



6 November 2014

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir,

OPERATIONAL SITE TOUR PRESENTATION – COLES DIVISION

Following is a presentation that is to be given today at a management briefing on the Coles division, which is scheduled to commence at 11.00am (AWST) / 2.00pm (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', with a long horizontal stroke extending to the right.

L J KENYON
COMPANY SECRETARY

Wesfarmers Limited

Coles Operational Site Tour

6 November 2014



100 years
Thousands
of stories



Agenda

9.15am – 2.00pm	Site visits & lunch	
2.00pm – 2.05pm	Introduction	Terry Bowen
2.05pm – 2.35pm	Strategic overview <ul style="list-style-type: none">• Leadership team• Australian market• Strategy for growth• Coles Express• New services & channels	John Durkan
2.35pm – 2.55pm	Value & Fresh	George Dymond
2.55pm – 3.15pm	Simplicity – End to end supply chain	Andy Coleman
3.15pm – 3.35pm	Network & Financial Services	Rob Scott
3.35pm – 3.50pm	<i>Afternoon tea</i>	
3.50pm – 4.10pm	Liquor transformation	Greg Davis
4.10pm – 4.50pm	Conclusion & Q&A	John Durkan to host Q&A

Introduction

Terry Bowen
Finance Director, Wesfarmers Limited



Strategic overview

John Durkan
Managing Director



Coles leadership team



John Durkan
Managing Director



Andy Coleman
Operations & Supply
Chain Director



Greg Davis
Liquor Director



Chris Nicholas
Finance Director



George Dymond
Merchandise Director



Richard Pearson
Coles Express Director



Simon McDowell
Marketing & Store
Development Director



Jenny Bryant
Human Resources
Director



Roger Sniezek
Digital Director



Alister Jordan
Corporate Affairs
Director



Rob Scott
Managing Director
Financial Services,
Wesfarmers



Jonathan Sharp
Strategy Director

Consumer trends continue to move towards value & more frequent shops

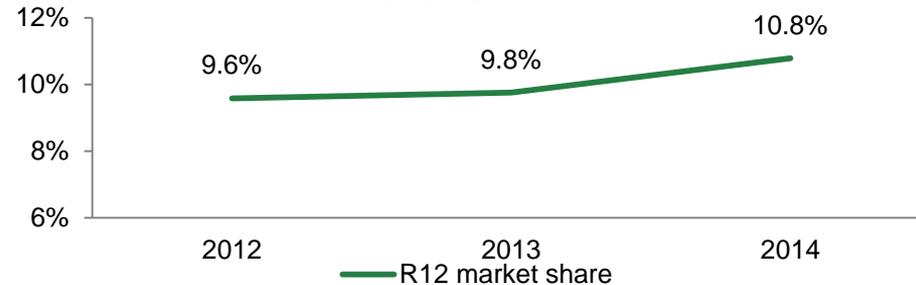
- Customers are becoming more value conscious
 - Increasing concerns around the rising cost of living
 - Real wages growth in decline¹
- Growing popularity of ‘convenience-style’ shopping
 - Customers are shopping more frequently
 - Growing proportion of small basket shops

¹ Australian Bureau of Statistics 6345.0 - Wage Price Index, Australia & 6401.0 - Consumer Price Index, Australia.

A highly competitive market

- Discounters growing market share
 - Supported by a strong store opening program
 - Expanding beyond the Eastern seaboard

Discounters' market share in the Eastern seaboard now above 10%



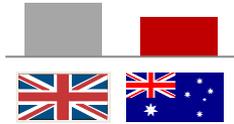
Source: Nielsen Homescan for Total Defined Grocery including Fresh for total Australia for all shoppers (excludes Tobacco, Liquor, GM&A or Entertainment & Paper).

- Many competitors in the market
 - More than 32,000 specialty retailers

Features of the Australian market

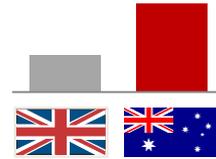
Slower space growth

Selling area growth (FY09–FY13)¹



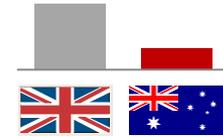
More independents in the market

Independents' market share¹



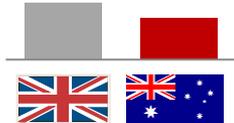
Opportunity to grow online

Online grocery sales (% total sales)¹



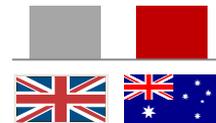
Smaller average store size

Average store size
(excluding convenience)¹



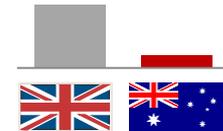
Discounters have similar market positions

Discounters' market share¹



Less exposure to non-food

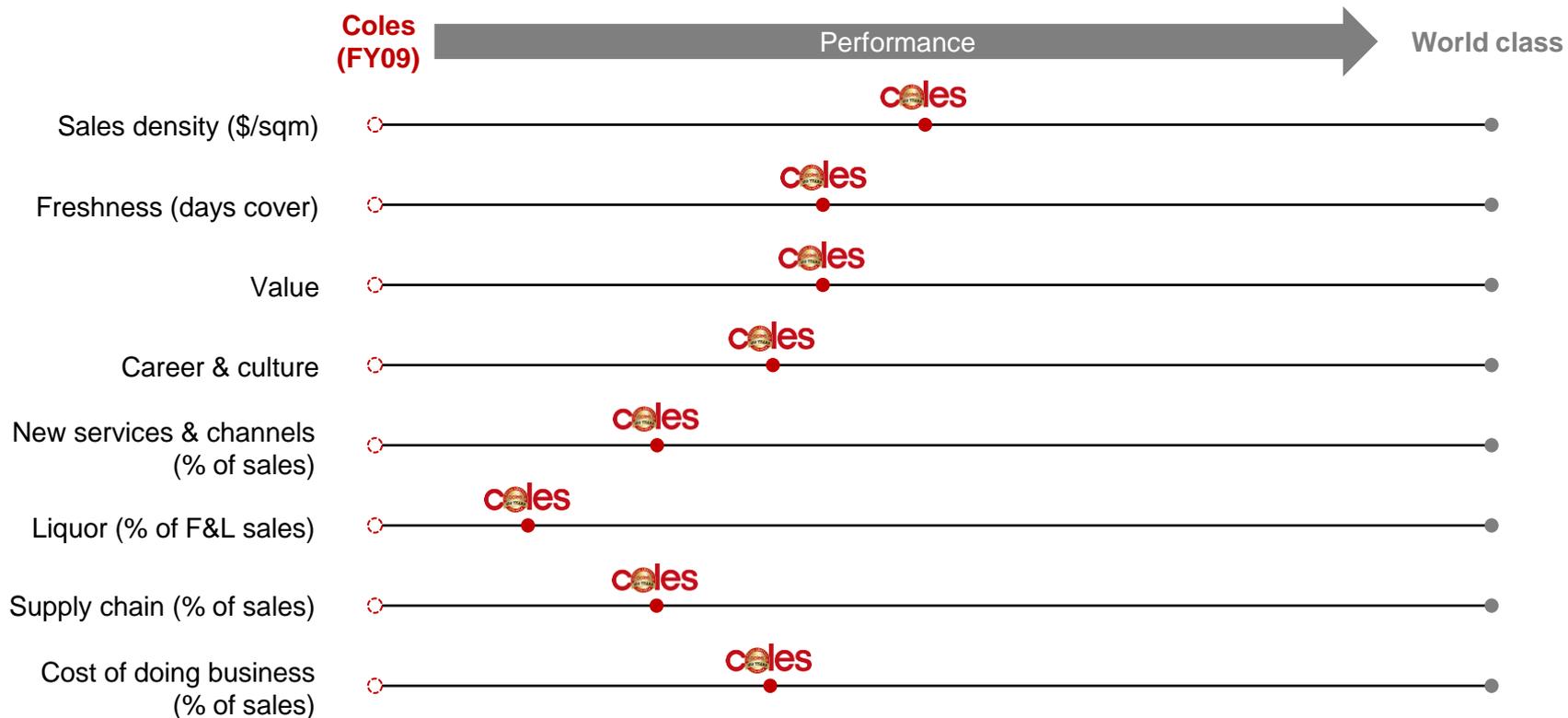
Non food sales (% total sales)¹



More room for growth in the Australian market

¹ Illustrative only & not to scale.

Coles vs. global best practice



Note: Illustrative only & not to scale.

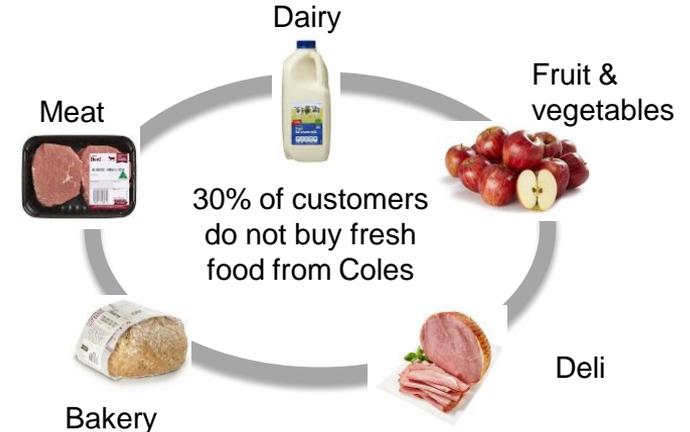
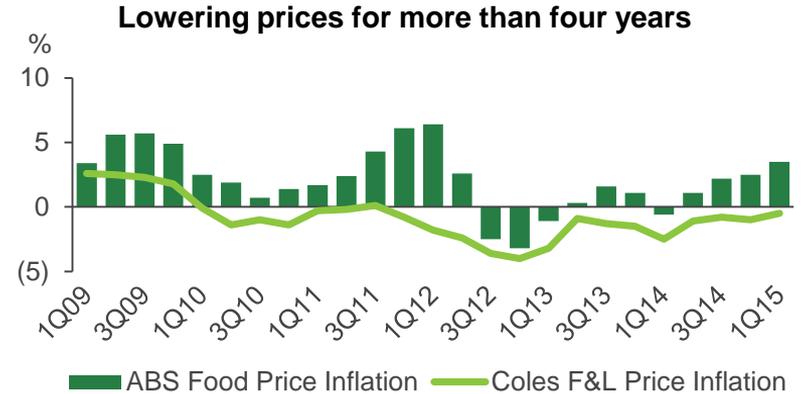
Our strategy for growth



Invest in value & freshness

Extend our value leadership

- Truly understand the needs of our customers
- Reduce the cost of the weekly shopping basket
- Greater investments in lower everyday prices
 - Increase volume & transactions
- Extensive & better quality Coles Brand
- Better value & quality fresh food



Generate savings through greater simplicity & an end to end approach

Simpler supply chain



- Accelerate distribution centre efficiencies
- Improve transport control & transparency
- Better flow of products through the supply chain

Simpler stores



- Focussed range & efficient use of space
- Improve in-store productivity
- Invest in technology for smarter stores

Simpler store-support centre



- Simplify key processes
- Streamlined decision making
- Lower cost

- Attract talent & develop future leaders
 - World class graduate program
 - Double graduate intake in 2015
 - Fast track internal development
 - More retail leaders program in-store & across the supply chain
- Foster a bold culture
 - Fast decision making
 - Adaptable & nimble
- Drive team member engagement
 - Empowering team members to connect & collaborate through a fully accessible web portal, mycoles
 - Community Heroes program recognising team member involvement in the community
 - Ongoing commitment to safety

Retail leaders program



Driving team member engagement with mycoles



Strengthening supplier relationships

- Providing growth, security & certainty to key suppliers through disciplined co-investments
 - Drives innovation
 - Enables lower prices for customers
 - Improves quality
- Building deeper, longer-term partnerships with key suppliers
- Launched the Coles Supplier Charter, a formal commitment to deal with suppliers in good faith
 - Reflects seven key best practice principles
 - Offers three alternative dispute resolution processes



Driving Coles Express

- Expand the network
 - More sites in the right place with the right facilities
- Grow our C-shop
 - Clear, consistent value
 - Great customer service
 - Unique products & services
- Partnering with Viva Energy to ensure the right fuel offer
 - Right mix & value
 - Always available
- Develop great careers in a safe environment
 - Continue to make our service & culture a competitive advantage
- Long-term community & charity commitments



Boldly extend into new services & channels



- Best customer offer
 - A new mobile-optimised website & Coles App
 - Same day delivery to the kitchen bench
 - Delivery on time up 3%
 - Great value with all catalogue specials available online & free delivery Wednesdays
- Growing capacity for better convenience
 - More than 80 'click & collect' sites in total & expanding
 - Rolling out world-leading refrigerated lockers
- Improving productivity & lowering costs
 - Rolling out a tablet picking system

Extend value leadership & focus on freshness

George Dymond
Merchandise Director



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Extend value leadership

- Become a trusted value leader
 - Further reduce cost of the weekly shopping basket
 - Greater investment in trusted pricing going forward
 - Continue strong promotions
- Drive targeted marketing with flybuys & customer insights
 - Tailored value for customers
 - Utilise multiple targeted marketing channels
- Customer-led Coles Brand
 - Provide a compelling value alternative
 - Drive innovation
 - Improve quality across range
 - Rigorous process to ensure high quality





In-store



- Great prices every day
- Lowering the cost of the weekly shop



Targeted offers

- Personalised, relevant 'my weekly special' email
- Based on flybuys shopping history



- Weekly specials & promotions
- Offering exceptional savings



- Customised & targeted offers



- Specials on in-season & in-abundance fruit & vegetables



- Redeem flybuys points for great products & savings

New products & innovation

- Provide compelling **value** through new core products

- Quality at a great price
- Reduce the weekly shopping basket
- Create 'iconic' price points



- Drive a point of **differentiation** through new unique products

Healthier



More convenient



Exceptional quality



Rigorous & continuous process for product development & responsible sourcing

Healthy for you

Supporting healthier living



- ✓ Australia first sourcing policy for greater freshness & quality
- 🕒 Roll-out of health star ratings with front of pack reduced salt, fat & sugar displayed

- ✓ No added MSG or artificial colours in Coles Brand food & drink products
- ✓ Hormone-free beef
- ✓ 'Graze' grass fed beef rolled out in 270 stores

Responsible sourcing

Environmental stewardship



- ✓ Recycled PET water bottles
- 🕒 Paper products FSC / PEFC approved
- 🕒 Certified sustainable palm oil by 2015
- 🕒 WWF support for future friendly seafood sourcing

Caring for animals



- ✓ RSPCA approved chicken & turkey
- ✓ Cage-free eggs
- ✓ Sow-stall-free pork
- ✓ RSPCA approved free range pork across Coles Finest range

Ethical sourcing



- ✓ Cambodian meal programme supporting nutrition of textile workers
- ✓ Published ethical sourcing policy & supplying factories (Cambodia, India, Vietnam)
- 🕒 Fair trade tea, coffee & chocolate

Quality of fresh food is a key driver of store choice

Fruit & vegetables

- FY14 sales volume 70% higher than FY08
- Drive sales through increased availability
- Invest with suppliers to extend the growing season



Deli & Dairy

- Provide a more authentic deli offering
- Roll-out proven innovation across more of the network (e.g. olive bar)



Meat

- Strong value proposition on every day products
- Step-change communication of quality & welfare credentials
- Invest in more skilled butchers



Bakery

- Roll-out more scratch bakeries
- Invest in more skilled bakers
- Improve availability & freshness



Driving fresh outperformance

Better **value** through trusted pricing & greater choice



Focus on **quality** & freshness



Invest in team member trade **skills**



Deeper, longer, more collaborative partnership with **Australian suppliers**



End to end supply chain enhancements to improve availability



Roll-out of new **formats & concepts**



Simplicity – End to End Supply Chain

Andy Coleman
Operations & Supply Chain Director



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End to End Supply Chain

Suppliers

Distribution
centre

Automated
ordering

Transport

Space
economics

Simpler
stores



Suppliers



- New 10-year commitment
- State of the art facilities

Supply chain



- Seven day deliveries to store
- Minimise life loss by moving product faster

In-store



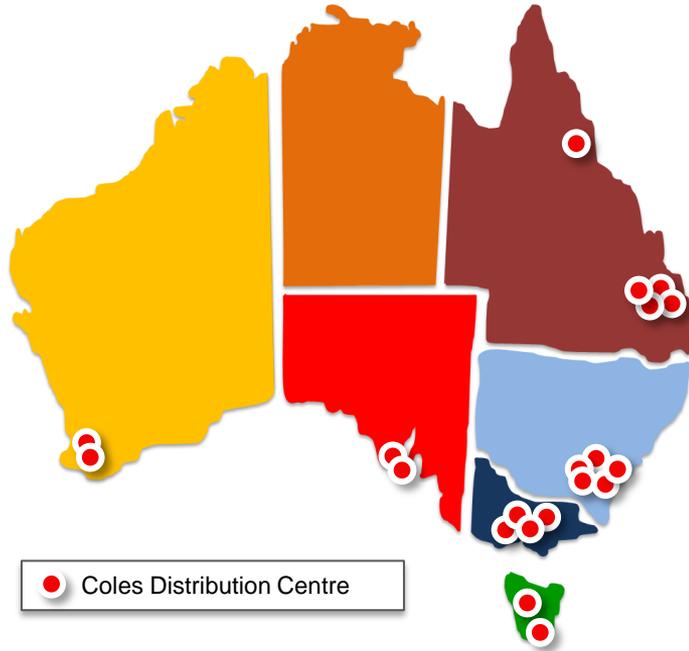
- Easy Ordering to maximise availability
- Sales based store specific layouts

Customers



- Milk packaging that does not leak
- Fresher product

We continue to right size our distribution centre network



- Five international consolidation centres in Malaysia & China
- Now have 20 distribution centres compared to 32 in 2008

We have 12 less distribution centres than 2008 but are issuing over 75% more cartons every week

Improving our distribution centres



- Invested in Lean Six Sigma, with team members trained to at least green belt level in our largest DCs
- 44% reduction in lost time injuries

Better processes & systems



- Labour planning
- Pick productivity

Ongoing gains in distribution centre productivity



- Improvements in pick path efficiency

Rolling out Coles owned trailers & open book partnerships



- Coles owned trailers
- Right deliveries right time

Optimising planning & execution, managed centrally



- Investing in transport systems
- Strong growth in Coles collect & backhaul

Ongoing gains in transport productivity



- Improvements in cost per carton

Deeper, longer, more collaborative partnerships with Australian suppliers



- Muddy boots quality control in chilled distribution centres
- Forward demand plans

Easy Ordering – successfully executed



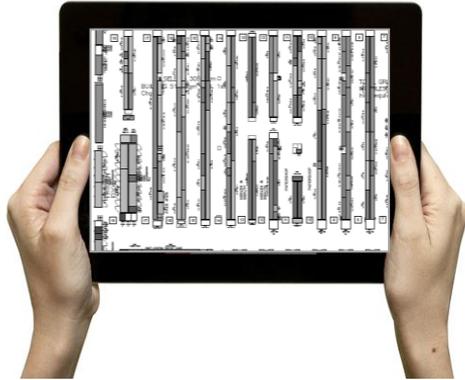
- Grocery, Frozen & Dairy have been on Easy Ordering since 2011
- Meat & Bakery are now 100% on Easy Ordering

Fresh produce assisted ordering



- 646 stores live
- In all stores by the end of November 2014
- Over 90% of SKUs on Easy Ordering

Rolling out store specific layouts



Improving store productivity



Building a great team



Investing in smarter stores



Point Of Sale



Project Unity – our strategy going forward

- End to end focus - flow of product
- Continue to accelerate distribution centre & transport efficiency
- Fast track efficiency of space
- Working capital



Suppliers, supply chain & stores delivering for customers today & tomorrow

Deliver a better store network

Rob Scott

Managing Director Financial Services, Wesfarmers



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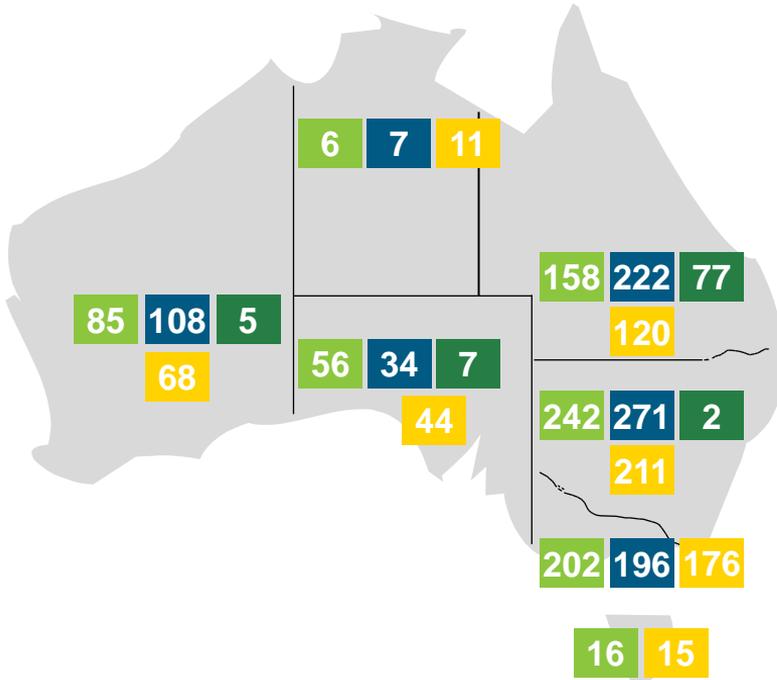
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The Coles network

As at 30 September 2014



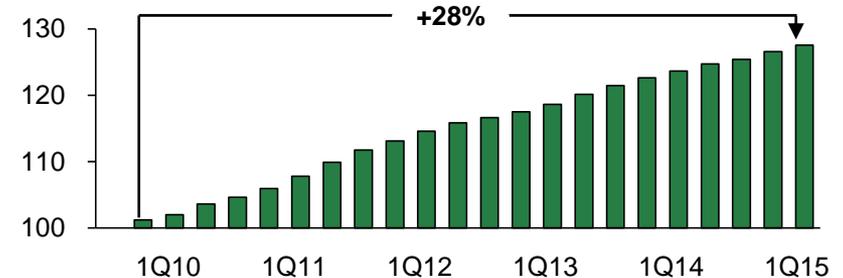
- Improved supermarket network
 - 58% of fleet renewed to date
 - Opened 113 larger stores, closed 98 underperforming stores since FY08
- Liquor network a sizable opportunity
 - Hotels network relatively unchanged
- Steadily grown the Coles Express network

	1Q15	4Q08	+/-
Supermarkets	765	750	15
Liquor stores	838	767	71
Hotels	91	95	(4)
Coles Express	645	619	26

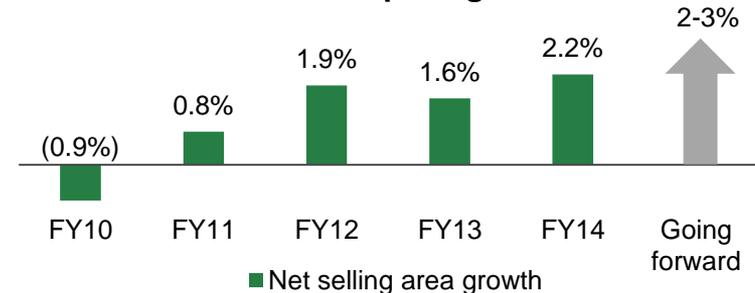
Strategy to deliver an efficient network

- Increase sales density growth
 - Focus on fresh food
 - Better range & use of space
- Consistent space growth
 - 2% - 3% p.a. net selling area growth
 - “Bigger, better” new & existing stores
 - Targeted acquisitions to fill network gaps
 - Continue focus on growth corridors
- Complete renewals within three years
 - Faster test, trial & deployment of new concepts
 - Consistent customer experience

Increased sales density



Increased space growth



- Improve customer experience & introduce new concepts
- Renew, replace or resize stores
 - Renew existing stores where location & size is optimum
 - Resize stores in right location but under-sized
 - Replace stores in compromised location & size
- Remain returns focussed

Example

- Footscray, Melbourne
 - Existing store small & under performing
 - Development period July 2013 to September 2014
 - Now mixed used with residential/retail



- A rigorous selection process
- Internal network plan to identify gaps & opportunities
 - Defined criteria based on existing market share, level of competition & demographics
 - Sophisticated 'Gravity Model' using drive time to forecast sales
 - Leveraging flybuys data insights & learnings from comparable stores
 - Internal payback & return hurdles to ensure profitable growth
- Disciplined investment approach
 - Recycle capital through divestments, including into the ISPT joint venture



Quality sites generating superior returns

- Town centre location
- High visibility
- Good public access
- Good parking
- Co-located liquor
- Nearby Coles Express
- Complementary specialty retailers

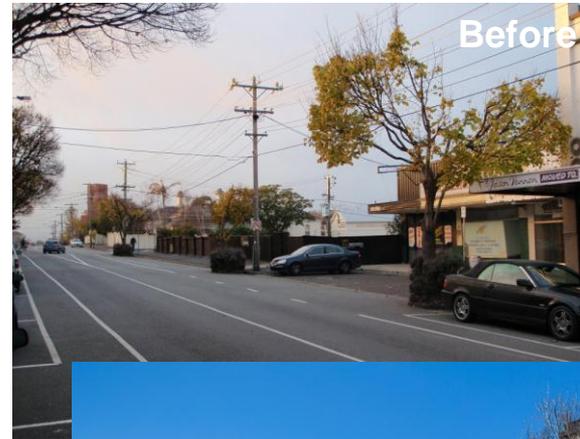


New sites enhancing portfolio quality & sales density

Deeragun, Qld – Regional



Brighton, VIC – Urban



Financial services

Rob Scott

Managing Director Financial Services, Wesfarmers



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Boldly extend into new channels

Financial services

Truly better value

- Insurance price beat guarantee for car & life
- No annual fee credit card
- Fastest way to earn flybuys points
- Highly personalised flybuys offers



New developments

- Ten awards won over the last two years
- Constantly assessing new product development opportunities
- Launch of Mobile Wallet in July 2014
- Agreement to form a financial services joint venture with GE Capital Australia



Best customer experience

- Instant \$10 off flybuys redemptions at Coles supermarkets for Coles insurance & credit card customers
- Nine call centres with over 850 customer representatives
- Strong presence across all mobile devices

Building capabilities

- Recruiting financial services specialists
- Building analytics & digital capabilities
- Enhancing & strengthening risk capabilities
- IT development underway for joint venture with GE Capital Australia

Boldly extend into new channels

Financial services

Coles financial services operating model

Credit cards / personal lending



Insurance



Customer facing

Using technology to deliver better value & more convenience

Analytics capability (flybuys + Coles + FS data)

Product platforms

Joint venture with GE Capital

- Expected to begin operations in FY15

Backed by

- IAG
- MetLife

Support centre

Payments capability (Mobile Wallet, online payment)

Systems & processes (general ledger, payroll, reporting, desktop services)

Transform Liquor

Greg Davis
Liquor Director



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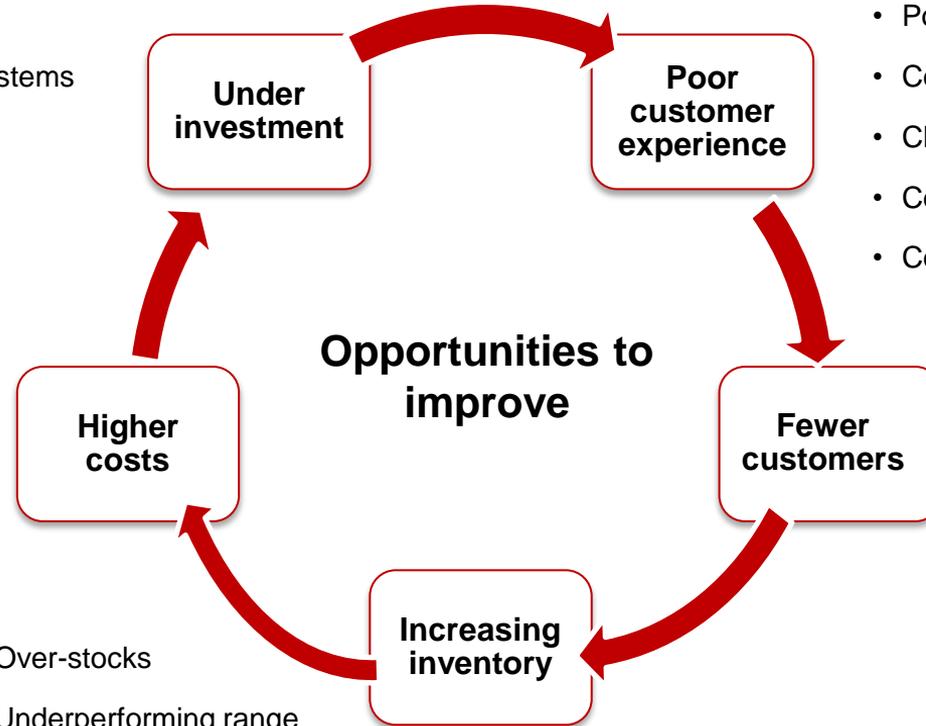
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- Underinvested teams
- Inefficient processes & systems
- Weak online proposition
- Tired stores

- Declining margins
- Weak supplier relationships
- Pressure on costs

- Over-stocks
- Underperforming range
- Low stock-turn



- Poor value perception
- Complex promotions
- Cluttered & difficult to shop
- Confusing layout & signage
- Compromised sites

- Lower sales
- Fewer transactions
- Less frequent footfall

Phase 1 Build a solid foundation

- Build team & capabilities
- Accelerate store closures
- Refresh stores
- Invest in value
- Reset the range
- Trial new concepts
- Increase operational efficiency

Phase 2 Deliver consistently well

- Customer centric culture
- Refresh all stores
- Further investment in value
- Tailored & localised range
- Stronger supplier relationships
- Improve supply chain
- Build online presence

Phase 3 Drive the difference

- World-class team, unique culture
- Engaging brands, exceeding customer expectations
- Continuous renewal program
- Longer term partnerships with supplier
- Optimised value chain
- Seamless multi-channel experience

Reviewing customer format plans

Convenience

- Make shopping easier
- Invest in prices
- Simplify range
- More co-located stores

Destination

- Restructure the network
- Engaging customer experience
- Lower prices / better range

Specialist

- Build team member knowledge & expertise
- Broaden the customer base
- Leverage Wine Club



First 100 days

- New Liquor leadership team in place
- Organisation restructured & realigned to brands
- First stage of price reductions
- New value campaign
- Commenced range reset
- Initial steps in reducing working capital
- Detailed store network review underway
- Commenced programme of store closures

Questions





For all the latest news visit www.wesfarmers.com.au