2019 HALF-YEAR RESULTS

SHAREHOLDER QUICK GUIDE

2019 Half-year Results Shareholder Quick Guide

GROUP PERFORMANCE SUMMARY

We are pleased to provide shareholders with a summary of Wesfarmers Limited's results for the half-year ended 31 December 2018. For more detail, we encourage you to read the relevant announcements released by the ASX on 21 February 2019.

Michael Chaney AO
Chairman

Rob Scott
Managing Director

20 February 2019

The Group reported a net profit after tax (NPAT) of $4,538 million for the half-year ended 31 December 2018. The reported profit includes post-tax significant items of $3,059 million relating to discontinued operations, including gains on the demerger of Coles and disposals of Bengalla, Kmart Tyre and Auto Service (KTAS), and Quadrant Energy which were completed during the half-year. NPAT from continuing operations increased 10.4 per cent to $1,080 million.

The period was one of significant change for the Group, with a number of actions taken to reposition the portfolio, including the successful demerger of Coles in November 2018.

Earnings before interest and tax, excluding significant items, derived from continuing operations increased by 9.5 per cent compared to the prior corresponding period, underpinned by continued growth in Bunnings, Officeworks and the Chemicals, Energy and Fertilisers (WesCEF) business. Pleasing progress was made on the Group's digital strategy, with the Advanced Analytics Centre in operation and formalisation of the flybuys joint venture.

The directors declared a fully-franked ordinary interim dividend of $1.00 per share. In addition, following the successful completion of actions to reposition the Group's portfolio, the directors also declared a fully-franked special dividend of $1.00 per share, which will distribute $1,134 million to shareholders. This distributes the profits realised on asset disposals and takes into account Wesfarmers' available franking credits, strong balance sheet, robust credit metrics and cash flow generation while preserving balance sheet capacity.

Retail

Earnings growth at Bunnings Australia and New Zealand was achieved despite a moderation of trading conditions and high levels of growth in the prior corresponding period, and was assisted by an ongoing focus on cost control and continued favourable commercial property market conditions resulting in further positive outcomes on property divestments. During the period, improvements were made to the in-store and online customer experience, and the focus on long-term value creation was maintained through continued investment in price and data analytics, ongoing category expansion and refresh, and further growth in the store network.

The Department Stores division was renamed to Kmart Group, reflecting the transition of both Kmart and Target away from the traditional department store model. Kmart's earnings declined compared to the prior corresponding period primarily due to weaker sales in apparel, lower growth in non-seasonal products and increased store and supply chain expenses. Despite these challenges, customer feedback remained strong and was reflected in increased units sold during the half. Target delivered earnings growth through improved trading margins reflecting increased levels of direct sourcing, an improved sales mix and the benefit of annualised cost savings received during the half.

Customers continued to respond favourably to Officeworks' 'every channel' strategy, with strong sales growth achieved across stores and online. Higher earnings growth was achieved through a combination of strong sales growth, an improvement in sales density, and effective management of gross margin and the cost of doing business.

Industrials

WesCEF revenue was 14.4 per cent above the prior corresponding period, with all businesses contributing to revenue growth. Earnings (excluding Quadrant Energy) of $185 million were 2.2 per cent higher than the prior corresponding period, impacted by higher ammonia costs and customer discounts to secure longer-term volume commitments in the ammonium nitrate business.

Despite a modest increase in revenue, Industrial and Safety earnings of $42 million were $10 million below the prior corresponding period, reflecting Blackwoods' ongoing investment in customer service, data and digital and supply change transformation activities.

Interim dividend per share

$1.00 ↓ **2.9%**

Other businesses

Other businesses and corporate overheads, excluding significant items, reported a profit of $27 million compared to an expense of $61 million in the prior corresponding period.

Earnings from this segment included Wesfarmers' 15 per cent share of Coles' net profit after tax and investment in flybuys following the demerger of Coles, as well as a $42 million gain on the Group's investment in Barminco following its purchase by Ausdrill and receipt of $16 million from the value sharing arrangement entered into as part of the sale of the Curragh coal mine.

Cash flows

Strict capital disciplines were maintained and the Group retained a very strong balance sheet. Net financial debt at the end of the period was $324 million, a decrease of $3,256 million below 30 June 2018, reflecting the receipt of proceeds from portfolio management activity and ongoing strong cash generation in the operating businesses.

The Group generated operating cash flows of $1,987 million during the half, a decrease of 31.4 per cent on the prior corresponding period primarily due to the demerger of Coles and asset disposals. While divisional cash generation remained strong, the Group's cash realisation declined, reflecting a number of one-off items, including the timing of the demerger of Coles, the timing of property disposals, a reduction in income tax payable and the non-cash gain on the investment in Barminco.

Gross capital expenditure of $955 million (including discontinued operations) was $49 million lower than the prior corresponding period, primarily due to the acquisition of the rights to the Kmart brand name in Australia and New Zealand in the prior corresponding period, as well as the timing of new stores in Bunnings, partially offset by increased capital expenditure in Coles during the period under Wesfarmers ownership.

Special dividend per share

$1.00

Outlook

Wesfarmers remains well-positioned for growth over the long term. Actions taken to reposition the portfolio have significantly strengthened the balance sheet and placed the Group in a strong position to deliver improved shareholder returns.

Cost of living pressures and a decline in residential housing conditions have contributed to a moderation in retail spending growth and consumers remain cautious and value conscious. Despite this, the retail divisions will continue to invest in their offer to customers to deliver even greater value, quality and convenience. This includes further developing the digital offer to meet the changing needs of customers and to create a platform for expanding addressable markets, while improving operating efficiencies. The divisions will remain steadfast in their focus on customers and on managing for long-term success and value creation.

The industrial businesses will continue to be subject to international commodity prices, exchange rates, competitive factors and seasonal outcomes. The short-term outlook for the WesCEF business is generally positive, however earnings over the medium term are expected to be adversely affected by an oversupply of explosive grade ammonium nitrate in the Western Australian market.

The Group's balance sheet is expected to remain strong and Wesfarmers remains well-positioned to take advantage of value-accretive growth opportunities, if and when they arise, to create value for shareholders over the long term.

2019 Half-year Results Shareholder Quick Guide

GROUP PERFORMANCE SUMMARY

The period was one of significant change for the Group, with a number of actions taken to reposition the portfolio, including the successful demerger of Coles in November 2018.

Results from continuing operations[1]

Revenue

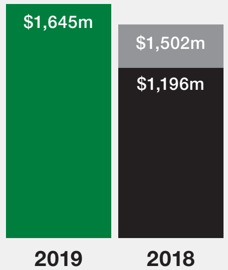
$14,388m

↑ 4.2%

Earnings before interest and tax

$1,645m

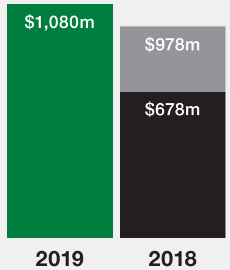
↑ 37.5%



Net profit after tax

$1,080m

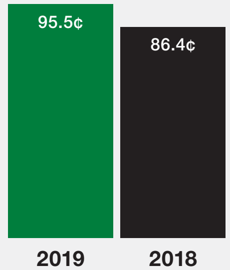
↑ 59.3%



Earnings per share

95.5¢

↑ 10.5%
Excluding significant items[2]

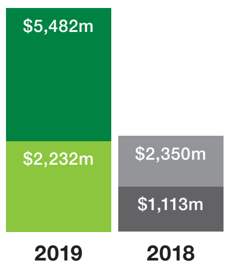


Results including discontinued operations[1]

Earnings before interest and tax

$5,482m

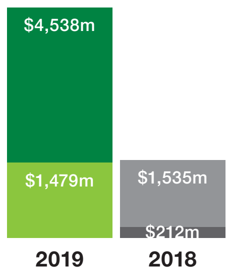
↑ $4,369m



Net profit after tax

$4,538m

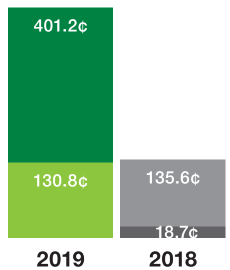
↑ $4,326m



Earnings per share

401.2¢

↑ 382.5¢ per share



Excluding significant items.

Excluding significant items.

1 2019 discontinued operations include Coles, KTAS, Quadrant Energy and Bengalla. 2018 discontinued operations include Curragh and BUKI.

2 2019 excludes pre-tax (post-tax) significant items comprising $2,312 million ($2,252 million) gain on demerger of Coles, $679 million ($583 million) gain on sale of Bengalla, $267 million ($219 million) gain on sale of KTAS, $138 million ($107 million) gain on sale of Quadrant Energy, partially offset by a $146 million ($102 million) provision for supply chain automation in Coles. 2018 excludes Target's non-cash impairment of $306 million ($300 million) and $931 million ($1,023 million) relating to Bunnings UK and Ireland.

DIVISIONAL PERFORMANCE SUMMARY

BUNNINGS AUSTRALIA AND NEW ZEALAND

Financial performance

- Total store growth of 5.5% and store-on-store sales up 4.0%
- Continued growth in consumer and commercial, in all product categories and across all major trading regions
- Growth was achieved despite high levels of growth in 1H18, high rainfall on the east coast and softening conditions in the residential housing market
- Continued investment in customer value
- Product range expansion and innovation
- Expansion of installation offer
- Click and collect pilot trial underway
- Eight new warehouse stores opened including four replacement stores

Outlook

- Moderated trading conditions expected to continue
- Well-positioned to continue to drive growth by investing further into customer value, broadening product ranges and expanding service offerings
- Continued development of digital capability with significant increase in investment, including expansion of click and collect offer and building towards full online transactional offer for Australia and New Zealand
- Fourteen new stores under construction
- Six upgrades and expansions to be completed

KMART GROUP[1]

Financial performance

Kmart

- Sales up 1.0% and modest decline in comparable sales driven by underperformance in apparel, lower growth in non-seasonal products and exit from DVD category
- Customer feedback remained strong, reflected in increased units sold
- Strong double digit sales growth in online offer supported by extended click and collect service and introduction of buy now pay later offering
- Earnings declined primarily due to increased store and supply chain expenses

Target

- Improved quality of sales mix and growth achieved in womenswear a highlight
- Earnings growth delivered through improved trading margins
- Good momentum and sales growth in online proposition driven by improved availability and increased rates of customer conversion

Outlook

- Kmart Group is well-positioned for the future
- Short-term earnings will be affected by moderated trading momentum and continued focus on customer value in Kmart, and ongoing transformation in Target
- Kmart will continue to focus on maintaining lowest price leadership and continued improvements to the product offer, as well as accelerating initiatives to improve the digital customer offer
- Target will continue to advance its business transformation focused on improving quality of its ranges, accelerating the online proposition and optimising the store network

[1] Excludes Kmart Tyre and Auto, which was sold 1 November 2018.

OFFICEWORKS

Financial performance

- Revenue growth of 8.2% with strong sales growth in stores and online and ongoing improvement in sales density
- Earnings growth supported by effective management of gross margin and cost of doing business
- Strong focus on customer offer, with merchandise layout and store design changes, new and expanded product ranges and relentless focus on price, range and service
- Two new stores
- Online investment
- Strong momentum maintained in business-to-business segment

Outlook

- Officeworks will continue to execute against its strategic agenda, including strengthening and expanding the customer proposition, extending physical and digital reach, enhancing productivity and efficiency, investing in talent, diversity and safety, and making a positive difference in the community
- Variable trading conditions are expected to continue and competitive pressure is expected to remain strong

Revenue

Bunnings Australia and New Zealand: $6,909m — up 5.2%

2019	$6,909m
2018	$6,566m

Kmart Group: $4,639m — up 0.8%

2019	$4,639m
2018	$4,604m

Officeworks: $1,100m — up 8.2%

2019	$1,100m
2018	$1,017m

Earnings before interest and tax

Bunnings Australia and New Zealand: $932m — up 7.9%

2019	$932m
2018	$864m

Kmart Group: $383m — down 3.8%

2019	$383m
2018	$398m

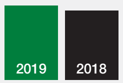
Officeworks: $76m — up 11.8%

2019	$76m
2018	$68m

Return on capital (R12)

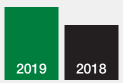
Bunnings Australia and New Zealand: 50.2% — up 3.2ppts

2019	50.2%
2018	47.0%



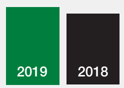
Kmart Group: 33.9% — up 8.3ppts

2019	33.9%
2018	25.6%



Officeworks: 17.2% — up 1.5ppts

2019	17.2%
2018	15.7%



DIVISIONAL PERFORMANCE SUMMARY

INDUSTRIALS[1]

Earnings for the Industrials division from continuing operations were $227 million for the first half of the 2019 financial year, 2.6 per cent below the prior corresponding period. During the period, the Bengalla coal mine was divested along with Wesfarmers' indirect interest in Quadrant Energy.

[1] Excludes Bengalla and Quadrant Energy.

Revenue

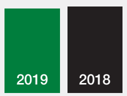
$1,750m ↑ 7.2%

2019	$1,750m
2018	$1,633m

Earnings before interest and tax

$227m ↓ 2.6%

2019	$227m
2018	$233m



CHEMICALS, ENERGY AND FERTILISERS[1]

Financial performance

- Modest earnings growth and improved capital efficiency increased return on capital by 2.5 ppt
- Chemicals earnings were slightly lower. Strong demand was experienced for WA EGAN but AN earnings impacted by increasing ammonia input costs and customer discounts to secure contracted offtake
- Energy earnings were higher due to increased Kleenheat earnings as a result of higher global energy prices and further growth in natural gas retail customers during the period
- Fertilisers earnings improved due to favourable late season conditions

Outlook

- Production and demand for products expected to remain robust
- Short-term benefit from ongoing disruption at competitor plant but medium term earnings expected to be affected by oversupply of EGAN in WA
- Growth in natural gas retail is expected to moderate due to increased competition in WA market

[1] Excludes Quadrant Energy.

Revenue

$874m ↑ 14.4%

2019	$874m
2018	$764m

Earnings before interest and tax

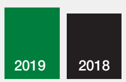
$185m ↑ 2.2%

2019	$185m
2018	$181m

Return on capital (R12)

29.4% ↑ 2.5ppts

2019	29.4%
2018	26.9%



INDUSTRIAL AND SAFETY

Financial performance

- Revenue growth achieved with increased Australian revenue at Blackwoods offset by weakness in construction and New Zealand market, lower revenue at Workwear Group and increased Coregas revenue due to demand in the bulk sales channels
- Blackwoods earnings decreased due to ongoing investment in customer service, data and digital and supply change transformation activities; strong improvement in customer service metrics achieved during the period

Outlook

- Australian conditions and demand expected to remain generally stable, but weakness in NZ and UK markets expected to persist
- Performance improvement activities to continue in Blackwoods, Workwear Group and Greencap for the next 12 to 18 months, including digital transformation, enhancing supply chain efficiency and building merchandising capability
- Coregas expected to benefit from recent new business wins in Healthcare sector, competitive intensity remains high

Revenue

$876m ↑ 0.8%

2019	$876m
2018	$869m

Earnings before interest and tax

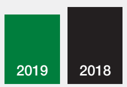
$42m ↓ 19.2%

2019	$42m
2018	$52m

Return on capital (R12)

7.5% ↓ 0.8ppts

2019	7.5%
2018	8.3%



OTHER[1]

Financial performance

- Other businesses and corporate overheads, excluding significant items, reported a profit of $27 million compared to an expense of $61 million in the prior corresponding period
- Earnings from the Group's associates increased by $33 million, benefiting from the 15 per cent share of Coles' net profit after tax since demerger on 28 November 2018 and the Group's share in flybuys, as well as $9 million of the gain on the Group's investment in Barminco following the purchase of Barminco by Ausdrill recognised in Other associates
- Interest revenue of $9 million increased from the prior corresponding period due to a higher average cash balance
- Other corporate earnings of $27 million, compared to expenses of $25 million in the prior corresponding period, reflected the remaining $33 million gain on purchase of Barminco by Ausdrill and $16 million from the value sharing arrangement entered into as part of the sale of the Curragh coal mine
- Corporate overheads of $74 million were in line with the prior corresponding period

[1] Other includes Coles (15%), flybuys (50%), BWP Trust (25%), Gresham (50%) and Wespine (50%).

2019 Half-year Results Shareholder Quick Guide

Key dates

2019 Half-year results announcement and briefing	21 February 2019
2019 Interim and Special dividends	
– Ex-dividend date	26 February 2019
– Record date	5:00pm AWST 27 February 2019
– Last date for receipt of election notice for DIP	5:00pm AWST 28 February 2019
– Payment date and DIP allocation date	10 April 2019

Share registry

Shareholders seeking information about their shareholdings or who wish to manage their shareholdings should contact our share registry, Computershare Investor Services Pty Limited. The registry can assist with queries such as share transfers, dividend payments, the Dividend Investment Plan, and changes of name, address or bank details.

Computershare Investor Services Pty Limited

Shareholder information line:
1300 558 062 (in Australia)
or (+61 3) 9415 4631

www.investorcentre.com/wes

Dividend Investment Plan (DIP)

The DIP provides a convenient way for shareholders to invest their dividends in new fully paid shares in Wesfarmers, without paying brokerage or other costs. At each dividend payment date, dividends on shares nominated to be subject of the DIP are automatically invested in Wesfarmers ordinary shares.

Wesfarmers Investor Centre

The Investor Centre is a dedicated online resource for keeping shareholders informed about our performance. For information such as current and historical share prices, company announcements, reports and presentations, dividend and capital management information and key financial dates, visit **http://www.wesfarmers.com.au/investor-centre**. You can also link to our share registry where you can manage your shareholding.

GO ELECTRONIC

Shareholders are encouraged to elect to receive electronic communications. It's quicker, it reduces costs and it's better for the environment.

Notifications of dividends and payments, notices of meetings, annual reports, shareholder webcasts and/or ASX announcements can all be delivered instantly to your email inbox. To receive some or all shareholder communications electronically, contact our share registry, Computershare Investor Services Pty Limited.

Wesfarmers Limited ABN 28 008 984 049

Level 14, Brookfield Place Tower 2
123 St Georges Terrace
Perth, Western Australia
Email: info@wesfarmers.com.au
Website: **www.wesfarmers.com.au**

Follow @wesfarmers on Twitter

WESFARMERS BUSINESSES

Bunnings Australia and New Zealand

Kmart Group

Officeworks

Industrials

Other[1]

[1] Other includes Coles (15%), flybuys (50%), BWP Trust (25%), Gresham (50%) and Wespine (50%).