



4 December 2012

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir,

Kmart Investor Site Tour

The following presentation is to be given at a Kmart Investor Site Tour on 4 December 2012.

Yours faithfully,

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

L J KENYON
COMPANY SECRETARY

Kmart Investor Site Tour

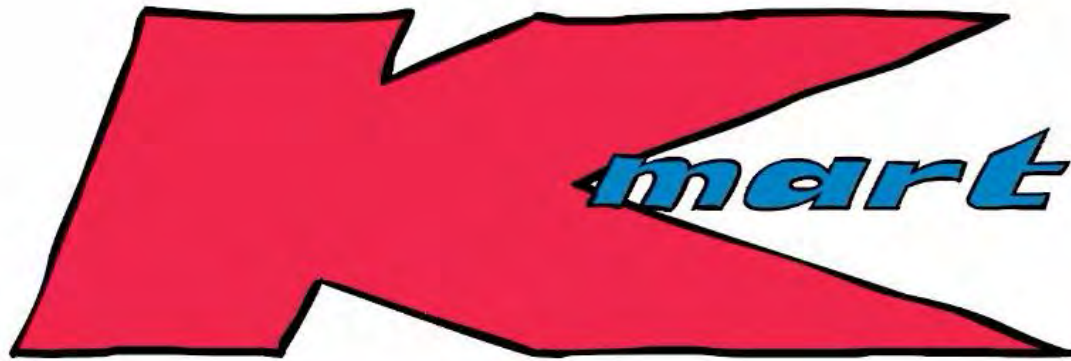
4 December 2012



Agenda

9.15	Registration
9.30	Introduction – Guy Russo
9.40	Profit – Marina Joanou
9.50	Product, Price, Promotion – Ian Bailey
10.10	People, Customer & Supply Chain – David Matheson
10.30	Place – Emmett Sheppard
10.40	Growth Summary & Introduction to Southland Store – Ian Bailey
10.50	Conclusion – Guy Russo
11.00	Q&A
11.30	Lunch
12:00	Bus travel to Westfield Southland shopping complex
12.30	Tour of Kmart store (Westfield Southland shopping complex)
14:00	Bus depart to Airport / CBD

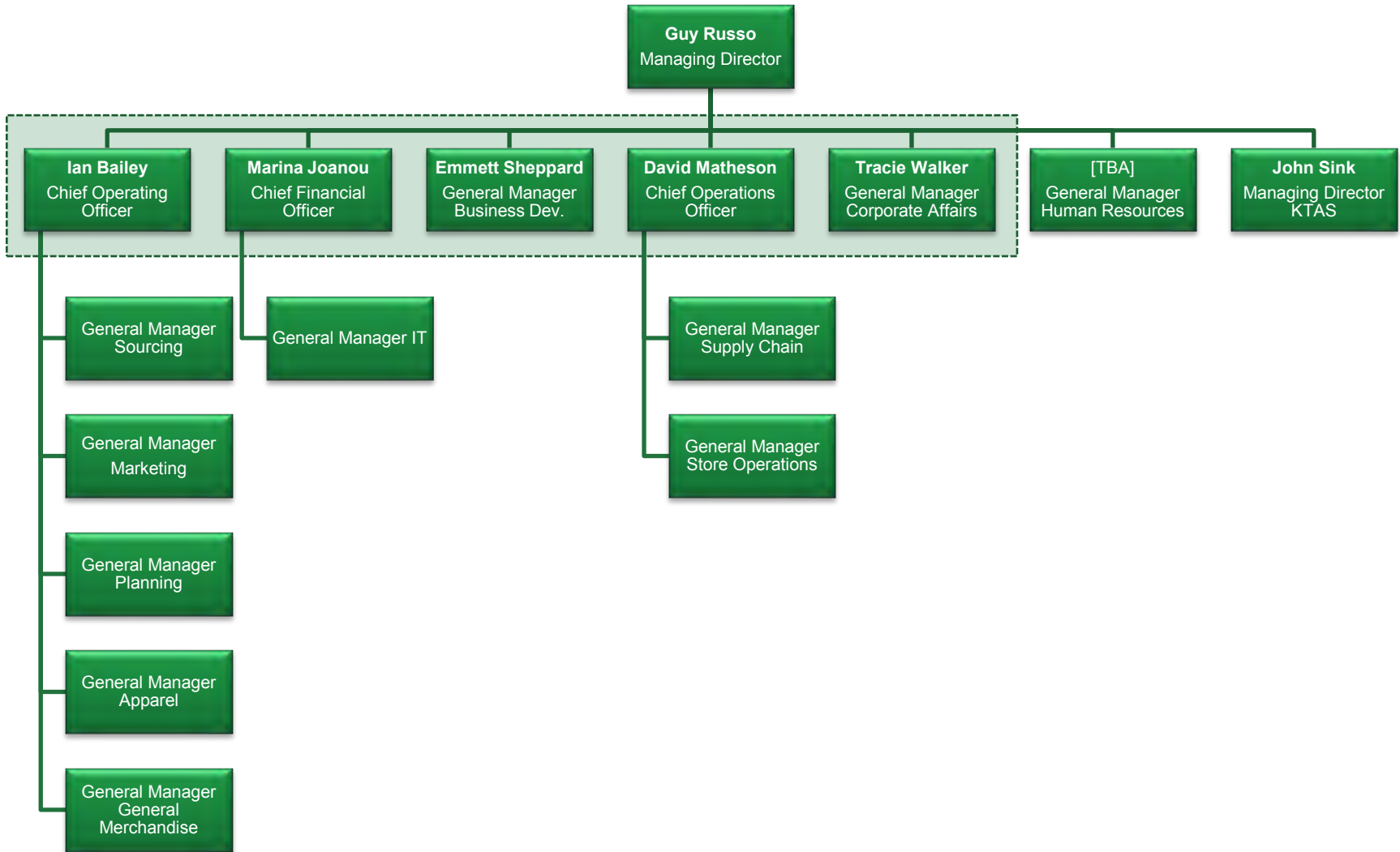
Flip That



Guy Russo
Managing Director



Kmart Leadership Team





Where families come first for the lowest prices on everyday items

Our Values

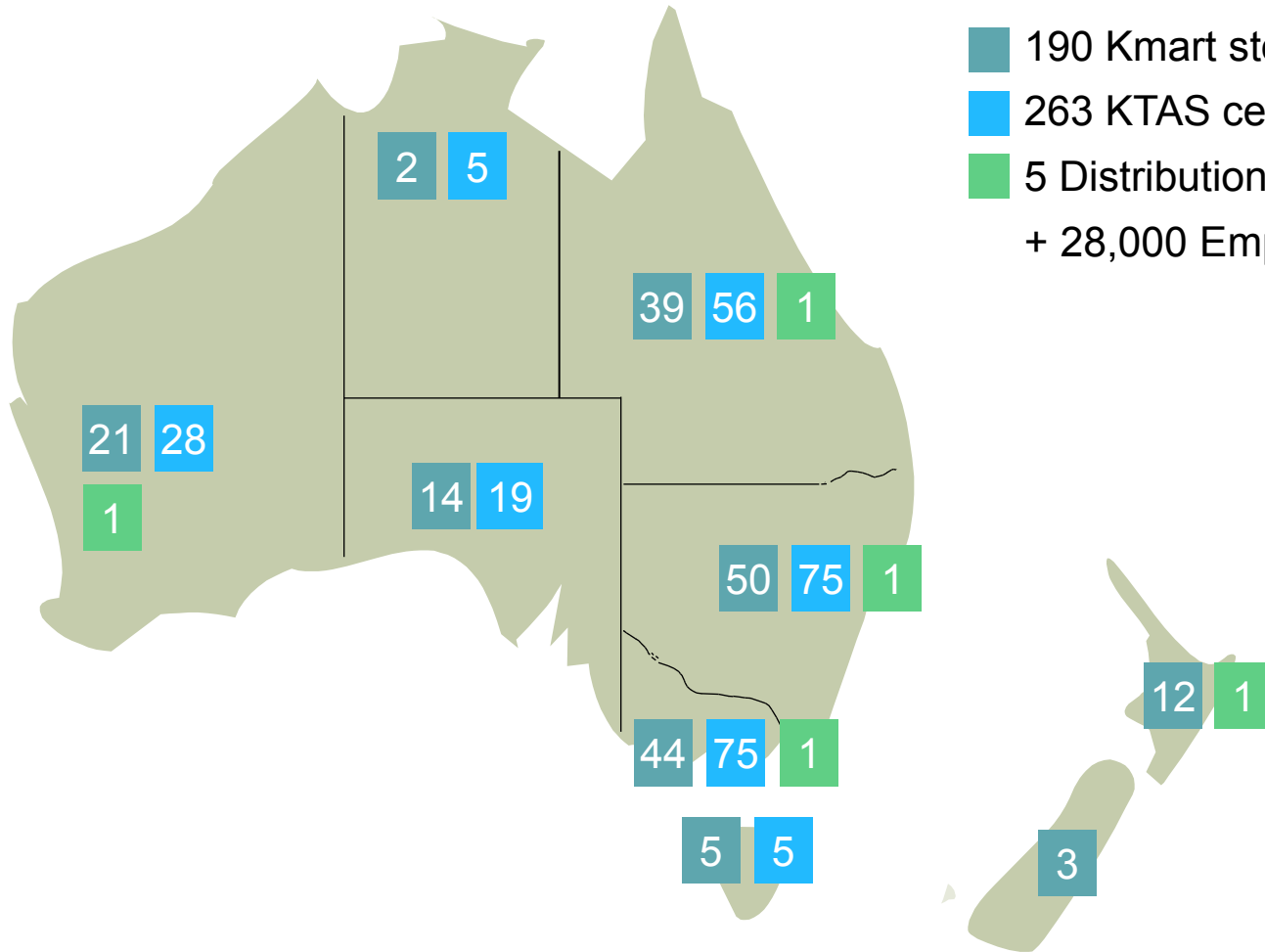
- Customers come first
- Deliver results
- Integrity
- Teamwork
- Boldness



Kmart Today

Quick Facts

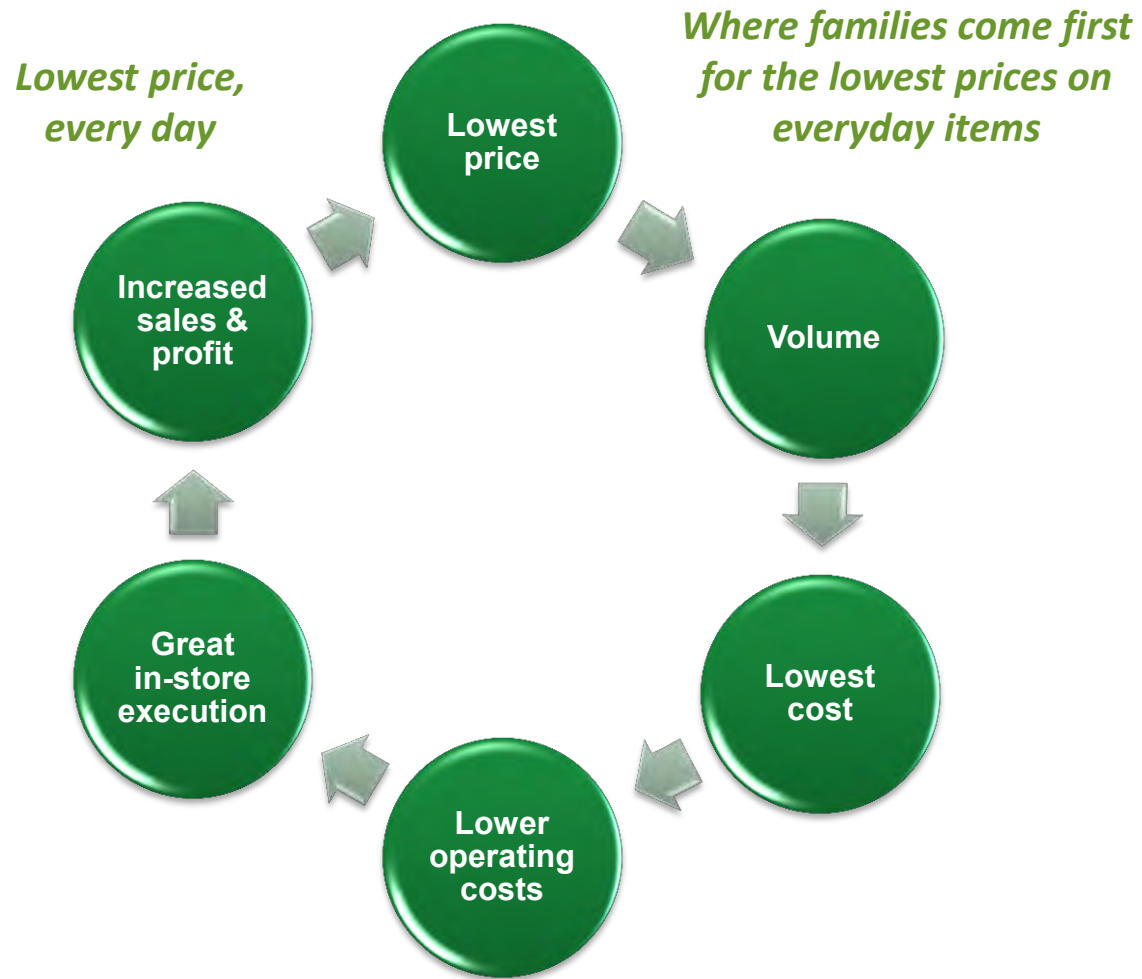
- 190 Kmart stores
- 263 KTAS centres
- 5 Distribution centres
+ 28,000 Employees



Kmart Strategy



Value Creation Model



Sustainability & Community Engagement

11

- Kmart's commitment to sustainability spans across many areas:
 - Focus on sustainable purchasing
 - Continually identifying ways to reduce energy, gas, water & packaging use
- Kmart plays an active role in the communities in which we operate:
 - Salvation Army
 - Half the Sky Foundation (China)
 - Salam Balak Foundation (India)
 - Plunket (New Zealand)
 - Variety The Children's Charity



- Kmart's ethical sourcing team works closely with suppliers & provides continuous education & support
- Our ethical sourcing code ensures compliance with local laws on issues such as child labour, bribery, wages & benefits, working hours, & health & safety
- Suppliers are periodically audited to verify compliance & identify areas where action is warranted
- Suppliers that fail to commit to Kmart's ethical sourcing code will be deregistered

Kmart Tyre & Auto

- Australia's largest retail automotive service, repair & tyre business
- Network of more than 263 stores & 1,300 team members
- Recently completed store reimage program
- Strong growth in car servicing
- Corporate Fleet opportunity

Marina Joanou
Chief Financial Officer



Kmart Strategy

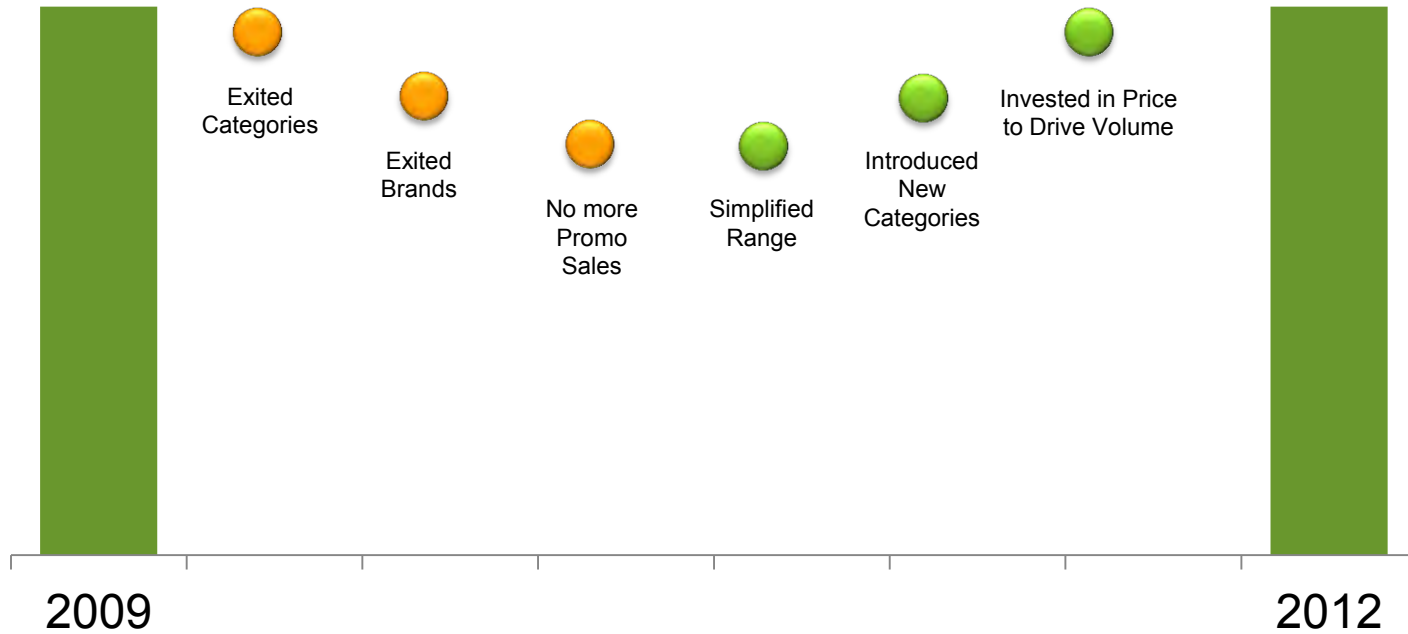


Our Journey So Far

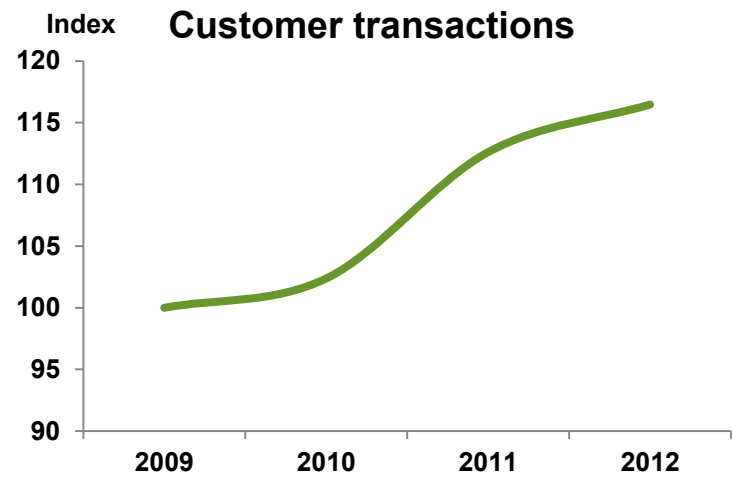
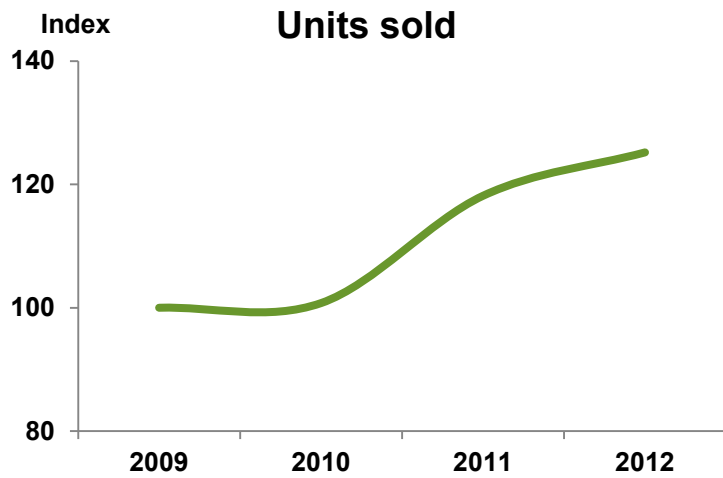
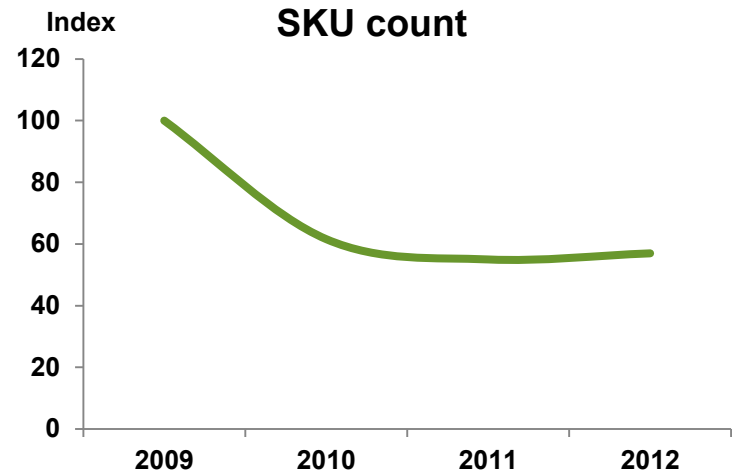
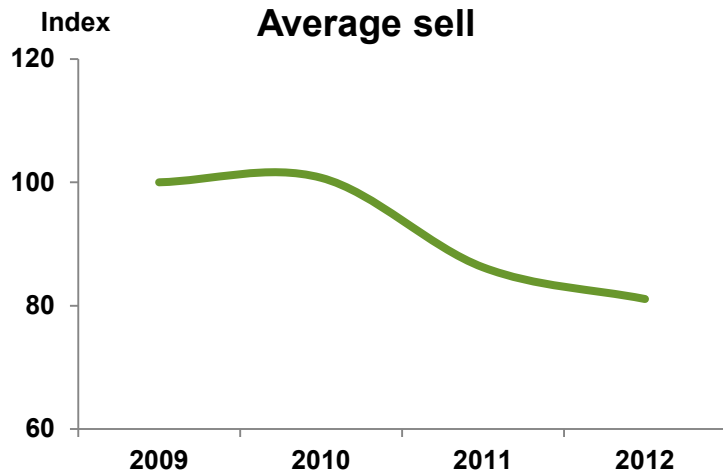
- Cleaned up our stores
- Rationalised distribution centre network
- Moved away from Hi-Lo pricing to EDLP
- Simplified range to everyday items & exited unprofitable categories
- Focused on mums & families
- Expanded direct sourcing capabilities

Significant Underlying Change

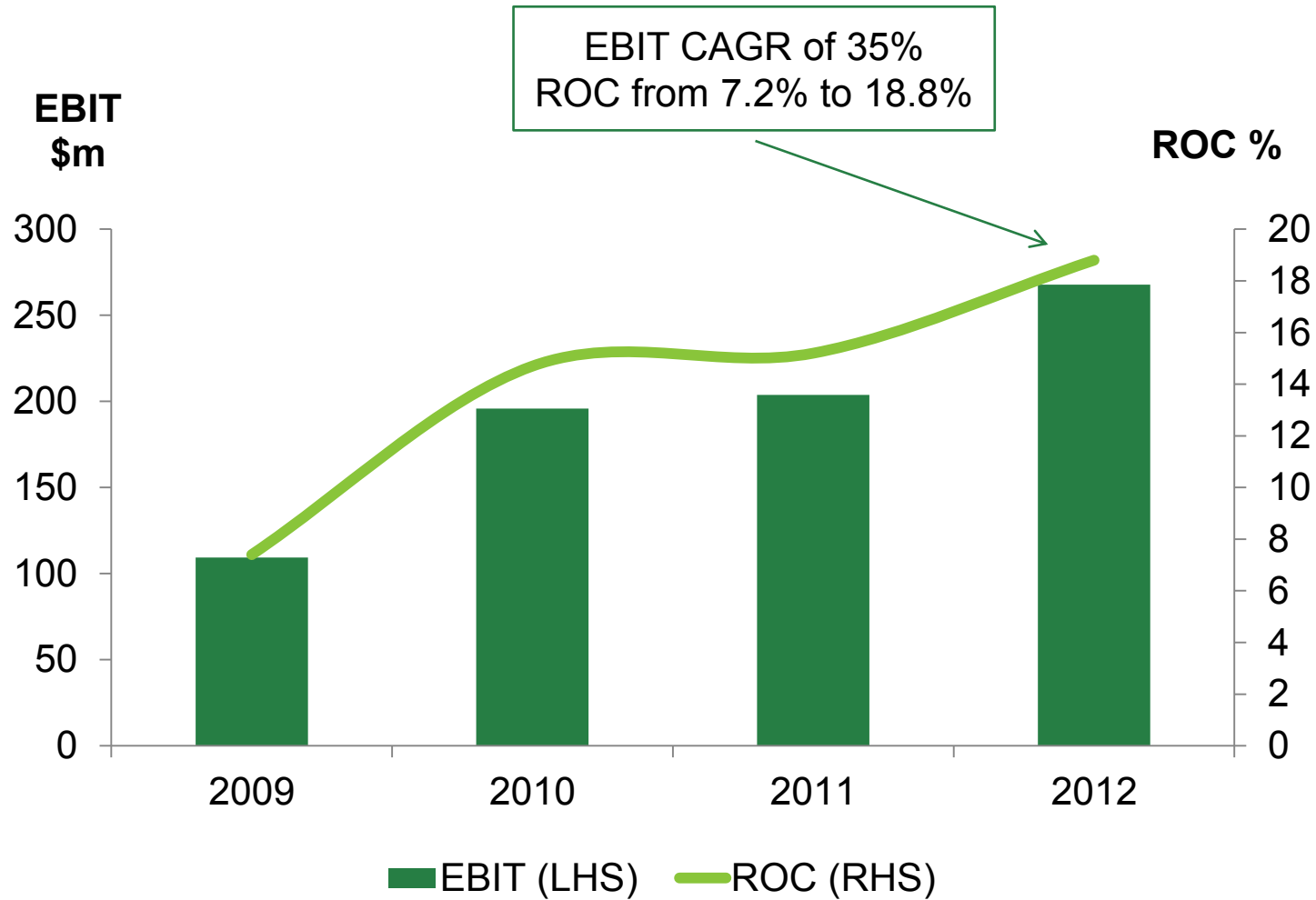
Sales \$4b



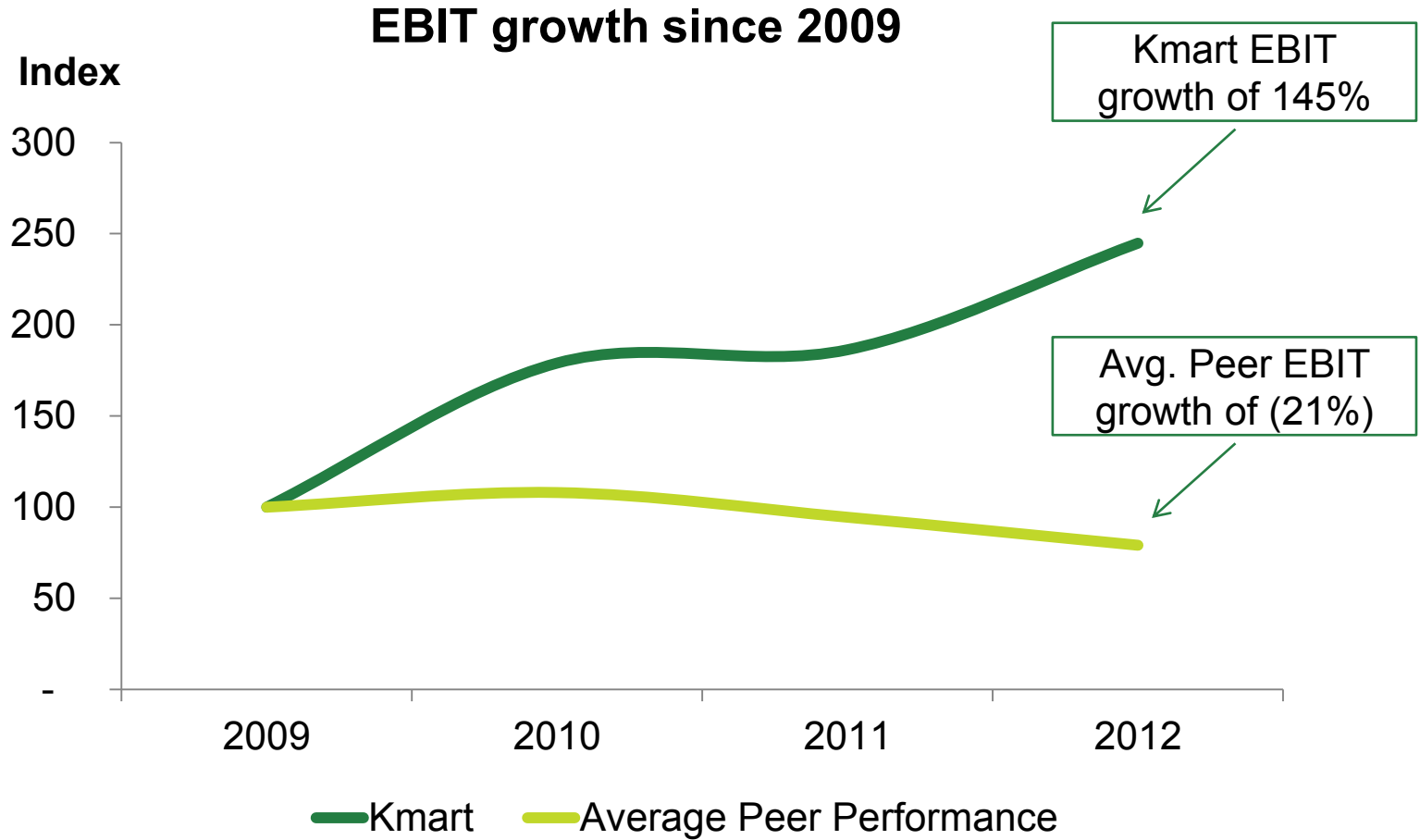
The Results So Far



EBIT & Return on Capital

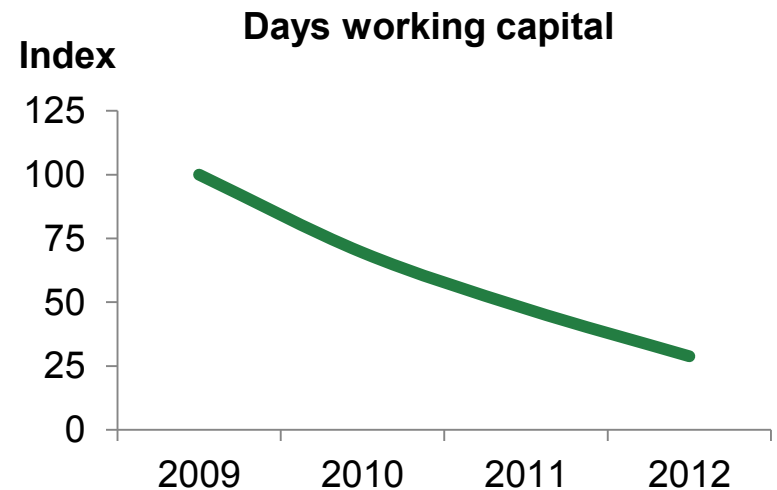
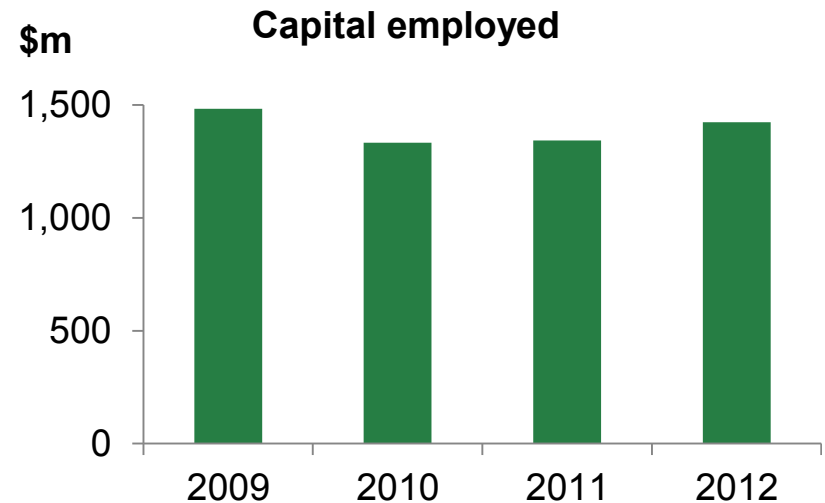


Comparative Performance



Working Capital & Investment

- Capex previously limited to 'fixing the basics' & DC network consolidation
- Capital investment provides a material growth opportunity as the network is renewed & extended
- Creditor & inventory management has been a key focus



- Value creation model remains focus
- Transition from 'fixing the business' to 'growing the business'
 - Volume retailer
 - Operational excellence
 - Adaptable stores
 - High performing culture
- Focus on being end-to-end lowest cost



Where families come first for the lowest prices on everyday items

Ian Bailey
Chief Operating Officer





Where families come first for the lowest prices on everyday items

Leadership Team

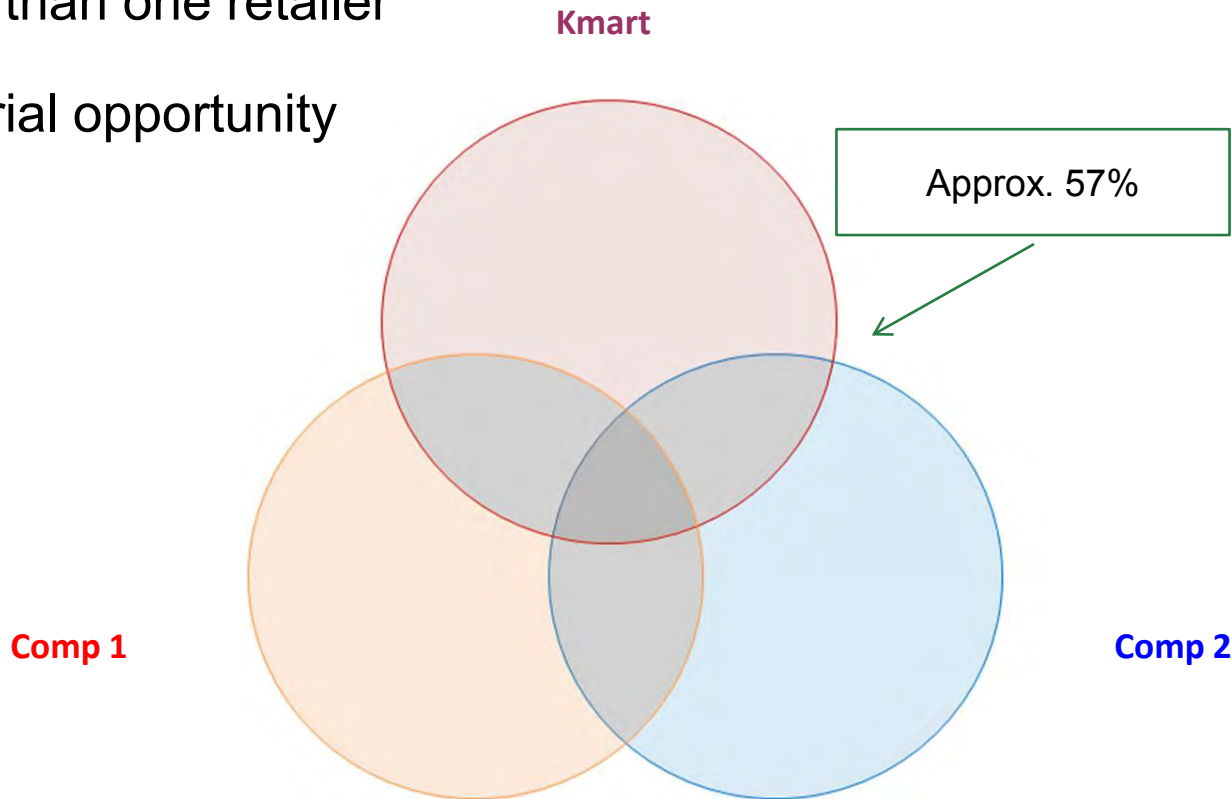


Kmart Strategy



DDS Shopping Behaviour

- Approximately 57% of consumers share their DDS purchasing at more than one retailer
- Material opportunity

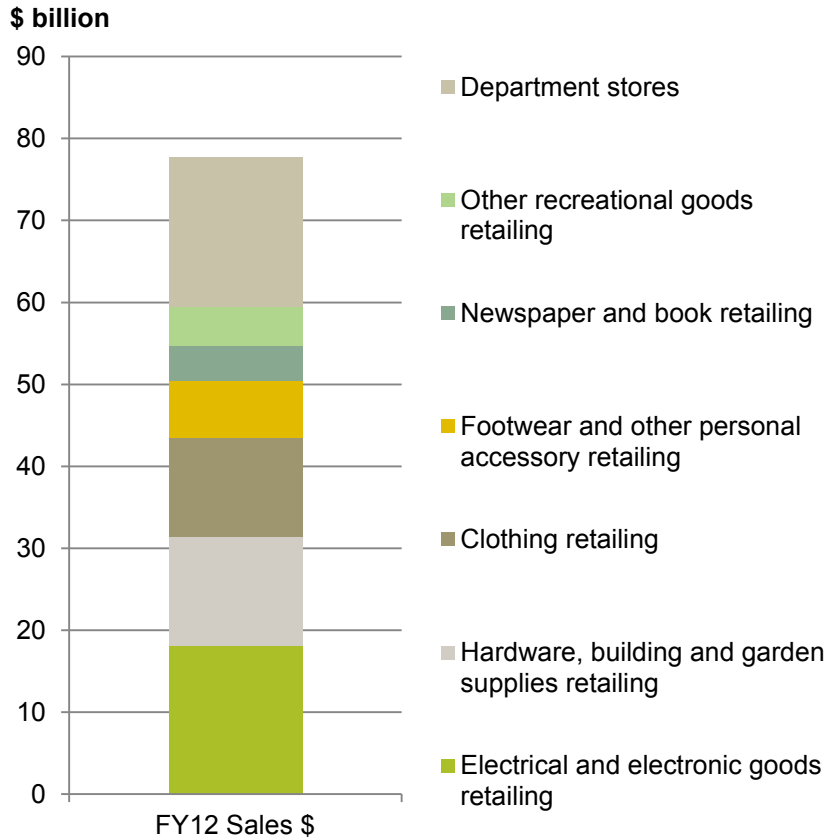


Source: Roy Morgan Single Source: In the 12 months to June 12

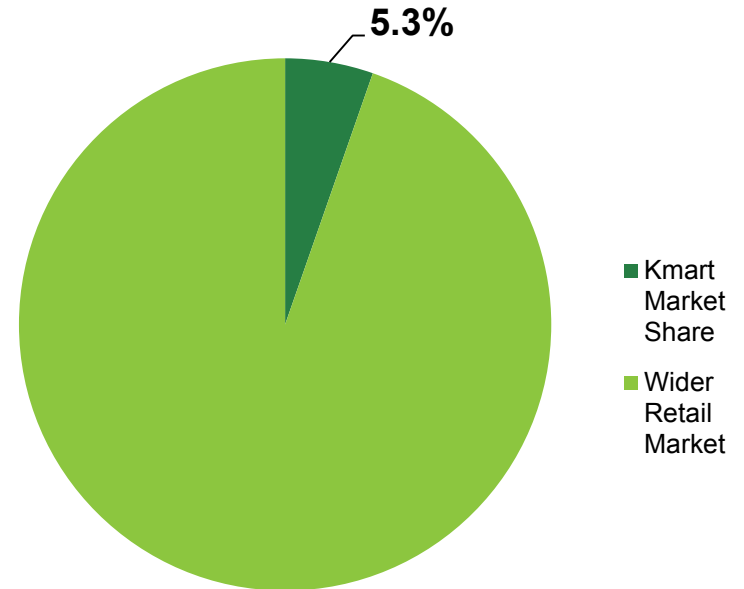
Market Share Opportunity

- Significant opportunity remains to capture greater market share

Kmart Potential Market (Aust) c. \$78b



Kmart Share of Potential Market - FY12

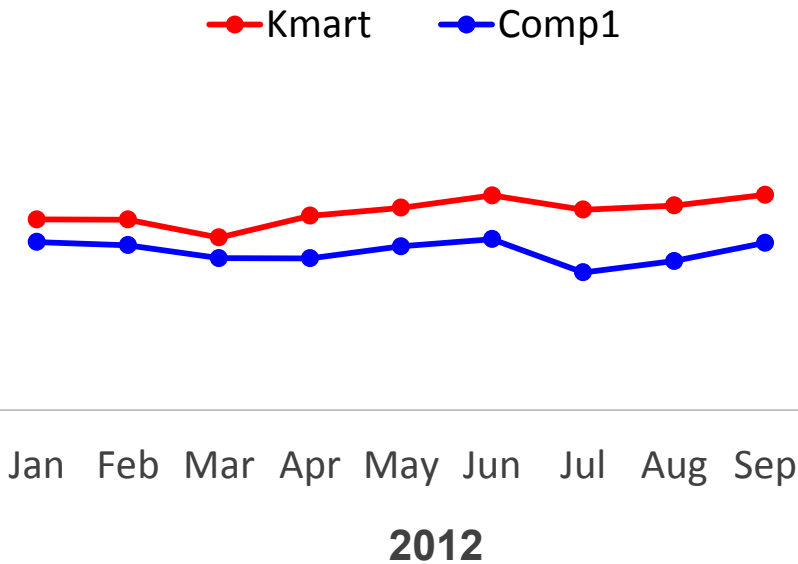


Source: ABS Retail Trade 8501.0

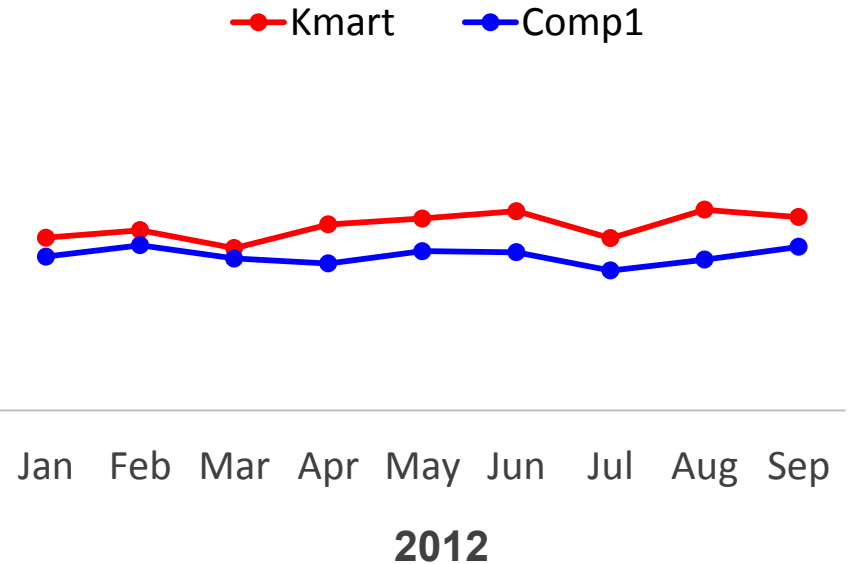
Communicating 'Low Price' Remains the Priority

- Customer perception research confirms Kmart's pricing is consistently lowest

Has the lowest prices



Consistently low prices everyday



Source: Forethought Research Customer Image Monitor (Rolling 12 months)

High Velocity Product

- Still focus on the basics
 - Be in-stock of the right products
- Improve our ability to process volume
 - High volume product from 'Flow Through' to 'Pick & Pack'
 - Late allocations process
 - More product on 'replenishment'
- More desirable, high volume own brand products
 - Improve on quality
- Identify new categories



Driving Volume – Bulk Ends



Driving Volume – Table Lines



Lowest Price

- Be lowest price
- Optimise price architecture
- End-to-end lowest cost

Sourcing

- Direct sourcing is important to Kmart
- Offshore team is fully integrated into our buying departments
- Our retail prices & sourcing costs are internationally competitive
- Growth in volume has enabled access to suppliers of high volume international retailers
- Always looking for new markets to source from

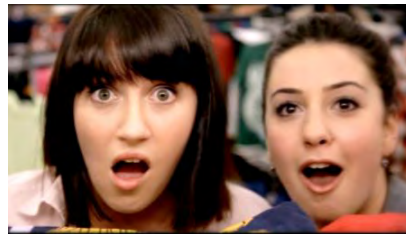


260 Team Members Across Five Offshore Offices



More Customers More Often

- Continue to invest aggressively in our OK campaign
 - Real Mums experiencing real price revelations
- Exploit our depth of range at key price points
 - Source of significant competitive advantage
- Actively promote our price reductions throughout the year
 - The visible proof of our commitment to lowering prices



1,000 Mums TVC

On July 11, Kmart invited 1,000 mums
to a store with no price tags.

Price Sculptures TVC



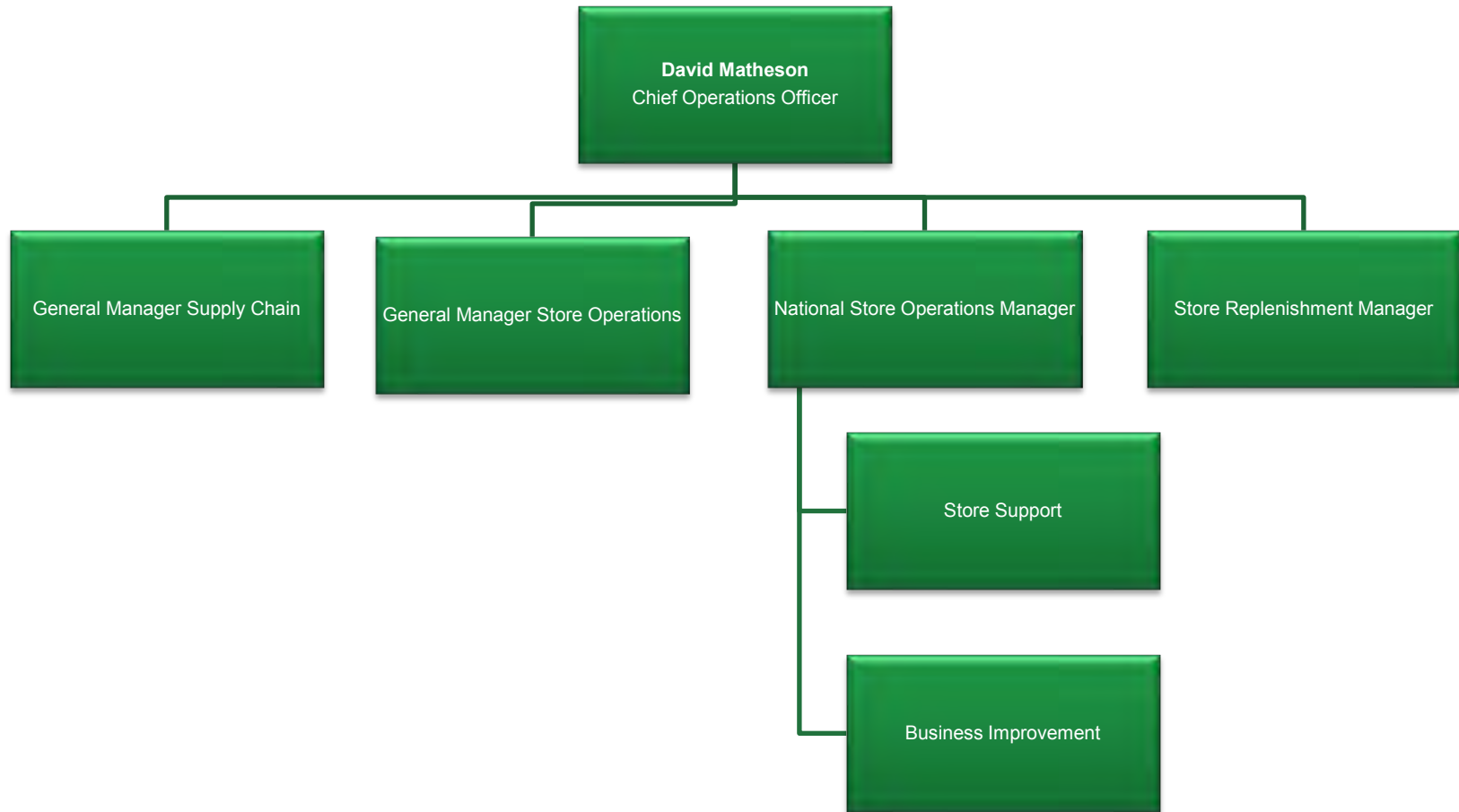
Connect More Customers With Kmart



David Matheson
Chief Operations Officer



Leadership Team



Kmart Strategy



2009/2010

- Reduced ranges
- Lower inventory
- Clear aisles
- Fewer promotions
- Tidier stores

2010/2011

- Safety focus
- More disciplined execution
- Cleanliness
- L50M
- Kmart Way

2012/2013

- Safety leadership
- Volume retailer
- Adaptable stores
- Operational excellence
- High performing culture

Productivity Initiatives – Last 50 Metres

- Efficient truck to shelf



Productivity Initiatives – Kmart Way

- Simple & efficient operations



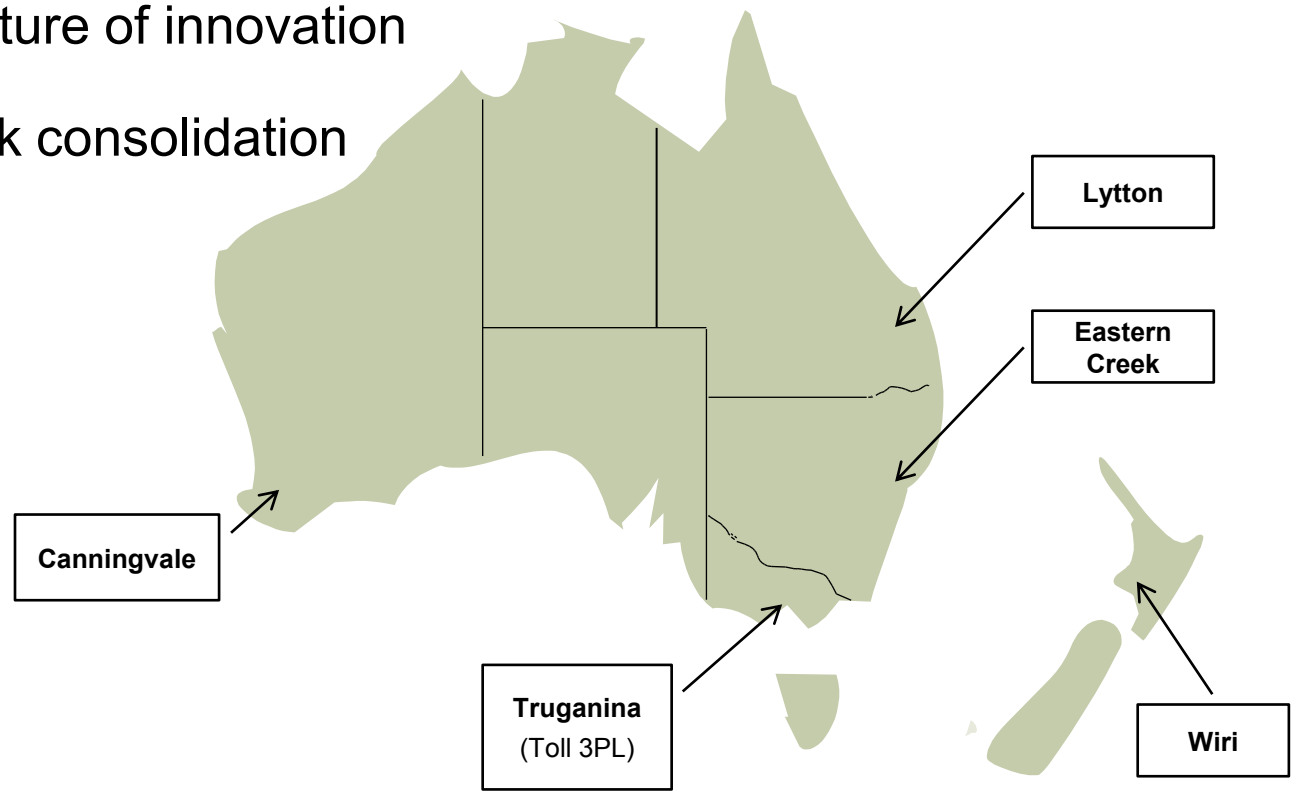
Supply Chain - International

- Continue to source from new origins
- Increase offshore processing
- Optimise costs & supplier reliability
- Simplify flow of product



Supply Chain - Local

- Maintain focus on safe operations
- Improve end-to-end operational efficiency (costs & service)
- Capitalise on culture of innovation
- Continue network consolidation



All About The Customer

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



Emmett Sheppard
General Manager
Business Development



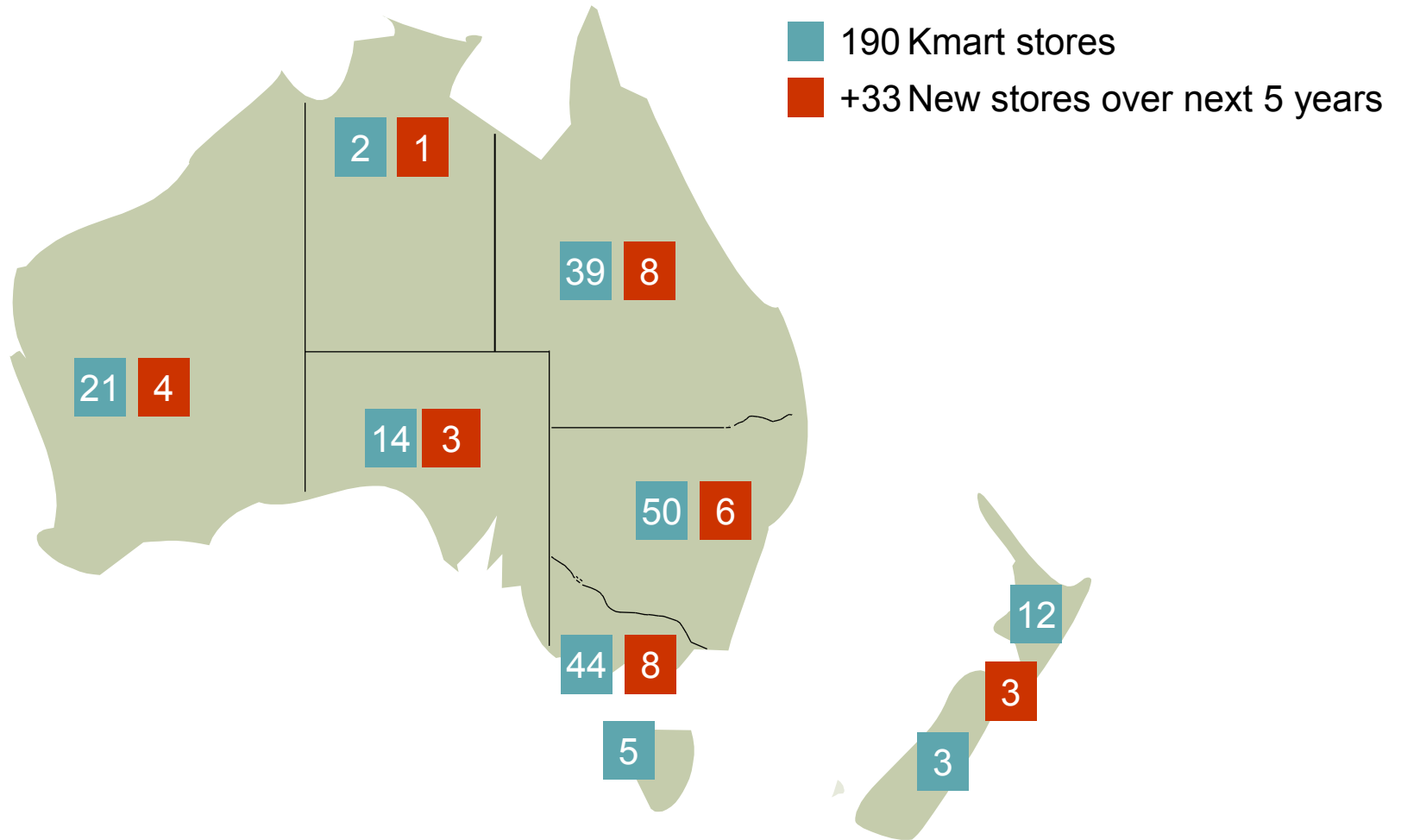
Kmart Strategy



Every Site A Success

- Improve the existing estate
 - Only 3 store closures necessary since 2009
- Store design which grows sales & profit
 - 10 refits in the last 12 months
- Open profitable new stores
 - 6 new stores in F13 & pipeline continues to grow
- Ability to renew stores, creating flexible & productive space
 - Flexible design creates adaptable store
 - Store environment acts as point of difference

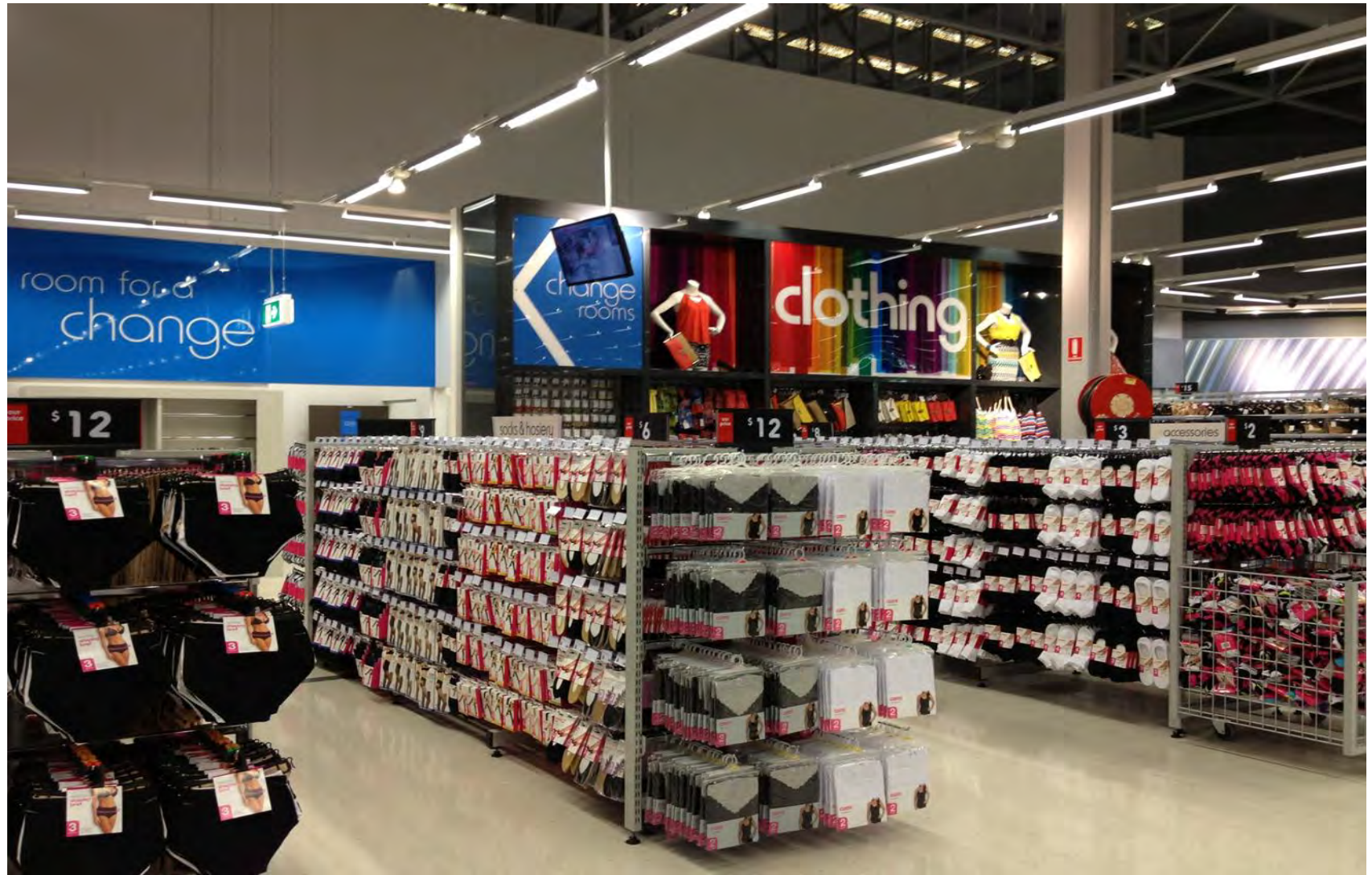
New Store Pipeline



Fitting Rooms...From This



... To This



Walkways...From This



... To This



Lighting...From This



... To This



Presentation...From This



... To This



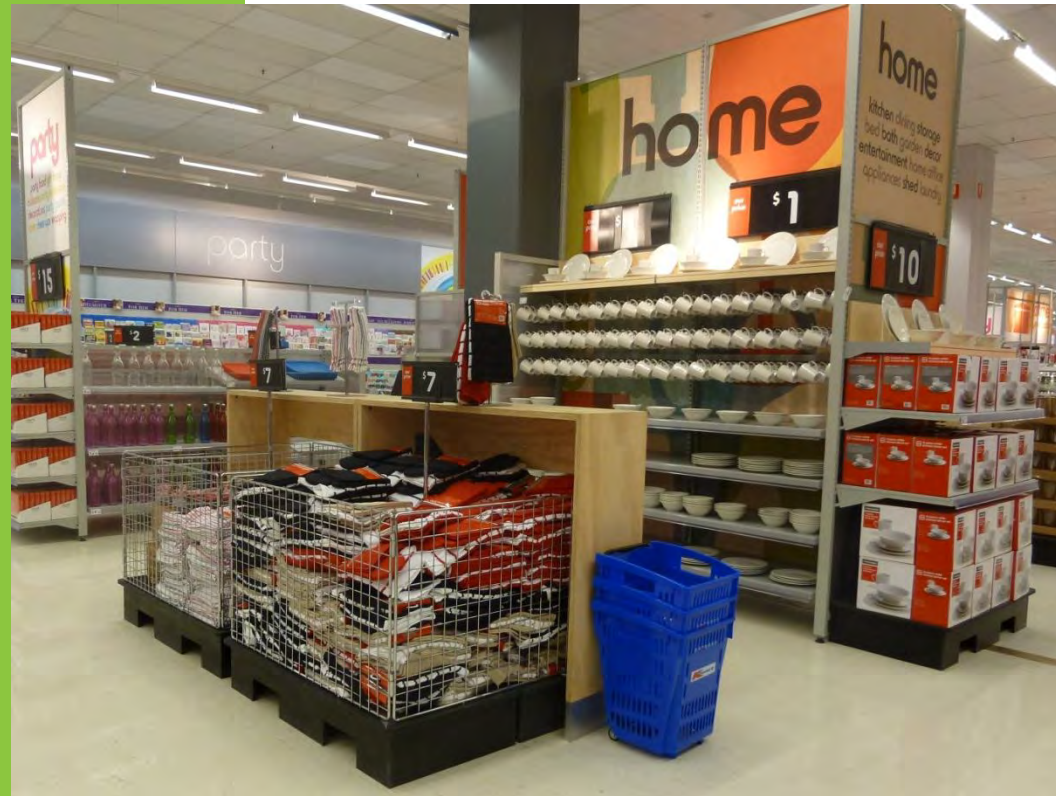
Store Entrance...From This

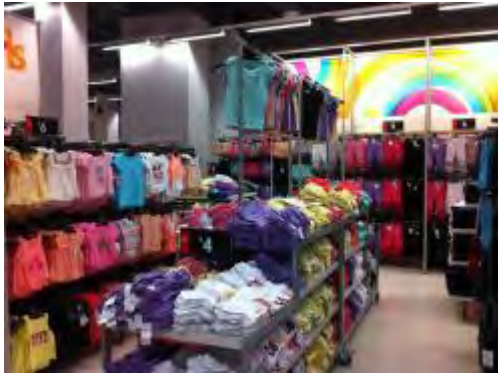


... To This



Ian Bailey
Chief Operating Officer





Volume retailer



Operational excellence



Adaptable stores



High performing culture

- Different to our competitors
- Great base standards
 - Clean tidy stores, good presentation standards, clear aisles
- Flexible format
 - More aligned to how a customer shops
 - Set up by rooms, flexible categories
 - One fixture type, one floor, flexible lighting

Guy Russo
Managing Director





Questions

