



15 March 2018

The Manager
Company Announcements Office
Australia Securities Exchange

Dear Manager,

INTENTION TO DEMERGE COLES - BRIEFING PRESENTATION

Following is a presentation to be given at an investor briefing on the intention to demerge Coles to be held on Friday, 16 March 2018 at 8:00am AWST / 11:00am AEDT.

This briefing will be webcast and accessible via our website at www.wesfarmers.com.au.

Yours faithfully,

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

L J KENYON
COMPANY SECRETARY



Intention to demerge Coles - Briefing Presentation

Friday, 16 March 2018



Presentation outline

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Overview & rationale

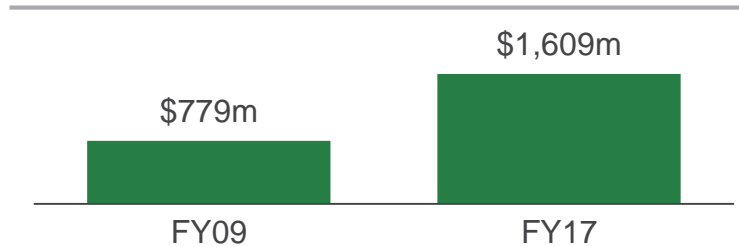


The Coles transformation

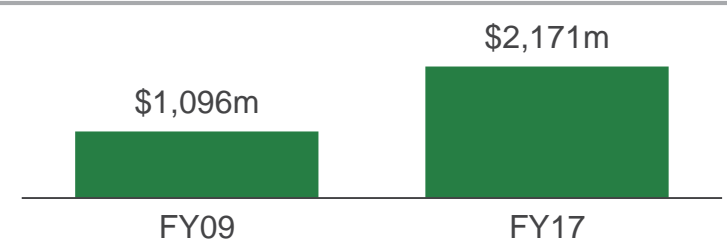
Wesfarmers has delivered a world-class retail transformation

- Under Wesfarmers' ownership, Coles' position as a leading Australian retailer has been restored
- Strong financial performance since FY09¹
 - 9.5%² EBIT CAGR
 - Over 30% increase in food sales density
 - Consistently positive comparable food & liquor sales growth
 - Strong cash generation

9.5%² EBIT CAGR



98% increase in operating cash flows³



2007



Today

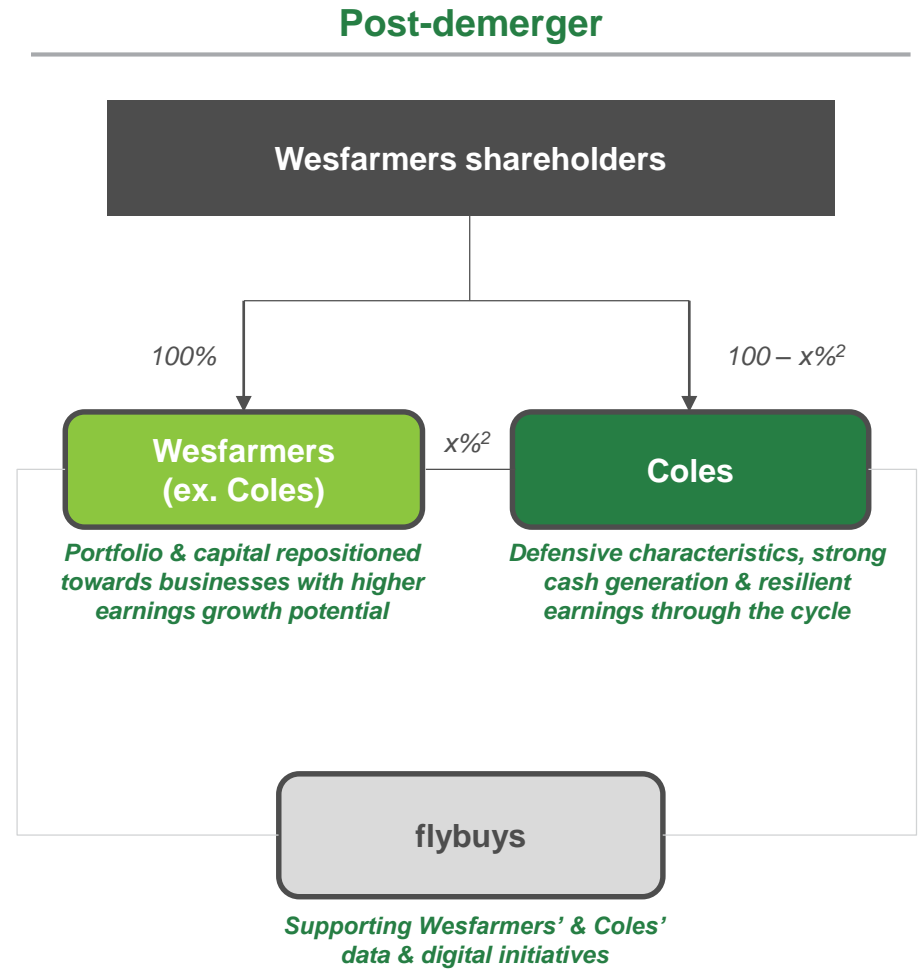


1. Represents the first full financial year under Wesfarmers' ownership.
2. FY09 EBIT includes property impairments & a restructuring provision release reported within Wesfarmers' "Other" segment.
3. Represents operating cash flows before tax.

Demerger overview

Creation of a new top 30 ASX company with leading positions in grocery, liquor & convenience

- Intention to demerge Coles into a separate ASX-listed company
- Shareholders would have the opportunity to vote on the demerger
- Wesfarmers would retain a minority ownership interest (up to 20%) in Coles & a substantial ownership stake in flybuys
- Shareholders would receive new shares in Coles proportional to their existing shareholding¹
- Distribution of Coles shares expected to qualify for demerger tax relief, subject to ATO ruling
- Subject to final Board approval, third party consents, regulatory & shareholder approvals
- If approved, the demerger is expected to be completed in FY19



1. After taking into account any shares retained by Wesfarmers.

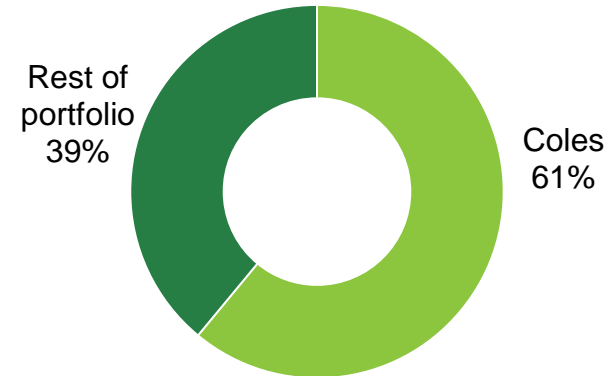
2. X% represents the ownership interest in Coles retained by Wesfarmers.

Demerger rationale

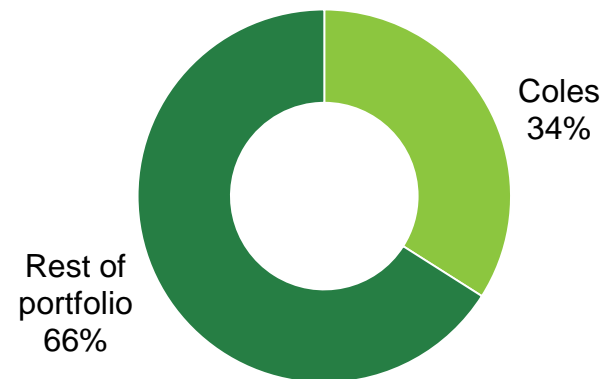
Repositioning Wesfarmers & Coles for the next decade

- Wesfarmers is targeting a higher capital weighting toward businesses with strong earnings growth prospects
 - Successful turnaround of Coles has been delivered; future long-term growth expected to be more moderate
- Facilitating enhanced focus on organic growth opportunities & value accretive transactions, with greater impact
- Delivering shareholders an investment in two companies with different investment attributes
- Coles is expected to be attractive to shareholders seeking earnings growth with defensive characteristics
 - Strong cash generation & resilient earnings
- Extends Wesfarmers' long history of proactive portfolio management

Capital employed contribution (R12 Dec 17)

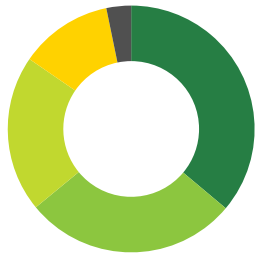
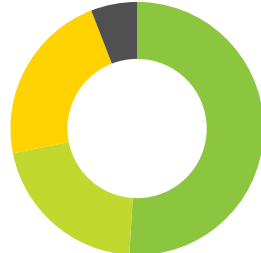
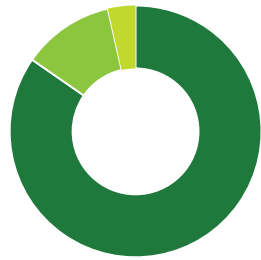


Divisional EBIT contribution (R12 Dec 17)



Demerger impact

Simplifying the Wesfarmers portfolio & reducing operational complexity

	Wesfarmers today	Wesfarmers post-demerger ¹ (exc. Resources)	Coles
FY17 revenue (\$b)	68.4	27.5	39.2
FY17 EBIT (\$b)	4.4	2.4	1.6
FY17 operating cash flows (\$b) ²	5.2	2.6	2.2
Dec-17 R12 ROC / ROC (ex. g/w) ³ (%)	15.9 / 33.6	23.6 / 38.6	9.0 / 24.2
Dec-17 R12 capital employed (\$b)	27.2	10.1	16.5
Employees (#) ⁴	~223,000	~114,000	~109,000
Retail stores (Australia & NZ) (#) ⁵	3,813	1,313	2,500
FY17 divisional EBIT contribution (%)			

Note: Financials do not include any one-off or ongoing separation costs resulting from the proposed demerger.

1. Excludes Coles & Resources.
2. Represents operating cash flows before tax.
3. Excluding significant items.
4. R12 as at 31 December 2017.
5. As at 31 December 2017.

Summary & next steps

- Today's announcement is an important milestone for the future of Wesfarmers & Coles
- Following the transformation under Wesfarmers' ownership, Coles is well-positioned to prosper as a separately listed company
- The demerger would reposition Wesfarmers' portfolio & capital towards businesses with higher earnings growth potential
- The demerger would be subject to final Board approval, third party consents, regulatory & shareholder approvals
- Further information about the demerger & Wesfarmers & Coles post-demerger will be provided in due course

Questions

The Wesfarmers Way



The Wesfarmers Way

Wesfarmers' objective is to deliver **satisfactory returns** to shareholders over the **long term**

ENABLERS

Divisional autonomy

Active portfolio management

Underpinned by a strong balance sheet & sustainable practices

AREAS OF FOCUS



World's best talent



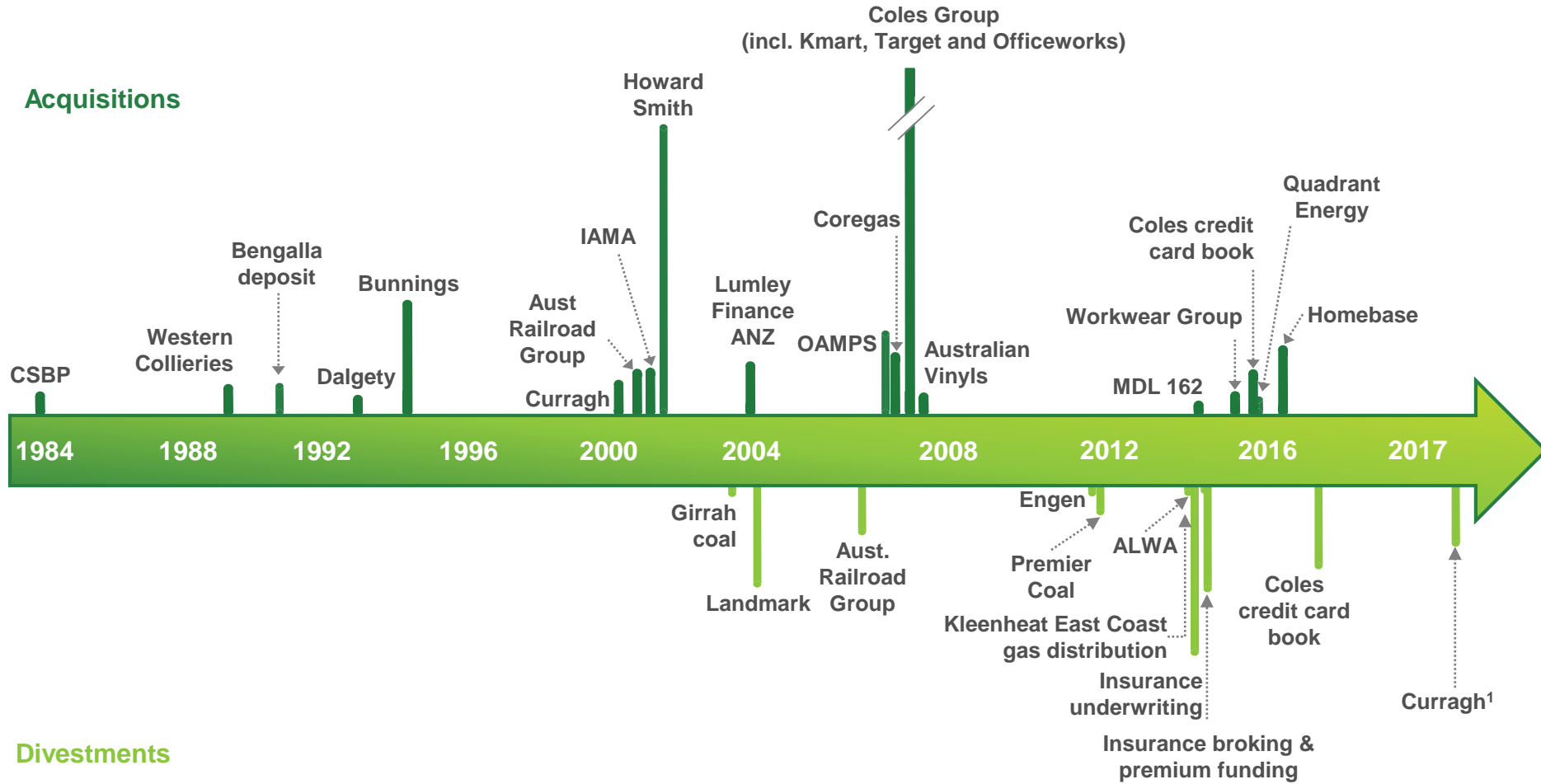
Leveraging data &
digital capabilities



Entrepreneurial
initiative

Active portfolio management

Group transaction activity (inflation adjusted transaction size)



1. Subject to completion.

Wesfarmers post-demerger

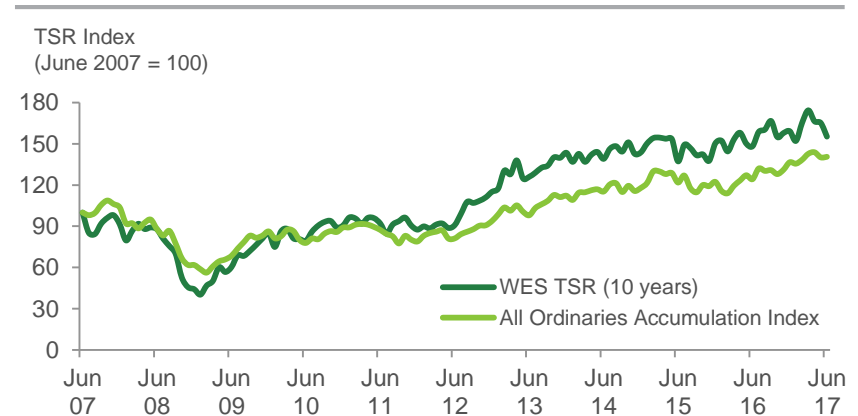


Wesfarmers post-demerger

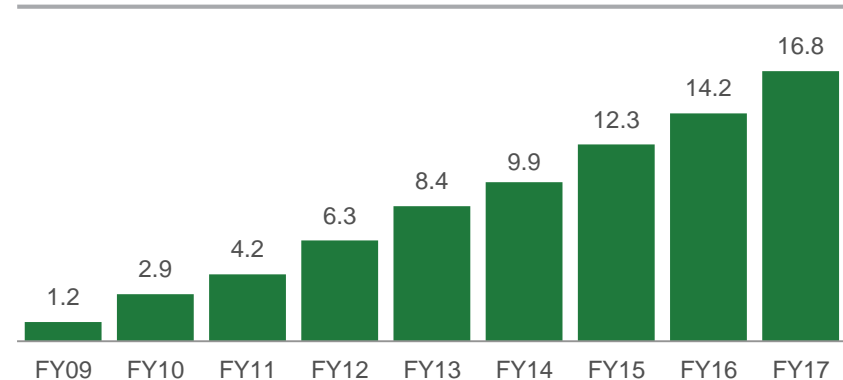
Wesfarmers' objective would remain the delivery of satisfactory returns over the long term

- Well-positioned to deliver continued growth in earnings & returns
 - **Retail:** continued improvement of store networks, merchandise ranges & customer experience, including online, & new market opportunities
 - **Industrials:** continued operational excellence & platforms for future inorganic growth
 - **Data & digital:** developing data & digital capabilities to deliver greater personalisation & value to customers
- Minority ownership interest (up to 20%) in Coles & ownership stake in flybuys would create opportunities to leverage data & digital capabilities
- Cash generative assets & a strong balance sheet will continue to support Wesfarmers' capacity to act opportunistically
- Maintain strong capital disciplines with respect to capital allocation & investment decisions
- Expect to retain strong credit ratings
- Dividend policy to remain unchanged

Total shareholder return¹



FY09-17 cumulative operating cash flows (\$b)²








1. Assumes 100% dividend reinvestment on the ex-dividend date & full participation in capital management initiatives; as at 30 June 2017.

2. Represents cumulative operating cash flows before tax; excludes Insurance and Resources.

Wesfarmers post-demerger

Portfolio of cash generative businesses with strong growth prospects

	Bunnings	Department Stores	Industrials	Officeworks	Other
					
	<ul style="list-style-type: none"> Leading retailer of home improvement & outdoor living products Iconic brand with strong community engagement Pipeline of new stores, reinvestment in existing stores & developing digital offer UK business under review 	<ul style="list-style-type: none"> Kmart is Australia's leading general merchandise and apparel retailer. Its sourcing model underpins a lowest price position in the market Target offers quality, fashion & basics across apparel, homewares & general merchandise 	<ul style="list-style-type: none"> Diversified portfolio of industrial businesses Strong operational expertise in industrial chemicals Leveraging technology to enhance service & grow markets Platform for the pursuit of inorganic growth opportunities 	<ul style="list-style-type: none"> Leading retailer & supplier of office products & solutions World-class omni-channel offer Driving growth through range extension & merchandise investments 	<ul style="list-style-type: none"> Minority ownership interest in Coles (up to 20%) An interest in flybuys, one of Australia's most popular & well-recognised loyalty programs, with ~8 million active members Data & digital capabilities Other businesses¹
FY09-17 EBIT CAGR	8.3%	Kmart 22.5% Target n.m.	9.8% ²	10.5%	n.a.
Dec-17 ROC	30.7%	26.2%	18.3% ²	15.7%	n.a.

1. Includes BWP Trust, Gresham & Wespine.

2. Excludes Resources.

n.m. = not meaningful; n.a. = not applicable

Coles post-demerger



coles

coles.com.au

coles

VINTAGE CELLARS

first CHOICE liquor

LIQUORLAND

spirit
HOTELS

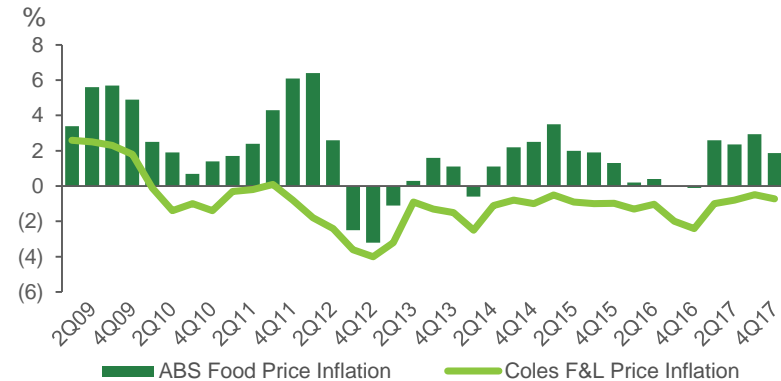
coles Financial Services

The Coles investment

Significant investment has positioned Coles well for continued future growth

- Over \$8b of capital invested since FY09
- 8 years of lowering the cost of the weekly shop for customers
- 184 new supermarkets opened, 134 closed & 43 re-branded & 80% of the supermarket network refurbished
- Omni-channel capabilities established & more than 800 'click & collect' sites expected by the end of FY18
- Long-term, collaborative partnerships with fresh suppliers & \$50m Nurture Fund established
- Liquor transformation progressed
- Strengthened convenience food offer
- Community support through SecondBite

8 years of lowering prices for customers



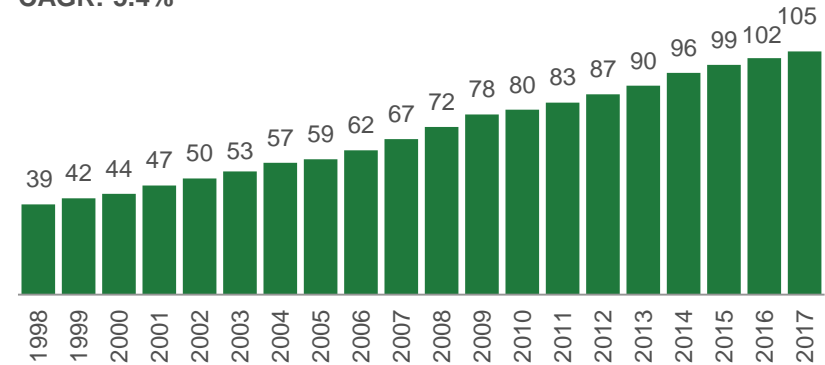
Coles post-demerger

Attractive investment for shareholders seeking defensive characteristics

- Expected to demerge as a top 30 ASX listed company
- Well-positioned to continue to grow earnings over the long term
- Earnings profile is expected to be resilient through economic cycles
- Expected to be demerged with a strong balance sheet
- Strong cash generation capability to support dividend distributions
- Relatively low additional costs for corporate functions required as a listed company
- Further detail on capital structure & dividend policy to be provided in due course





ABS supermarket sales (\$b)¹

CAGR: 5.4%



1. ABS, 8501.0 – Retail Trade, Australia, Jan 2018 (Table 11. Retail Turnover, State by Industry Subgroup, Original).

Coles portfolio¹

Food	Liquor	Convenience	Other
 <p>coles coles.com.au</p>			
<ul style="list-style-type: none"> • A leading Australian full-service supermarket, committed to lowering the cost of the weekly shop for customers & delivering trusted value every day • Existing network of 806 stores & a significant & growing online presence 	<ul style="list-style-type: none"> • Three national liquor chains, each with a distinctive value proposition • National network of 894 liquor stores & 88 hotels • Strong exclusive brand presence, developed in partnership with established winemakers & craft beer brewers 	<ul style="list-style-type: none"> • National network of 712 stores offering fuel & convenience retailing • Exclusive alliance with Viva Energy Australia Pty Ltd • Leading convenience store offer, with strong growth in the food-to-go range 	<ul style="list-style-type: none"> • An interest in flybuys, one of Australia's most popular & well-recognised loyalty programs with ~8 million active members • Strong data & digital capabilities • Growing financial services business with over one million credit card, debit card & insurance policy holders

1. Store numbers as at 31 December 2017.



Wesfarmers