

# 2016 Half-year Results Supplementary Information

To be read in conjunction with the 2016 Half-year Results Briefing  
Presentation to be held on Wednesday, 24 February 2016



## Presentation outline

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<b>Item</b>	<b>Presenter</b>	<b>Page</b>
Coles	John Durkan	3
Home Improvement & Office Supplies	John Gillam	7
- Home Improvement		8
- Office Supplies		11
Department Stores		
- Kmart	Guy Russo	13
- Target	Stuart Machin	17
Industrials	Rob Scott	21
- Chemicals, Energy & Fertilisers		22
- Industrial & Safety		24
- Resources		27
Group Balance Sheet & Cash Flow	Terry Bowen	35

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# Coles

## John Durkan

### Managing Director



coles

coles.com.au

coles  
express

VINTAGE CELLARS

first CHOICE liquor

BI-LO

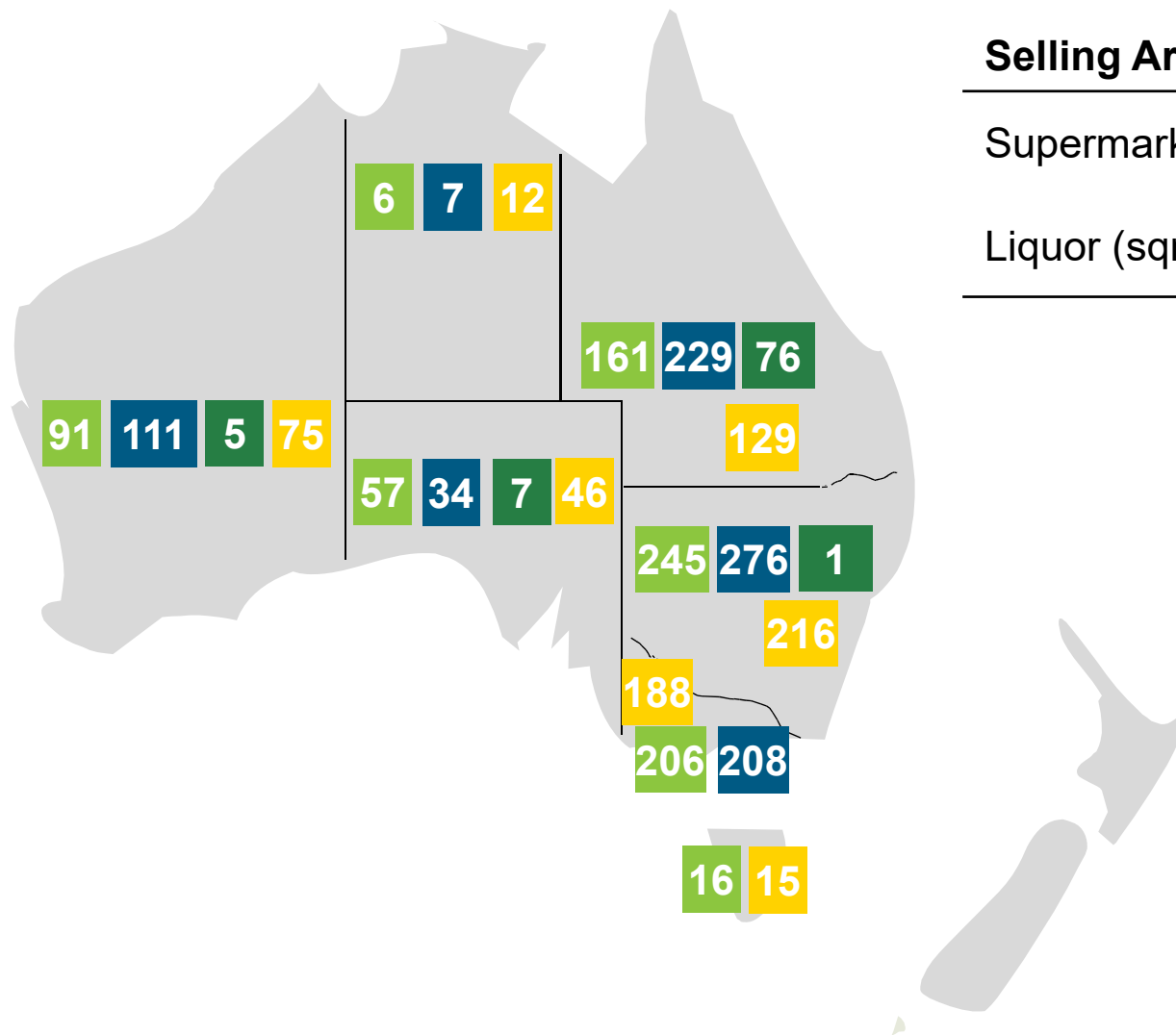
LIQUORLAND

spirit  
HOTELS

coles Financial Services

# Coles network

as at 31 December 2015



## Selling Area

Supermarkets (sqm)	1,771,912
Liquor (sqm) – ex hotels	209,825

- 782 Supermarkets
- 865 Liquor stores
- 89 Hotels
- 681 Convenience

## Store network movements

	Open at 30 June 2015	Opened	Closed	Re- branded	Open at 31 Dec 2015
<b>Supermarkets</b>					
Coles	771	10	(3)	-	778
Bi-Lo	5	-	(1)	-	4
<b>Total Supermarkets</b>	<b>776</b>	<b>10</b>	<b>(4)</b>	<b>-</b>	<b>782</b>
<b>Liquor</b>					
First Choice	100	-	(1)	-	99
Vintage Cellars	79	2	(1)	-	80
Liquorland	679	17	(10)	-	686
Hotels	90	-	(1)	-	89
<b>Total Liquor</b>	<b>948</b>	<b>19</b>	<b>(13)</b>	<b>-</b>	<b>954</b>
<b>Convenience</b>	<b>662</b>	<b>20</b>	<b>(1)</b>	<b>-</b>	<b>681</b>

## Revenue reconciliation

Half-year ended 31 December (\$m)	2015			2014		
	Food & Liquor	Convenience	Total	Food & Liquor	Convenience	Total
<b>Segment revenue (Gregorian)<sup>1</sup></b>	<b>16,496</b>	<b>3,591</b>	<b>20,087</b>	<b>15,559</b>	<b>3,924</b>	<b>19,483</b>
Less: Other revenue	(212)	(7)	(219)	(141)	(7)	(148)
<b>Headline sales (Gregorian)</b>	<b>16,284</b>	<b>3,584</b>	<b>19,868</b>	<b>15,418</b>	<b>3,917</b>	<b>19,335</b>
Plus: Gregorian adjustment <sup>2</sup>	373	82	455	379	83	462
<b>Headline sales revenue (Retail<sup>3</sup>)</b>	<b>16,657</b>	<b>3,666</b>	<b>20,323</b>	<b>15,797</b>	<b>4,000</b>	<b>19,797</b>

<sup>1</sup> Segment revenue for Food & Liquor includes property revenue for 2015 of \$13 million & for 2014 of \$15 million.

<sup>2</sup> Adjustment to headline sales revenue to reflect retail period end.

<sup>3</sup> Retail period relates to the 27 week period 29 June 2015 to 3 January 2016 & the 27 week period 30 June 2014 to 4 January 2015.

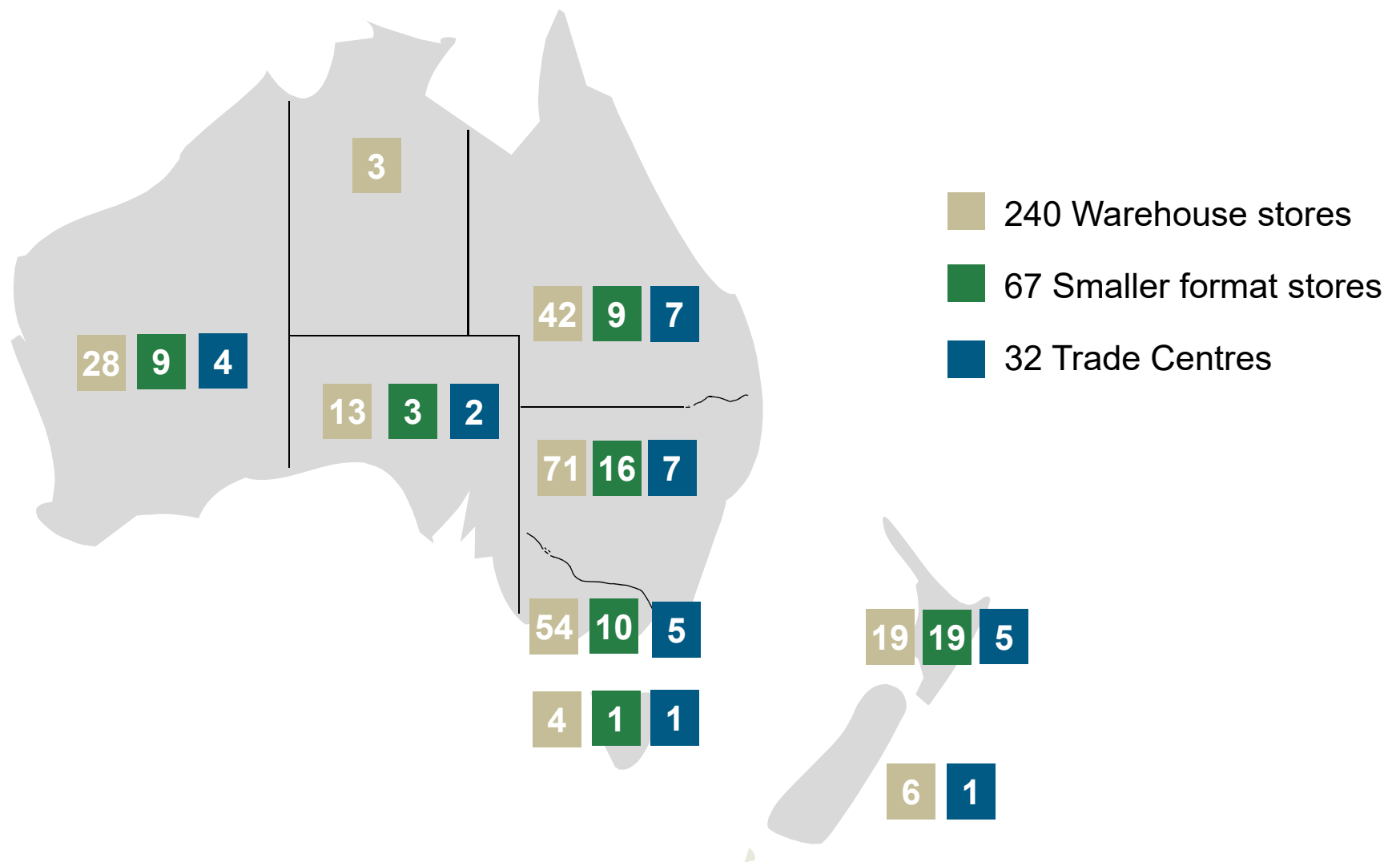
# Home Improvement & Office Supplies

John Gillam  
Managing Director



# Bunnings network

as at 31 December 2015





## Store network movements

	Open at 30 June 2015	Opened	Closed	Open at 31 Dec 2015	Expanded	Under construction 31 Dec 2015
<b>Home Improvement</b>						
Bunnings Warehouse	236	7	(3)	240	4	13
Bunnings smaller formats	65	3	(1)	67	-	5
Bunnings Trade Centres	33	-	(1)	32	-	-



## Home Improvement performance summary

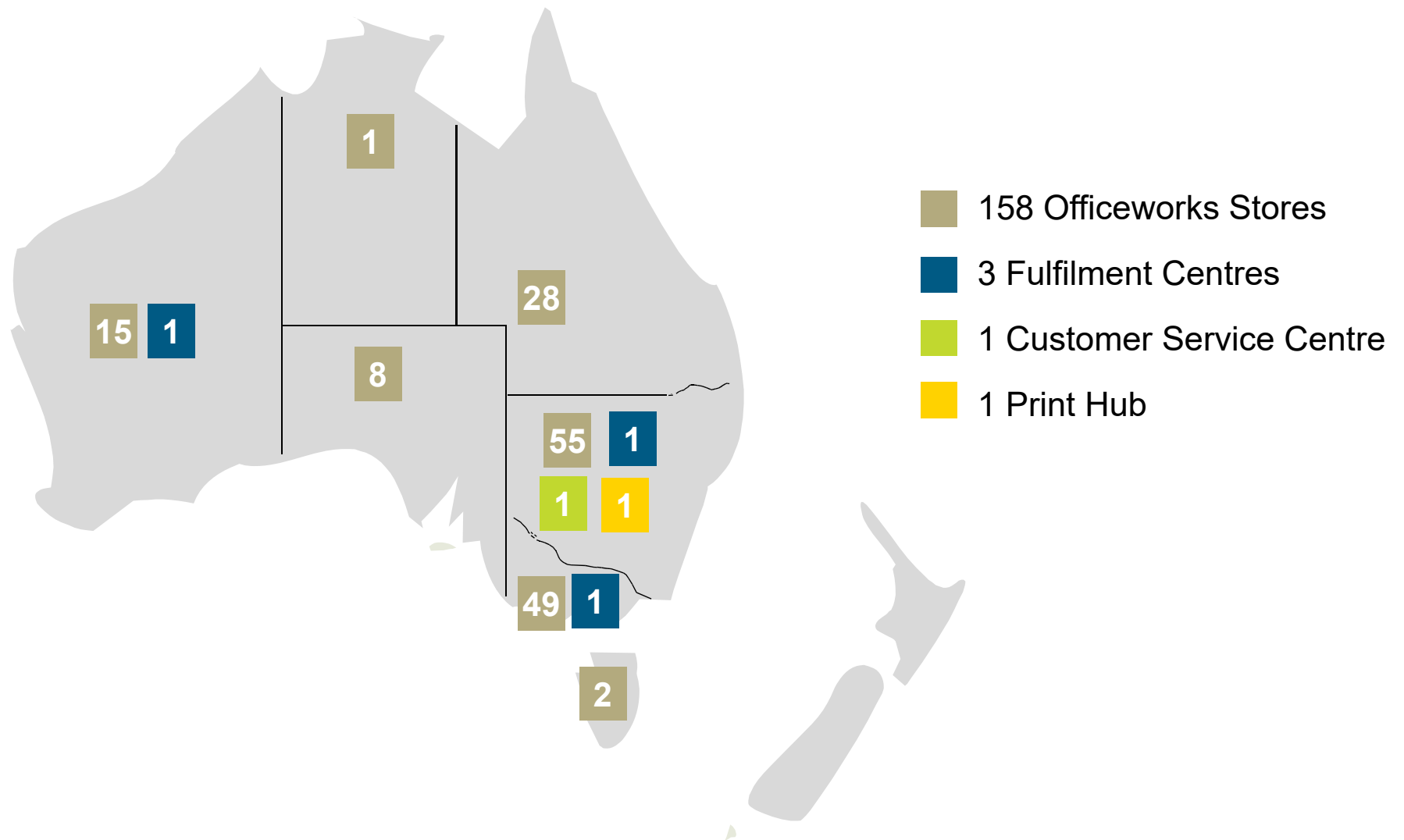
Half-year end 31 December (\$m)	2015	2014	↑%
<b>Revenue</b>	<b>5,500</b>	<b>4,959</b>	10.9
EBITDA	776	686	13.1
Depreciation & amortisation	(75)	(68)	(10.3)
<b>EBIT</b>	<b>701</b>	<b>618</b>	13.4
EBIT margin (%)	12.7	12.5	
Less: Net property contribution <sup>1</sup>	33	14	135.7
<b>Trading EBIT</b>	<b>668</b>	<b>604</b>	10.6
Trading EBIT margin (%)	12.2	12.2	

<sup>1</sup> Net property contribution includes external property income & expenses & gain or losses on disposals of freehold property.



# Officeworks network

as at 31 December 2015



## Store network movements

	Open at 30 June 2015	Opened	Closed	Open at 31 Dec 2015	Under construction 31 Dec 2015
<b>Office Supplies</b>					
Officeworks	156	4	(2)	158	2

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# Kmart

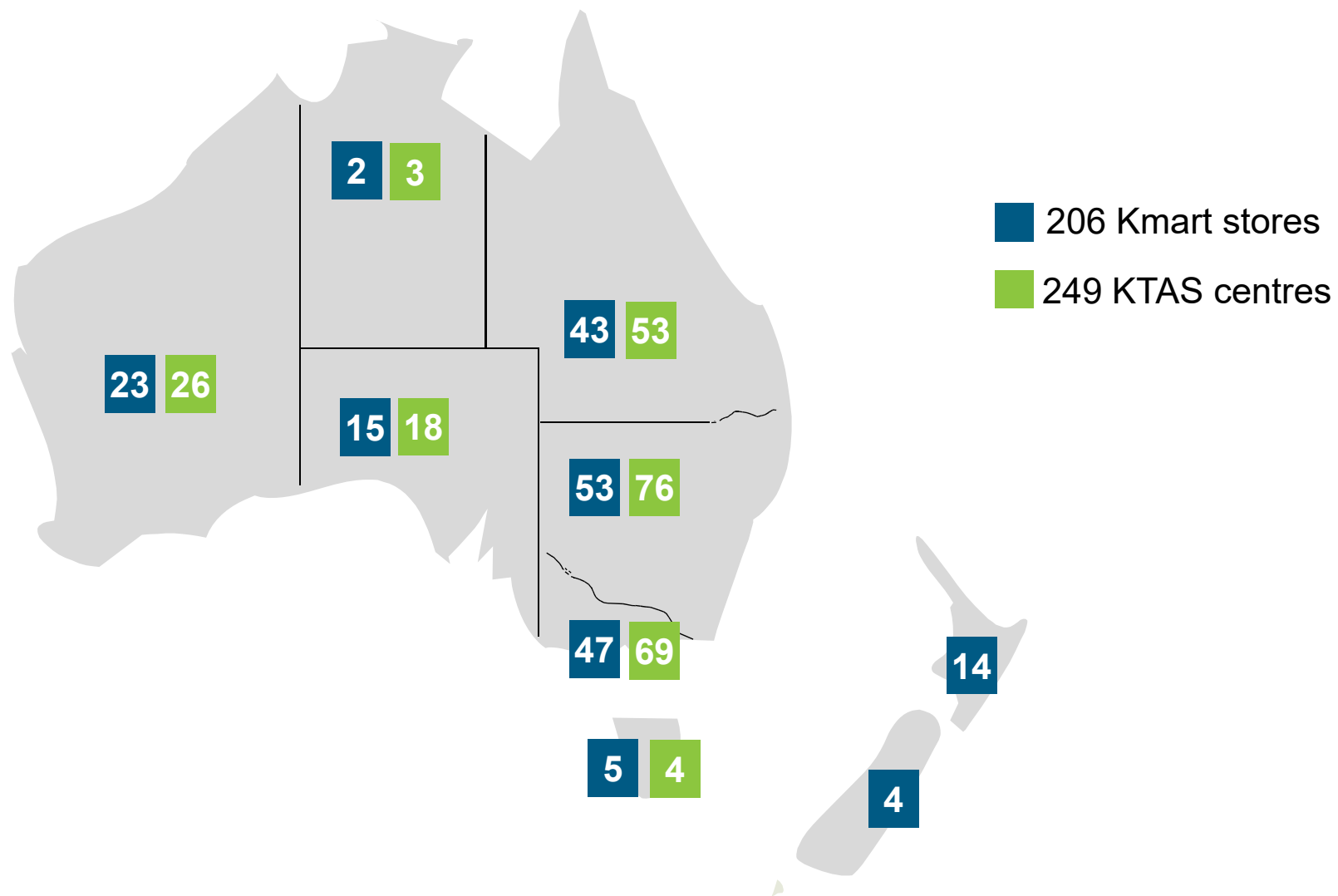
## Guy Russo Managing Director



# Kmart network

as at 31 December 2015

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## Store network movements

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	Open at 30 June 2015	Opened	Closed	Open at 31 Dec 2015
<b>Kmart</b>	203	3	-	206
<b>Kmart Tyre &amp; Auto</b>	246	4	(1)	249

## Revenue reconciliation

Half-year end 31 December (\$m)	2015	2014
<b>Segment revenue (Gregorian)</b>	<b>2,750</b>	<b>2,442</b>
Less: Non sales revenue	(1)	(2)
<b>Headline sales (Gregorian)</b>	<b>2,749</b>	<b>2,440</b>
Add: Gregorian adjustment <sup>1</sup>	50	50
<b>Headline sales revenue (Retail<sup>2</sup>)</b>	<b>2,799</b>	<b>2,490</b>

<sup>1</sup> Adjustment to headline sales revenue to reflect retail period end.

<sup>2</sup> Retail period relates to the 27 week period 29 June 2015 to 3 January 2016 & the 27 week period 30 June 2014 to 4 January 2015.



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# Target

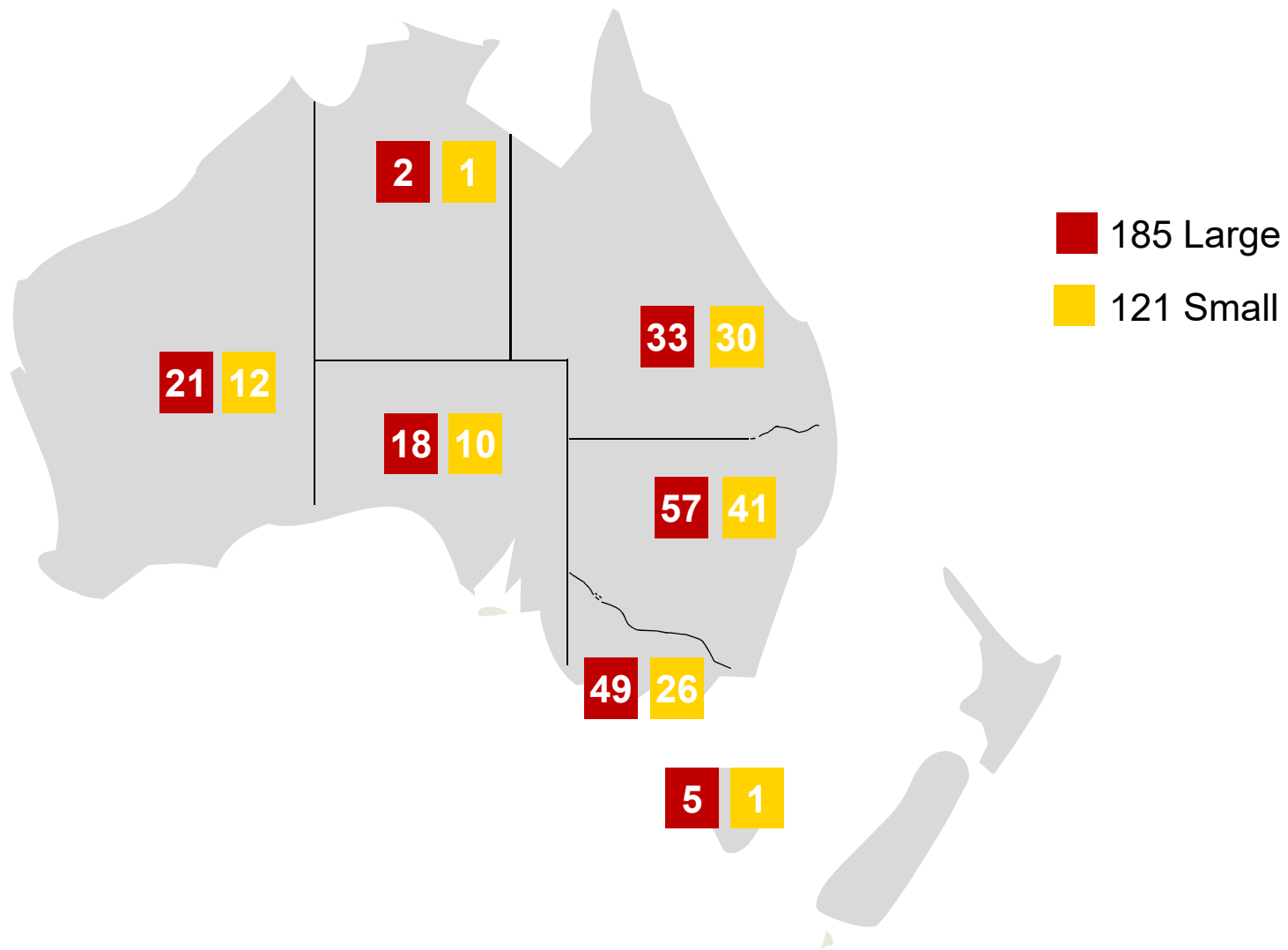
Stuart Machin  
Managing Director



# Target network

as at 31 December 2015

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## Target network

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	Open at 30 June 2015	Opened	Closed	Open at 31 Dec 2015
<b>Large</b>	183	5	(3)	185
<b>Small</b>	122	-	(1)	121
<b>Total</b>	305	5	(4)	306

## Revenue reconciliation

Half-year end 31 December (\$m)	2015	2014
<b>Segment revenue (Gregorian)</b>	<b>1,972</b>	<b>1,935</b>
Less: Non sales revenue	-	-
<b>Headline sales (Gregorian)</b>	<b>1,972</b>	<b>1,935</b>
Add: Gregorian adjustment <sup>1</sup>	36	42
<b>Headline sales revenue (Retail<sup>2</sup>)</b>	<b>2,008</b>	<b>1,977</b>

<sup>1</sup> Adjustment to headline sales revenue to reflect retail period year end.









<sup>2</sup> Retail period relates to the 27 week period 28 June 2015 to 2 January 2016 & the 27 week period 29 June 2014 to 3 January 2015.

# Industrials

Rob Scott  
Managing Director



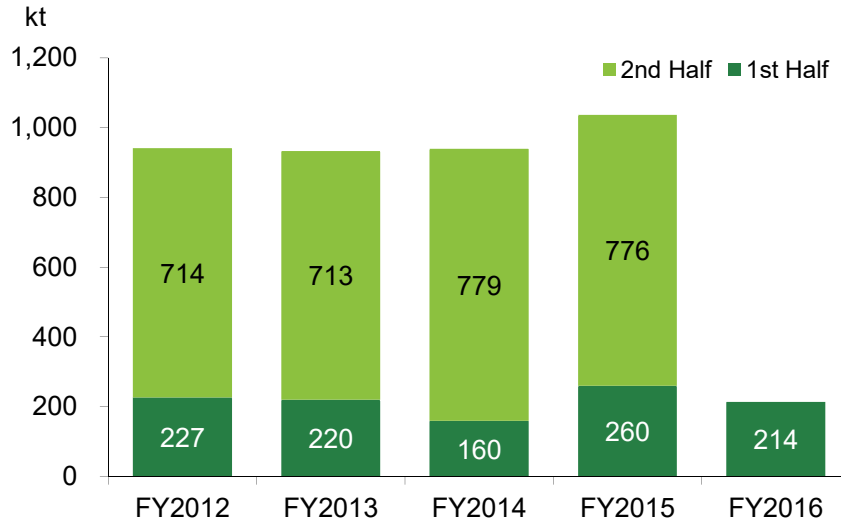
## Chemicals, Energy & Fertilisers - Business overview

	Business	Geography	Sector	Key Customers
	Ammonia	WA	Nickel, internal	BHPB, Minara, AN, AGR, Fertilisers
	Ammonium nitrate (AN)	WA/Global	Iron ore, gold	Dyno Nobel, Downer, Rio Tinto, Orica, Fertilisers
	Ammonium nitrate (AN)	Qld	Coal	BMA, Curragh, Rio Tinto
	Sodium cyanide (SC)	WA/Global	Gold	Newmont, Barrick, AngloGold
	PVC/chemicals <sup>1</sup> Decking	Vic/Australia Australia/Global	Construction	Iplex, Vinindex, Pipemakers Timber merchants, home builders
	Energy retailing, gas production & distribution	WA/NT	Residential, transport, industrial	Gas distributors, resources, engineering, residential, leisure, autogas, transport, power generation
	Fertilisers	WA	Agriculture	Landmark, independent distributors
	Oil & Gas	WA	Energy	Alcoa, Alinta

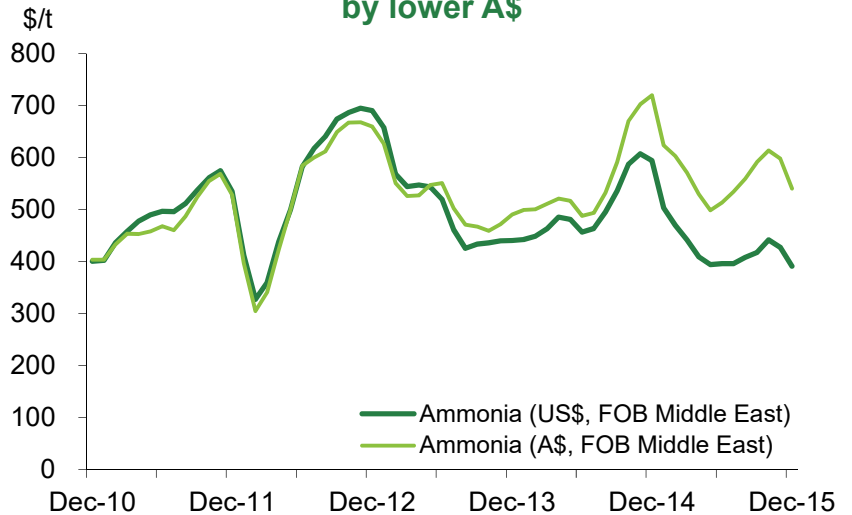
<sup>1</sup> PVC manufacturing will cease in the second half of FY16.

# Chemicals, Energy & Fertilisers - Sales, pricing & production

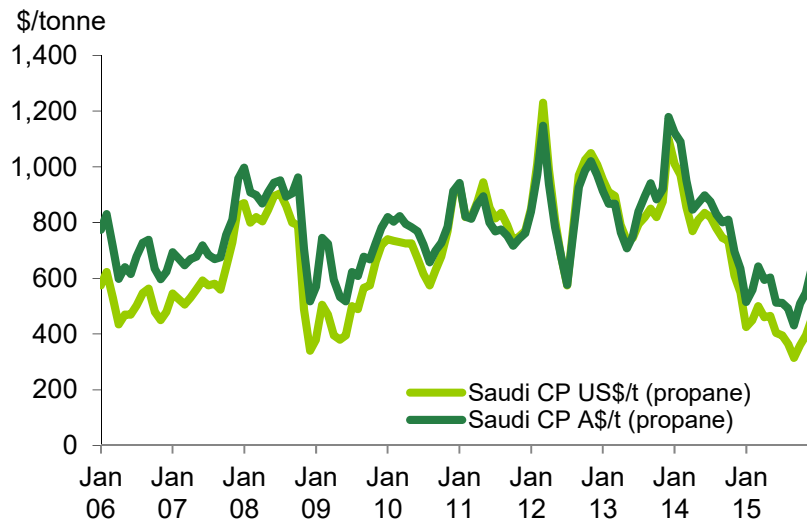
### Solid nitrogen sales in first half



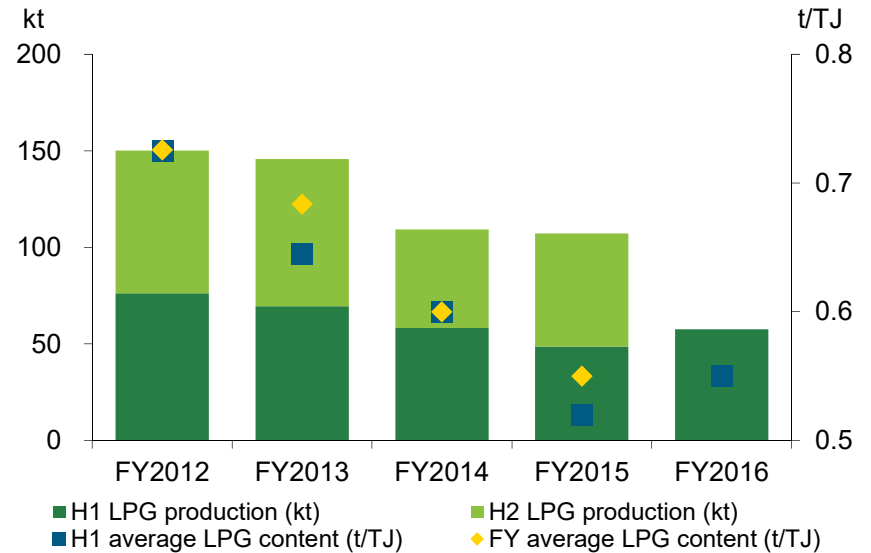
### Decline in US\$ ammonia pricing only partially offset by lower A\$



### Saudi CP remains relatively low



### Modest improvement in content in 1H16



# Industrial & Safety - Business overview

## Execution through four new business streams

<p><b>Blackwoods</b></p> 	<p><b>New Zealand<sup>1</sup></b></p> 	<p><b>Workwear Group<sup>1</sup></b></p> 	<p><b>Gas &amp; Services</b></p> 
<p><b>Blackwoods</b></p>	<p><b>Blackwoods Protector</b> One stop for industrial and safety</p> <p><b>NZ Safety</b> Specialists in Safety &amp; Protection</p> <p><b>Packaging House</b> Building partnerships, delivering solutions</p>	<p><b>WORKWEAR GROUP</b></p>	<p><b>coregas</b></p> <p><b>GREENCAP</b></p>
<p>Maintenance, Repair &amp; Operations, Safety</p>		<p>Workwear &amp; uniforms</p>	<p>Gas &amp; Services</p>

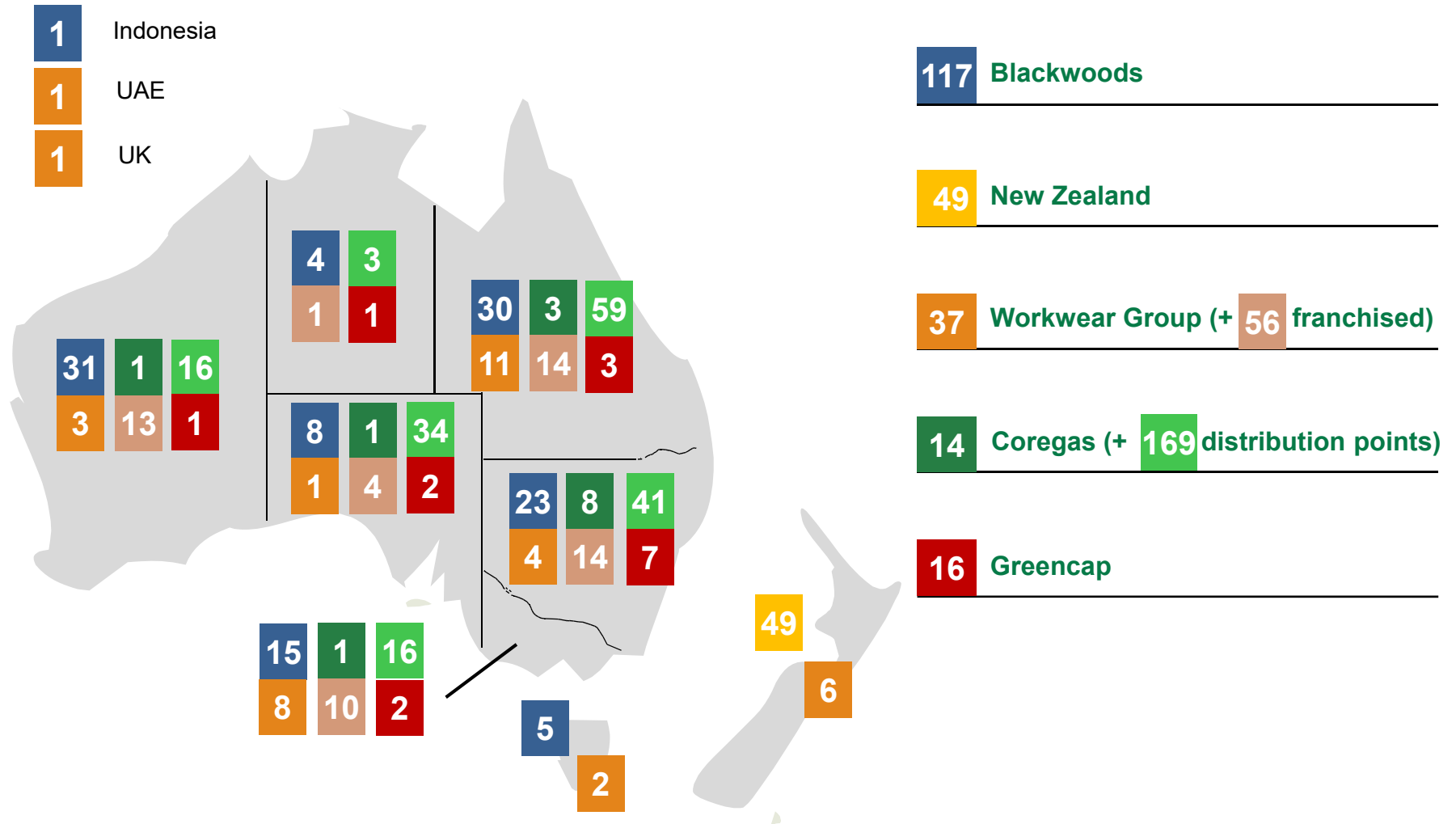
<sup>1</sup> Improvement plans for New Zealand and Workwear Group to be finalised in 2H FY16.



# Industrial & Safety - Distribution network

As at 31 December 2015

**458 locations with 233 branches, 169 gas distribution points & 56 Workwear franchises**



Note: Blackwoods includes Blackwoods Electrical, Bakers & Total Fasteners, Protector Alsafe, Bullivants and Fasterner & Welding Specialist locations; New Zealand includes Blackwoods Protector NZ, NZ Safety including APC Techsafe and Packaging House; Greencap includes NSCA locations & Protector Alsafe Training Service locations (previously included in Protector Alsafe); Workwear Group includes Safety Source.

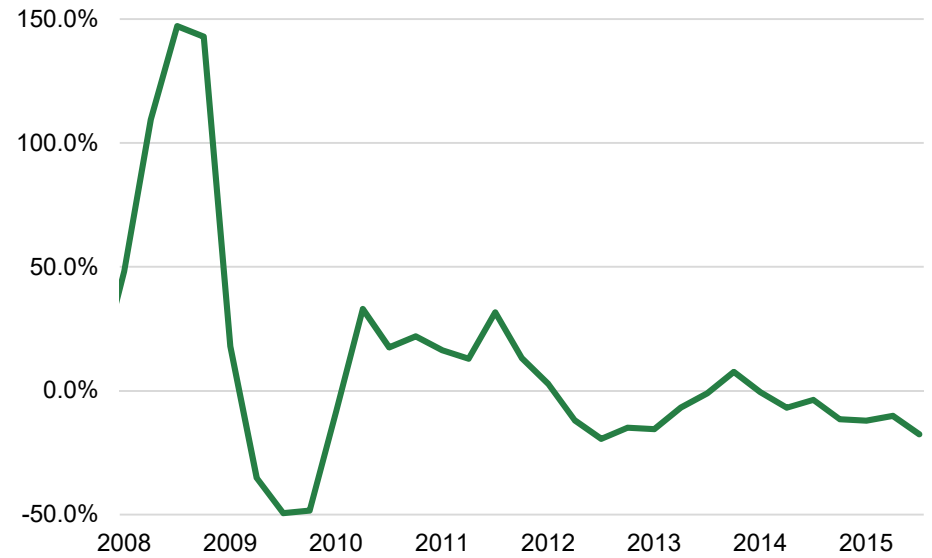
# Industrial & Safety - Demand driver

### Private capital expenditure growth



Source: ABS 5625.0, Private New Capital Expenditure & Expected Expenditure, Australia

### Coal, petrol & gas export price movements



Source: ABS 6457.0, International trade price indexes, Australia

## Resources - Global environment: current & short-term trends

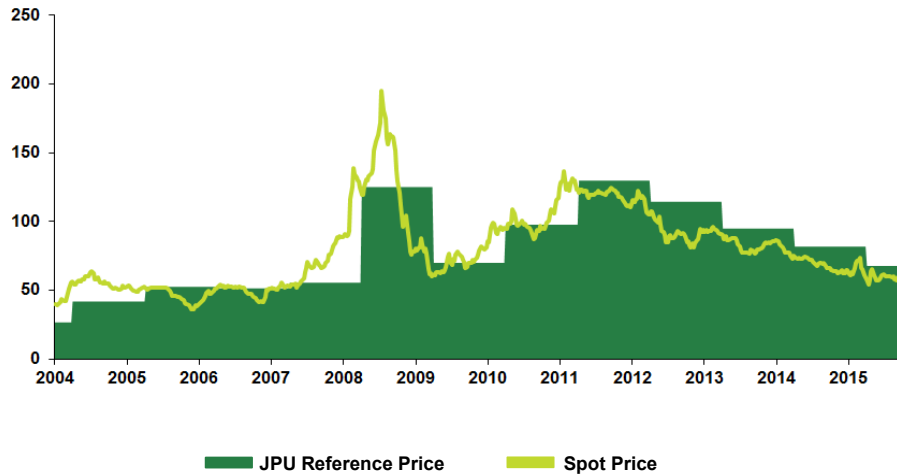
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- World blast furnace iron production trending downwards
  - Volatile Chinese import metallurgical coal demand
  - Chinese excess steel capacity being placed into global markets impacting price
- Metallurgical coal market continues to be in oversupply
  - Australian coal suppliers slow to adjust supply due to impact of 'take or pay' contracts
  - US coal export supply rationalisation materialising; down 40% year on year
  - Expected demand growth from India slow to materialise to offset weakening Chinese demand
- Stable supply from Australia & weak Chinese market continues to weigh on spot pricing
- Many producers struggling to meet cash costs of production at current low export prices
- A\$:US\$ exchange rate has weakened through 1H FY16, but benefit has been more than offset by price declines in US\$ export coal pricing

# Resources - Australian coal market prices

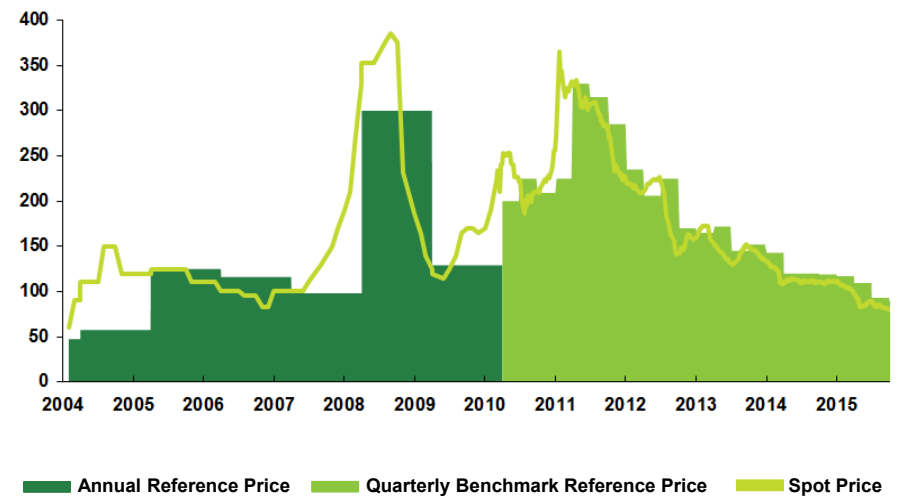
## Australian steaming coal prices

US\$/tonne (nominal) FOB Australia (annual versus spot)



## Australian hard coking coal prices

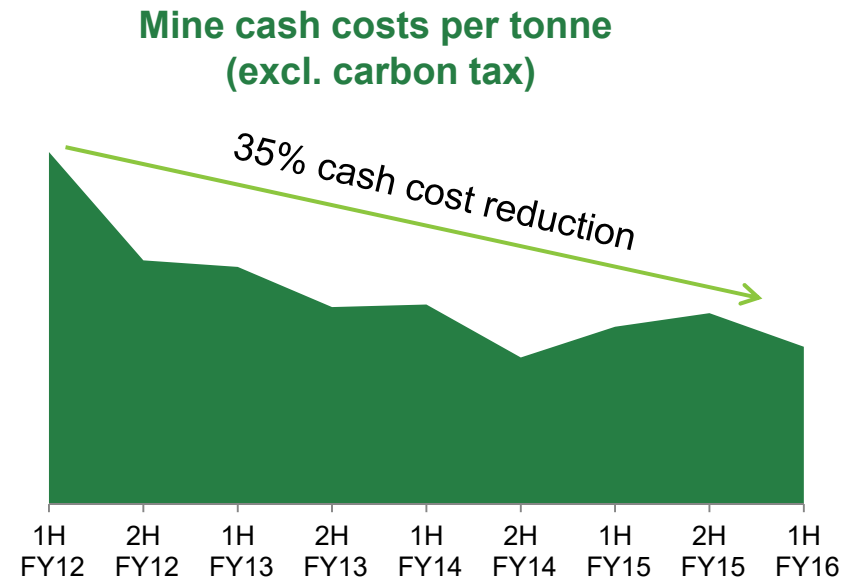
US\$/tonne (nominal) FOB Australia (annual versus spot)



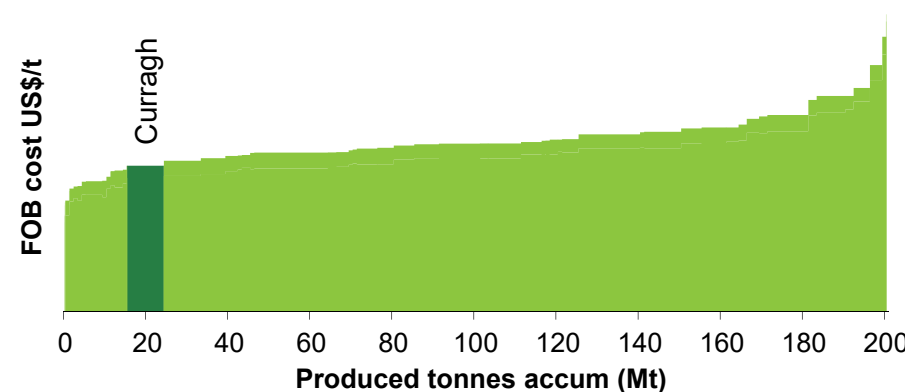
Source: Energy Publishing, Tex Report, Macquarie Research, CRU

## Resources - Curragh productivity & mine optimisation

- Continued focus on cost control & productivity improvements
- 1H FY16 cash cost ~35% below 1H FY12 peak
- Cost performance sustained by
  - Optimisation of mine operations
  - Ongoing supplier negotiations & contract management focus
  - Employee headcount reduction of 16%
- Further cash cost reduction targeted for the remainder of FY16
- Independent benchmarking studies continue to place Curragh in lowest quartile of Australian Free on Board cash costs (excluding Stanwell export rebate & Stanwell domestic coal obligations)



### HCC mines – relative unit FOB cash costs

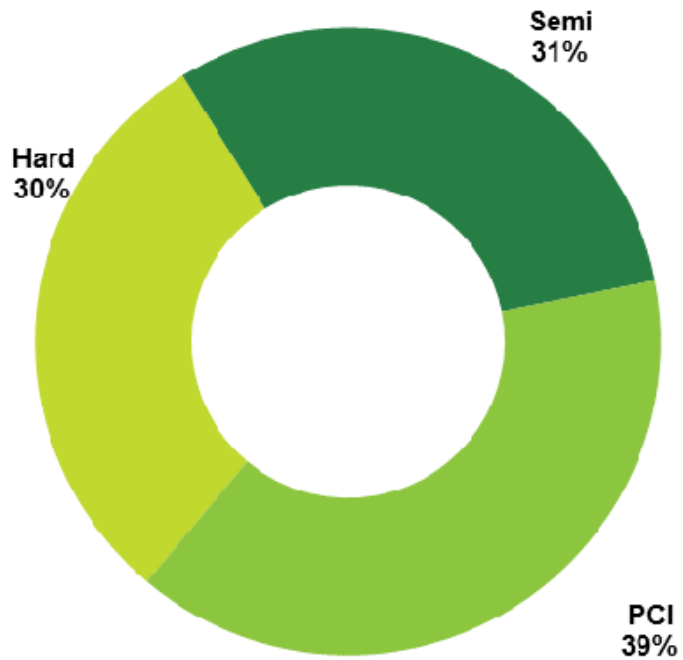


Source: AME

# Resources - Curragh export metallurgical sales product mix

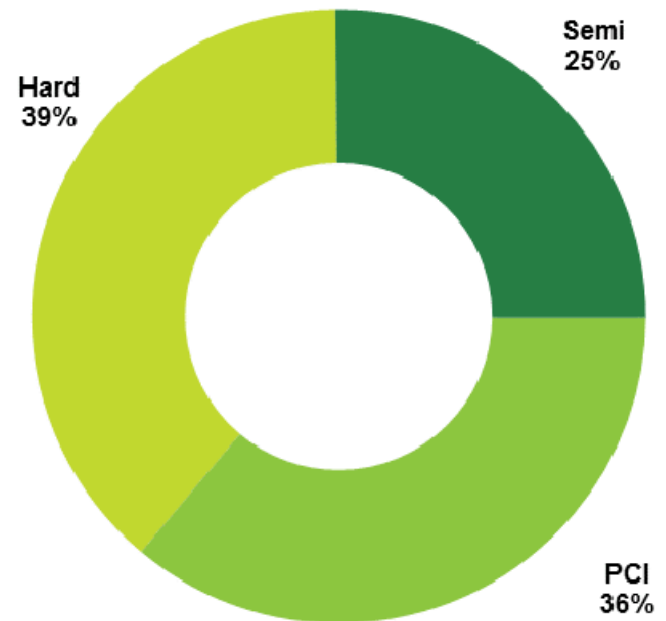
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**1H FY16 Actual**  
**4.2 million tonnes**



Stanwell Rebate **\$35m**

**FY16 Forecast**  
**7.3 – 7.8 million tonnes**



**\$55m - \$65m**

## Resources - Coal production volumes

Mine	Ownership	Coal Type	Half-year ended ('000 tonnes)	
			Dec 2015	Dec 2014
Curragh, QLD	100%	Metallurgical	3,986	4,580
		Steaming	1,791	1,543
Bengalla, NSW <sup>1</sup>	40%	Steaming	1,680	1,658
<b>Total<sup>1</sup></b>			<b>7,457</b>	<b>7,781</b>

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

## Resources - Coal sales volumes

Mine	Ownership	Coal Type	Half-year ended ('000 tonnes)	
			Dec 2015	Dec 2014
Curragh, QLD <sup>1</sup>	100%	Metallurgical	4,175	4,271
		Steaming	1,819	1,542
Bengalla, NSW <sup>2</sup>	40%	Steaming	1,733	1,726
<b>Total<sup>1</sup></b>			<b>7,727</b>	<b>7,539</b>

<sup>1</sup> Curragh metallurgical coal sales excludes traded coal.

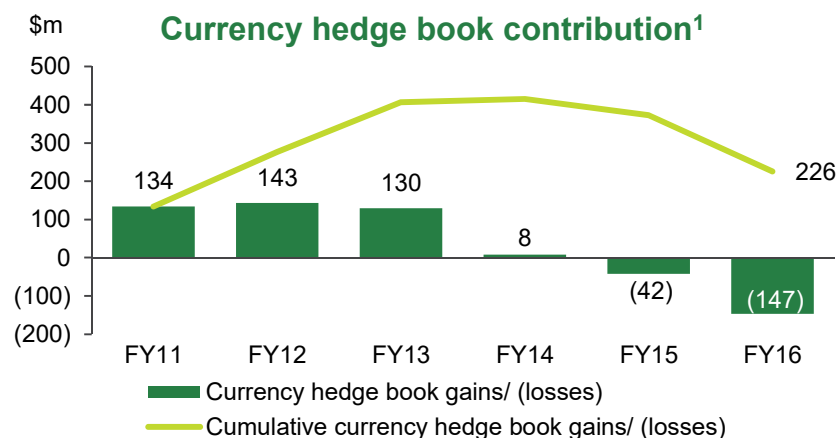
<sup>2</sup> Wesfarmers attributable sales.



## Resources - FX hedging profile

### Hedge book - history

- Following a number of years of positive contribution, more recent years impacted by currency hedge book losses



- Foreign exchange policy recently suspended & under review
- FY16 fully & FY17 hedges largely closed-out
  - Currency hedge book losses of \$70 million in 1H FY16 & \$77 million in 2H FY16

### Hedge book - current

#### Remaining forward contracts

	Current US\$ sold forward – open (US\$m) <sup>1</sup>		Average A\$/US\$ hedge rate
	Curragh	Bengalla	
FY16	-	-	-
FY17	102	33	0.85
FY18	174	76	0.79
FY19	48	24	0.75

<sup>1</sup> Hedging position for both mines shown as at 18 January 2016

## Resources financial summary

Half-year ended 31 December <sup>1</sup>	2015	2014	Commentary
<b>Export revenue (\$m)</b>			
Produced – Realised	587	622	• Significant fall in export coal prices with benefit of a lower Australian dollar largely offset by hedge book losses
– Hedge book gains/(losses)	(70)	6	
<b>Total</b>	<b>517</b>	<b>628</b>	
Export mining & other costs (\$m) <sup>2</sup>	(440)	(402)	• Lower unit mine cash costs at Curragh more than offset by inventory drawdown due to lower production & higher port costs
Traded earnings (\$m)	2	1	
<b>Export contribution to earnings (\$m)</b>	<b>79</b>	<b>227</b>	
<b>Stanwell Corporation obligations</b>			
Domestic coal supply	(42)	(39)	• Stanwell Corporation obligations continue to adversely impact earnings, including contracted domestic coal supplied below cost
Export rebate	(35)	(34)	
<b>Total</b>	<b>(77)</b>	<b>(73)</b>	
<b>State government royalties (\$m)</b>	<b>(46)</b>	<b>(46)</b>	
<b>EBITDA</b>	<b>(44)</b>	<b>108</b>	• Operational EBITDA, excluding hedge book gains & losses, of \$26m in 1H FY16 (\$102m in 1H FY15)
Depreciation & amortisation (\$m)	(74)	(73)	
<b>EBIT (\$m)</b>	<b>(118)</b>	<b>35</b>	

<sup>1</sup> Bengalla reported at 40% share.

<sup>2</sup> Simple unit cost averages will be impacted by tonnage & cost structure variances between mines.



## Group management balance sheet - overview

(\$m) <sup>1</sup>	1H15	FY15	1H16	Commentary
Inventories	6,080	5,497	6,580	Detailed working capital discussion provided on slide 37
Receivables & prepayments	1,644	1,658	1,810	
Trade & other payables	(6,383)	(5,764)	(7,063)	
Other	501	393	520	
<b>Net working capital</b>	<b>1,842</b>	<b>1,784</b>	<b>1,847</b>	
Property, plant & equipment	10,123	10,205	10,207	
Intangibles	19,150	19,309	19,298	<ul style="list-style-type: none"> <li>Goodwill increased by \$148m from 1H FY15 on acquisition of GE's interest in the Coles credit card JV &amp; Workwear Group</li> </ul>
Other assets	705	775	711	
Provisions & other liabilities	(3,031)	(3,040)	(3,141)	<ul style="list-style-type: none"> <li>Retail divisions seasonally higher against FY15</li> <li>Higher against 1H FY15 due to increased provisions for bonus payments &amp; unredeemed loyalty points</li> </ul>
<b>Total capital employed</b>	<b>28,789</b>	<b>29,033</b>	<b>28,922</b>	
Net financial debt <sup>2</sup>	(4,508)	(4,746)	(4,470)	<ul style="list-style-type: none"> <li>Lower against FY15 mainly due to repayment of €500m (A\$756) Euro medium term notes, partially offset by A\$350m drawdown of Group's bank bilateral facilities</li> </ul>
Net tax balances	464	494	510	
<b>Total net assets</b>	<b>24,744</b>	<b>24,781</b>	<b>24,962</b>	

<sup>1</sup> The above balances reflect the management balance sheet, which is based on different classification & groupings than the balance sheet in the 2016 Half-year Report.

<sup>2</sup> Net debt including interest rate swap assets / liabilities & excluding financing of credit book relating to the Coles credit card.

## Balance sheet – working capital

(\$m) <sup>1</sup>	1H15	FY15	1H16	Commentary
Inventories	6,080	5,497	6,580	<ul style="list-style-type: none"> <li>• Retail divisions &amp; WesCEF seasonally higher against FY15</li> <li>• Inventory increased by \$500m (1H FY16 v 1H FY15) mainly due to network expansion (Bunnings &amp; Coles) &amp; higher unit purchase costs due to a lower Australian dollar</li> </ul>
Receivables & prepayments	1,644	1,658	1,810	<ul style="list-style-type: none"> <li>• Retail business growth</li> </ul>
Trade & other payables	(6,383)	(5,764)	(7,063)	<ul style="list-style-type: none"> <li>• Retail payables seasonally higher against FY15 given Christmas trade</li> <li>• Retail payables increased by \$721m (1H FY16 v 1H FY15) due to business growth, improved creditor terms &amp; effect of a lower Australian dollar</li> </ul>
Other	501	393	520	<ul style="list-style-type: none"> <li>• Cash on hand seasonally higher against FY15</li> </ul>
<b>Net working capital</b>	<b>1,842</b>	<b>1,784</b>	<b>1,847</b>	

<sup>1</sup> The above table refers to balance sheet movements only. Working capital movements as shown on slide 54 of the 2016 Half-year Briefing Presentation exclude non-cash movements which are included in the table above.



**Wesfarmers**