

# **2015 Full-Year Results Supplementary Information**

**Thursday, 20 August 2015**

(to be read in conjunction with 2015 the Full-Year Results Briefing Presentation)



**Wesfarmers**

## Presentation outline

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# Coles

## John Durkan

## Managing Director



coles

coles.com.au

coles  
express

VINTAGE CELLARS

first CHOICE liquor

BI-LO

LIQUORLAND

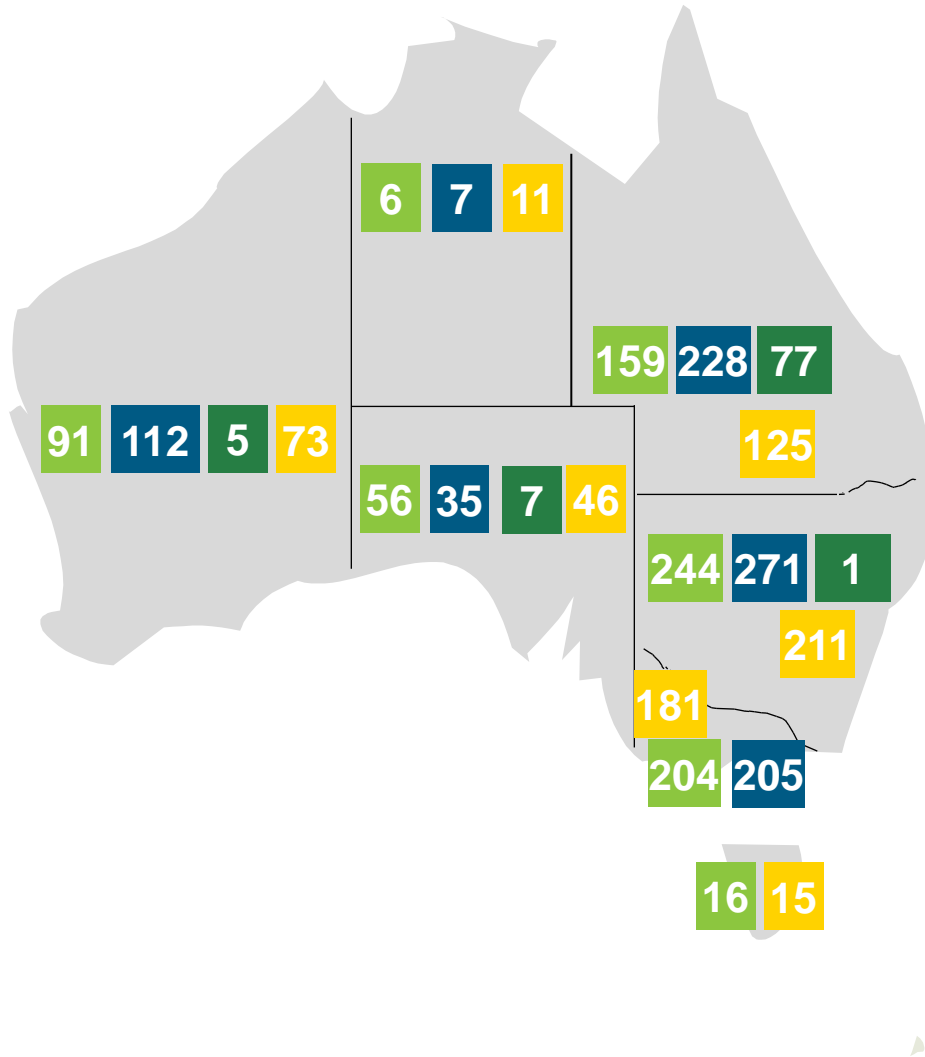
spirit  
HOTELS

coles Financial Services

# Coles network

As at 30 June 2015

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## Selling Area

Supermarkets (sqm) 1,749,840

Liquor (sqm) – ex hotels 209,490

- 776 Supermarkets
- 858 Liquor stores
- 90 Hotels
- 662 Convenience

## Store network movements

	Open at 30 June 2014	Opened	Closed	Re-branded	Open at 30 June 2015
<b>Supermarkets</b>					
Coles	745	25	(10)	11	771
Bi-Lo	17	-	(1)	(11)	5
<b>Total Supermarkets</b>	<b>762</b>	<b>25</b>	<b>(11)</b>	<b>-</b>	<b>776</b>
<b>Liquor</b>					
1 <sup>st</sup> Choice	98	5	(3)	-	100
Vintage Cellars	77	5	(3)	-	79
Liquorland	656	46	(23)	-	679
Hotels	90	1	(1)	-	90
<b>Total Liquor</b>	<b>921</b>	<b>57</b>	<b>(30)</b>	<b>-</b>	<b>948</b>
<b>Convenience</b>	<b>642</b>	<b>22</b>	<b>(2)</b>	<b>-</b>	<b>662</b>

## Revenue reconciliation

Year end 30 June (\$m)	2015			2014		
	Food & Liquor	Convenience	Total	Food & Liquor	Convenience	Total
<b>Segment revenue (Gregorian)<sup>1</sup></b>	<b>30,784</b>	<b>7,417</b>	<b>38,201</b>	<b>29,220</b>	<b>8,171</b>	<b>37,391</b>
Less: Other revenue	(279)	(13)	(292)	(252)	(12)	(264)
<b>Headline sales (Gregorian)</b>	<b>30,505</b>	<b>7,404</b>	<b>37,909</b>	<b>28,968</b>	<b>8,159</b>	<b>37,127</b>
Plus: Gregorian adjustment <sup>2</sup>	(75)	(18)	(93)	(72)	(22)	(94)
<b>Headline sales revenue (Retail)<sup>3</sup></b>	<b>30,430</b>	<b>7,386</b>	<b>37,816</b>	<b>28,896</b>	<b>8,137</b>	<b>37,033</b>

<sup>1</sup> Segment revenue for Food & Liquor includes property revenue for 2015 of \$29 million & for 2014 of \$26 million.

<sup>2</sup> Adjustment to headline sales revenue to reflect 30 June financial year end.

<sup>3</sup> Retail period relates to the 52 week period 30 June 2014 to 28 June 2015 & the 52 week period 1 July 2013 to 29 June 2014.

# Home Improvement & Office Supplies

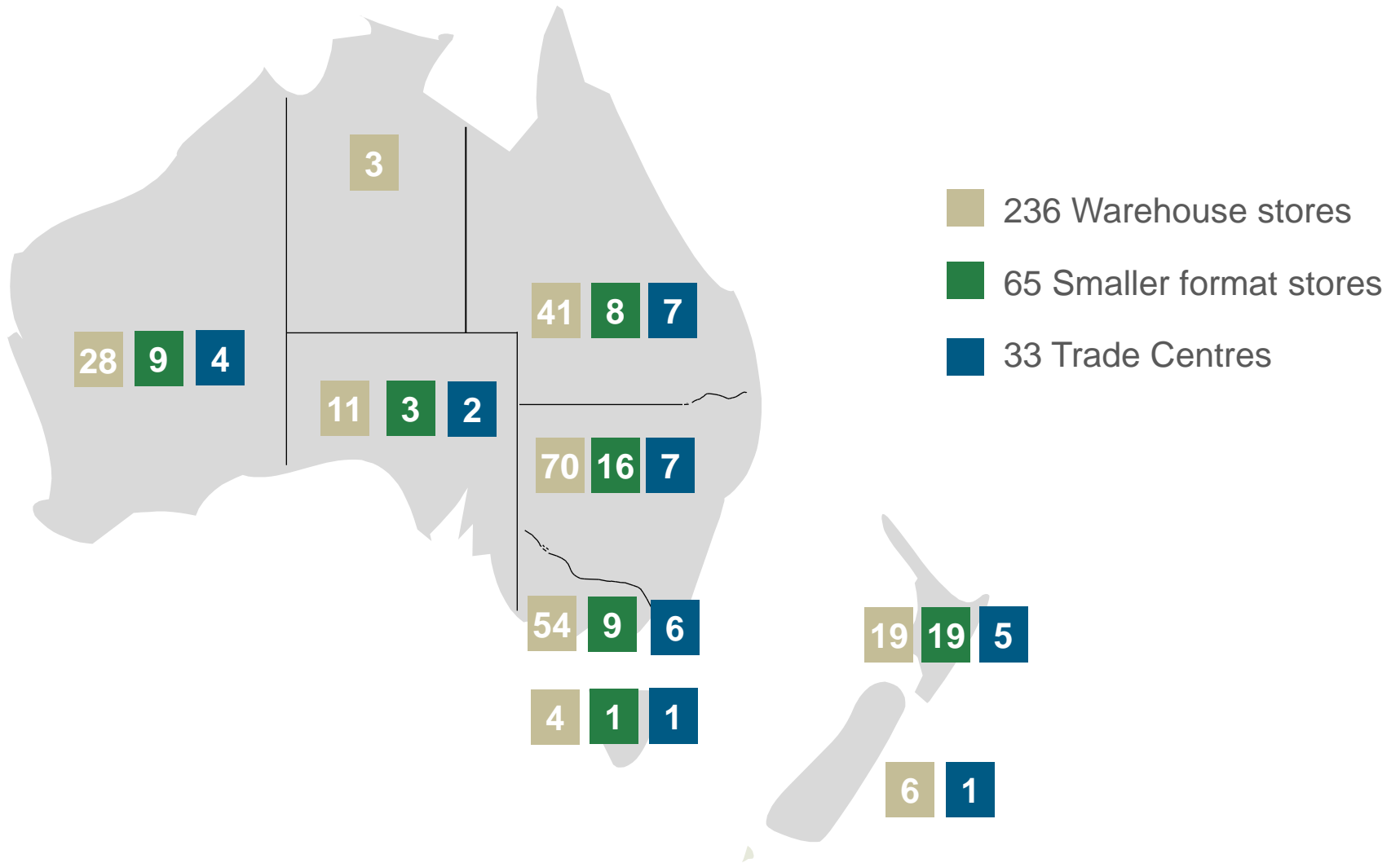
John Gillam  
Managing Director



# Bunnings network

As at 30 June 2015

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# Store network movements

	Open at 30 June 2014	Opened	Closed	Open at 30 June 2015	Expanded	Under construction 30 June 2015
<b>Home Improvement</b>						
Bunnings Warehouse	223	20	(7)	236	2	10
Bunnings smaller formats	64	6	(5) <sup>1</sup>	65	1	1
Bunnings Trade Centres	33	4 <sup>1</sup>	(4)	33	-	-

<sup>1</sup> Includes Gisborne (NZ) small format store closure & reopening as Gisborne trade centre.

## Continued network reinvestment & expansion

### Bunnings Warehouse stores

- Expect to open 15 to 18 in FY16 & FY17 (~30 to 36 in the next two years)
- Post FY17, forecast opening 10 to 14 annually over the longer term

### Bunnings smaller format stores

- Expect to open ~4 in FY16
- Forecast opening two to four annually over the longer term



# Home Improvement performance summary

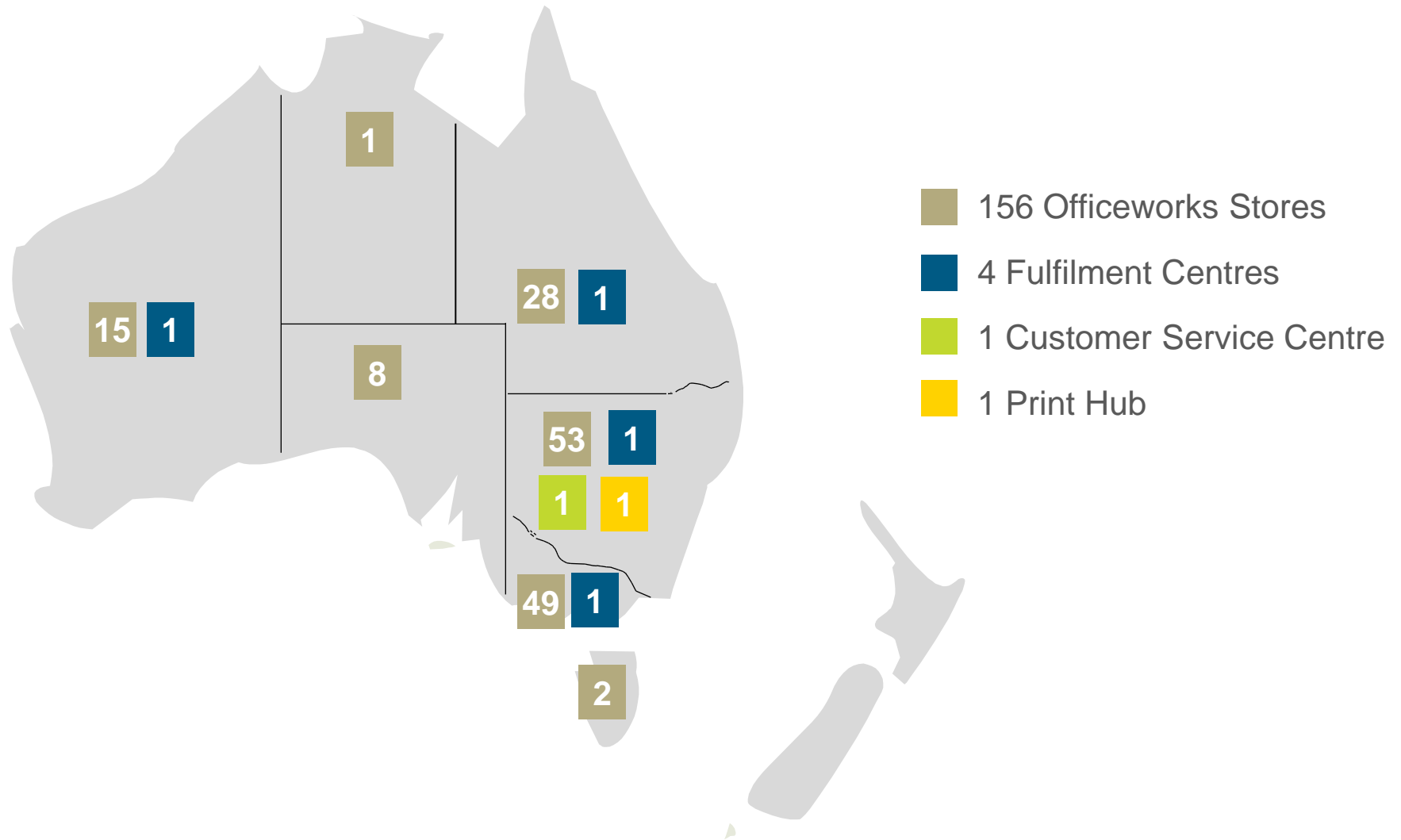
Year end 30 June (\$m)	2015	2014	↕%
<b>Revenue</b>	9,534	8,546	11.6
EBITDA	1,228	1,106	11.0
Depreciation & amortisation	(140)	(127)	(10.2)
<b>EBIT</b>	1,088	979	11.1
EBIT margin (%)	11.4	11.5	
Less: Net property contribution <sup>1</sup>	40	13	207.7
<b>Trading EBIT</b>	1,048	966	8.5
Trading EBIT margin (%)	11.0	11.3	

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

# Officeworks network

As at 30 June 2015

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Office Supplies

## Store network movements

	Open at 30 June 2014	Opened	Closed	Open at 30 June 2015	Under construction 30 June 2015
<b>Office Supplies</b>					
Officeworks	151	7	(2)	156	3
Harris Technology	1	-	(1)	-	-



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# Kmart

## Guy Russo

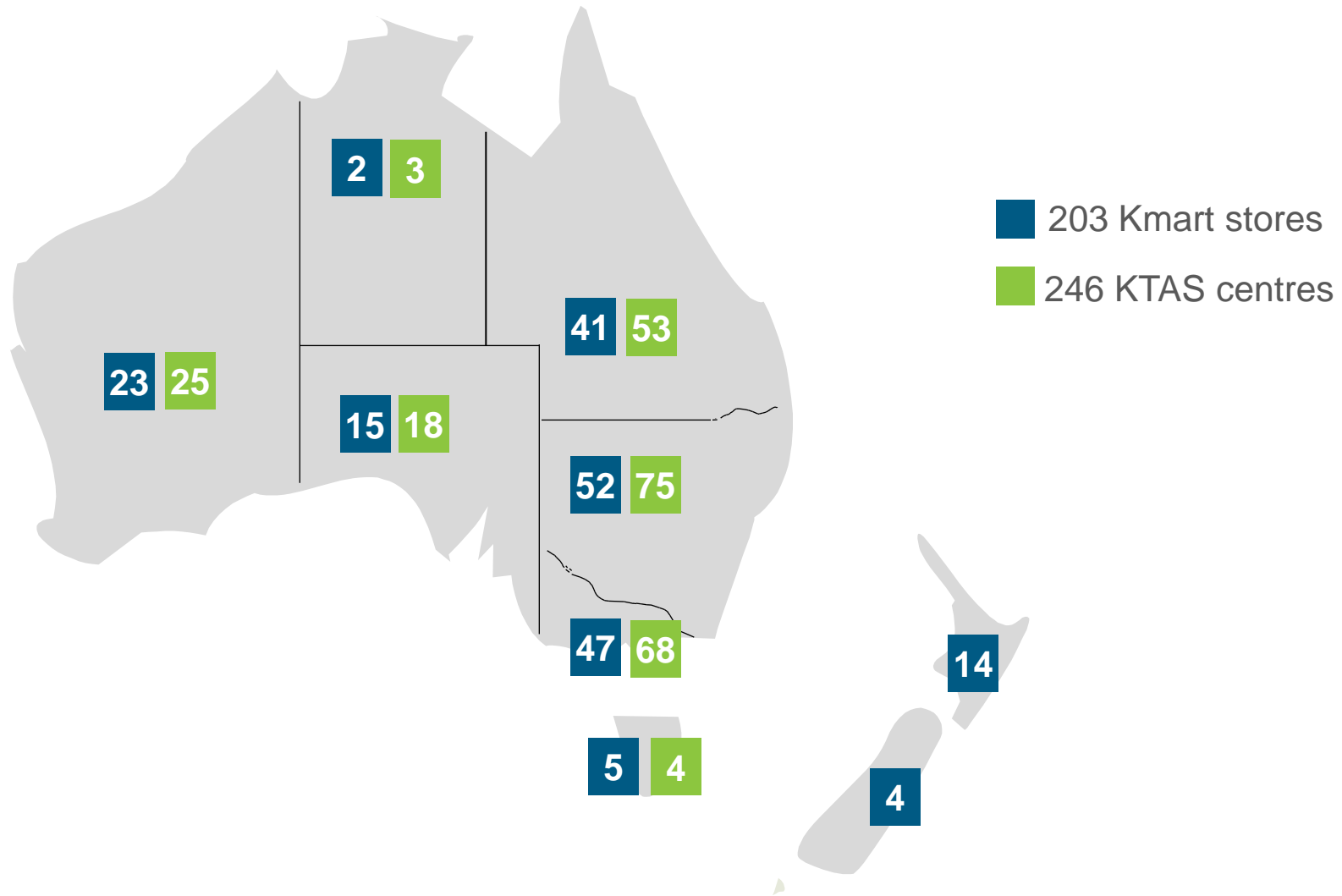
### Managing Director



# Kmart network

As at 30 June 2015

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## Store network movements

	Open at 30 June 2014	Opened	Closed	Open at 30 June 2015
Kmart	192	11	-	203
Kmart Tyre & Auto	243	6	(3)	246

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# Revenue reconciliation

<b>Year end 30 June (\$m)</b>	<b>2015</b>	<b>2014</b>
<b>Segment revenue (Gregorian)</b>	<b>4,553</b>	<b>4,209</b>
Less: Non sales revenue	(3)	(5)
<b>Headline sales (Gregorian)</b>	<b>4,550</b>	<b>4,204</b>
Add: Gregorian adjustment <sup>1</sup>	(10)	(10)
<b>Headline sales revenue (Retail)<sup>2</sup></b>	<b>4,540</b>	<b>4,194</b>

<sup>1</sup> Adjustment to headline sales revenue to reflect 30 June financial year end.

<sup>2</sup> Retail period relates to the 52 week period 30 June 2014 to 28 June 2015 & the 52 week period 1 July 2013 to 29 June 2014.

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# Target

Stuart Machin

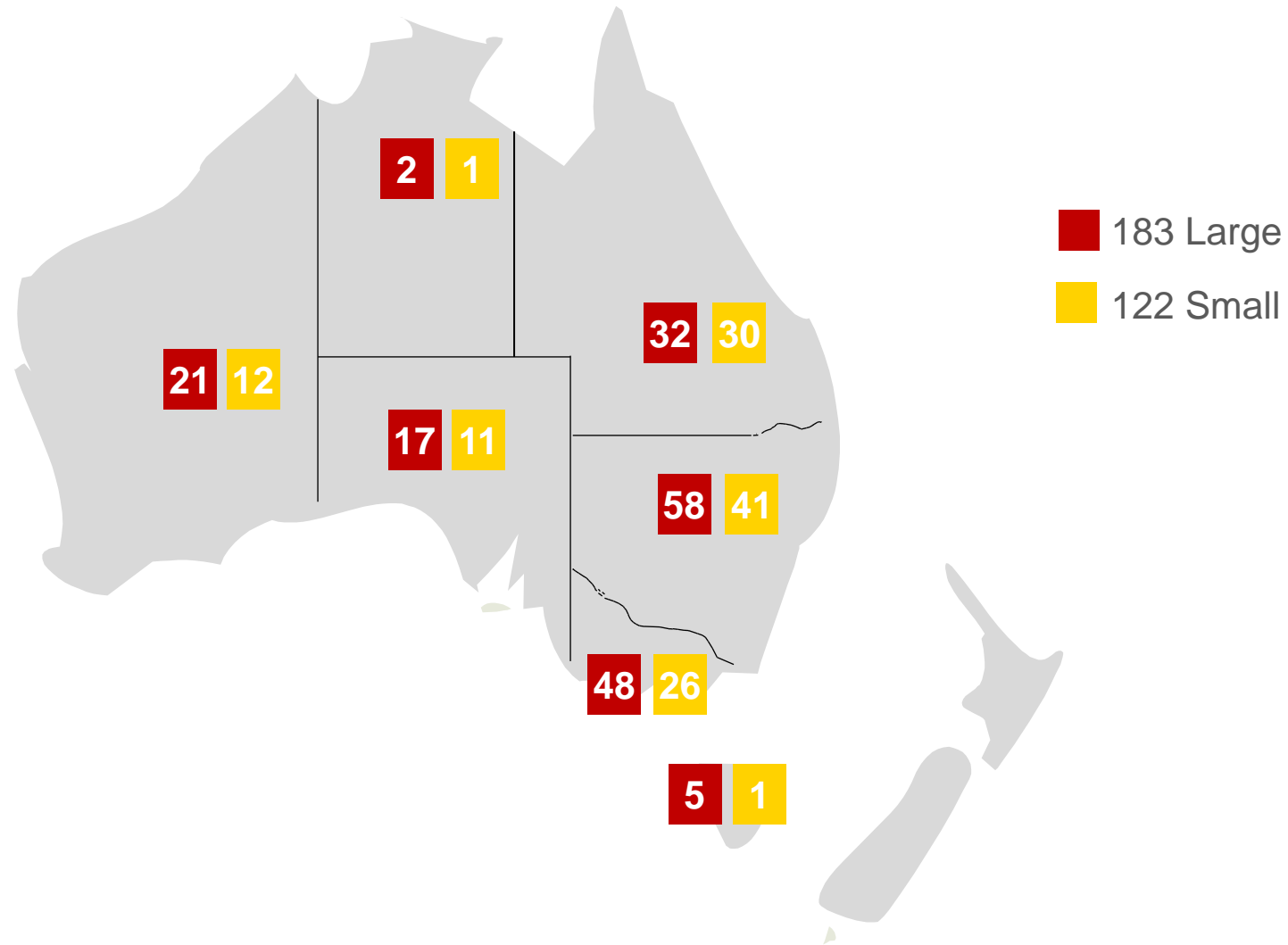
Managing director



# Target network

As at 30 June 2015

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## Store network movements

	Open at 30 June 2014	Opened	Closed	Open at 30 June 2015
<b>Large</b>	180	6	(3)	183
<b>Small</b>	128	5	(11)	122
<b>Total</b>	308	11	(14)	305

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# Revenue reconciliation

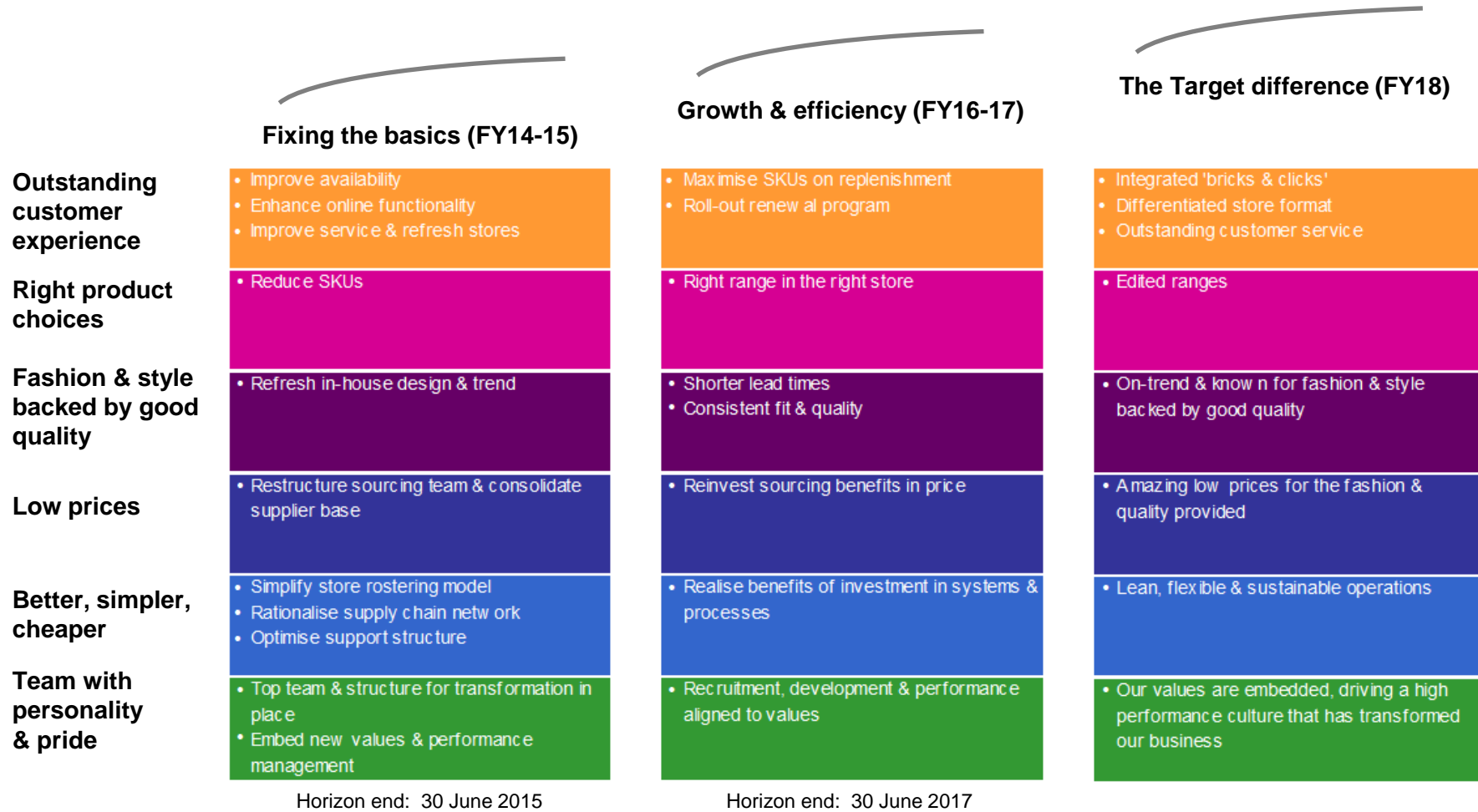
<b>Year end 30 June (\$m)</b>	<b>2015</b>	<b>2014</b>
<b>Segment revenue (Gregorian)</b>	3,438	3,501
Less: Non sales revenue	-	-
<b>Headline sales (Gregorian)</b>	3,438	3,501
Add: Gregorian adjustment <sup>1</sup>	(6)	(5)
<b>Headline sales revenue (Retail)<sup>2</sup></b>	3,432	3,496

<sup>1</sup> Adjustment to headline sales revenue to reflect 30 June financial year end.

<sup>2</sup> Retail period relates to the 52 week period 29 June 2014 to 27 June 2015 & the 52 week period 30 June 2013 to 28 June 2014.

# Target transformation plan

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# Chemicals, Fertiliser & Energy

Tom O'Leary  
Managing Director

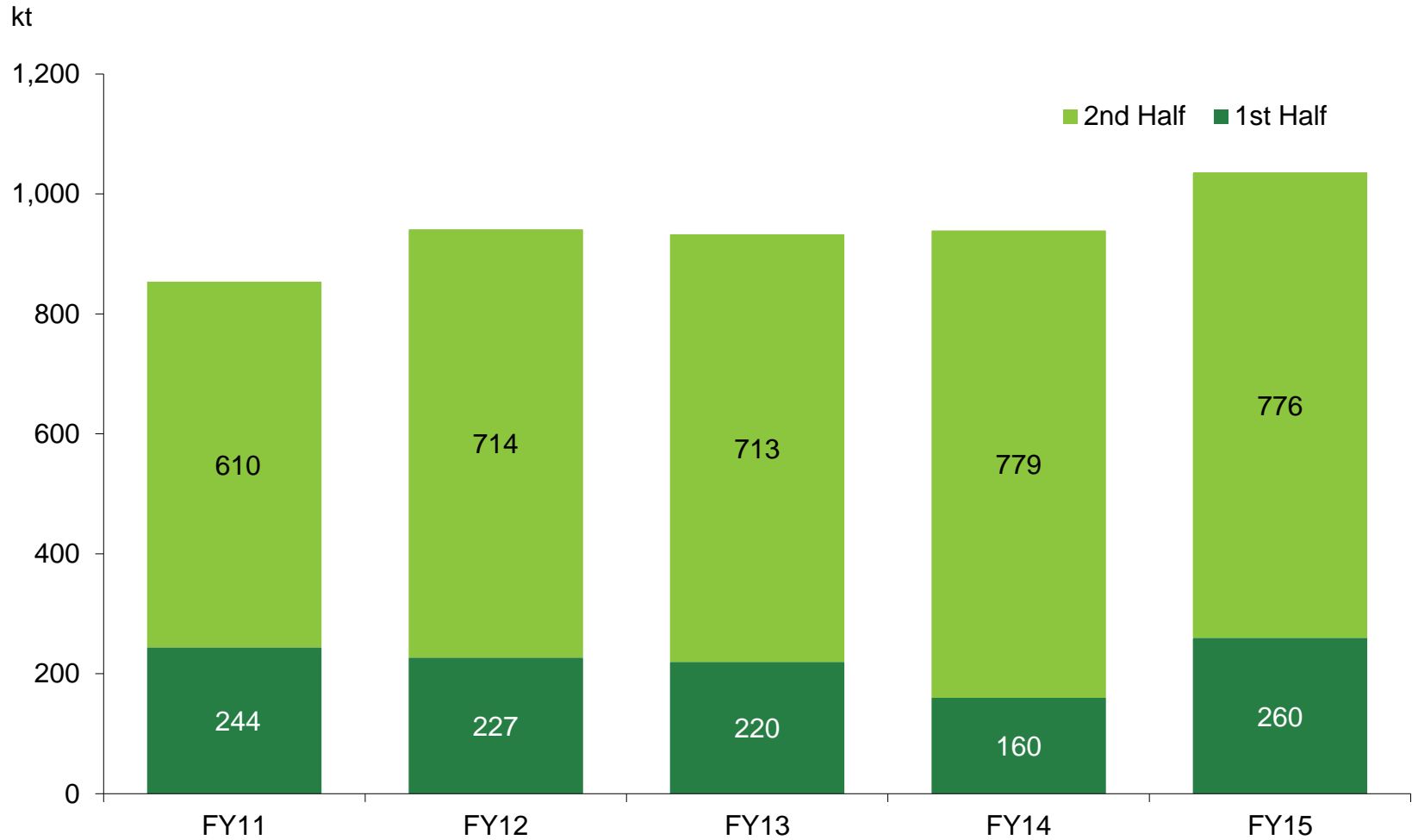


# Business overview

	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
 (50%)	Ammonium nitrate (AN)	Qld	Coal	BMA, Curragh, Rio Tinto
 (75%)	Sodium cyanide (SC)	WA/Global	Gold	Newmont, Barrick, AngloGold
 	PVC/chemicals 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
 (13.7%)	Oil & Gas	WA	Energy	Major domestic gas users

# Fertiliser sales

Over 1 million tonnes sold in FY15, with strong nitrogen sales in first half

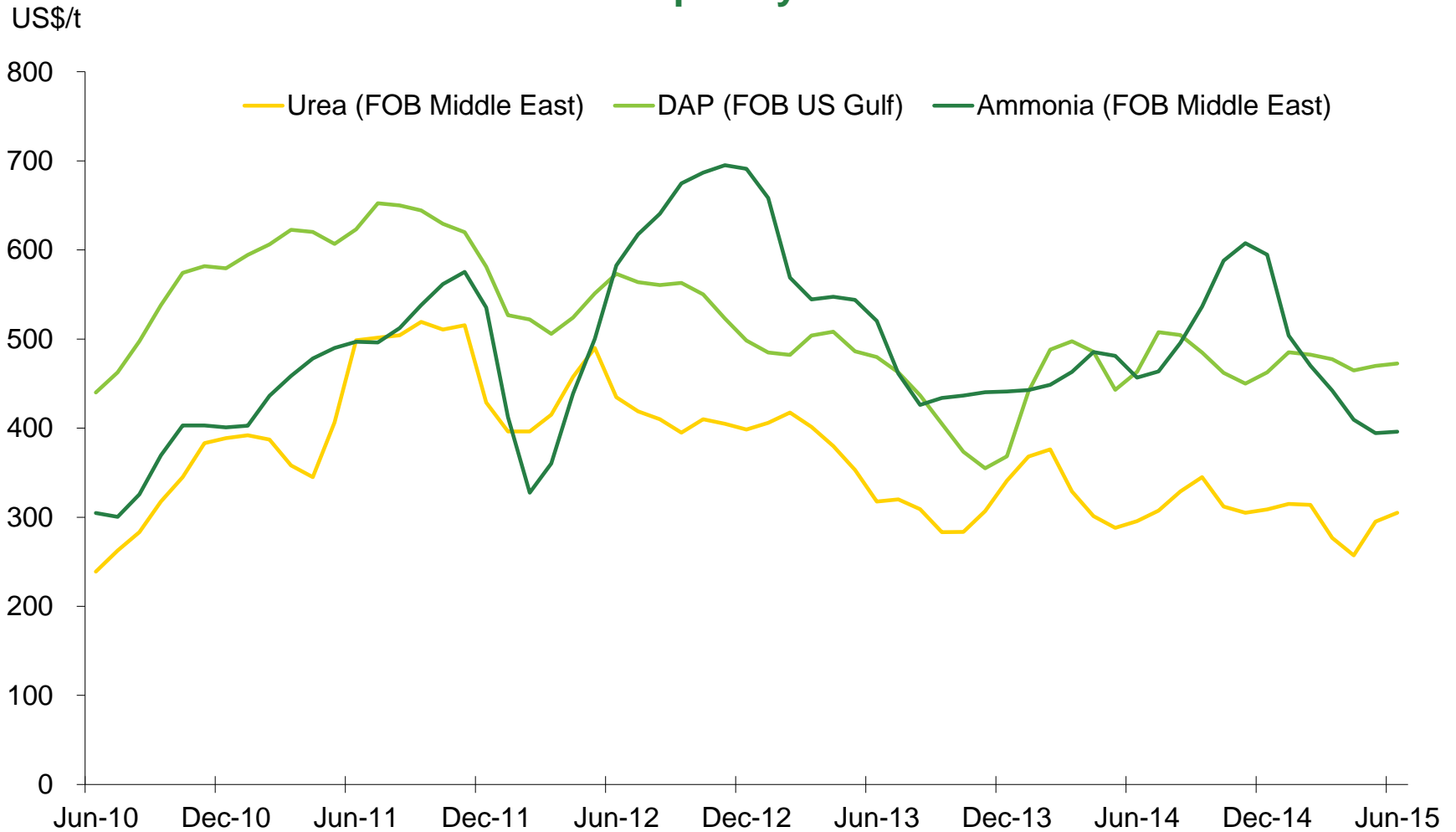


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# Global fertiliser & ammonia pricing

Sharp movements in US\$ ammonia pricing in FY15, ending the year lower than prior year

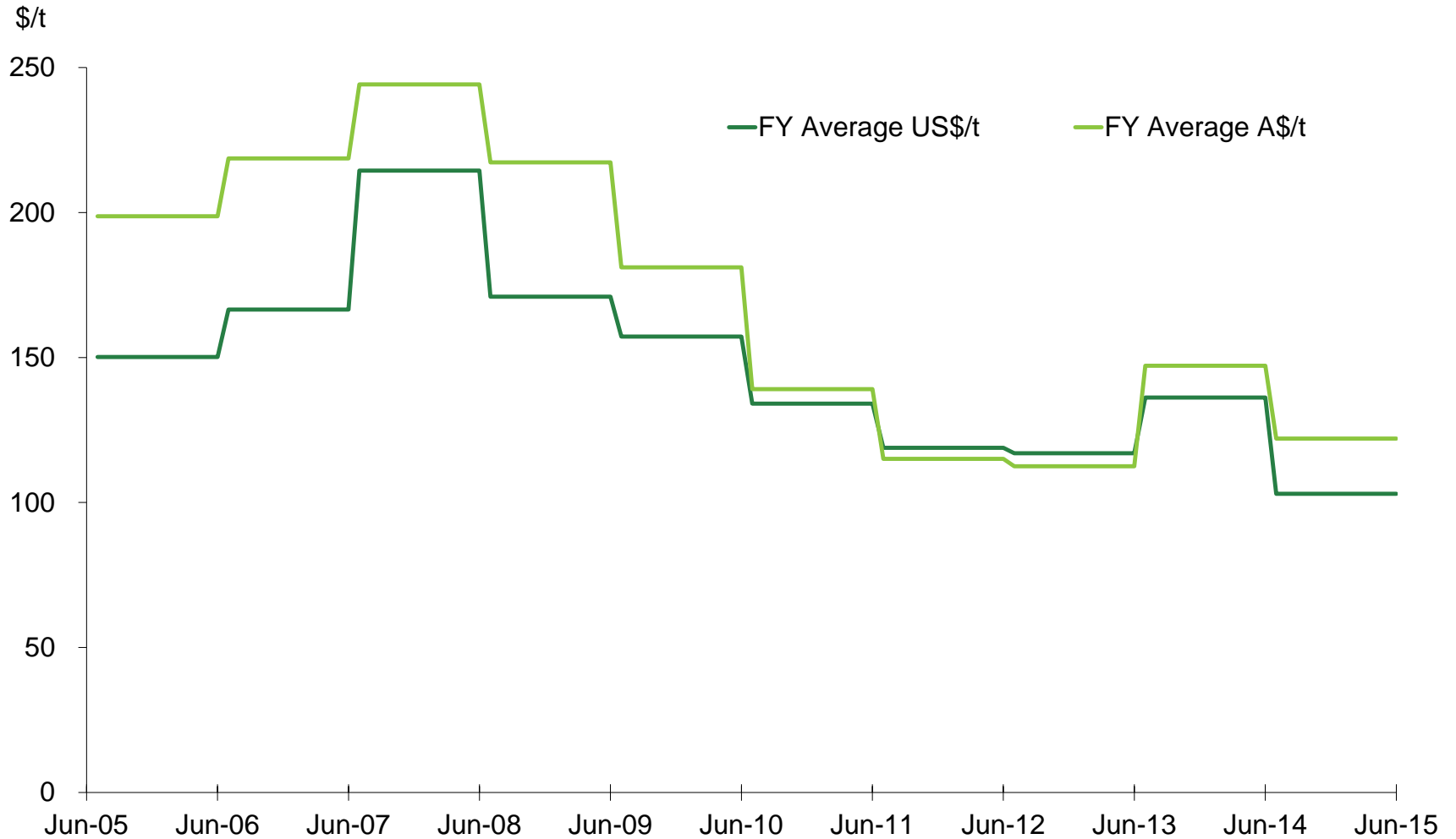


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# PVC-VCM spread

The 'PVC – VCM spread' refers to the difference between the Asian PVC selling price & VCM input cost

## Further declines in US\$ spread during FY15, partially offset by declining A\$

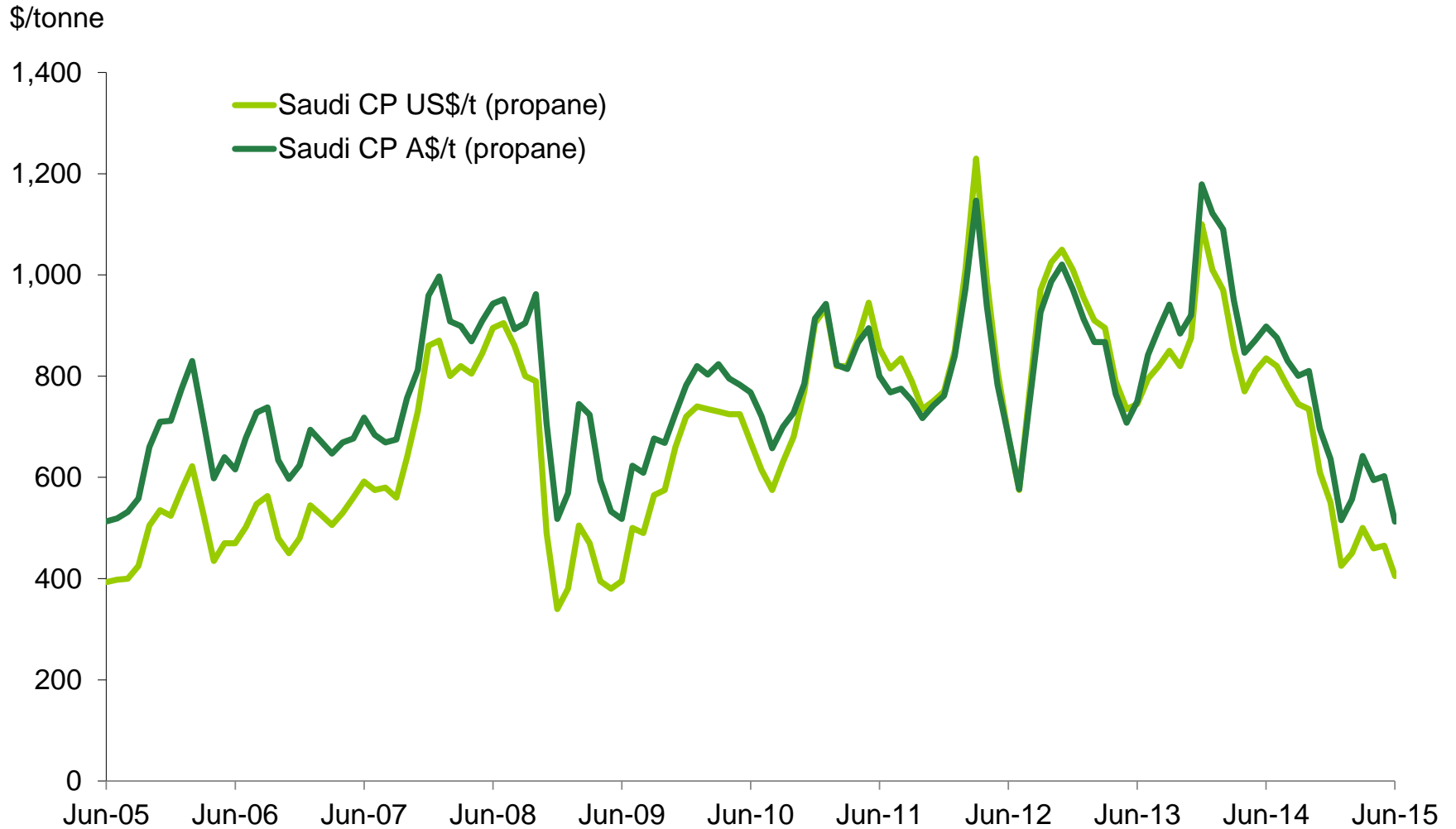


Source: Harriman Front Page Asian mid points

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# World LPG prices – Saudi CP

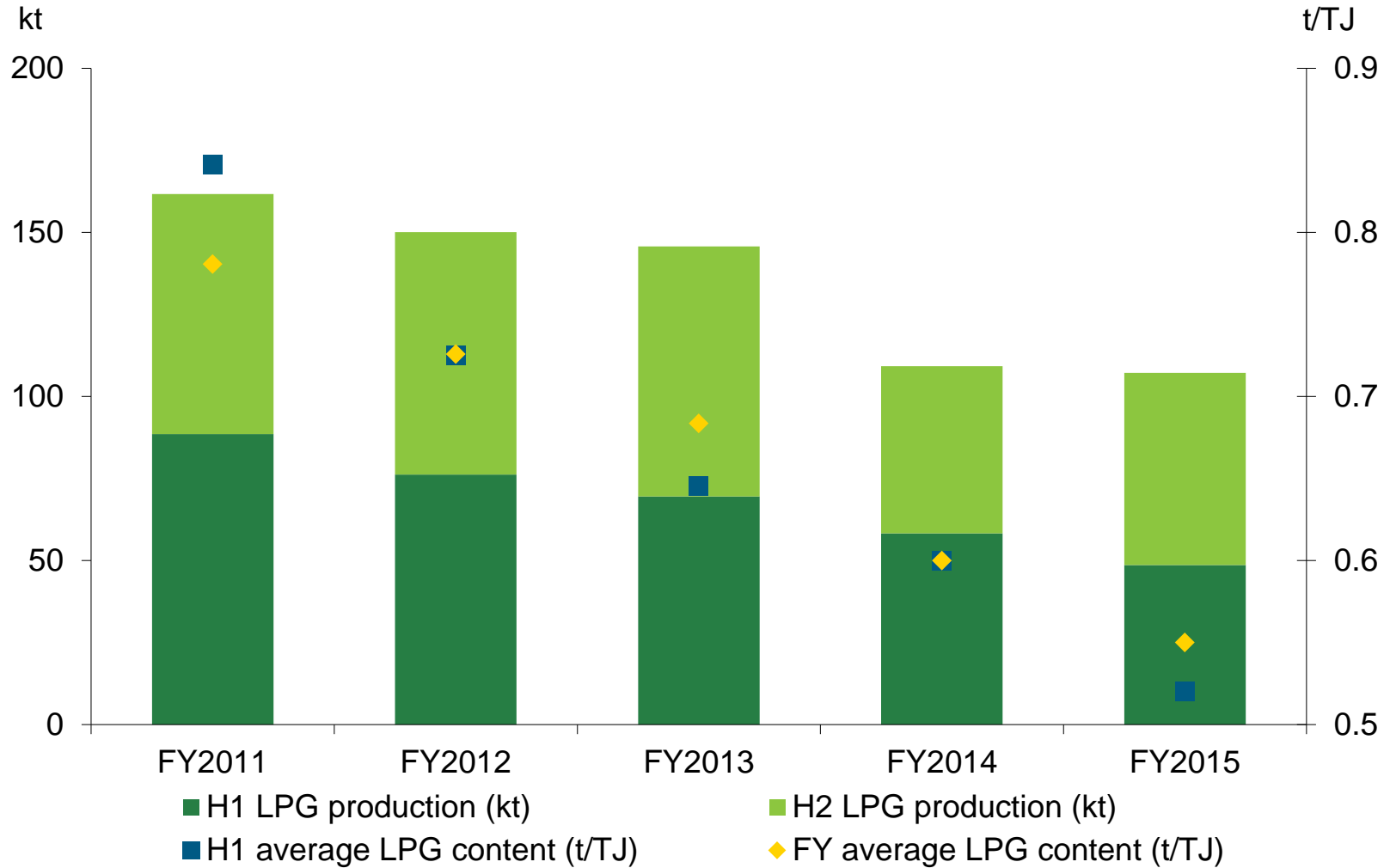
## Sharp decline in Saudi CP during FY15



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# LPG production

## Continued long term trend of LPG content decline



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# Resources

Stewart Butel

Managing Director



## Global environment – current & short-term trends

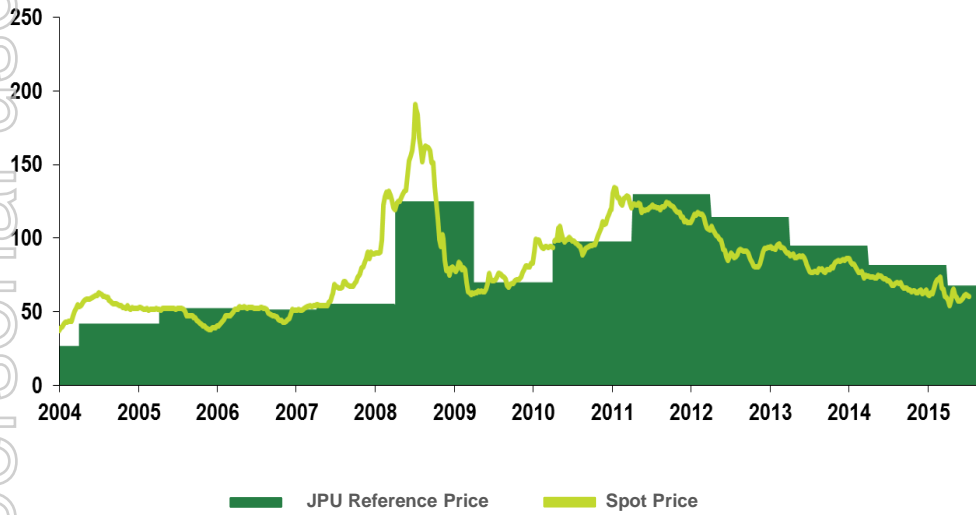
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- World blast furnace iron production relatively stable excluding China
  - Volatile Chinese import metallurgical coal demand & generally slowing
  - Chinese excess steel capacity being placed into global markets further impacting price
- Metallurgical coal market continues to be oversupplied
  - Continued strong seaborne supply from Australia
  - Coal export supply rationalisation materialising slowly
  - Australian coal suppliers slow to downsize due to impact of ‘take-or-pay’ contracts
  - Competition for market share from Chinese domestic industry
  - High demand growth expectation from India not yet materialised to offset weakening Chinese demand
- Oversupply continues to weigh heavily on spot prices, including a weak Chinese market
- Many producers struggling to meet cash costs of production at current low export prices
- A\$:US\$ exchange rate has weakened through FY15, but benefit has been more than offset by price declines in US\$ export coal pricing

# 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)



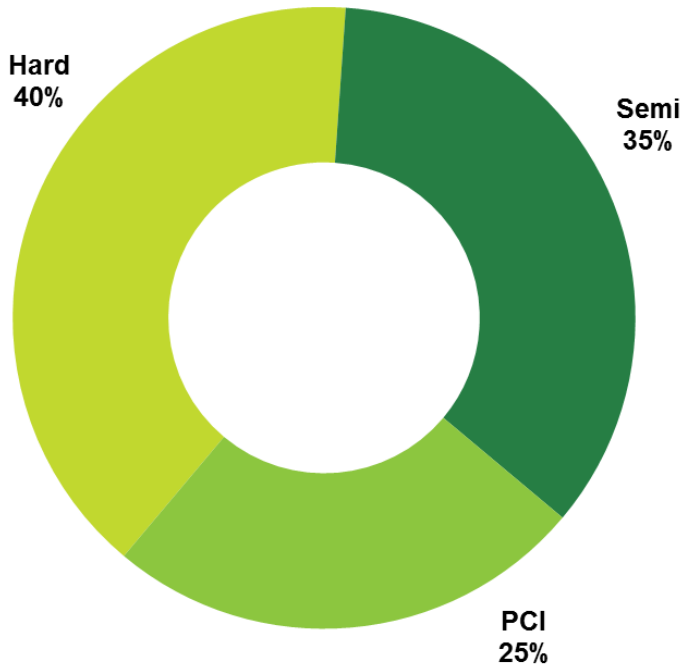
Source: Energy Publishing, Tex Report, Macquarie Research, CRU

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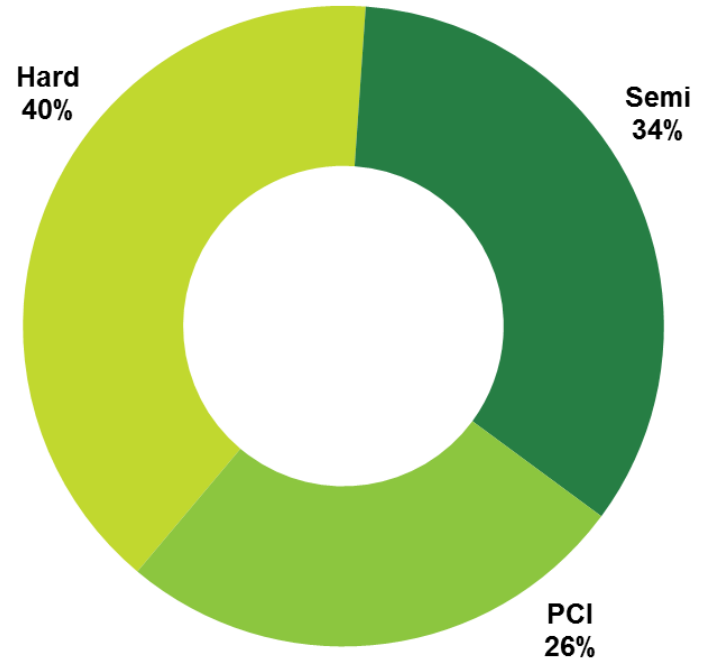
# Curragh export metallurgical sales product mix

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**FY15 Actual**  
8.6 million tonnes



**FY16 Forecast**  
8.0 - 9.0 million tonnes





# Coal production volumes

Mine	Ownership	Coal Type	Year Ended ('000 tonnes)	
			Jun 2015	Jun 2014
Curragh, QLD	100%	Metallurgical	9,066	8,810
		Steaming	3,187	3,498
Bengalla, NSW <sup>1</sup>	40%	Steaming	3,304	3,451
<b>Total<sup>1</sup></b>			<b>15,557</b>	<b>15,759</b>

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

# Coal sales volumes

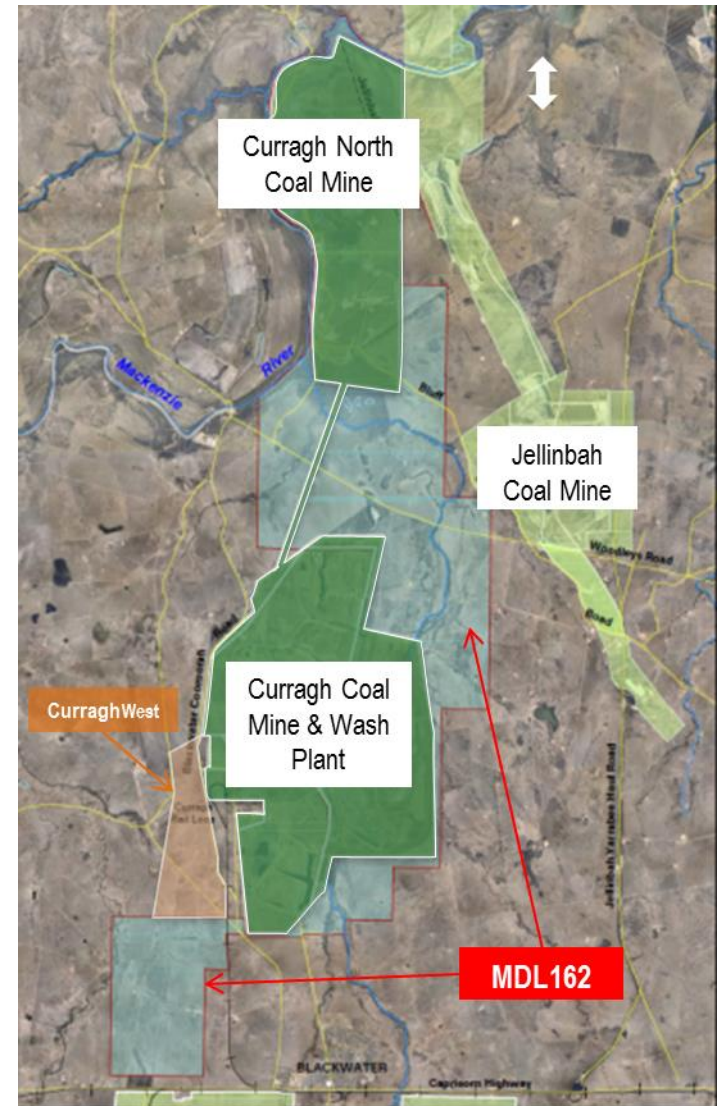
Mine	Ownership	Coal Type	Year Ended ('000 tonnes)	
			Jun 2015	Jun 2014
Curragh, QLD <sup>1</sup>	100%	Metallurgical	8,604	8,779
		Steaming	3,202	3,570
Bengalla, NSW <sup>2</sup>	40%	Steaming	3,351	3,446
<b>Total<sup>1, 2</sup></b>			<b>15,157</b>	<b>15,795</b>

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

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

# Curragh mine: longer-term development options

- Curragh expansion to 10mtpa export capacity
  - Feasibility study completed
  - Low incremental capital cost
  - WICET<sup>1</sup> Stage 1 operations ramp-up underway
  - Timing subject to market conditions
- MDL 162 development
  - Additional drilling resulted in an upgrade of 17 million tonnes of reserves<sup>2</sup>
  - Mining lease application well advanced
  - Utilise existing Curragh infrastructure including CHPP, rail loop & mining equipment
  - Feasibility study completed
  - Extends Curragh mine life & provides options to further optimise mine operations
- Curragh West mining lease granted



<sup>1</sup> Wiggins Island Coal Export Terminal.

<sup>2</sup> Refer slide 39 (Coal Reserves Note) in the 2015 Year Results Supplementary information dated 20 August 2015.

# Bengalla mine: longer-term development options

- Expansion completed in early 2015, on time & below budget
  - Low incremental capital cost
  - HME successfully commissioned & operating
  - Mine operating at 10.7mtpa ROM capacity
- New Development Consent
  - Granted 4 March 2015
  - Extend mine operations until 2039
  - Increased maximum production limit of 15mtpa ROM
- Further expansion potential
  - Concept study underway to expand up to 15mtpa ROM



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## FX hedging profile

Curragh			Bengalla		
Year end 30 Jun	Current US\$ sold forward (US\$m)	Average A\$ / US\$ hedge rate	Year end 30 Jun	Current US\$ sold forward (US\$m)	Average A\$ / US\$ hedge rate
2016	374	0.88	2016	139	0.89
2017	330	0.84	2017	105	0.84
2018	174	0.79	2018	76	0.79
2019	48	0.75	2019	24	0.75

Hedging position for both mines shown as at 15 July 2015

# Resources financial summary

Year end 30 June (\$m)	2015	2014	Commentary
Production tonnes - ('000 tonnes)			
Curragh & Bengalla <sup>1</sup>	15,557	15,759	Strong production at Curragh despite unfavourable geological conditions & increased overburden removal; Bengalla production adversely affected by weather
<b>Revenue (\$m)</b>			
Produced	1,342	1,526	
Traded	32	18	
<b>Total</b>	<b>1,374</b>	<b>1,544</b>	Lower export prices partly offset by favourable A\$:US\$ exchange rate
<b>Government royalties (\$m)</b>			
Stanwell rebate	(67)	(102)	Lower Stanwell rebate paid due to lower export prices & lower sales volume
State government royalties	(100)	(119)	Lower export prices & lower sales volumes
<b>Total</b>	<b>(167)</b>	<b>(221)</b>	
<b>Mining &amp; other costs (\$m)</b>			
Total traded cost	(30)	(17)	
Mining & other costs <sup>2</sup>	(962)	(1,016)	Strong unit cash control & lower production
<b>Total</b>	<b>(992)</b>	<b>(1,033)</b>	
Depreciation & amortisation (\$m)	(165)	(160)	Higher ROM production
<b>EBIT (\$m)</b>	<b>50</b>	<b>130</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.

# Coal reserves notes (as per slide 35)

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## Curragh coal reserves

The estimates of Curragh Project coal reserves have been carried out under the Australasian Code of Reporting of Exploration Results, Mineral Resources & Ore Reserves 2012 (the “**JORC Code 2012**”).

The Curragh Project includes all of the ‘Curragh’ and ‘Curragh North’ existing mining areas plus the adjacent MDL162 area in respect of which a mining lease application is underway.

Estimates of reserves, inclusive of the additional MDL162 reserves referred to in slide 35 have been reported as at 30 June 2015. Further information relating to the reserves is to be included in a separate release entitled ‘Statement of coal resources and reserves for Curragh project’, which forms part of Wesfarmers’ 2015 full-year results pack.

The reserves information was compiled by, is based on, and fairly represents information and supporting documentation prepared by Mr Barry Saunders (Member AusIMM), and Mr Andrew Walker (Member AusIMM) who have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC Code. Mr Walker is an employee of Wesfarmers Curragh Pty Ltd. Mr Saunders is an employee of QGESS Pty Ltd.

Mr Walker and Mr Saunders have consented to the inclusion in this Supplementary Results Pack of the reference to MDL162 reserves based upon their information in the form and context in which it appears.



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# Industrial & Safety

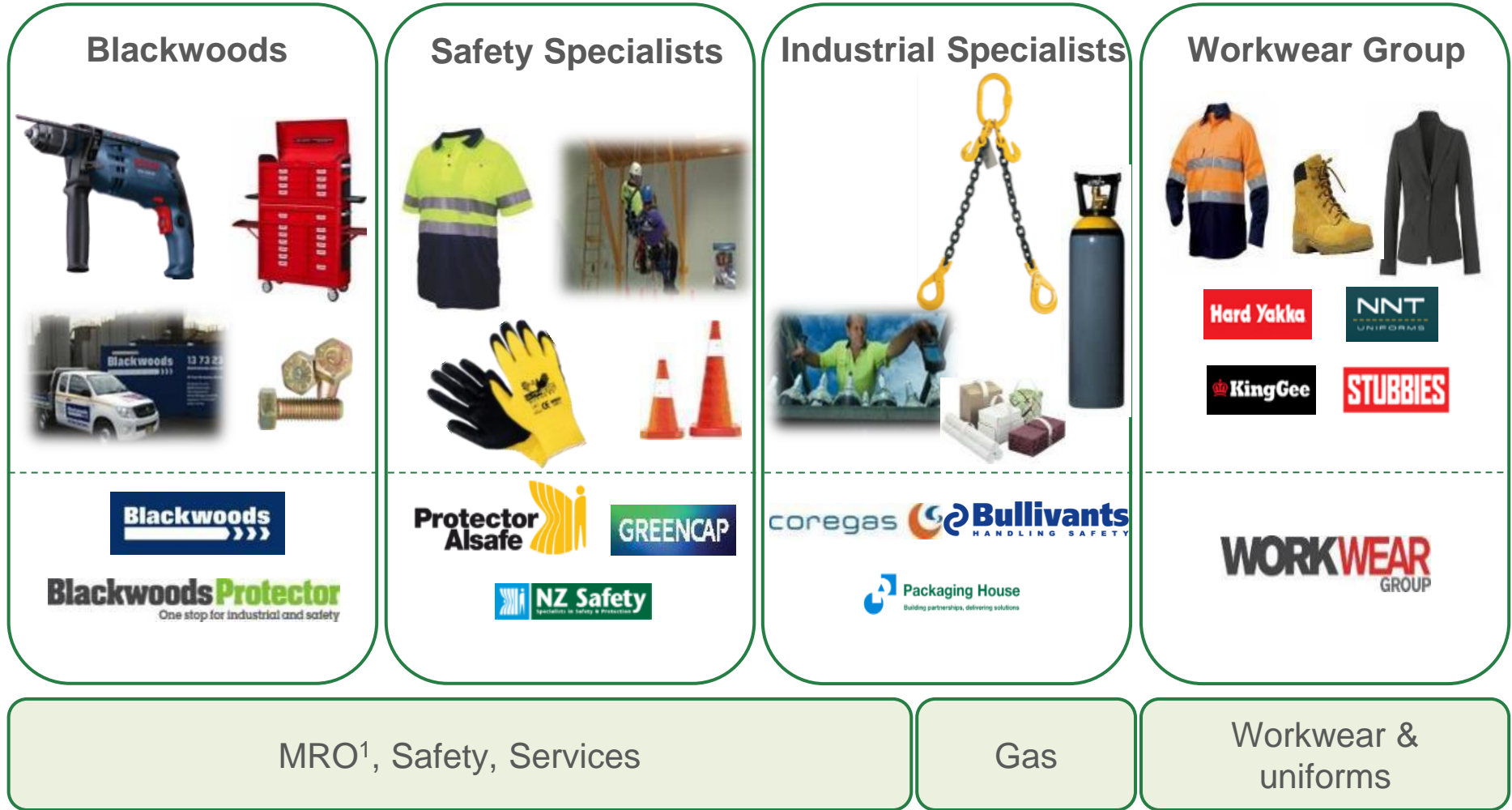
Oliver Chretien  
Managing Director





# Execution through four business streams

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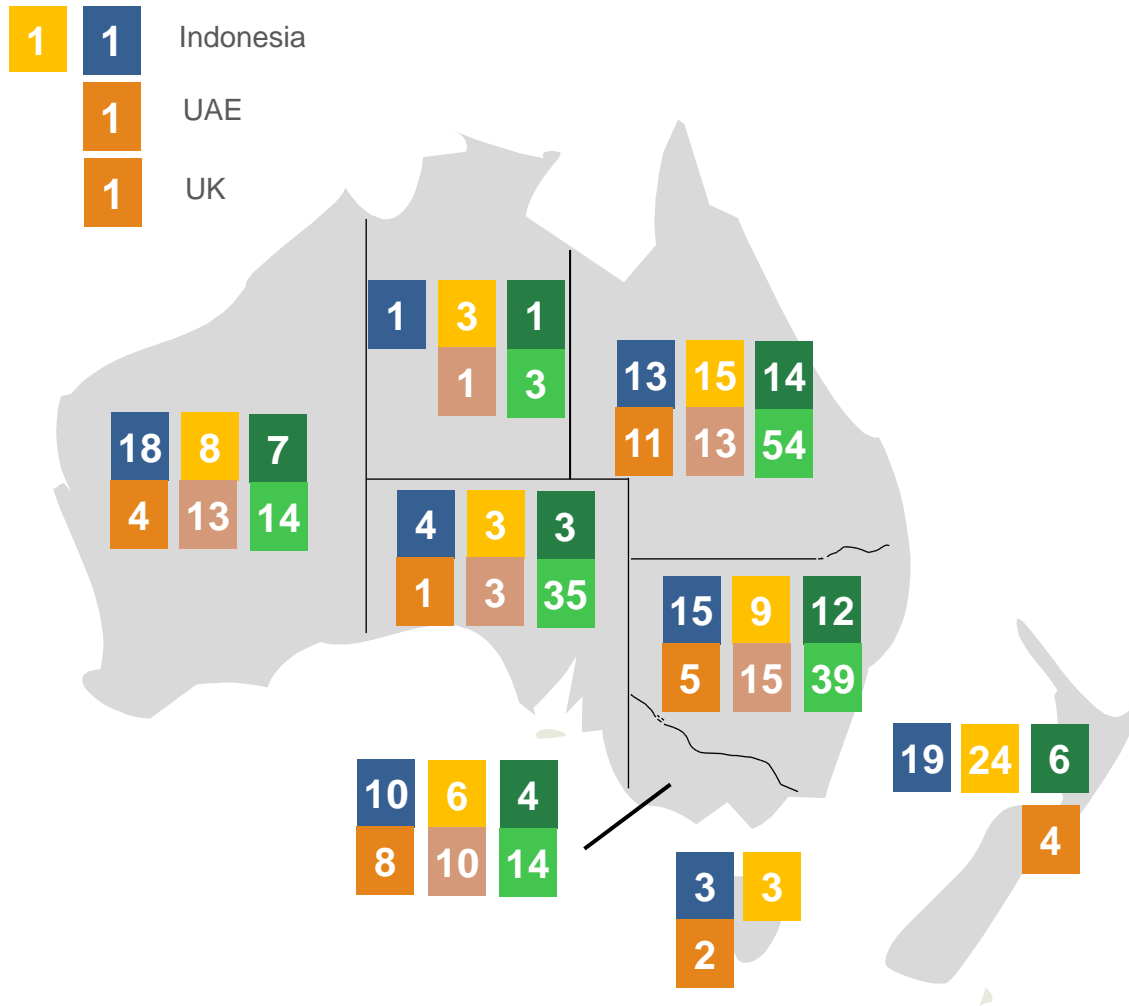


<sup>1</sup> Maintenance, Repair & Operations – includes safety.

# Distribution network: 454 locations

As at 30 June 2015

240 branches, 159 gas distribution points & 55 Workwear franchise locations



## 84 Generalists

65 Blackwoods (incl Indonesia)  
19 Blackwoods Protector

## 72 Safety Specialists

31 Protector Alsafe  
25 NZ Safety  
16 Greencap

## 47 Industrial Specialists (+159)

14 Coregas + 159 distribution points  
22 Bullivants  
6 Packaging House  
5 Fastener & Welding Specialists

## 37 Workwear Group (+ 55)

37 Workwear Group + 55 franchised

Note: Blackwoods includes Bakers and Total Fasteners locations; NZ Safety includes APC Techsafe; Greencap includes NSCA locations; Workwear Group includes Safety Source Graphics.

# Balance Sheet & Cash Flow

Terry Bowen  
Finance Director,  
Wesfarmers Limited



## Discontinued operations & NTIs

Year ended 30 June (\$m)	2015		2014	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Insurance division earnings	-	-	220	145
Gain on sale of Insurance division	-	-	1,040	939
Gain on sale of 40% interest in ALWA	-	-	95	95
<b>Discontinued operations</b>	-	-	1,355	1,179
Target goodwill impairment	-	-	(677)	(677)
Coles Liquor restructuring provision	-	-	(94)	(66)
<b>NTIs</b>	-	-	(771)	(743)
<b>Total discontinued operations &amp; NTIs</b>	-	-	584	436

## Return on capital

Rolling 12 months to 30 June	2015			2014
	EBIT (\$m)	Cap Emp (\$m)	ROC (%)	ROC (%)
Coles	1,783	16,276	11.0	10.3
Home Improvement	1,088	3,244	33.5	29.3
Office Supplies	118	1,034	11.4	9.4
Kmart	432	1,312	32.9	26.9
Target	90	2,466	3.6	2.9
Chemicals, Energy & Fertilisers	233	1,535	15.2	14.4
Resources	50	1,453	3.4	8.9
Industrial & Safety	70	1,257	5.5	11.6

# Overview of the Group balance sheet

Year ended 30 June (\$m) <sup>1</sup>	2015	2014	Commentary
Inventories	5,497	5,336	Detailed working capital discussion provided on slide 47.
Receivables & prepayments	1,658	1,805	
Trade & other payables	(5,764)	(5,424)	
Other	393	403	
<b>Net working capital</b>	<b>1,784</b>	<b>2,120</b>	
Property, plant & equipment	10,205	9,952	Increased net capital expenditure from retail businesses.
Intangibles	19,309	18,956	Higher intangibles due to software investment & increased goodwill following the acquisition of Workwear Group & GE's interest in the Coles credit card JV.
Other assets	775	721	
Provisions & other liabilities	(3,040)	(2,884)	Higher due to increased provisions related to bonus payments, self-insurance costs & unredeemed loyalty points; partially offset by Coles meat contract unwind.
<b>Total capital employed</b>	<b>29,033</b>	<b>28,865</b>	
Net financial debt <sup>2</sup>	(4,746)	(3,050)	Higher due to lower proceeds from asset sales, December 2014 capital management distribution & increased acquisition activity (Workwear Group & interest in Quadrant Energy).
Net tax balances	494	172	Higher mainly due to lower tax payable following tax payment related to Insurance division divestment & movement to monthly tax instalments.
<b>Total net assets</b>	<b>24,781</b>	<b>25,987</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 Appendix 4E.

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

## Balance sheet – working capital

Year ended 30 June (\$m) <sup>1</sup>	2015	2014	Commentary
Inventories	5,497	5,336	<ul style="list-style-type: none"> <li>• <b>Home Improvement:</b> Higher inventory following store network expansion</li> <li>• <b>Industrial &amp; Safety:</b> Higher due to acquisition of Workwear Group</li> <li>• <b>Resources:</b> Higher due to increased volumes on hand</li> </ul>
Receivables & prepayments	1,658	1,805	<ul style="list-style-type: none"> <li>• <b>Other:</b> Lower due to receipt of Insurance divestment completion amount</li> </ul>
Trade & other payables	(5,764)	(5,424)	<ul style="list-style-type: none"> <li>• <b>Home Improvement:</b> Higher payables due to store network expansion</li> <li>• <b>Kmart &amp; Office Supplies:</b> Higher due to sales growth &amp; better offshore terms</li> </ul>
Other	393	403	
<b>Net working capital</b>	<b>1,784</b>	<b>2,120</b>	<ul style="list-style-type: none"> <li>• Decrease in net working capital of \$336m</li> </ul>

<sup>1</sup> The above table refers to balance sheet movements only. Working capital movements as shown on slide 53 of the Briefing Presentation exclude non-cash movements which are included in the table above.