# 2013 Half-Year Results Teleconference

## 14 February 2013

Wesfarmers

# Presentation outline

# Group Performance Highlights

**Richard Goyder**
**Managing Director, Wesfarmers Limited**

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# Group performance highlights

- Operating revenue of $30.6 billion, up 3.2%
- Earnings before interest & tax of $2,043 million, up 5.5%
- Finance costs of $229 million, down 13.3%
- Net profit after tax (NPAT) of $1,285 million, up 9.3%
- Earnings per share of $1.11, up 9.2%
- Net capital expenditure of $1,120 million, down 11.3%
- Strong liquidity position; fixed charges cover of 2.9 times, up from 2.7 times
- Fully franked interim dividend of $0.77 declared, up 10.0%

# Group performance highlights (cont)

- Solid retail earnings growth
  - Turnaround of Coles & Kmart driving strong transaction & earnings growth
  - Bunnings' & Officeworks' performance solid despite challenging housing market & deflation in technology
  - Positive customer response to Target's transformation initiatives but earnings affected by high level of costs associated with transformation plan
- Insurance underwriting performance improved through disciplined risk management, premium rate increases & lower claims expense
- Resources revenue significantly affected by lower export coal prices & high AUD; continued focus on cost control
- WES CEF earnings benefited from strong chemicals demand & pricing; partially offset by lower Kleenheat Gas & fertiliser earnings
- Industrial & Safety earnings declined, with slowdown in resources sector activity resulting in margin pressure

# Group performance summary

| Half Year ended 31 December ($m) | 2012 | 2011 | % |
|---|---|---|---|
| Operating revenue | **30,614** | 29,674 | *3.2* |
| EBITDA | **2,574** | 2,433 | *5.8* |
| EBIT | **2,043** | 1,937 | *5.5* |
| Finance costs | **(229)** | (264) | *(13.3)* |
| Tax expense | **(529)** | (497) | *(6.4)* |
| Net profit after tax (pre-NTIs)[1] | **1,285** | 1,203 | *6.8* |
| Net profit after tax | **1,285** | 1,176 | *9.3* |
| Operating cash flow | **2,207** | 2,172 | *1.6* |
| Earnings per share (excl. employee res. shares) (cps) | **111.4** | 102.0 | *9.2* |
| Earnings per share (incl. employee res. shares) (cps) | **111.1** | 101.6 | *9.4* |
| Operating cash flow per share (incl. employee res. shares) (cps) | **190.7** | 187.7 | *1.6* |
| Fully franked dividends per share (cps) | **77** | 70 | *10.0* |
| Return on shareholders' funds (R12) (%) | **8.8** | 7.7 | *1.1pt* |

[1] 2011 excludes gain on sale of Premier Coal ($92 million), gain on sale of enGen ($43 million), gain on sale of Boddington forestry assets ($16 million) & non-cash writedown in the carrying value of Coregas ($178 million).

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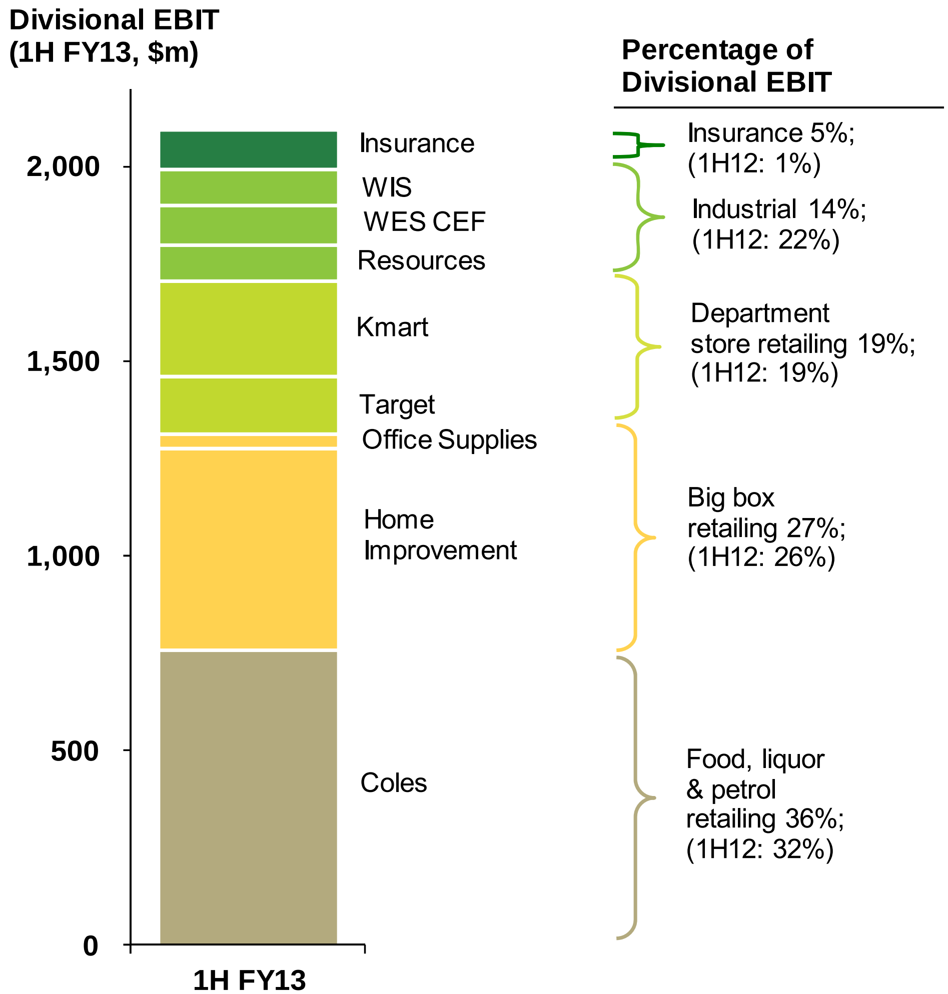
# Strength through diversified earnings




| Half Year ended 31 December ($m) | 2012 | 2011 | ↕ % |
|---|---|---|---|
| Coles | **755** | 656 | *15.1* |
| Home Improvement | **518** | 485 | *6.8* |
| Office Supplies | **38** | 34 | *11.8* |
| Target | **148** | 186 | *(20.4)* |
| Kmart | **246** | 197 | *24.9* |
| Insurance[1] | **104** | 17 | *511.8* |
| Resources | **93** | 250 | *(62.8)* |
| Chemicals, Energy & Fertilisers | **104** | 99 | *5.1* |
| Industrial & Safety | **88** | 97 | *(9.3)* |
| Divisional EBIT | **2,094** | 2,021 | *3.6* |
| Other[2] | **6** | (31) | *n.m.* |
| Corporate overheads | **(57)** | (53) | *(7.5)* |
| Group EBIT | **2,043** | 1,937 | *5.5* |

[1] 2011 includes net claims $28 million above budgeted allowances & increased reserving of $26 million relating to the February 2011 Christchurch earthquake.

[2] 2011 includes non-trading items expense of $30 million.

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# Return on Capital

- Focus on return on capital to deliver satisfactory shareholder returns

| Rolling 12 months to 31 December | 2012 EBIT A$m | 2012 Cap Emp A$m | 2012 ROC % | 2011 ROC % |
|---|---|---|---|---|
| Coles | 1,455 | 15,886 | **9.2** | 8.2 |
| Home Improvement | 875 | 3,431 | **25.5** | 27.0 |
| Office Supplies | 89 | 1,182 | **7.5** | 6.9 |
| Target | 206 | 2,914 | **7.1** | 8.9 |
| Kmart | 317 | 1,407 | **22.5** | 15.9 |
| Insurance | 91 | 1,371 | **6.6** | (2.3) |
| Resources | 283 | 1,458 | **19.4** | 25.4 |
| Industrial & Safety | 181 | 1,121 | **16.1** | 14.5 |
| Chemicals, Energy & Fertilisers | 263 | 1,327 | **19.8** | 18.0 |

# Strategic growth initiatives



## Retail

- Coles: invest in value, quality, & innovation; drive further productivity gains; invest in store network & multi-channel; improve the performance of Liquor; reinvigorate the Coles Express store offer
- HIOS: invest in value, service, new categories & network expansion; drive productivity improvements
- Kmart: source at lowest cost to provide the lowest prices on everyday items; invest in the store network
- Target: strengthen merchandise offer; improve supply chain & sourcing; invest in omni channel & organisational capability; implement customer insights

## Insurance

- Continue to improve underwriting disciplines & operating efficiencies; expand personal lines; assess broking bolt-on acquisitions

# Strategic growth initiatives (cont)

## Industrials

- Resources: continue to focus on sustainable cost reduction initiatives & resource optimisation
- WES CEF: progress $550 million ammonium nitrate expansion & sodium cyanide debottlenecking; drive continuous improvement across businesses
- WIS: further diversify industry & customer base; broaden service offering; drive productivity gains; develop new growth opportunities

## Group

- Manage the portfolio to deliver satisfactory returns to shareholders
- Continue to improve capital efficiency
- Maintain strong balance sheet & access to capital
- Continue to leverage & build human resource capability

# Coles
## Ian McLeod
## Managing Director

# Coles performance summary

| Half-Year ended 31 December ($m) | | 2012 | 2011 | ↕% |
|---|---|---|---|---|
| Coles Division | Revenue | **18,047** | 17,218 | *4.8* |
| | EBIT | **755** | 656 | *15.1* |
| | ROC (R12 %) | **9.2** | 8.2 | |
| | Safety (LTIFR YTD) | **10.2** | 11.8 | |
| Food & Liquor | Revenue[1] | **14,104** | 13,435 | *5.0* |
| | Total store sales growth %[2,3] | **5.0** | 4.9 | |
| | Comp store sales growth %[2,3] | **3.8** | 4.4 | |
| | EBIT[4] | **677** | 591 | *14.6* |
| | EBIT margin % | **4.8** | 4.4 | |
| Convenience | Revenue | **3,943** | 3,783 | *4.2* |
| | Comp store sales growth %[2,4] | **(2.2)** | (0.5) | |
| | Comp fuel volume growth %[2] | **2.0** | 3.7 | |
| | EBIT | **78** | 65 | *20.0* |
| | EBIT margin % | **2.0** | 1.7 | |

[1] Includes property revenue 2012 $15 million, 2011 $12 million. [2] 2012 for the 27 weeks 25 June 2012 to 30 December 2012, 2011 for the 27 weeks 27 June 2011 to 1 January 2012. [3] Includes hotels, excludes gaming revenue & property. [4] Includes property EBIT 2012 $14 million, 2011 $11 million.

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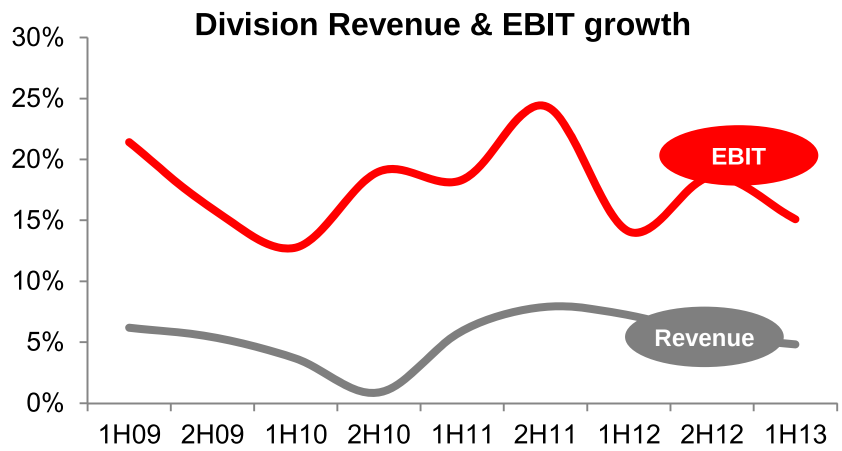
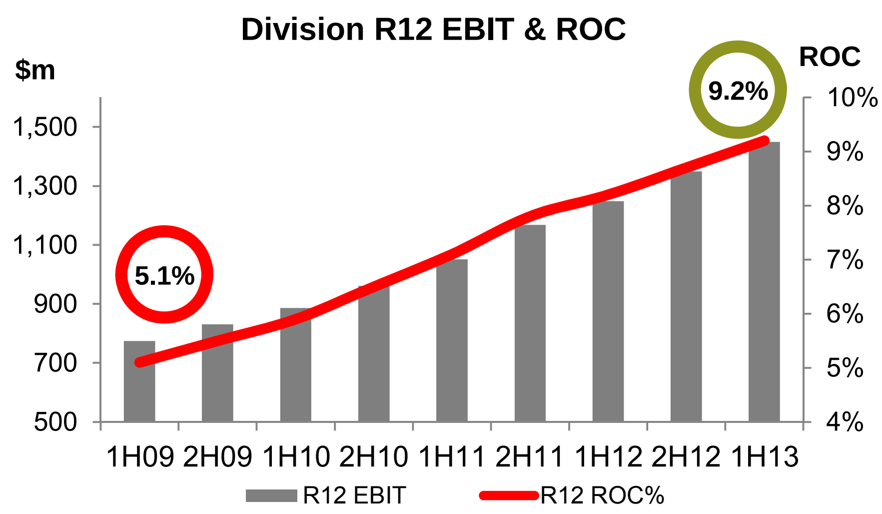
# Profit growth faster than sales

- Four years of market outperformance
  - Strong underlying volume growth
  - Record transaction numbers of 21 million in Christmas week
- Strong ROC improvement over 4½ years
  - EBIT growing three times faster than sales
  - 160bps EBIT margin expansion
  - 410bps ROC expansion



# Strategy driving strong half year results

## 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

- Strength in depth – senior & middle management
- Growing talent pipeline – retail leaders & graduate programs
- Category management – driving end-to-end ways of working

- State-based pricing & Down Down investment improving customer trust
- Improved availability & fewer, stronger promotions
- flybuys reinvigoration driving greater reach, increased participation & stronger analytics

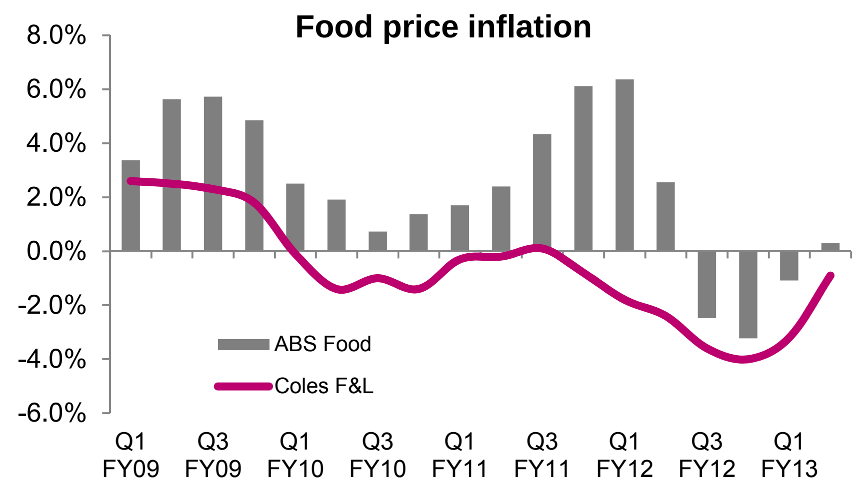
- Improved supply chain to meet future demand
- Simpler in-store process through better technology
- Measured focus on return on capital in all investment

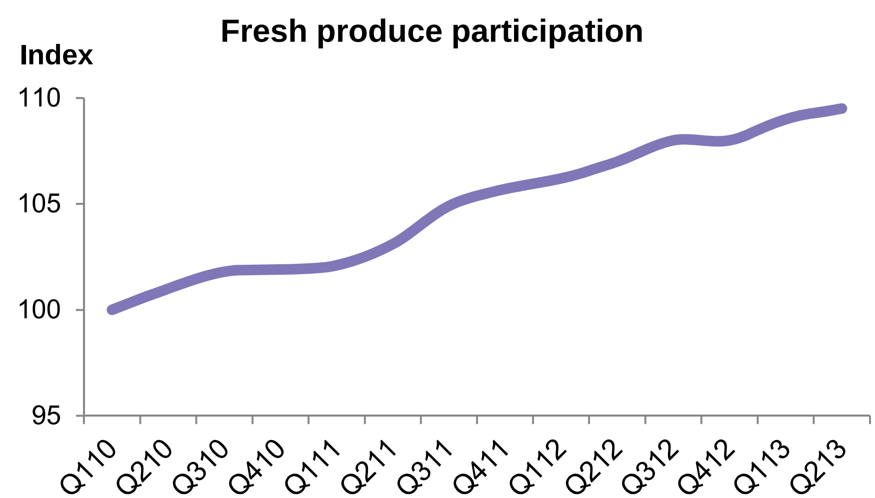
- Collaborative sourcing driving 1,000+ innovative new lines
- Category development in food & apparel
- Extended Mix range to children's & baby

- Space quality prioritisation
- Superstore concept successfully landed
- Growing multichannel & financial services businesses

# Value, quality & innovation

- Increasing customer trust in Coles value driving volume growth
  - State-based pricing in place for three years
  - Two years of Down Down supporting price deflation
  - Investment in Coles brand
- Growing customer confidence in Coles fresh food
  - Fresh produce fastest growing category
  - Strongest fresh food Christmas
  - Commitment to longer term sourcing with Australian farmers & food manufacturers



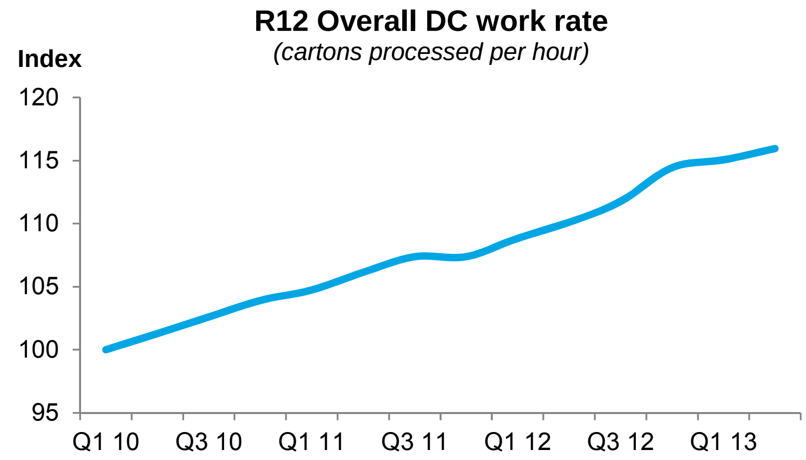



Excellent availability

Working smarter stores

# Productivity savings to reinvest

- Optimising our supply chain
  - Consolidated chilled & fresh produce DCs
  - Process optimisation in our DCs
  - Greater control & visibility over our transportation network
- Simpler, faster in-store processes
  - Trialling "Easy Ordering" in fresh categories
  - "Coles Way" development program rolled out in fresh produce, extending to meat & bakery
  - Streamlined store layouts & promotional displays



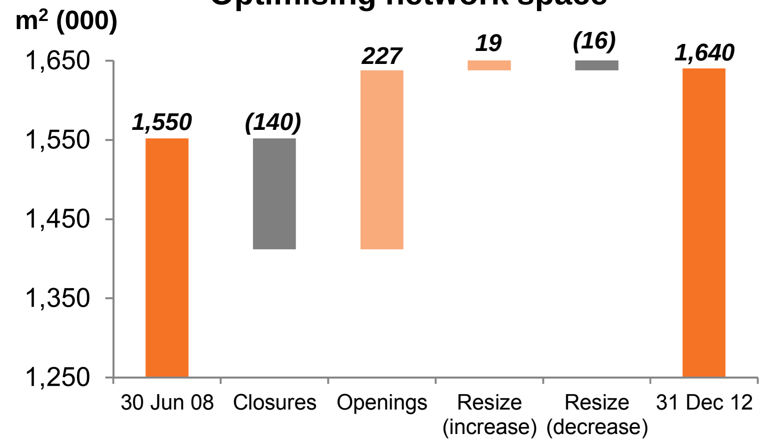

The best customer experience

Sold and served with personality

# Growth across all channels

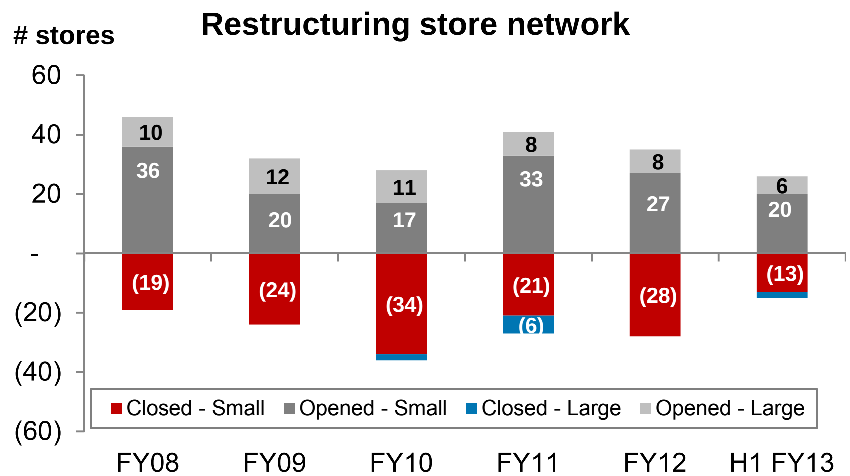
- Store development initiatives progressing well
  - 1.8% increase in selling area in last 12 months
  - Three new superstores in H1 FY13
  - New fresh format in Southland, Melbourne
- Multichannel plans progressing well
  - flybuys continuing to grow with circa half of sales from members
  - Coles Online re-platforming developing as planned
  - Increasing market share for Coles Insurance & Coles MasterCard

**Optimising network space**




# Strong Liquor half-year performance

- Accelerated network restructure
  - Strong space growth of 3.5%
  - Trialling small & large format stores
- More profitable sales mix
  - Strong sales growth in higher margin categories & exclusive lines
  - Decline in lower margin bulk sales
- Refreshed marketing & new channels
  - Focus on trusted pricing in Liquorland
  - Encouraging growth in direct & online channels




# Reinvigorating the offer

- Encouraging growth in fuel volume
  - Quality fuels & discount offers building loyalty
  - Investment in high flow diesel pumps
- Reinvigorating shop sales
  - Extension of Down Down to milk & bread
  - Stronger shop offers
- Successful IT platform replacement
  - Enhanced category insight
  - Shorter queue times
  - Better promotional tools



# Second phase of transformation

Performance

## Driving the Coles Difference

Year 4 - 5

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

## Second phase of transformation

Year 5 - 10

- Renewed investment in value
- Integrated CRM & loyalty platform
- Stronger supplier partnerships
- Improved quality & simpler range
- Improved category management
- Coles brand & new ranges
- New categories
- Support centre efficiency
- Leveraging supply chain
- Investment in Team Members
- New & bigger stores
- Further innovation in the shopping experience
- Multi-channel integration & financial services expansion

# Home Improvement & Office Supplies

John Gillam

Managing Director

BUNNINGS

Officeworks

Wesfarmers

# HIOS performance summary

| Half-Year ended 31 December ($m) | | 2012 | 2011 | ↕% |
|---|---|---|---|---|
| **Revenue** | Home Improvement | **4,017** | 3,797 | *5.8* |
| | Office Supplies | **712** | 710 | *0.3* |
| | | **4,729** | 4,507 | *4.9* |
| **EBIT** | Home Improvement | **518** | 485 | *6.8* |
| | Office Supplies | **38** | 34 | *11.8* |
| | | **556** | 519 | *7.1* |

# Home Improvement
## Performance summary

| Half-Year ended 31 December ($m) | 2012 | 2011 | ↕% |
|---|---|---|---|
| **Revenue** | **4,017** | 3,797 | *5.8* |
| **Trading Revenue** (excl. property & non-trading items) | **4,012** | 3,792 | *5.8* |
| EBIT | **518** | 485 | *6.8* |
| Trading EBIT margin (%) | **12.8** | 12.7 | |
| Net property contribution | **5** | 3 | |
| ROC (R12 %) | **25.5** | 27.0 | |
| Safety (R12 AIFR) | **35.9** | 38.2 | |

# Home Improvement highlights

- Revenue growth of 5.8%
  - 6.0% total store sales growth (store-on-store growth of 3.4%)
  - 8.1% lift in commercial sales
- EBIT growth of 6.8%
- Good outcomes in key growth drivers
  - service, merchandising, commercial, value & productivity
- Opened 15 trading locations
  - 7 Bunnings Warehouse stores
  - 5 smaller format Bunnings stores
  - 3 trade centres
- 11 sites under construction at 31 December

# Home Improvement outlook

- Further growth in consumer & commercial driven by:
  - Value
  - More enhancements to service & services
  - New categories & merchandising
  - Productivity improvements
  - Strong network investment
    - Pipeline of over 90 sites
    - Exceeding warehouse rollout targets in next 3 financial years
    - Revert to long-term warehouse rollout targets thereafter
    - Capital recycling expected to drive ROC

# Office Supplies
## Performance summary



| Half-Year ended 31 December ($m) | 2012 | 2011 | ↕% |
|---|---|---|---|
| **Revenue** | **712** | 710 | *0.3* |
| **EBIT** | **38** | 34 | *11.8* |
| EBIT margin (%) | **5.3** | 4.8 | |
| ROC (R12 %) | **7.5** | 6.9 | |
| Safety (R12 AIFR) | **34.6** | 39.3 | |

# Office Supplies highlights

- Modest sales growth in a challenging environment
  - Sales up 0.3%
  - Store sales flat; strong online sales growth
- Strong earnings growth with improved margin performance
- Good merchandising & productivity work
- Continuing to build presence & capability in business markets
- "Every channel" investment
  - Improvements to website & online experience
  - Network expansion & enhancement (nine new stores)

# Office Supplies outlook

- Modest sales growth
  - Continued competitive pressure on sales & margin
- Focus on execution of strategic initiatives
  - Drive “Every Channel” agenda
  - Improve customer offer & service
  - Grow business market presence & capability
  - Reduce complexity & cost of doing business
  - Develop & engage team

# Target

## Dene Rogers
## Managing Director

# Target performance summary

| Half-Year ended 31 December ($m) | 2012 | 2011 | ↕ % |
|---|---|---|---|
| **Revenue** | **2,070** | 2,060 | *0.5* |
| **EBIT** | **148** | 186 | *(20.4)* |
| EBIT margin (%) | **7.1** | 9.0 | |
| ROC (R12 %) | **7.1** | 8.9 | |
| Safety (R12 LTIFR) | **8.3** | 7.9 | |
| Total sales growth[1] (%) | **1.2** | (2.5) | |
| Comparative store sales growth[1](%) | **(1.8)** | (3.5) | |

[1] 2012 for the 27 weeks 24 June 2012 to 29 December 2012, 2011 for the 27 weeks 26 June 2011 to 31 December 2011.

# Target highlights

- Encouraging improvement in trading performance
  - Better sourcing & improved promotional effectiveness
- Target’s mid-tier positioning strengthened
  - Positive customer response to Target Essentials
  - Successful pilots conducted in a number of key categories
  - Reinforced Target’s fashionability with ‘Designers for Target’ programs
- Continued expansion of online store
  - Three-fold increase in items available driving strong sales growth
  - Significant system capability upgrade
- Continued investment in the store portfolio
  - Nine new stores & nine refurbishments completed
- Significant investment incurred in support of transformation plan
  - Not expected to repeat in future periods

# Target outlook

- Customer remains first priority in all decision making
  - Utilising customer insights & delivering on customer value & trust
  - Continued focus on strengthening mid-tier position
- Continuing improvement in business economics
  - Roll out of learnings from successful category trials
  - Improving promotional effectiveness
  - Direct sourcing growth
- Investment in:
  - Expanding online offer & store network
  - Progressing the supply chain re-engineering
- Improvement in organisational capability
  - Consolidating recent leadership recruitment
  - Improving organisational efficiency

# Kmart

## Guy Russo
## Managing Director

IRRESISTIBLY LOW PRICES. EVERYTHING. EVERY DAY.

Kmart

Kmart Tyre & Auto Service

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# Kmart performance summary

| Half-Year ended 31 December ($m) | 2012 | 2011 | ↕ % |
|---|---|---|---|
| **Revenue** | **2,299** | 2,236 | *2.8* |
| **EBIT**[1] | **246** | 197 | *24.9* |
| EBIT margin (%) | **10.7** | 8.8 | |
| ROC (R12 %) | **22.5** | 15.9 | |
| Safety (R12 LTIFR) | **8.6** | 8.2 | |
| Total sales growth[2] (%) | **3.5** | (1.3) | |
| Comparative store sales growth[2] (%) | **3.0** | (1.4) | |

[1] Includes $1 million earnings relating to Coles Group Asia overseas sourcing operations (2011: $4 million). As at 31 December 2012 Coles Group Asia is no longer utilised by Target.

[2] 2012 for the 27 weeks 27 June 2012 to 1 January 2013, 2011 for the 27 weeks 27 June 2011 to 1 January 2012.

# Kmart highlights

- Customers continue to respond well to Kmart's strategy of providing the lowest prices on everyday items for families
  - 12 consecutive quarters of growth in transactions & units sold
  - Strong performance of seasonal & everyday core ranges
- Solid return on capital & double digit earnings growth
  - Continued improvements through sourcing
  - Stronger seasonal trade with less mark down activity
- Strong cash realisation
  - Focus on inventory management maintained
- Continued investment in the network
  - Opened six new Kmart stores & four new Kmart Tyre & Auto stores
  - Completed six full Kmart store refurbishments

# Kmart outlook

- Increasing focus on growth
  - Volume retailer
  - Operational excellence
  - Adaptable stores
  - High performance culture
- Safety remains a high priority
- Continued investment in the store network

# Insurance

## Rob Scott
## Managing Director

Wesfarmers Insurance

wfi Lumley crombie lockwood OAMPS

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# Insurance performance summary

| Half-Year ended 31 December ($m) | 2012 | 2011 | |
|---|---|---|---|
| **Total Revenue** | **1,035** | 945 | *9.5* |
| EBITA Underwriting | **72** | (10) | *n.m.* |
| EBITA Broking | **38** | 35 | *8.6* |
| EBITA Other | **0** | (2) | *n.m.* |
| **EBITA Insurance Division** | **110** | 23 | *378.3* |
| EBIT Insurance Division | **104** | 17 | *511.8* |
| EBIT Margin (Insurance Division) (%) | **10.0** | 1.8 | |
| ROC (R12%) | **6.6** | (2.3) | |
| ROC (R12%) (excluding EQ2)[1] | **13.3** | n.a. | |
| Safety (R12 LTIFR) | **2.8** | 1.6 | |
| Combined operating ratio (%) | **94.9** | 108.0 | |
| EBITA margin (Broking) (%) | **27.2** | 27.8 | |

[1] Excludes one-off impact on underwriting earnings from reserve increases for the second half of FY12 in relation to the 22 February 2011 Christchurch earthquake (EQ2).

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# Insurance highlights

- Strong Underwriting performance
  - Good momentum in underwriting performance with improved loss ratios through better risk pricing, exposure management & claims efficiencies
  - Higher earned premiums resulting from changes to reinsurance arrangements & the flow through of premium rate increases achieved in FY12; modest rate increases continuing into FY13
  - Favourable claims experience in most portfolios, partially offset by a deterioration in Builders Warranty run-off
  - Strong earnings growth in NZ from higher premiums & favourable claims experience
  - Claims from natural perils in line with internal expectations for the first half
  - Continued growth in personal lines through Coles & OAMPS
- Continued income & earnings growth in Broking
  - Steady income growth despite challenging trading conditions in the Australian SME sector
  - New Zealand acquisitions (ACM & FMR) performing ahead of internal expectations
  - Higher expenses associated with planned broker system upgrade in NZ
- No increase to NZ Earthquake reserves from 30 June 2012
  - Claims closures on target with c.70% commercial & c.38% domestic

# Insurance outlook

- Underwriting performance continues to improve, benefiting from strong underwriting discipline & a focus on operational efficiencies
- Continued expansion in Australian personal lines
  - Partnerships with Coles Insurance & OAMPS
- Modest growth in Broking earnings
  - Challenging trading conditions, particularly in the SME sector, expected to continue in the near term
  - Impact of higher costs from upgrade & investment in broking systems
- Further decreases in interest rates & catastrophe events above allowances present a downside risk to full year earnings
- Continue to assess & pursue bolt-on broking acquisitions

# Resources

## Stewart Butel
## Managing Director

# Resources performance summary

| Half-Year ended 31 December ($m) | 2012 | 2011[1] | % |
|---|---|---|---|
| **Revenue** | **826** | 1,087 | *(24.0)* |
| Royalties[2] | **(148)** | (162) | *8.6* |
| Mining & other costs | **(517)** | (602) | *14.1* |
| EBITDA | **161** | 323 | *(50.2)* |
| Depreciation & amortisation | **(68)** | (73) | *6.8* |
| **EBIT[2]** | **93** | 250 | *(62.8)* |
| ROC (R12%) | **19.4** | 25.4 | |
| Coal production ('000 tonnes)[3] | **7,017** | 7,085 | *(1.0)* |
| Safety (R12 LTIFR)[4] | **1.0** | 2.4 | |

[1] 2011 includes Premier which was divested on 30 December 2011.
[2] Includes Stanwell royalty expense of $91 million (2011: $88 million).
[3] Includes Premier production of 1.6mt in 2011.
[4] Curragh only in 2012.

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# Resources highlights

- Continued improvement in safety performance
- Lower export prices & continued high US$:A$ exchange rate resulted in a significant decline in export revenue
- Increased production volumes driven by recent mine expansions
  - Curragh production up 24.2% to 5,529kt
  - Bengalla production up 46.9% to 1,488kt
- Operational changes at Curragh in response to market conditions
  - Reduced contractor usage & partial mine shutdown in December
  - Significant reduction in mine cash costs
    - Unit rate >20% lower than 1H FY12

# Resources outlook

- Export market
  - Global economic uncertainty resulting in variable metallurgical coal demand in the short term
  - Continued low export coal prices & high exchange rate expected in 2H FY13

- Financial Year 2013
  - Forecast Curragh metallurgical coal sales of 7.5mt – 8.0mt subject to no further wet weather & satisfactory performance of port & rail capacity post Cyclone Oswald
  - Estimated full year sales mix (Hard 43%; Semi-Hard 30%; PCI 27%)
  - Continuing strong mine cash cost focus
  - Full-year Stanwell royalty estimate $160 - $170 million at A$:US$1.04

# Chemicals, Energy & Fertilisers

## Tom O'Leary
## Managing Director

Wesfarmers Chemicals, Energy & Fertilisers


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# Chemicals, Energy & Fertilisers
## Performance summary

| Half-Year ended 31 December ($m) | | 2012 | 2011 | ↕% |
|---|---|---|---|---|
| **Revenue** | Chemicals | **357** | 358 | *(0.3)* |
| | Energy[1] | **300** | 295 | *1.7* |
| | Fertilisers | **118** | 122 | *(3.3)* |
| | | **775** | 775 | *0.0* |
| EBITDA[2] | | **154** | 144 | *6.9* |
| Depreciation & amortisation | | **(50)** | (45) | *(11.1)* |
| **EBIT**[2] | | **104** | 99 | *5.1* |
| Sales volume ('000t): | Chemicals | **406** | 434 | *(6.5)* |
| | Fertilisers | **220** | 227 | *(3.1)* |
| | LPG[3] | **143** | 154 | *(7.1)* |
| ROC (R12 %)[2] | | **19.8** | 18.0 | |
| Safety (R12 LTIFR) | | **5.8** | 5.5 | |

[1] Includes Kleenheat Gas, ALWA, enGen (prior to divestment in August 2011) & Bangladesh (prior to divestment in January 2012).
[2] Includes enGen & Bangladesh earnings for the period prior to divestment in August 2011 & January 2012 respectively ($43 million gain on sale of enGen excluded).
[3] Includes Bangladesh volumes (prior to divestment in January 2012).

# Chemicals, Energy & Fertilisers

## Highlights

- Construction progressing well to expand ammonium nitrate (AN) production capacity from 520ktpa to 780ktpa
  - On track to be operational during 1H CY14 & within budget
- Higher Chemicals earnings driven by good plant performances & stronger pricing
  - External ammonia sales volumes converted to import parity pricing
  - Approval for Sodium Cyanide (SC) debottlenecking ($22 million) to increase solution capacity from 64ktpa to 78ktpa & solid capacity from 34ktpa to 45ktpa by end of CY13
  - Economic conditions remain challenging for Australian Vinyls (AV)
- Lower Kleenheat Gas earnings, despite higher Saudi CP pricing, due to deterioration in feedstock LPG content & margin pressures
- Lower Fertilisers earnings due to a later & poorer harvest affecting sales volumes & margins

# Chemicals, Energy & Fertilisers

## Outlook

- Continued focus on delivery of AN expansion & SC debottlenecking projects
- Chemicals expected to continue to drive good earnings performance with strong demand & production
  - AN plant shutdown now expected to occur in early FY14; SC plant shutdown in 2H FY13
- Kleenheat Gas continues to be challenged by poorer LPG content
- Fertilisers earnings heavily dependent on seasonal break & farmers’ terms of trade, especially following slower start to 2013 seasonal sales

# Industrial & Safety

## Olivier Chretien
## Managing Director

Wesfarmers
Industrial and Safety

Wesfarmers

# Industrial & Safety
## Performance summary

| Half-Year ended 31 December ($m) | 2012 | 2011 | ↕ % |
|---|---|---|---|
| **Revenue** | **837** | 843 | *(0.7)* |
| EBITDA | **101** | 111 | *(9.0)* |
| Depreciation & amortisation | **(13)** | (14) | *7.1* |
| **EBIT** | **88** | 97 | *(9.3)* |
| EBIT margin (%) | **10.5** | 11.5 | |
| ROC (R12 %) | **16.1** | 14.5 | |
| Safety (R12 LTIFR) | **2.1** | 1.9 | |

# Industrial & Safety highlights

- General slowdown in business activity
  - Resources & construction led with customer focus on cost control affecting margins
  - Strong customer retention across group with growth continuing in WA (natural gas projects), Bullivants,  Coregas & NZ
- Focus on continued performance improvement
  - Strengthening customer relationships
  - Improving product range & services offer
  - Enhancing supply chain
  - Implementing cost savings & efficiency improvements
  - Employee safety & talent pool development
  - Division restructured into three business streams: Generalists, Safety Specialists & Industrial Specialists
- Solid ROC supported by strong inventory management & targeted network investment

# Industrial & Safety outlook

- Subdued business activity expected to continue for remainder of FY13
  - Market will remain competitive
  - Division well placed to respond to earlier recovery
- Business focus on market share growth & efficiency
  - Target greater share of customer spend
  - Expand services
  - Leverage major project activity
  - Continue industry & customer diversification
  - Further improve cost of doing business
- New growth platforms in development
  - Including potential acquisition opportunities

# Other Business & Capital Management

Terry Bowen
Finance Director, Wesfarmers Limited

Wesfarmers

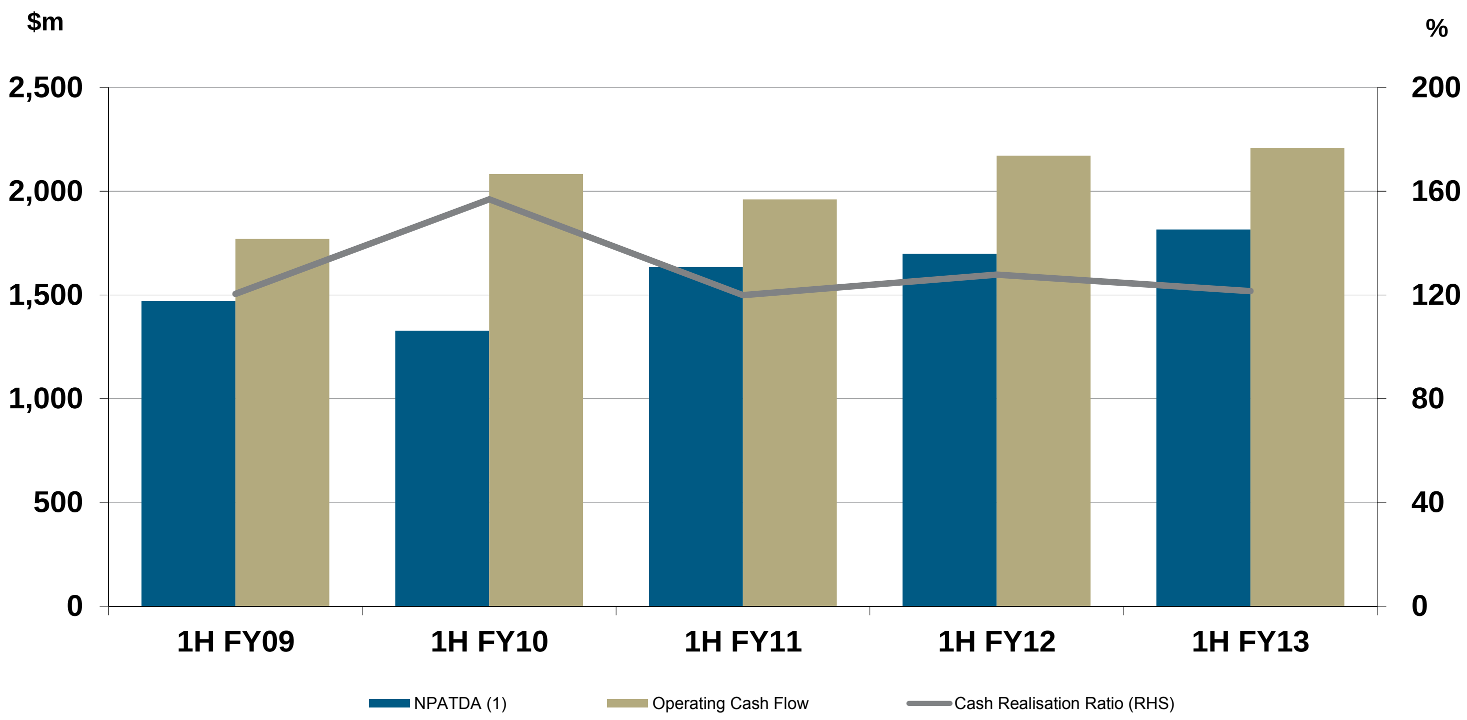
# Other business performance summary

| Half-Year ended 31 December ($m) | Holding % | 2012 | 2011 | ↕ % |
|---|---|---|---|---|
| **Share of profit/(loss) of associates:** | | | | |
| Gresham Private Equity Funds | *Various* | **(11)** | (46) | *76.1* |
| Gresham Partners | *50* | **-** | 3 | *n.m.* |
| Wespine | *50* | **3** | 5 | *(40.0)* |
| BWP Trust | *24* | **12** | 7 | *71.4* |
| **Sub-total** | | **4** | (31) | *n.m.* |
| Interest revenue | | **5** | 11 | *(54.5)* |
| Non-trading items [1] | | **-** | (30) | *n.m.* |
| Other | | **(3)** | 19 | *n.m.* |
| **Other business sub-total** | | **6** | (31) | *n.m.* |
| Corporate overheads | | **(57)** | (53) | *(7.5)* |
| **Total Other** | | **(51)** | (84) | *39.3* |

[1] 2011 includes gains on the disposals of enGen ($43 million), Premier Coal ($92 million), Boddington forestry assets ($16 million), & $181 million non-cash writedown of the carrying value of Coregas.

# Portfolio of strong cash generating assets

- Solid first half operating cash flow of $2,207 million
- Strong cash realisation maintained through effective working capital management




[1] 1H FY09 to 1H FY12 adjusted for significant non-cash, non-trading items.

# Working capital management

- Operating cash flow growth supported by working capital improvements
- Working capital seasonality
  - Retail divisions' inventory build offset by higher creditors
  - Strong inventory focus
  - Improved trading terms in Kmart
- Decline in receivables with lower Resources & Industrial & Safety sales
- Lower Resources payables as a result of cost reduction initiatives

| Cash Movement ($m) Inflow/(Outflow) [1] | Half-Year ended 31 Dec. 2012 | 2011 |
|---|---|---|
| Receivables | 221 | (183) |
| Inventory | (509) | (374) |
| Payables | 653 | 813 |
| **Cash movement** | **365** | 256 |
| **Working capital cash movement:** | | |
| Retail | 545 | 557 |
| Other | (180) | (301) |
| **Total** | **365** | 256 |

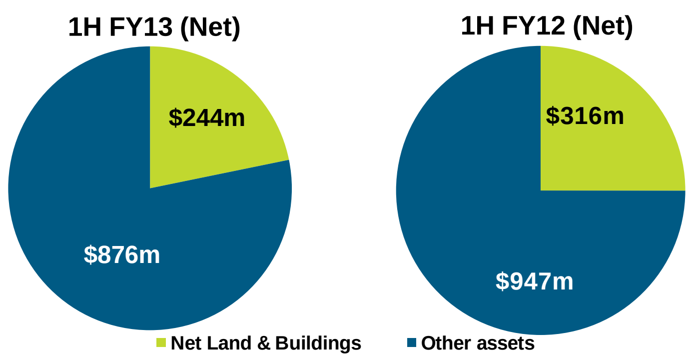
[1] Cash movement relating to inventories, trade & other receivables, prepayments & trade & other payables.

# Strong investment in organic growth

- Continued strong investment in Coles & Bunnings store networks
- AN3 expansion well progressed & on track to be completed within budget
- Proactive management of freehold property portfolio
  - Proceeds from sale of PPE of $203 million
- FY13 net capital investment $1.5 to $2.0 billion, subject to property investment

| Half Year ended 31 December ($m)[1] | 2012 | 2011 | % |
|---|---|---|---|
| Coles | **665** | 625 | *6.4* |
| HI & OS | **357** | 342 | *4.4* |
| Target | **51** | 44 | *15.9* |
| Kmart | **49** | 88 | *(44.3)* |
| Insurance | **12** | 18 | *(33.3)* |
| Resources | **52** | 239 | *(78.2)* |
| Industrial & Safety | **18** | 15 | *20.0* |
| WES CEF | **118** | 54 | *118.5* |
| Other | **1** | 3 | *(66.7)* |
| Total capex | **1,323** | 1,428 | *(7.4)* |
| Sale of PP&E | **(203)** | (165) | *23.0* |
| Net capex | **1,120** | 1,263 | *(11.3)* |

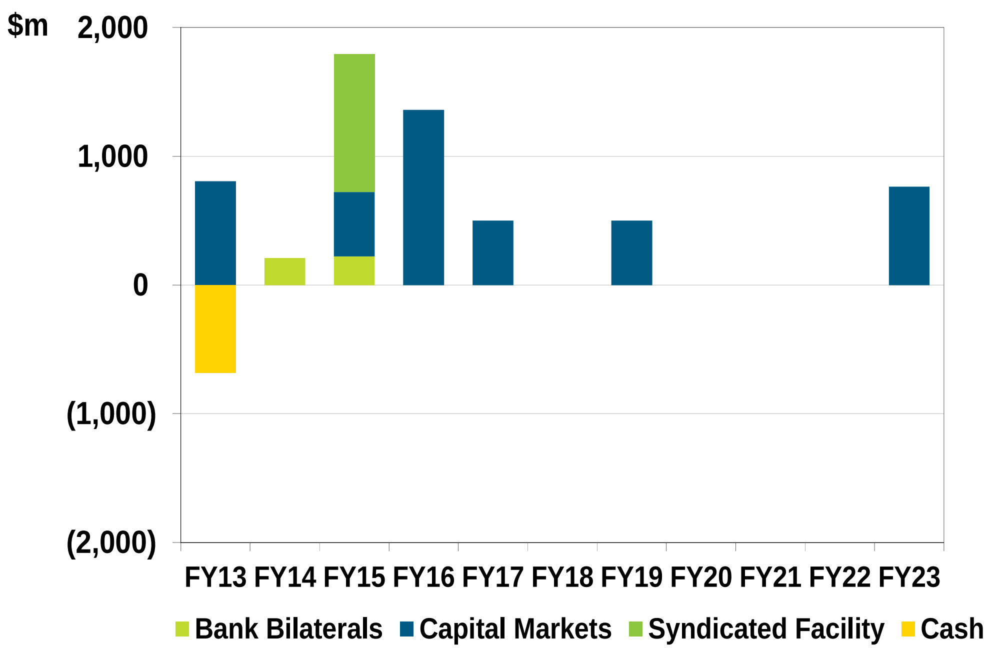
[1] Capital investment provided on a cash basis.

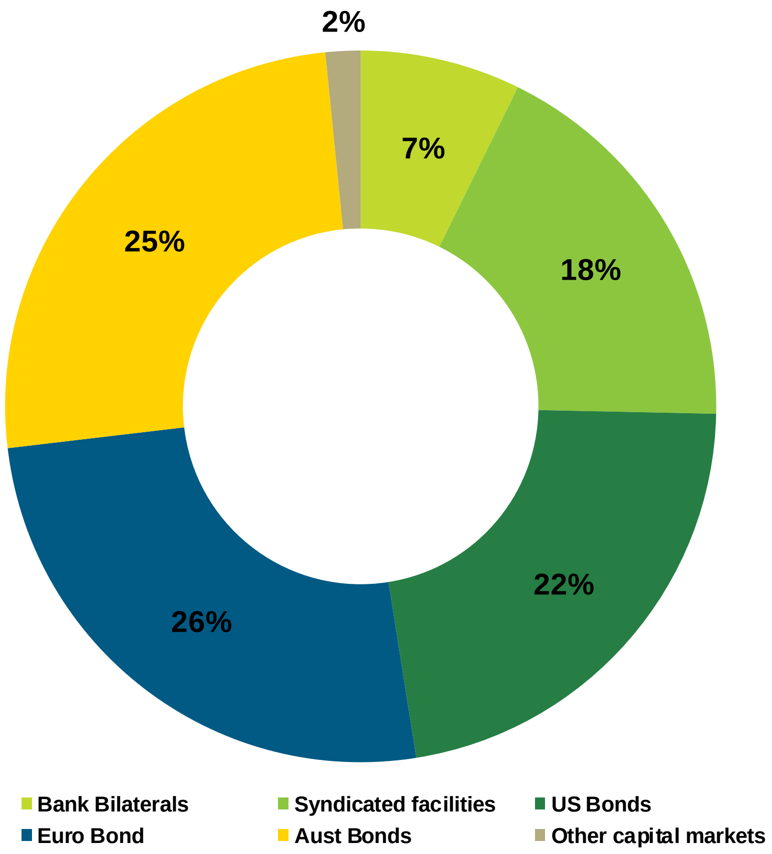


# Balance sheet strength & dividend growth

- Solid improvements in liquidity metrics
  - Fixed charges cover improved to 2.9 times (1H12: 2.7 times)
  - Cash interest cover improved to 11.8 times (1H12: 10.3 times)
- Strong credit ratings
  - Moody's upgraded from Baa1 (positive) to A3 (stable)
  - Standard & Poor's A- (stable)
- Interim dividend $0.77 per share, fully-franked
  - Dividend investment plan; no underwrite; shares purchased on market
  - Dividend record date 25 February; interim dividend payable 28 March

# Average debt tenor of 3.4 years across diversified sources of debt




Note: Amounts shown & average tenor based on the drawn amount at balance date of 31 December 2012.

# Outlook

Richard Goyder
Managing Director, Wesfarmers Limited

# Outlook



**Retail**

- Sustained earnings growth to be supported by continued investments in value, merchandising, service, store network, online channel & productivity initiatives

**Insurance**

- Strong underwriting disciplines & a focus on operational efficiencies expected to further improve underwriting performance, in the absence of a high number of catastrophe events
- Modest growth in broking earnings expected, with challenging conditions in SME sector

**Resources**

- Low export coal prices & high exchange rate expected in the near term
- Ongoing cost reduction focus
- Long term export coal market fundamentals remain sound

# Outlook

**Chemicals, Energy & Fertilisers**

- Solid demand for chemicals expected to continue, supported by good plant performances
- Kleenheat Gas outlook remains challenging

**Industrial & Safety**

- Subdued demand & competitive market conditions expected to continue in the near term
- Division well placed to respond to recovery

**Group**

- Manage the portfolio to deliver satisfactory returns to shareholders
- Continue to improve capital efficiency
- Maintain strong balance sheet & access to capital
- Continue to leverage & build human resource capability

# Questions

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