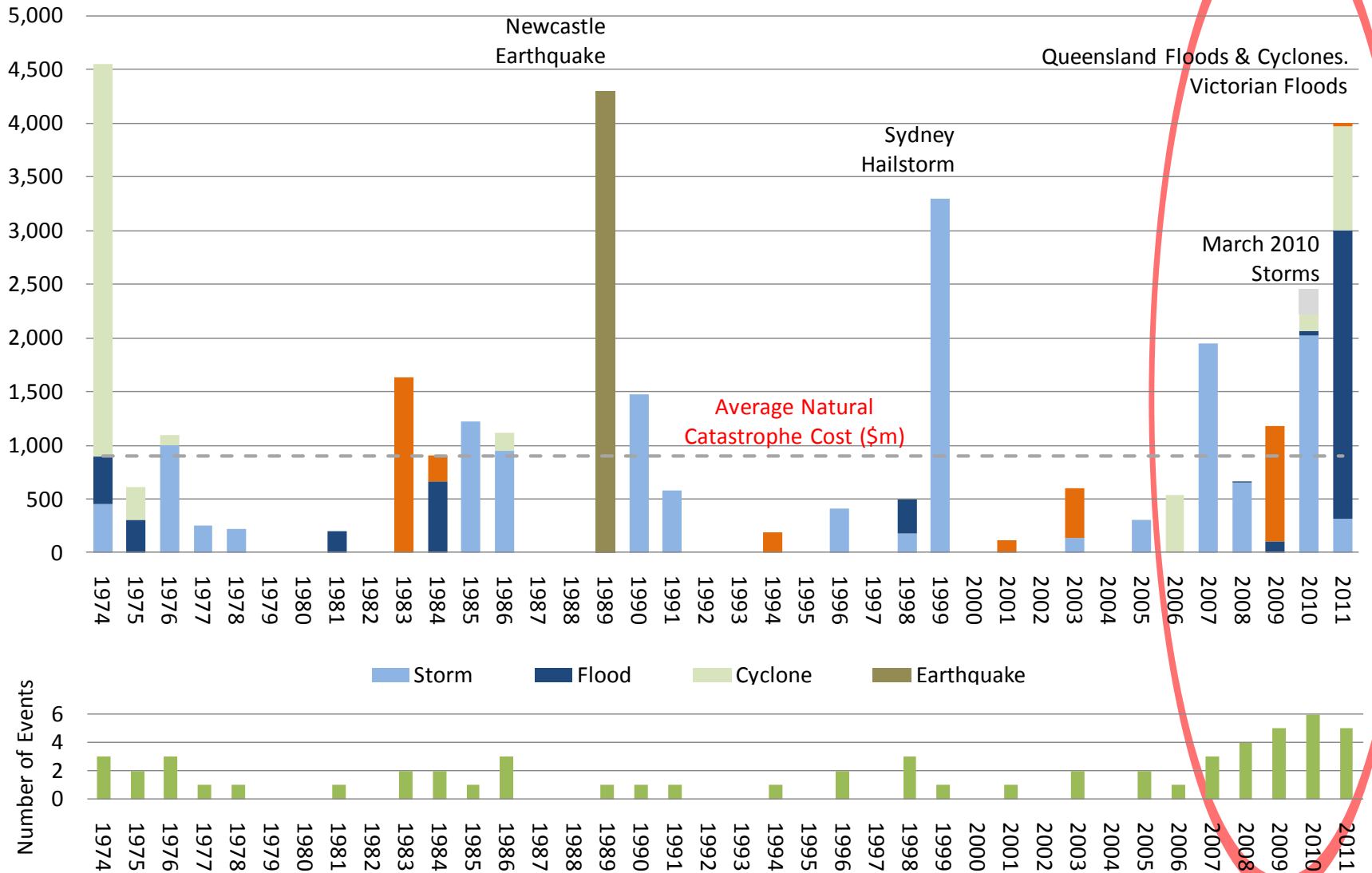
# Trading update - underwriting

- Unprecedented number of catastrophe events in Australia & NZ
  - Exceeded net retention on CAT program five times year to date
  - Event claims & reinsurance reinstatements \$80 million over allowances
  - Wind storm & floods affecting WFI regional exposures
- Retain two layers of CAT reinsurance cover for FY2011 (retention \$15 million)
- Strong performance from claims teams in Australia & NZ
  - Positive feedback from clients & brokers
  - External disputes significantly below industry average
- Underlying performance of portfolio continues to improve
- New growth initiatives gaining traction



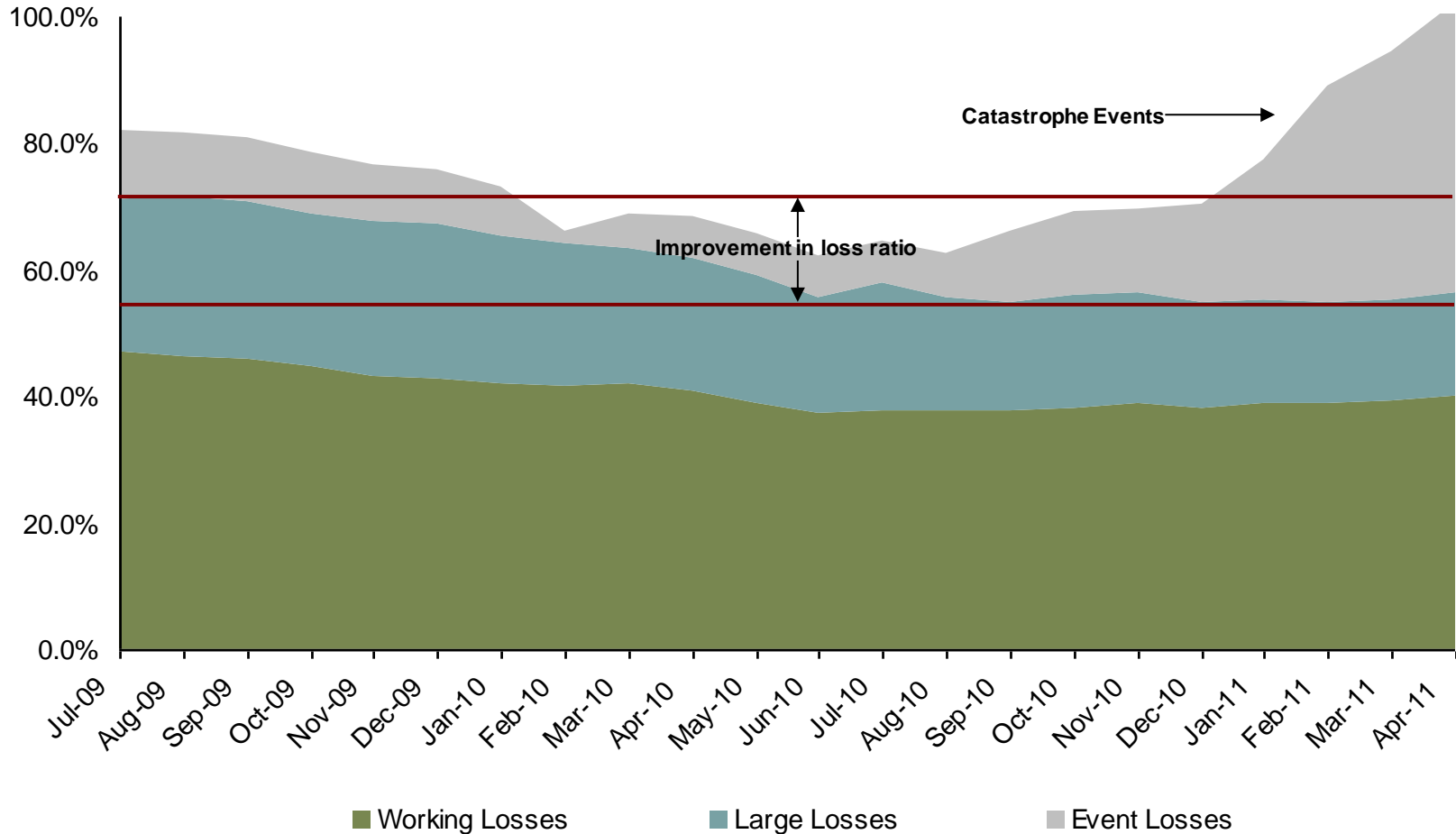
# Australian catastrophe events

**Australian Natural Catastrophes (Equivalent Repeated Cost)  
1974 - 2011**



# Improvement in underlying loss ratio

### R12 Gross Earned Loss Ratio by Claim Type



# Trading update - broking

- Revenue growth marginally ahead of last year despite adverse currency movements
- Continued strong growth in premium funding
- Maintaining operating margins
- Recent new hires in London & Australia
- Successful acquisition of FMR Risk (NZ), effective 1 April 2011
  - Crombie Lockwood now the leading broker in NZ
  - Build on capabilities in corporate sector



# Key strategies - underwriting

## Fundamental Objective

Profitable growth through leadership in chosen segments

## Key Strategies

- Stronger partnerships
- Disciplined underwriting & pricing
- Managing claims effectively
- Growth in chosen segments
- Building a culture of achievement

# Strategy update - underwriting

- Continued expansion & growth of WFI agency network
- Enhancements in portfolio management & pricing capabilities
- Further development & growth of Coles personal insurance offer
- WFI successful in securing new alliance distribution partners
- Strong take up on Lumley my.place on-line broker system
- Corporate Solutions team achieving good conversion
- New distribution partners & schemes in NZ
- Implementation of new NZ policy administration system on track

# Personal lines

The opportunity existed for a trusted insurer to deliver a strong combination of quality, price & value to drive switch behaviour – “Coles Insurance is ideally positioned to realise this opportunity”

Pioneered an alternative direct solution by designing a stand-out offer around key criteria including:

- easy to use website
- clear pricing information
- engaging delivery
- detailed product support
- effective self-help
- ease of purchase & value

**coles** | **Car Insurance**





coles Stores & Services Shop Online About Coles

**coles Insurance**

We welcome or by direct debit  
Pay annually or monthly

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**Car Insurance** You are here: Car Insurance > Special Offers

**North Shore Car Insurance Special Offer**  
Cheaper car insurance guaranteed to North Shore residents who switch a comprehensive policy from NRMA, AAMI or GIO

Residents of Sydney's North Shore can now take advantage of this unbeatable offer from Coles Insurance.

Switch your comprehensive car insurance from NRMA, AAMI or GIO to a **Coles Comprehensive Car Insurance** policy any time until 31 May 2011 and you will automatically qualify for these special conditions:

- \$100 Savings Guarantee
- 2 Year Price Freeze
- Free Roadside Assistance

Want to learn more? Read on below, or [get a quote now](#).

**\$100 Savings Guarantee**

**Get a quote**

Or call 1300 265 374

Already have a quote?  
[Retrieve your quote](#)

Not ready to switch yet?

Tell us when your insurance is due for renewal for the chance to win a \$500 Coles Express Gift Card.

**Sign up to win!**


**Your premium estimate**

For one year of comprehensive car insurance, your premium will be about **\$583\***

\* May change depending on your particular circumstances.

**Information you have provided**

Car 2008 Toyota Aurion Prodigy Auto 4D Sedan [Change](#)



Kept overnight In postcode 2120 [Change](#)

Main driver 45 year old female made no car insurance claims in the last 3 years [Change](#)

**Want to take advantage of our special offer for North Shore residents?**

Just give us a little more information below, and we'll give you an exact quote. We guarantee you'll save **at least \$100** when you switch your current NRMA, AAMI or GIO comprehensive policy to Coles Comprehensive Car Insurance. Plus, if you switch now, we'll throw in **Coles Roadside Assistance FREE** for 12 months! See our important offer details below.

**Get an exact quote**

Note that we need answers for all of these questions to be able to provide you with an exact quote.

**Your exact quote** Quote ID: COM072371518

**\$583** or \$51.29 per month<sup>^</sup>

<sup>^</sup> Paying by monthly instalments will mean a total cost of \$615.48.

**Not \$100 cheaper than your current NRMA, AAMI, or GIO comprehensive premium?**

Call us on **1300 265 374** and we'll make sure it is.

Remember, this premium **won't go up** for at least 2 years from your policy start date, as long as your policy details stay the same. And if you switch now, we'll throw in **Coles Roadside Assistance FREE** for 12 months!

[Offer terms & conditions](#)

**Comprehensive insurance for:**

- 2008 Toyota Aurion Prodigy Auto 4D Sedan
- Starting on 18 February 2011



**Get a premium estimate**

I want to insure a  make  model  type

kept overnight at postcode  [Car not listed?](#)

The main driver of this car is a  born on

In the last 3 years, this driver has made  car insurance claims.

need cover for [drivers under the age of 25](#).

**Estimate your premium** Including our special offer!

**Cheaper car insurance guaranteed to North Shore residents**

When you switch a comprehensive policy from NRMA, AAMI or GIO to Coles Comprehensive Car Insurance, you'll get:

- \$100 Savings Guarantee
- 2 Year Price Freeze
- Coles Roadside Assistance - FREE!

See our important offer details below.

**FREE Coles Roadside Assistance for 12 months!**

Switch to Coles Car Insurance today, and we'll throw in Coles Roadside Assistance for the first 12 months FREE - normally \$79.

You get reliable 24-hour-a-day road service for breakdowns, flat tyres and more, all around Australia! Our roadside assistance comes with all the features you'd expect. [See what it includes](#)

Once your free 12 months of membership are up, you can choose to renew Coles Roadside Assistance at a very competitive rate, or you can cancel it. There's no obligation, and no cancellation fees.

Would you like Coles Roadside Assistance free for 12 months?  Yes  No

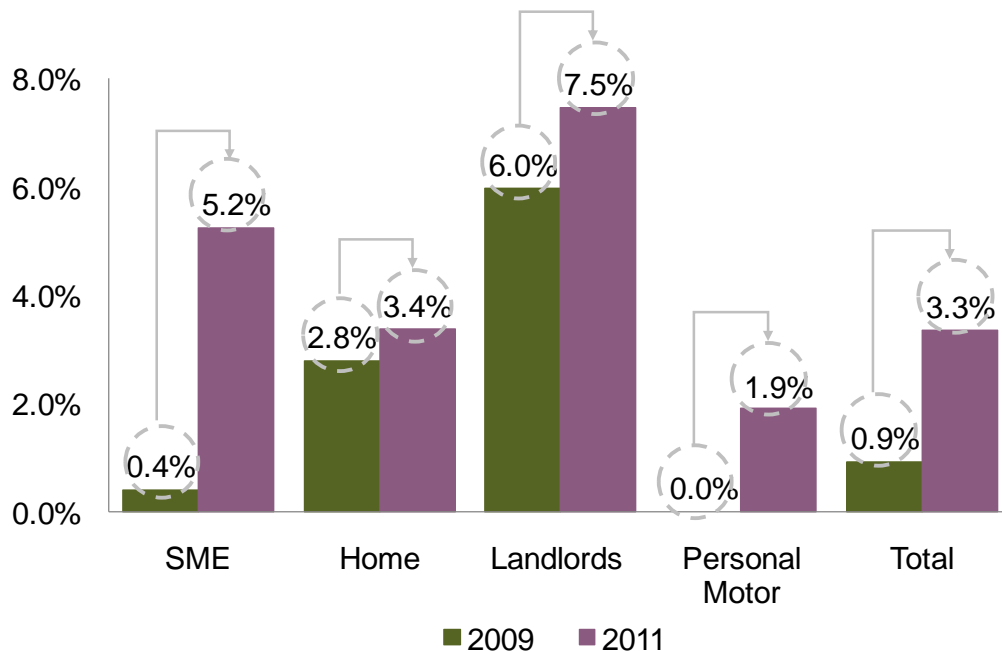


# Lumley my.place

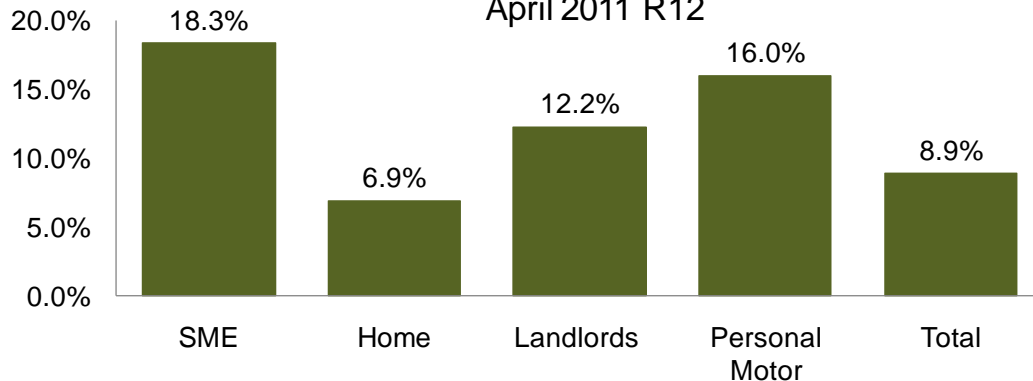
## Strong growth with disciplined pricing



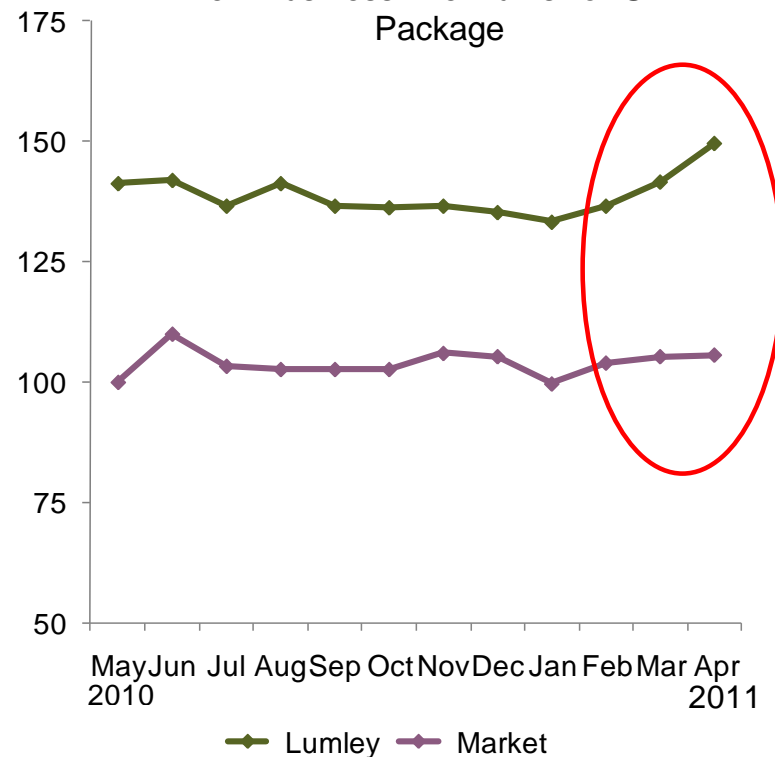
Lumley Share of Ebix Channel GWP by Class



Lumley New Ebix Channel Business Percentage of GWP by Class April 2011 R12



New Business Premiums for SME Package



Note: Market re-based to 100 points as at 1 May 2010  
 Source: EBIX for rolling 12-months to 31 April 2011

# Key strategies - broking

## Fundamental Objective

To understand our clients, earn their trust & provide solutions to enable them to financially survive any insurable event

## Key Strategies

- Support our brokers to be client focused
- Improve efficiency & productivity
- Develop engaged & highly capable people
- Develop new sales opportunities
- Targeted broking acquisitions



# Strategy update - broking

- Crombie Lockwood acquisition of FMR Risk
- Strong growth in premium funding through in-house vehicle
- Delivering on OAMPS business support improvements
  - New client prospecting tool, broker system enhancements
- Completion of “Aspire” sales training for Australian team
- Prepared for NZ Regulation
- Successful sale of OAMPS Super
- Targeted recruitment of specialist brokers

- Maintaining focus on portfolio management & broker sales growth
- FY2011 earnings significantly affected by catastrophe events
- Broking earnings on track to be ahead of last year
- FY2011 earnings in line with prior guidance (\$60 - \$80 million)
- Increases in CAT reinsurance costs expected from 1 July 2011
- Positive momentum in premium rates
- Good growth from new initiatives
  - Broker EDI solution (my.place)
  - Lumley Corporate Solutions
  - Retail personal lines
- Bolt-on acquisitions being assessed

# Questions





**Terry Bowen**

Finance Director, Wesfarmers Limited



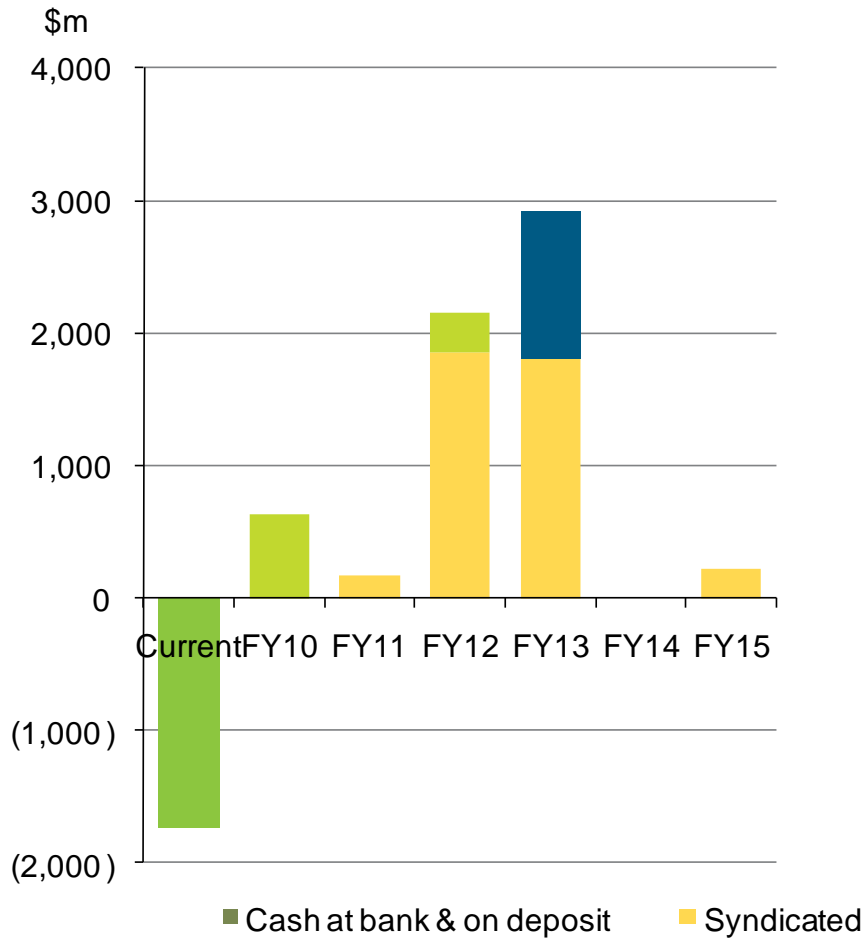
**Wesfarmers**

# Pro-active debt management

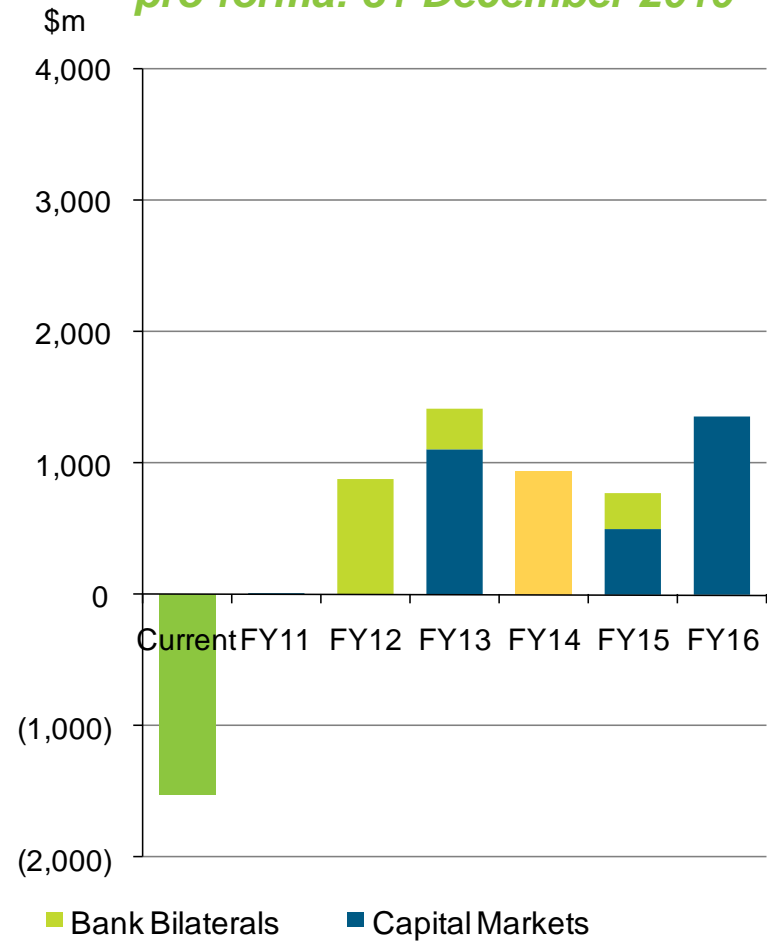
- Pro-active debt extension & diversification
- Strong support for US\$650 million five-year US Bond in May 2011
- Liquidity supported by \$1.8 billion of undrawn committed facilities
- Improved credit ratings
  - S&P long term A- (stable outlook): upgrade to A- March 2011
  - Moody's Baa1 (positive outlook): upgrade to positive March 2011
- Weighted average cost of borrowings for FY2011 of 8.8% to 9.0%
  - 62% of Group gross debt hedged to April 2012

# Improved debt maturity profile

## As at 30 June 2009



## Current position pro-forma: 31 December 2010

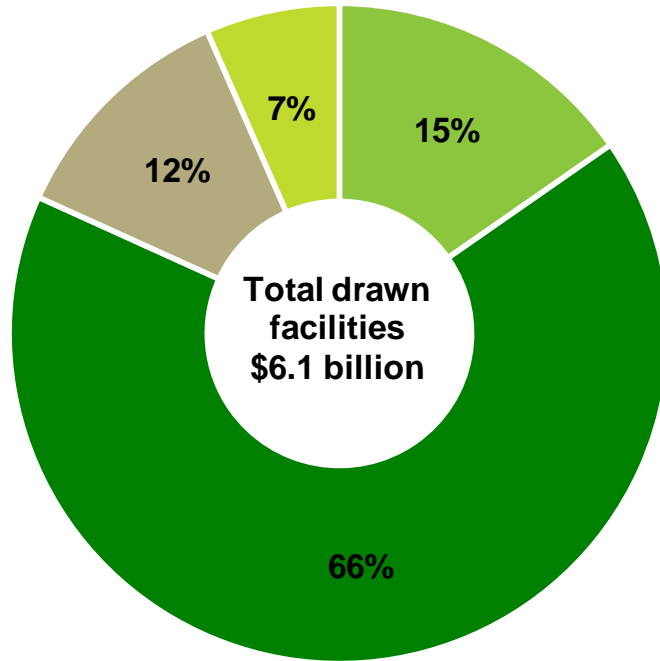


Debt maturity profile shows debt drawn



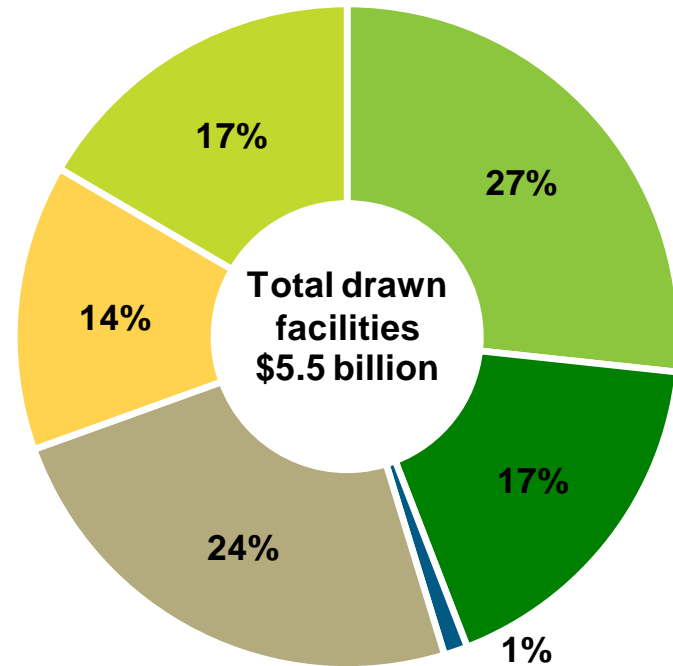
# Increased financing facility diversification

As at 30 June 2009



Current position

*pro-forma: 31 December 2010*



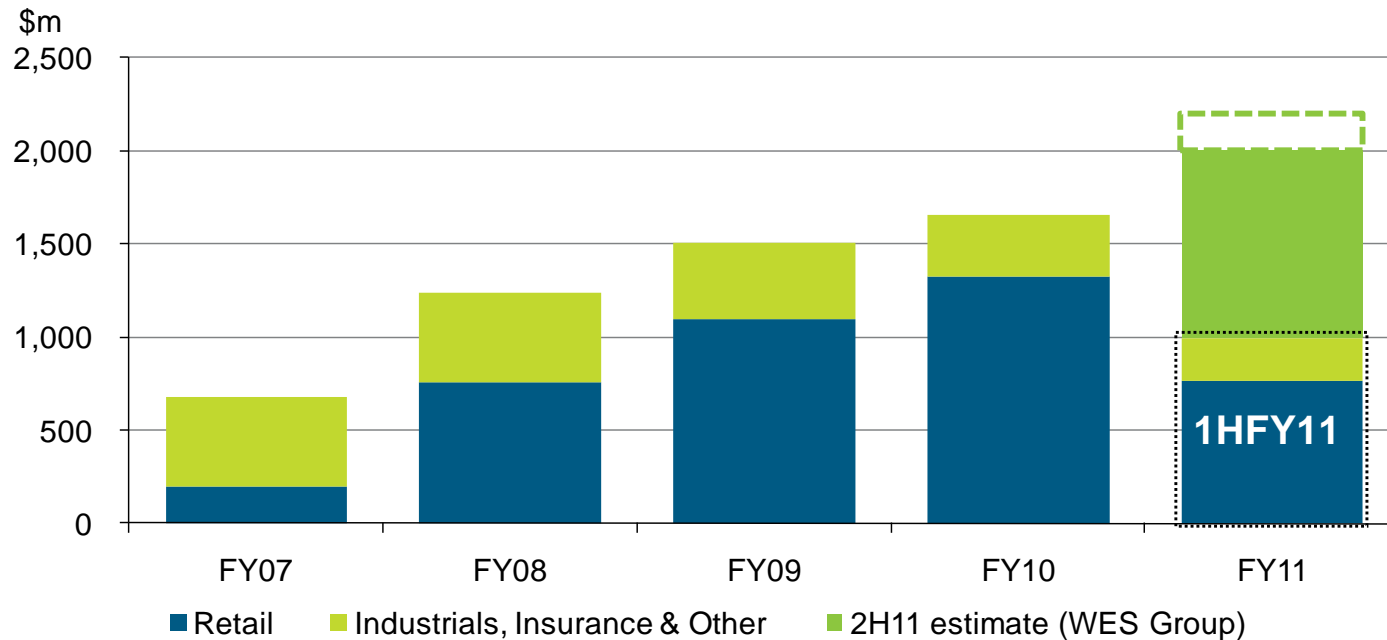
■ Bank Bilaterals  
■ US Bonds

■ Syndicated facilities  
■ Euro Bond

■ Other capital markets  
■ Aust. Bonds

# Investment expenditure

- Strong return on capital focus
- Investment in organic growth opportunities across the Group
- FY2011 capital expenditure estimate \$2.0 billion to \$2.2 billion
  - Dependent upon freehold property activity



- Second half earnings affected by severe flood, storms & earthquakes
- Insurance recovery process underway
- Group financial impact (estimated to date)

## **Retail**

- Write-down of damaged plant, equipment & inventory of \$40 to \$50 million
- Business interruption costs of \$30 to \$40 million

## **Insurance**

- Event claims & reinsurance reinstatements \$80 million over allowances

## **Resources**

- Revised sales guidance for FY2011 to 5.1 to 5.4 million tonnes of export metallurgical coal & associated increase in mining costs



# Partially Protected Shares (WESN)

- WESN classified as ordinary shares & confer the same rights in all respects as WES, except for price protection
- Lapse date 23 November 2011, four years from issue date
- Extension of lapse date for a further 12 months if:
  - Average of ASX S&P 200 Industrials Index (XNJ) at the close of trading for each trading day during two month period before lapse date is less than 6,500
  - Extension of lapse date up to four times to 23 November 2015
- Cap price \$43.11; Floor price \$34.49
- XNJ as at 31 May 2011: 3,658

# Q & A

**Richard Goyder**  
Managing Director, Wesfarmers Limited

**Terry Bowen**  
Finance Director, Wesfarmers Limited

