2020 Half-year Results Briefing Presentation

To be held on Wednesday 19 February 2020

Wesfarmers

Presentation outline

Group Performance Overview

Rob Scott

Managing Director, Wesfarmers Limited

Wesfarmers

Continued focus on sustainable value creation over the long term

Wesfarmers' primary objective is to provide a satisfactory return to shareholders

We believe it is only possible to achieve this over the long term by:

Anticipating the needs of our customers and delivering competitive goods and services

Looking after our team members and providing a safe, fulfilling work environment

Engaging fairly with our suppliers and sourcing ethically and sustainably

Supporting the communities in which we operate

Taking care of the environment

Acting with integrity and honesty in all of our dealings

Response to Australian bushfires

- Across the Group, our businesses were able to respond directly to assist their local communities
  - Donation of critical products and in-kind support at time of need
  - Immediate action to source extra supplies of urgently needed products
  - Tireless effort from team members across all businesses
- Wesfarmers, together with team members and customers, contributed $4m in cash and in-kind donations
- Additional paid volunteer leave for all permanent team members across the Group
- Our businesses will continue to support their local communities during the recovery and rebuild process
- Team member safety, wellbeing and support remains the priority

Financial overview

Half-year ended 31 December ($m)[1]	2019 *Post AASB 16*	2019 *Pre AASB 16*	2018 *Reported*	Variance %[2]
Revenue	15,249	15,249	14,388	*6.0*
EBIT	1,734	1,637	1,645	*(0.5)*
EBIT (after interest on lease liabilities)	1,615	1,637	1,645	*(0.5)*
NPAT	1,127	1,142	1,080	*5.7*
Basic earnings per share (cps)	99.6	101.0	95.5	*5.7*
Dividend per share (cps)	75	75	100	*(25.0)*

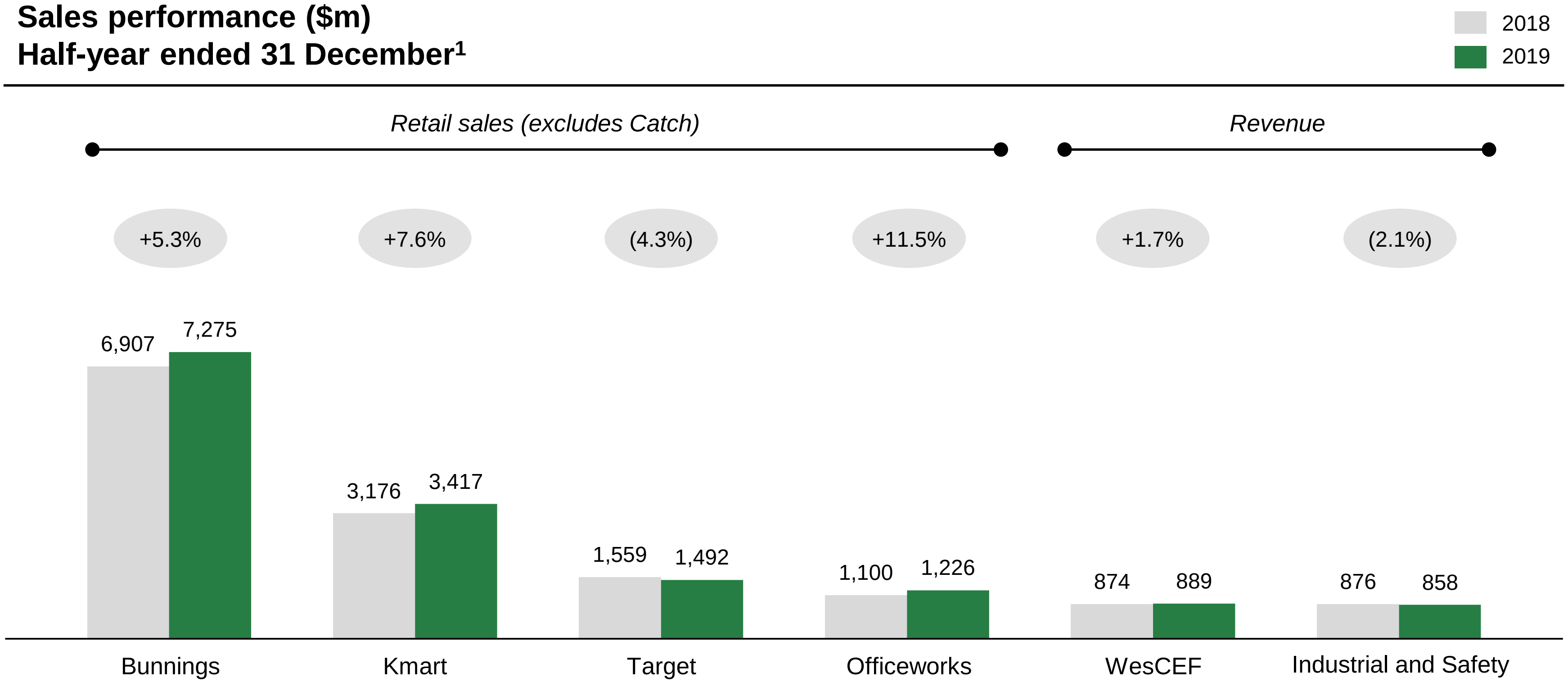
- Result underpinned by strong performance of the Group's largest businesses, Bunnings and Kmart, and ongoing solid performance in WesCEF
- Strict working capital management and disciplined capital expenditure resulted in strong cash flow generation across operating divisions
- Pleasing revenue growth of 6.0%, reflecting strong sales growth in Bunnings, Kmart and Officeworks
- NPAT (pre AASB 16) up 5.7% to $1,142m
- Interim, fully-franked dividend of 75 cents per share
  - Change from previous corresponding period reflects demerger of Coles and divestment of Bengalla

To facilitate a comparison to the prior corresponding period, pre AASB 16 financial information, a non-IFRS measure, has been included in this presentation and is the focus of performance commentary.

1. Continuing operations only. Further detail on discontinued operations is set out on slide 51.
2. Variance calculated on pre AASB 16 results.

Divisional sales performance

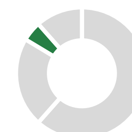
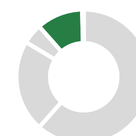
Sales performance ($m)
Half-year ended 31 December[1]



- Pleasing momentum across Bunnings, Kmart and Officeworks following strong operational execution and continued focus on customers
- Underpinned by strong growth in online sales of 35%[2] for the half and continued improvement in sales density

1. Continuing operations only. Further detail on discontinued operations is set out on slide 51.
2. Excludes Catch.

Divisional earnings performance

Earnings Before Tax (EBT) ($m) Half-year ended 31 December[1]	2019 *Post AASB 16*	2019 *Pre AASB 16*	2018 *Reported*	Var %[2]	% of divisional EBT
Bunnings	938	961	932	*3.1*	
Kmart Group[3]	343	345	383	*(9.9)*	
Officeworks	82	79	76	*3.9*	
WesCEF	173	174	185	*(5.9)*	
Industrial and Safety[4]	7	6	42	*(85.7)*	

1. Continuing operations only. Further detail on discontinued operations is set out on slide 51. Divisional EBT does not include any allocation of Group finance costs.
2. Variance calculated on pre AASB 16 results.
3. 2019 includes $9m of payroll remediation costs relating to Target.
4. 2019 Includes $15m of payroll remediation costs.

Divisional return on capital

Rolling 12 months to 31 December[1]	2019			2018			
	EBT ($m)	Cap Emp[2] ($m)	RoC (%)	EBT ($m)	Cap Emp[2] ($m)	RoC (%)	Var[3] (ppt)
Bunnings	1,655	3,171	52.2	1,572	3,133	50.2	*2.0*
Kmart Group[4]	502	1,990	25.2	612	1,806	33.9	*(8.7)*
Officeworks	170	1,004	16.9	164	951	17.2	*(0.3)*
WesCEF	422	1,579	26.7	383	1,304	29.4	*(2.7)*
Industrial and Safety[5]	50	1,482	3.4	109	1,446	7.5	*(4.1)*

- Return on capital performance reflects strict working capital management and disciplined capital expenditure across the Group's operating divisions
- Increased capital employed in Kmart Group and WesCEF reflect part-year impact of Catch and Kidman acquisitions

1. Continuing operations only. Further detail on discontinued operations is set out on slide 51.
2. Capital employed excludes impact of AASB 16 as lease liabilities and right-of-use balances are not available for the rolling twelve month period.
3. Variance calculated on pre AASB 16 results.
4. 2019 includes $9m of payroll remediation costs relating to Target.
5. 2019 Includes $15m of payroll remediation costs.

Managing businesses for long-term value creation

Our divisions remain focused on long-term value creation

1 A relentless focus on customers

- Maintaining price leadership
- Investing in data and digital to better meet the evolving needs of customers
- Ensuring reliable and high quality supply through operational excellence
- Engaging deeply in the communities where we operate

2 Investing for the long term

- Constant product innovation
- Improving back-end systems and processes
- Disciplined pursuit of value-accretive opportunities to add capabilities, channels or new technology

3 Building on unique capabilities and platforms

- Leading market positions
- Scalable platforms
- Expanding addressable markets by developing new channels, products or services
- People with extensive operating experience and knowledge

Group performance summary

Half-year ended 31 December ($m)	2019 *Post AASB 16*	2019 *Pre AASB 16*	2018 *Reported*	Var %[1]
Results from continuing operations				
EBIT	1,734	1,637	1,645	*(0.5)*
EBIT (after interest on lease liabilities)	1,615	1,637	1,645	*(0.5)*
NPAT	1,127	1,142	1,080	*5.7*
Basic earnings per share (cps)	99.6	101.0	95.5	*5.7*
Results including discontinued operations[2]				
NPAT from discontinued operations	83	83	3,458	*n.m.*
NPAT	1,210	1,225	4,538	*n.m.*
Operating cash flow	2,131	1,666	1,987	*(16.2)*
Net capital expenditure	207	207	678	*(69.5)*
Free cash flow	1,039	574	2,393	*(76.0)*
Dividend per share (cps)	75	75	100	*(25.0)*
Net financial debt[3]	2,317	2,317	324	*n.m.*

n.m. = not meaningful

1. Variance calculated on pre AASB 16 basis.
2. Further detail on discontinued operations is set out on slide 51.
3. Interest bearing liabilities less cash at bank and on deposit, net of cross-currency interest rate swaps and interest rate swap contracts. Excludes lease liabilities.

Group Balance Sheet and Cash Flow

Anthony Gianotti

Chief Financial Officer, Wesfarmers Limited

Other business performance summary

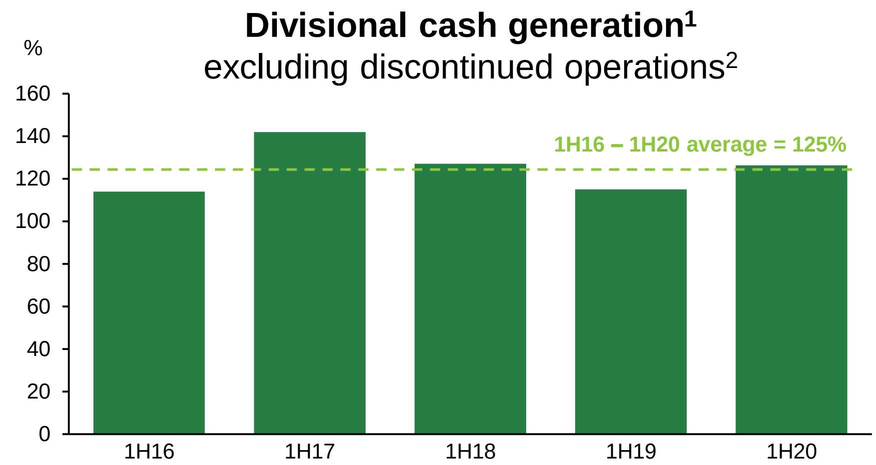
Half-year ended 31 December ($m)	Holding %	2019 *Post AASB 16*	2019 *Pre AASB 16*	2018 *Reported*	Var %[1]
Share of profit of associates and joint ventures					
Coles	*15*	73	73	23	*n.m.*
BWP Trust	*25*	34	34	20	*70.0*
Other associates and joint ventures[2,3]	*Various*	27	27	22	*22.7*
Sub-total share of profit of associates and joint ventures		**134**	**134**	**65**	***n.m.***
Interest revenue[4]		4	4	9	*(55.6)*
Other[3,5]		2	2	27	*(92.6)*
Corporate overheads		(68)	(68)	(74)	*(8.1)*
Total Other		**72**	**72**	**27**	***n.m.***

n.m. = not meaningful

1. Variance calculated on pre AASB 16 results.
2. Includes investments in Gresham, flybuys, Wespine and BPI.
3. 2018 includes $42m gain on investment in Barminco following purchase by Ausdrill. $9m of this gain relates to the Group's indirect interest held in Other associates and joint ventures. The remaining $33m is recognised in Other.
4. 2018 excludes interest revenue from Quadrant Energy loan notes.
5. 2019 includes $9m from the Curragh value sharing arrangement.
   2018 includes $16m from the Curragh value sharing arrangement.

Operating cash flows

- Divisional cash generation[1] from continuing operations up 11 ppt to 126%
  - 1H20 operating cash flows before tax from divisions increased 4% to $2,179m
- Reported operating cash flows decreased as the prior period included operating cash flows from Coles and other discontinued operations
- Group cash realisation ratio[3] improved to 117%
  - Strong divisional cash flow performance
  - Higher dividends received from associates, including Coles



1. Divisional operating cash flows before tax after net capital expenditure divided by divisional pre AASB 16 EBIT.
2. 1H16 to 1H18 includes contribution from KTAS and Quadrant.
3. Operating cash flows as a percentage of net profit after tax, before depreciation, amortisation and significant items.

Working capital and free cash flow

- Positive working capital result from continuing operations, albeit lower than 1H19
  - Unfavourable timing of shipments and exchange rate movements in Fertilisers
  - Partially offset by improved inventory management at Bunnings and Kmart
- Free cash flow decreased on prior year primarily due to:
  - Acquisitions of Kidman and Catch totalling approximately $1.0b
  - Prior period includes proceeds from divestment of Bengalla, Quadrant and KTAS as well as operating cash flows from divested businesses and Coles

Half-year ended 31 December ($m)	2019	2018
Working capital movements (continuing operations)		
Cash movement inflow/(outflow)		
Receivables and prepayments	96	46
Inventory	(286)	(478)
Payables	454	762
Total	**264**	**330**
Working capital cash movement		
Retail	385	389
Industrials and Other	(121)	(59)
Total	**264**	**330**
Working capital movements (incl. discontinued operations)[1]		
Cash movement inflow/(outflow)		
Receivables and prepayments	96	73
Inventory	(286)	(687)
Payables	454	930
Total	**264**	**316**
Working capital cash movement		
Retail	385	362
Industrials and Other	(121)	(46)
Total	**264**	**316**

1. Further detail on discontinued operations is set out on slide 51.

Capital expenditure

- Gross capital expenditure from continuing operations of $455m in line with prior period
  - Higher capital expenditure in Bunnings from development of digital offer
  - Higher capital expenditure in WesCEF primarily due to Covalent Lithium

  Offset by:
  - Decrease in Kmart Group due to timing of store refurbishments
  - One-off investment in Coregas healthcare offering in prior period
- Proceeds from property disposals include Bunnings property disposals of $224m
- Modest decrease in net capital expenditure in continuing operations to $207m
- FY20 net capital expenditure of $500m to $700m expected, subject to net property investment

Half-year ended 31 December ($m)[1]	2019	2018	Var %
Bunnings	269	240	*12.1*
Kmart Group	80	119	*(32.8)*
WesCEF	50	32	*56.3*
Industrial and Safety	33	46	*(28.3)*
Officeworks	22	20	*10.0*
Other	1	2	*(50.0)*
Gross capital expenditure	**455**	**459**	***(0.9)***
Sale of PP&E	(248)	(245)	*1.2*
Net capital expenditure	**207**	**214**	***(3.3)***
Net capital expenditure in discontinued operations[2]	-	464	*n.m.*
Group (including discontinued)			
Gross capital expenditure	455	955	*(52.4)*
Sale of PP&E	(248)	(277)	*(10.5)*
Net capital expenditure	**207**	**678**	***(69.5)***

n.m. = not meaningful

1. Capital investment provided on a cash basis.
2. Further detail on discontinued operations is set out on slide 51.

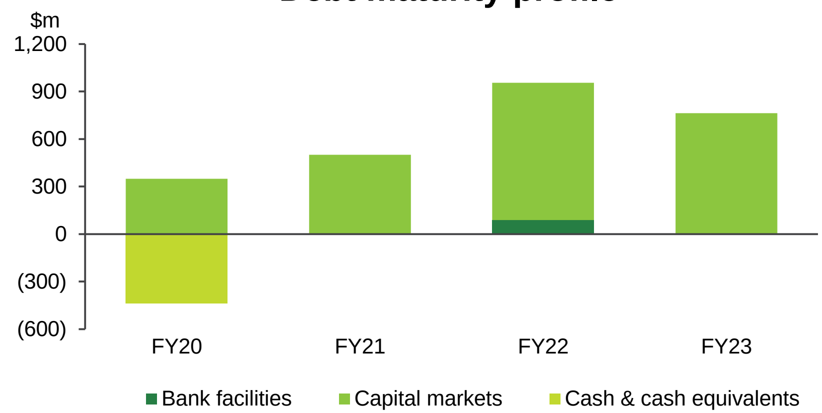
Impact of adopting new leasing standard (AASB 16)

- Wesfarmers has applied AASB 16 from 1 July 2019
- Adopted the ‘modified retrospective approach’
  - Comparative periods will not be restated
- Recognised lease liabilities of $7.3b and right-of-use assets of $6.4b on application of the standard
  - Net impact of $518m on initial application recognised directly in equity as leasing reserve
- Adoption of AASB 16 has also resulted in $580m decrease in occupancy expenses, offset by $464m increase in depreciation on the right-of-use assets and increase in interest on lease liabilities of $119m
- Reduction in gains on sale recognised on sale and leaseback transactions
  - Offset by lower depreciation for the term of the lease
- As previously announced, the adoption of AASB 16 will have:
  - No material net impact on Group NPAT
  - No impact on net cash flows
  - No impact on debt covenants and is not expected to result in a change in the Group’s credit ratings
  - No change to Group decision-making processes
- Further detail on the impact of AASB 16 on financial statements set out on slides 48 to 50

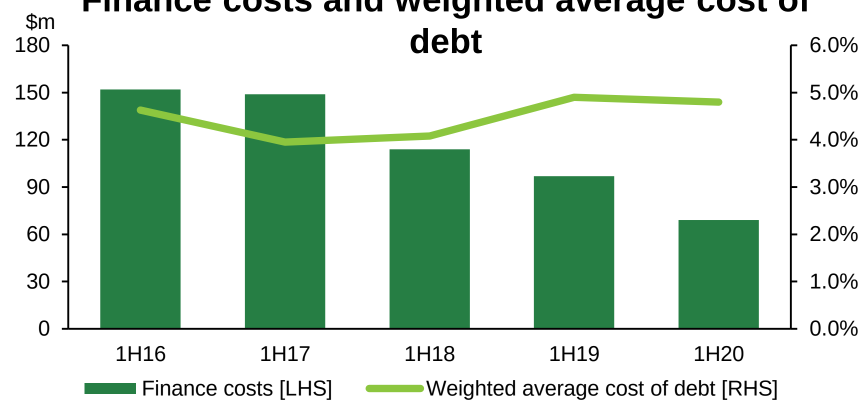
Balance sheet and debt management

- Net financial debt[1] of $2.3b as at 31 December 2019, up from $2.1b at 30 June 2019
- Finance costs decreased to $69m in 1H20 (1H19: $97m) due to lower average debt balances and a decrease in all-in effective borrowing costs to 4.78% (1H19: 4.90%)
  - All-in borrowing cost expected to reduce further following maturity of $350m medium term note (coupon of 4.750%) in March 2020
- Strong credit metrics and stable credit ratings
  - Moody's A3 (stable outlook)
  - Standard and Poor's A- (stable outlook)
- Subsequent to period end, the Group sold a 4.9% interest in Coles
  - Maintains a 10.1% interest in Coles and the right to nominate a director
  - Gross proceeds of approximately $1b

Debt maturity profile[2]



Finance costs and weighted average cost of debt

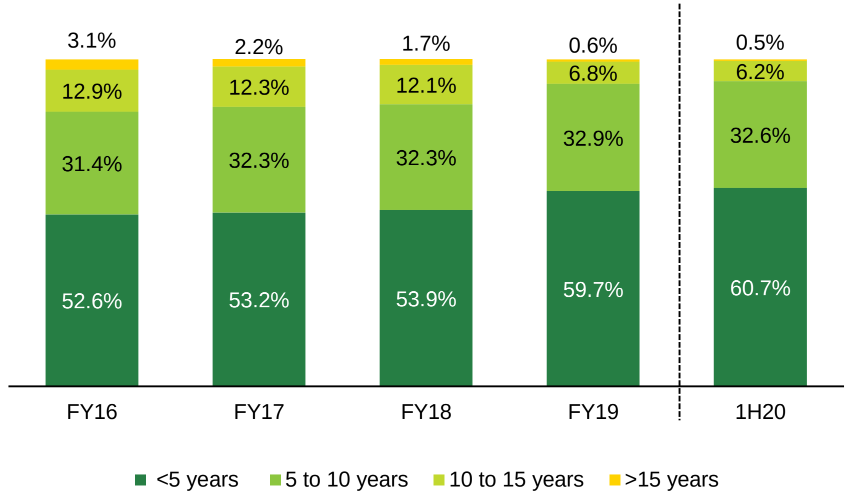


1. Interest bearing liabilities less cash at bank and on deposit, net of cross-currency interest rate swaps and interest rate swap contracts. Excludes lease liabilities.
2. As at 31 December 2019.

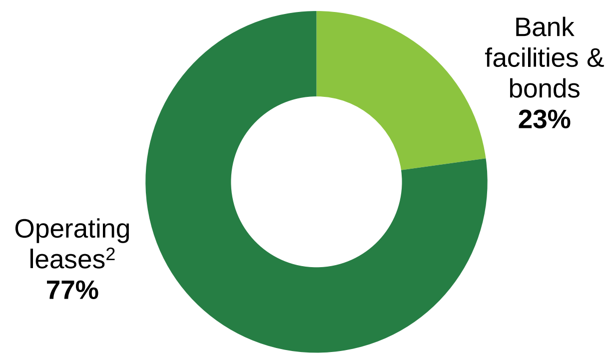
Management of lease portfolio

- Undiscounted lease commitments totalled $8.7b and represent 77% of Group fixed financial obligations as at 31 December 2019
- Shorter average remaining lease tenure of 5.0 years[1] (FY19: 5.1 years), complemented by extension options to maintain security of tenure
  - Reflects disciplined management of leases in retail businesses
- Continued focus on lease-adjusted return on capital as a key hurdle for property leasing divisions

Weighted average lease terms (%)[1]



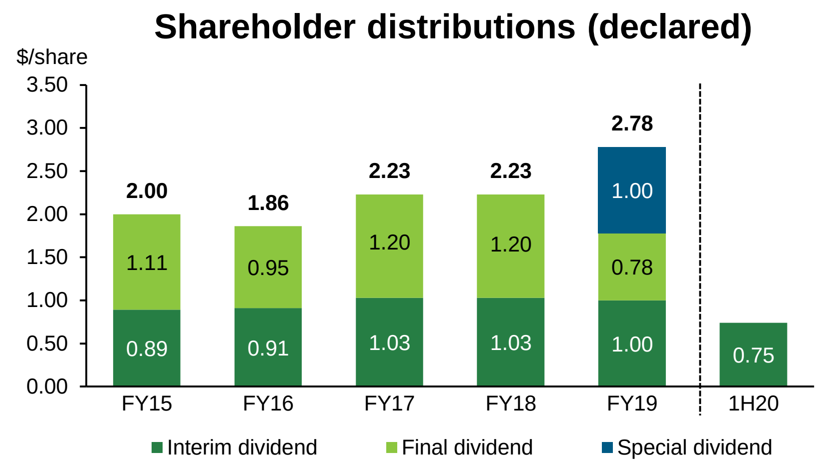
Fixed financial obligations



1. Average lease tenure calculated as weighted average of dollar commitments by year. Excludes discontinued operations.
2. Represents future undiscounted minimum rentals payable under non-cancellable operating leases.

Dividends and capital management

- Dividend distributions subject to franking credit availability, earnings, credit metrics and cash flow
  - Maximising value of franking credits for shareholders
- Fully-franked half-year ordinary dividend of $0.75 per share
  - Reflects earnings from continuing operations and 15% interest in Coles
- Dividend record date 25 February 2020; dividend payable 31 March 2020
- Dividend investment plan: not underwritten; last day for application 26 February 2020
  - Dividend investment plan shares expected to be purchased on market



Bunnings Australia and New Zealand

Michael Schneider

Managing Director, Bunnings Group

Bunnings performance summary

Half-year ended 31 December ($m)	2019 *Post AASB 16*	2019 *Pre AASB 16*	2018 *Reported*	Var %[1]
Revenue	**7,276**	**7,276**	**6,909**	***5.3***
EBITDA	1,316	1,059	1,027	*3.1*
Depreciation and amortisation	(321)	(98)	(95)	*(3.2)*
EBIT	**995**	**961**	**932**	***3.1***
Interest on lease liabilities	(57)	-	-	*n.m.*
EBT	**938**	**961**	**932**	***3.1***
Net property contribution[2]	22	42	51	*(17.6)*
EBT (excluding net property contribution)	**916**	**919**	**881**	***4.3***
EBT margin excluding property (%)	12.6	12.6	12.8	
RoC[3] (R12, %)	51.5	52.2	50.2	
Safety (R12, TRIFR)	10.4	10.4	12.0	
Total store sales growth[4]	5.8	5.8	5.5	
Store-on-store sales growth[4]	4.7	4.7	4.0	

n.m. = not meaningful

1. Variance calculated on pre AASB 16 results.
2. Due to the adoption of AASB 16, the 2019 net property contribution is $20 million lower due to a change in the recognition of gains on sale and leaseback transactions. The lower gain on sale will be offset through lower depreciation over the life of the relevant lease.
3. Pre AASB 16 RoC is calculated as EBIT / capital employed. Post AASB 16 RoC is calculated as EBT / capital employed, where capital employed excludes right-of-use assets and lease liabilities.
4. Refer to slide 55 for relevant retail calendars.

Bunnings performance summary

- Revenue growth of 5.3% to $7,276m
  - Total store sales growth of 5.8%
  - Store-on-store growth of 4.7%
  - Growth across all major trading regions
- Earnings increased 3.1% to $961m
  - Lower net property contribution
- Earnings excluding property contribution increased 4.3%
  - Additional operating costs of $10m associated with digital investment
  - Ongoing focus on operating model efficiencies and store cost control
- RoC (R12) increased 2.0 ppt to 52.2%
  - Property recycling program
  - Strong working capital focus

Bunnings progress on strategic agenda

- **Even Stronger Offer**
  - 8 new trading locations opened
  - 8 store upgrades and expansions
  - Continued range expansion and innovation
  - Ongoing investment in customer value
  - Assembly and installation offer expanded to 35 services
  - Product training delivered to more than 1,400 new category experts
- **Accelerate Trade Growth**
  - Growing engagement – over 700,000 active customers currently on PowerPass
  - Expansion of product range and improved service
  - Acquisition of Adelaide Tools (subject to regulatory approval)
- **Fuelled by Data and Digital**
  - Click and collect now available across Australia; click and deliver available in over 100 stores
  - Bunnings MarketLink launched in November 2019
  - Productivity and inventory optimisation enhanced by use of analytics

Bunnings outlook

- Moderated trading conditions expected to continue
  - Customers remain cautious while significant weather events and bushfires continue to impact communities around Australia
- Further investment in data and digital capabilities
  - Focus on building click and collect offer in New Zealand
  - Establishing Bunnings technology centre in Bangalore
- Well-positioned for continued growth
  - Broader commercial market focus
  - Ongoing investment in customer value
- Continued network investment and expansion
  - 13 new stores under construction
  - 5 upgrades and expansions to be completed
- Ongoing support for local communities

Kmart Group

Ian Bailey
Managing Director, Kmart Group

Kmart Group performance summary

Half-year ended 31 December ($m)[1]		2019 *Post AASB 16*	2019 *Pre AASB 16*	2018 *Reported*	Var %[2]
Revenue		**4,990**	**4,990**	**4,639**	***7.6***
EBITDA		687	453	480	*(5.6)*
Depreciation and amortisation		(292)	(108)	(97)	*(11.3)*
EBIT		**395**	**345**	**383**	***(9.9)***
Interest on lease liabilities		(52)	-	-	*n.m.*
EBT		**343**	**345**	**383**	***(9.9)***
Payroll remediation costs[3]		(9)	(9)	-	*n.m.*
EBT excluding payroll remediation costs[3]		**352**	**354**	**383**	***(7.6)***
EBT margin excluding payroll remediation costs[3] (%)		7.1	7.1	8.3	
RoC[4] (R12, %)		25.1	25.2	33.9	
Safety (R12, TRIFR)		16.0	16.0	21.0	
Kmart:	Total sales growth[5] (%)	7.6	7.6	1.0	
	Comparable sales growth[5] (%)	5.5	5.5	(0.6)	
Target:	Total sales growth[5] (%)	(4.3)	(4.3)	0.3	
	Comparable sales growth[5] (%)	(2.3)	(2.3)	0.5	

n.m. = not meaningful

1. 2019 includes Catch from 12 August 2019. 2018 excludes KTAS trading performance and gain on disposal of KTAS.
2. Variance calculated on pre AASB 16 results.
3. 2019 payroll remediation costs relate to Target.
4. Pre AASB 16 RoC is calculated as EBIT / capital employed. Post AASB 16 RoC is calculated as EBT / capital employed, where capital employed excludes right-of-use assets and lease liabilities.
5. Excludes Catch. Refer to slide 55 for relevant retail calendars.

Kmart Group sales overview

- Revenue increased by 7.6% to $4,990m
  - Kmart sales increased $241m, more than offsetting a $67m decline in Target
- **Kmart** total sales growth of 7.6% reflected a continued focus on lowest price positioning, stronger operational execution and enhancements to the product range
  - Growth achieved across all categories, particularly in womenswear and home
- **Target** sales decline driven by reduction in customer transactions with key categories in apparel performing poorly
  - Total sales decline impacted by store closures
- **Catch** growth continues, with gross transaction value increasing 21.4% in the period under Wesfarmers' ownership
  - Enhanced Club Catch offer
  - Offering click and collect for Catch products in some Target stores

Kmart Group earnings overview

- Earnings decreased by 9.9% to $345m
  - Excluding a one-off provision for payroll remediation in Target, earnings decreased 7.6%
- **Kmart** earnings growth driven by strong sales growth and improved execution
  - Despite unfavourable foreign exchange rate impacts and higher team member wages following the implementation of the new enterprise agreement
- **Target** earnings were below expectations and declined significantly due to weaker sales performance
- Earnings reflect investment of approximately $15m to develop retail technology and digital capabilities, including Anko
- Disciplined capital management
  - Ongoing focus on inventory health
  - Disciplined and integrated management of the store network:
    - **Kmart** – opened five new stores[1] and completed 10 store refurbishments
    - **Target** – closed four stores as it continued to reposition its store network

1. Including one replacement store.

Kmart Group outlook

- **Kmart** remains well-positioned in the market
  - Expected to continue to offset the cost impacts from lower exchange rates and higher team member wages
- **Target** performance is unlikely to improve materially in the near term
  - Continue to focus on reducing costs by further leveraging the Kmart Group, accelerating the optimisation of the store network and improving the offer in destination categories
- Investment in digital capability, including through Catch, to meet evolving customer expectations and shopping behaviour
  - Continued focus on growing gross transaction value in Catch
- Kmart Group is closely monitoring the coronavirus outbreak and its impact on product availability
  - While current impact is minor, it remains a dynamic situation that is progressing daily

Industrials

David Baxby

Managing Director, Industrials

Wesfarmers Chemicals, Energy & Fertilisers

CSBP Australian Vinyls AGA QNP EVOL LNG Kleenheat MODWOOD covalent LITHIUM

Wesfarmers Industrial and Safety

Blackwoods NZ Safety Blackwoods WORKWEAR GROUP coregas GREENCAP

Chemicals, Energy and Fertilisers performance summary

Half-year ended 31 December ($m)[1]		2019 *Post AASB 16*	2019 *Pre AASB 16*	2018 *Reported*	Var %[2]
Revenue[3]	Chemicals	510	510	502	*1.6*
	Energy	219	219	233	*(6.0)*
	Fertilisers	160	160	139	*15.1*
	Total	**889**	**889**	**874**	***1.7***
EBITDA		214	212	221	*(4.1)*
Depreciation and amortisation		(41)	(38)	(36)	*(5.6)*
EBIT		**173**	**174**	**185**	***(5.9)***
Interest on lease liabilities		-	-	-	*n.m.*
EBT		**173**	**174**	**185**	***(5.9)***
External sales volumes[4] ('000 tonnes)	Chemicals	568	568	546	*4.0*
	LPG	75	75	75	-
	Fertilisers	324	324	301	*7.6*
RoC[5] (R12, %)		26.7	26.7	29.4	
Safety (R12, TRIFR)		3.1	3.1	5.3	

n.m. = not meaningful

1. 2019 includes Australian Light Minerals, the holding company for WesCEF's 50% interest in the Covalent Lithium joint venture, from 23 September 2019. 2018 excludes Quadrant Energy.
2. Variance calculated on pre AASB 16 results.
3. Excludes intra-division sales.
4. External sales exclude AN volumes transferred between Chemicals and Fertilisers business segments.
5. Pre AASB 16 RoC is calculated as EBIT / capital employed. Post AASB 16 RoC is calculated as EBT / capital employed, where capital employed excludes right-of-use assets and lease liabilities.

Chemicals, Energy and Fertilisers overview

- Revenue of $889m up 1.7% on pcp, reflecting volume growth in Chemicals and Fertilisers, offset by lower energy prices (including Saudi CP[1]) and flat LPG volumes
- Earnings of $174m, down 5.9% on prior period impacted by competitive pressures in Energy
- **Chemicals:** Earnings broadly in line with prior period
  - Strong performance from sodium cyanide driven by increased plant production, meeting continued robust demand in the gold sector
  - Strong WA EGAN demand due to continued disruption at competing Burrup plant and strength in iron ore sector with mine replacements and increased strip ratios
  - EGAN earnings impacted by commencement of new contract terms to secure longer-term customer offtake and work to refine the emulsion product offering
  - Ammonia earnings increased, despite a planned maintenance shutdown of a key customer facility
- **Energy:** Earnings down on prior period
  - Lower Saudi CP[1] price impacted LPG earnings combined with lower margins from increased competition in natural gas retailing
- **Fertilisers:** Earnings broadly in line with prior period
  - Strong volume growth due to late seasonal rains in WA
  - Continued investment in customer service and focus on differentiated offering
- Results include costs associated with ongoing management of lithium investment and exploration

1. Saudi Contract Price (the international benchmark indicator for LPG).

Chemicals, Energy and Fertilisers outlook

- Product demand and plant production volumes are expected to remain stable, with iron ore and gold market demand remaining robust
- Earnings are expected to moderate
  - Lower EGAN sales volumes as competing Burrup plant comes online in second half
  - Continued price competition in natural gas retailing
  - Grower caution due to lower harvest outcome in CY19 than previous years
- Earnings will continue to be impacted by international commodity prices, exchange rates, competitive factors and seasonal outcomes

Industrial and Safety performance summary

Half-year ended 31 December ($m)	2019 *Post AASB 16*	2019 *Pre AASB 16*	2018 *Reported*	Var %[1]
Revenue	**858**	**858**	**876**	***(2.1)***
EBITDA	46	25	61	*(59.0)*
Depreciation and amortisation	(36)	(19)	(19)	-
EBIT	**10**	**6**	**42**	***(85.7)***
Interest on lease liabilities	(3)	-	-	*n.m.*
EBT	**7**	**6**	**42**	***(85.7)***
Payroll remediation costs	(15)	(15)	-	*n.m.*
EBT excluding payroll remediation costs	**22**	**21**	**42**	***(50.0)***
EBT margin excluding payroll remediation costs (%)	2.6	2.4	4.8	
RoC[2] (R12, %)	3.4	3.4	7.5	
Safety (R12, TRIFR)	4.1	4.1	7.3	

n.m. = not meaningful

1. Variance results to pre AASB16 results.
2. Pre AASB 16 RoC is calculated as EBIT / capital employed. Post AASB 16 RoC is calculated as EBT / capital employed, where capital employed excludes right-of-use assets and lease liabilities.

Industrial and Safety overview

- The performance of Industrial and Safety business was disappointing, principally due to continued underperformance of Blackwoods
- Revenue of $858m, down 2.1% on prior period
  - Blackwoods revenue declined as sales growth from strategic customers and the Western Australian region was offset by declines in other segments
- During the period, a new regional leadership structure was implemented in Blackwoods
  - Supports customer-facing teams to deliver an improved end-to-end customer experience
  - Merchandising, supply chain and support functions remain national functions
  - Service metrics have shown improvement since implementation of new regional leadership structure
- Earnings of $21m (excluding $15m of payroll remediation costs), down significantly on prior period
  - Blackwoods earnings impacted by lower sales, in addition to the impact of ongoing investment in customer service, ERP and improving the digital offer
  - Workwear Group earnings declined due to lower revenue and the impact of foreign exchange, with the prior year benefitting from one-off insurance proceeds
  - Coregas earnings declined despite revenue growth, due primarily to higher raw material and freight costs

Industrial and Safety outlook

- Blackwoods is implementing a number of turnaround initiatives to improve the operating model
  - Implementation of new regional sales structure
  - Continued investments in ERP and other digital capabilities
- Some positive customer feedback and improvement in service metrics recorded to date, but a material improvement in Blackwoods' performance is not expected until the initiatives are complete
- Workwear Group continues to invest in its digital offer and operating efficiencies to meet competitive challenges
- Coregas earnings are expected to be impacted by competitive pressure as well as higher input and distribution costs

Officeworks

Michael Howard

Acting Managing Director, Officeworks

Officeworks performance summary

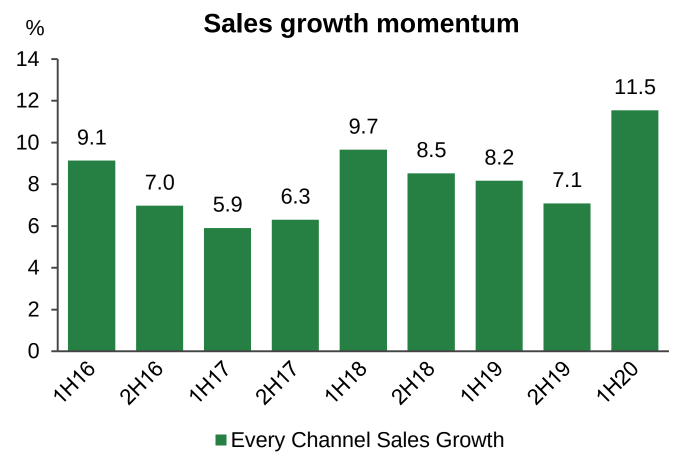
Half-year ended 31 December ($m)	2019 *Post AASB 16*	2019 *Pre AASB 16*	2018 *Reported*	Var %[1]
Revenue	**1,231**	**1,231**	**1,100**	***11.9***
EBITDA	137	94	90	*4.4*
Depreciation and amortisation	(48)	(15)	(14)	*(7.1)*
EBIT	**89**	**79**	**76**	***3.9***
Interest on lease liabilities	(7)	-	-	*n.m.*
EBT	**82**	**79**	**76**	***3.9***
EBT margin (%)	6.7	6.4	6.9	
RoC[2] (R12, %)	17.2	16.9	17.2	
Safety (R12, TRIFR)	7.1	7.1	11.0	
Total sales growth[3] (%)	11.5	11.5	8.2	

n.m. = not meaningful

1. Variance calculated on pre AASB16 results.
2. Pre AASB 16 RoC is calculated as EBIT / capital employed. Post AASB 16 RoC is calculated as EBT / capital employed, where capital employed excludes right-of-use assets and lease liabilities.
3. Refer to slide 55 for relevant retail calendars.

Officeworks sales overview

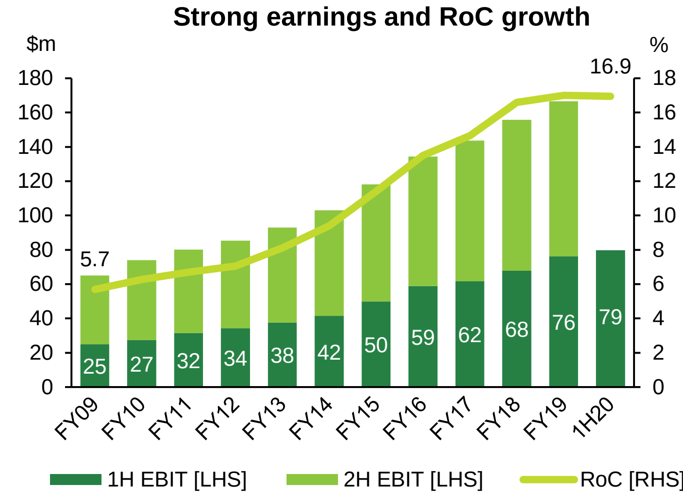
- Strong headline sales results
  - Sales growth of 11.5%
    - Strong sales growth in stores and online
    - Robust transaction growth as offer continues to resonate with customers
- Continued focus on improving customer offer
  - Early launch of back-to-school program
  - New and expanded product ranges
  - Ongoing focus on price, range and service
- Continued investment in ‘every-channel’ strategy
  - Ongoing enhancements to improve the online experience
- Momentum maintained in B2B segment



Officeworks earnings overview

- Earnings growth of 3.9% to $79m
  - Continued investment in price to maintain customer trust
    - Competitive environment remains intense
  - Change in sales mix impacting gross margin
  - CODB increases due to higher team member wages partially offset by productivity improvements

- ROC (R12) down 0.3 ppts to 16.9%
  - Continued investment in new and expanded product ranges
  - Early investment in back-to-school offer
  - Investment in long-term growth initiatives e.g. Geeks2U



Officeworks progress on strategic agenda

- Our team
  - New Enterprise Agreement for store teams implemented
- Customer experience
  - Improvement in customer satisfaction levels
- Connecting with our communities
  - $800k contributed to the Australian Literacy and Numeracy Foundation
  - 84% operational waste recycled
- Operational excellence
  - Productivity improvements mitigating short-term CODB pressure and facilitating investment in long-term growth
- Growing our business
  - Townsville store expansion
  - Geeks2U rollout in stores and online

Officeworks outlook

- Continued focus on strategic agenda to drive long-term growth
  - Our team
  - Customer experience
  - Connecting with our communities
  - Operational excellence
  - Growing our business
- Earnings growth to be moderated by ongoing investment in price, team and technology

Group Outlook

Rob Scott

Managing Director, Wesfarmers Limited

Wesfarmers

Outlook

- The Group's portfolio of cash-generative businesses with leading market positions is well-placed to deliver satisfactory shareholder returns
- Given Wesfarmers' commitment to a strong balance sheet and the diversity and resilience of the portfolio, the Group remains well-positioned for a range of economic conditions
- Retail divisions remain focused on customers and delivering even greater value, quality and convenience
- Businesses will maintain focus on enhancing e-commerce offer and digital capabilities
- The Group's divisions are assessing the impact of the coronavirus outbreak including closely monitoring the recommencement of supplier operations in affected regions
- The Group will accelerate plans to address unsatisfactory returns in Industrial and Safety, and Target
- The Group will continue to develop and enhance its portfolio, building on its unique capabilities and platforms to take advantage of growth opportunities within existing businesses, recently acquired investments and to pursue transactions that create value for shareholders over the long term

Questions

Appendix:
Supplementary Information

Wesfarmers

AASB 16 Leases – Balance sheet impact

- Wesfarmers has applied AASB 16 from 1 July 2019
- Adopted the 'modified retrospective approach'
  - Comparative periods will not be restated
- Discount rate at initial application of 3.4%
- Reduction in provisions of $183m relate primarily to de-recognition of stepped lease provisions
- Net impact of $518m on initial application recognised directly in equity as leasing reserve
- As previously announced, the implementation of AASB 16 has no impact on debt covenants and is not expected to result in a change in the Group's credit ratings
- No change to decision-making processes as a result of new standard

Balance sheet impact at 1 July 2019	$m
Right-of-use assets	6,352
Deferred tax asset	222
Lease liabilities	(7,275)
Provisions (reduction in liability)	183
Leasing reserve (in equity)	518

Treatment of lease options

The lease term used to calculate the lease liability includes options to extend the lease which are considered to be reasonably certain, which is when:

- Extension option date is within 12 months and no decision has been made to terminate
- A decision has been made to extend the lease
- There is a clear economic incentive for extension

AASB 16 Leases – P&L impact

- Occupancy expenses reduce by $580m, offset by:
  - Increase in depreciation on right-of-use asset of $464m
  - Increase in interest on leases of $119m
- Net impact of AASB 16 (other than treatment of gains on sale and leaseback) dependent on lease maturity:
  - At the start / end of the lease, net expense is higher / lower under AASB 16 as interest is calculated based on the remaining lease liability, which reduces over the term
  - Across the Group's lease portfolio, this impact is broadly neutral, with no material net impact on NPAT
- Reduction in other income of $20m due to the deferral of gains on sale and leaseback as required by AASB 16
  - Offset by lower depreciation for the term of the lease

Half-year ended 31 December ($m)	**2019** *Post AASB 16*	**2019** *Pre AASB 16*	**Var ($m)**
Revenue	15,249	15,249	-
Other income and associates	202	222	*(20)*
Occupancy expenses	(233)	(813)	*580*
Other expenses (excl D&A)	(12,743)	(12,743)	-
EBITDA	**2,475**	**1,915**	***560***
Depreciation and amortisation	(277)	(277)	-
Depreciation of lease assets	(464)	-	*(464)*
EBIT	**1,734**	**1,637**	***97***
Interest on leases	(119)	-	*(119)*
EBIT after lease interest	**1,615**	**1,637**	***(22)***
Finance costs	(69)	(69)	-
Tax	(336)	(343)	*7*
NPAT	**1,210**	**1,225**	***(15)***

AASB 16 Leases – Cash flow impact

- AASB 16 results in a reclassification of some cash flows from 'operating' cash flows to 'financing' cash flows
- Payments to suppliers (rental expense) decreases by $584m offset by:
  - Increase in borrowing costs of $119m
  - Increase in repayment of lease liabilities of $465m
- No net impact on cash flows
- Wesfarmers will continue to report operating cash flow and free cash flow metrics inclusive of lease cash flows (rent) to support analysis of cash flow performance

Half-year ended 31 December ($m)	2019 *Post AASB 16*	2019 *Pre AASB 16*	Var ($m)
Receipts from customers, dividends and interest income	17,098	17,098	-
Payments to suppliers and employees	(14,381)	(14,965)	*584*
Borrowing costs	(184)	(65)	*(119)*
Income tax paid	(402)	(402)	-
Total operating cash flows	**2,131**	**1,666**	***465***
Investing cash flows	**(1,092)**	**(1,092)**	**-**
Repayment of lease liabilities	(465)	-	*(465)*
Other financing cash flows	(933)	(933)	-
Total financing cash flows	**(1,398)**	**(933)**	***(465)***
Net cash flows	**(359)**	**(359)**	**-**

Significant items and discontinued operations summary

Significant items[1]

Half-year ended 31 December 2018 ($m)	Pre-tax	Estimated tax impact[2]	Post-tax
Gain on demerger of Coles	2,312	(60)	2,252
Gain on sale of Bengalla	679	(96)	583
Gain on sale of KTAS	267	(48)	219
Gain on sale of Quadrant Energy	138	(31)	107
Provision relating to supply chain modernisation in Coles	(146)	44	(102)
Total significant items	**3,250**	**(191)**	**3,059**

Half-year ended 31 December 2019 ($m)			
Capital losses in BUKI (disposed in June 2018)	-	84	84
True-up of tax base in Coles	-	10	10
Tax expense on sale of Bengalla	-	(11)	(11)
Total significant items	**-**	**83**	**83**

Discontinued operations

Half-year ended 31 December ($m)	Effective date	2019	2018
Coles[3]	28 November 2018	-	478
Bengalla (40% interest)	3 December 2018	-	95
KTAS	1 November 2018	-	10
Quadrant Energy (13.2% indirect interest)	27 November 2018	-	4
Total EBIT from discontinued operations		**-**	**587**

1. All significant items in 2019 relate to discontinued operations.
2. Tax impact on divestments may vary depending on final assessment of available tax losses.
3. Excludes $146m provision for supply chain modernisation, reported as a significant item. Excludes Wesfarmers' share of earnings from 15% stake in Coles.

Group management balance sheet – overview

($m)[1]	1H20	FY19	1H19	Commentary (versus 1H19)
Inventories	4,578	4,246	4,374	• Increase reflects acquisition of Catch and store network expansion
Receivables and prepayments	1,124	1,203	1,152	
Trade and other payables	(4,130)	(3,620)	(4,108)	
Other	150	266	195	• Decrease in cash in transit due to timing of last trading days
Net working capital	**1,722**	**2,095**	**1,613**	
Property, plant and equipment	4,721	3,877	3,965	Increase due to acquisitions of Kidman and Catch
Intangibles	4,285	4,076	4,044	
Other assets	3,429	3,550	3,456	
Provisions and other liabilities	(1,643)	(1,484)	(1,492)	
Total capital employed	**12,514**	**12,114**	**11,586**	
Net financial debt[2]	(2,317)	(2,116)	(324)	• Increase due to use of cash to fund Kidman and Catch acquisitions, as well as special dividend paid April 2019
Net tax balances	60	(27)	30	
Total net assets	**10,257**	**9,971**	**11,292**	

1. Balances reflect the management balance sheet, which is based on different classification and groupings from the balance sheet in the Appendix 4D and is shown pre AASB 16.
2. Interest bearing liabilities less cash at bank and on deposit, net of cross-currency interest rate swaps and interest rate swap contracts. Excludes lease liabilities.

Retail store networks

As at 31 December 2019

More than 1,000 locations across Australia and New Zealand

Brand	NSW/ACT	VIC	QLD	SA	WA	TAS	NT	NZ	Total
Bunnings									
Warehouse	77	60	49	17	32	7	3	28	273
Smaller format	18	15	13	3	8	-	-	17	74
Trade	7	3	7	2	3	1	-	8	31
Total Bunnings	**102**	**78**	**69**	**22**	**43**	**8**	**3**	**53**	**378**
Kmart Group									
Kmart	58	54	49	15	27	5	3	25	236
Target – large format	57	46	35	17	21	5	2	-	183
Target – small format	32	23	27	8	10	1	1	-	102
Total Kmart Group	**147**	**123**	**111**	**40**	**58**	**11**	**6**	**25**	**521**
Officeworks	**57**	**51**	**30**	**10**	**16**	**2**	**1**	**-**	**167**

Revenue reconciliation – Kmart Group

Half-year ended 31 December ($m)	2019	2018[1]
Segment revenue (Gregorian)	**4,990**	**4,639**
Less: Non sales revenue	(33)	(6)
Headline sales (Gregorian)	**4,957**	**4,633**
Add: Gregorian adjustment[2]	102	102
Headline sales revenue (Retail)[3]	**5,059**	**4,735**

1. 2018 excludes KTAS.
2. Adjustment to headline sales revenue to reflect retail period end.
3. Refer to slide 55 for relevant retail calendars.

Retail calendars

Business	Retail sales period
Bunnings, Officeworks and Catch	
1H20	1 Jul 2019 to 31 Dec 2019 (6 months)
1H19	1 Jul 2018 to 31 Dec 2018 (6 months)
1H18	1 Jul 2018 to 31 Dec 2018 (6 months)
Kmart	
1H20	1 Jul 2019 to 5 Jan 2020 (27 weeks)
1H19	25 Jun 2018 to 30 Dec 2018 (27 weeks)
1H18	26 Jun 2017 to 31 Dec 2017 (27 weeks)
Target	
1H20	30 Jun 2019 to 4 Jan 2020 (27 weeks)
1H19	24 Jun 2018 to 29 Dec 2018 (27 weeks)
1H18	25 Jun 2017 to 30 Dec 2017 (27 weeks)