2018 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 2017. For more detail we encourage you to read the relevant announcements released by the ASX on 21 February 2018.

Michael Chaney AO
Chairman

Rob Scott
Managing Director

20 February 2018

The Group reported a net profit after tax (NPAT) of $212 million for the half-year ended 31 December 2017. This includes post-tax significant items of $1,323 million relating to Bunnings United Kingdom and Ireland (BUKI) and Target. Excluding these significant items, NPAT for the half-year decreased 2.7 per cent to $1,535 million.

The continued strong momentum in Bunnings Australia and New Zealand (BANZ), Kmart and Officeworks, in a competitive retail environment, was a highlight. Strong production volumes and higher coal prices in the Resources business contributed to a significant increase in the Industrials division's earnings. Higher earnings across a majority of the Group's businesses were offset by losses in BUKI and lower Coles earnings following planned investments in price and service.

In line with the Group's dividend policy, which considers earnings, cash flows, franking credits and credit metrics, the directors declared a fully-franked interim dividend of $1.03 per share, in line with the previous corresponding period.

Retail

BANZ achieved another very strong result, underpinned by continued sales growth across all of its market segments, productivity initiatives and operating leverage. The solid momentum reflected continued strong execution of its strategy, with further investments made in customer value, product ranges, the store network and digital.

BUKI's loss for the half reflected continued trading and execution challenges as a result of the rapid repositioning of Homebase following the acquisition. The management team has been strengthened and a review is underway to identify the actions required to improve shareholder returns.

Coles' decline in earnings reflected the annualisation of investments made in the customer offer in the 2017 financial year, lower property earnings due to a one-off gain in the prior year, lower financial services earnings following the sale of Coles' credit card receivables in February 2017, and lower fuel earnings.

Earnings before interest and tax breakdown

BUNNINGS AUSTRALIA AND NEW ZEALAND	$864m
BUNNINGS UK AND IRELAND	($165m)
COLES	$790m
DEPARTMENT STORES	$415m
OFFICEWORKS	$68m
INDUSTRIALS	$449m

TOTAL DIVISIONAL EBIT **$2,421m**

Good sales momentum was maintained, with comparable transaction growth accelerating in the second quarter and reaching the highest level in six quarters. The business continued to improve its customer offer across value, quality, product innovation and service, resulting in overall improvements in customer satisfaction metrics.

Department Stores' earnings increased 7.2 per cent to $415 million, the highest level of combined Kmart and Target first half earnings since the 2010 financial year. Kmart invested significantly in the customer offer, delivering greater value for customers and driving continued growth in volumes. Target stabilised its earnings through productivity initiatives and improved trading margins, while continuing to reposition its merchandise offer.

Officeworks' growth was driven by continued improvements in the core offer, complemented by new and expanded product ranges, improvements in layouts and store design, and further enhancement of the omnichannel offer.

Industrials

Earnings for the Industrials division were $449 million, $72 million higher than the prior corresponding period, largely reflecting higher coal prices and strong production volumes in the Resources business.

Wesfarmers Chemicals, Energy and Fertilisers' (WesCEF) earnings were $188 million for the period, compared to underlying earnings of $165 million in the prior year, with higher Chemicals and Energy earnings partially offset by lower Fertilisers earnings due to continued competitive price pressures.

Earnings from the Industrial and Safety business were in line with the prior period. A strong focus on operational efficiencies, and improved operational and sourcing disciplines, offset a 1.7 per cent decline in revenue and investments in supply chain, merchandising and customer service.

Cash flow

The Group generated record operating cash flows of $2,897 million for the half, supported by proactive working capital management. Strict capital disciplines were maintained and the Group retained a very strong balance sheet, with improvements achieved in its credit metrics. The cash realisation ratio increased 12.9 percentage points to 132.6 per cent.

Gross capital expenditure of $1,004 million was 8.7 per cent higher than the prior corresponding period, primarily due to the acquisition of the rights to the Kmart brand name in Australia and New Zealand for $100 million, and additional BANZ store openings, partially offset by lower expenditure in Coles due to the timing of store refurbishments. Net capital expenditure increased $286 million to $686 million, reflecting lower proceeds from property disposals compared to the prior year, which included one-off transactions in Coles and WesCEF.

Interim dividend per share

$1.03

Outlook

Overall, the Group remains well-positioned for the future.

BANZ is expected to continue building on the strong results achieved in the first half and will continue to invest in the customer offer to drive further growth and create better experiences for customers and the wider community. The review of BUKI is ongoing and an update will be provided to the market in June 2018. The short-term focus for the business is on improving the trading performance of Homebase.

Coles' supermarkets business is expected to continue to improve, as it delivers better value, quality, service and convenience for customers. The strong performance of Kmart is expected to continue and the repositioning of Target's merchandise offer will be further progressed. Officeworks has had a strong start to the second half of the financial year, supported by the critical back-to-school trading period, and is well-positioned to drive growth in a competitive environment with a market-leading omnichannel offer.

WesCEF expects the continuation of strong demand for Chemicals in the second half. Earnings will be subject to international commodity prices and exchange rates, as well as seasonal conditions in Fertilisers. Industrial and Safety is expected to experience generally stable market conditions for the remainder of the financial year and remains focused on realising the benefits associated with recent investments in supply chain and customer service. Resources earnings will be subject to rail capacity and thermal and metallurgical coal prices, and the full-year earnings contribution will be dependent on the timing of the completion of the sale of Curragh. An update will be provided to the market when appropriate.

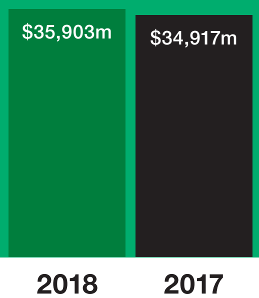
GROUP PERFORMANCE SUMMARY

The continued strong momentum in Bunnings Australia and New Zealand, Kmart and Officeworks, in a competitive retail environment, was a highlight for the half.

Revenue

$35,903m

↑ **2.8%**

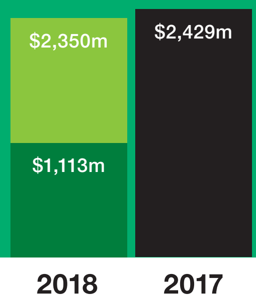


Earnings before interest and tax

$2,350m

↓ **3.3%**

Excluding significant items[1]

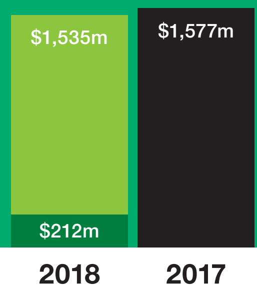


Net profit after tax

$1,535m

↓ **2.7%**

Excluding significant items[1]

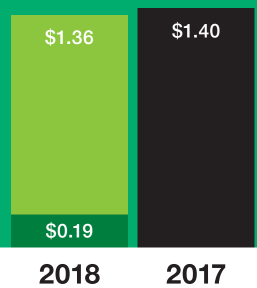


Earnings per share

$1.36

↓ **3.2%**

Excluding significant items[1]

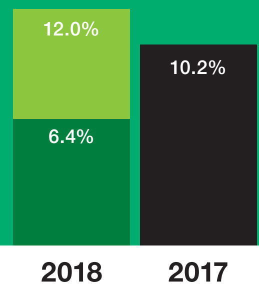


Return on equity (R12)

12.0%

↑ **1.8ppts**

Excluding significant items[1]



- Excluding significant items.
- Reported.

[1] 2018 excludes the following pre-tax (post-tax) significant items: $931 million ($1,023 million) relating to Bunnings United Kingdom and Ireland, and $306 million ($300 million) relating to Target. 2017 ROE excludes post-tax non-cash impairments of $1,844 million.

DIVISIONAL PERFORMANCE SUMMARY

BUNNINGS AUSTRALIA AND NEW ZEALAND

Financial performance

- Total store sales growth of 10.1 per cent and store-on-store sales up 9.0 per cent
- Sales growth across consumer and commercial markets, all regions and product categories
- Prior period affected by late start to spring and competitor stock liquidation
- More store upgrades, category refresh work and investment in customer value

Outlook

- Good trading momentum expected to continue
- Introduction of online transactions for special orders expected in the second half

BUNNINGS UNITED KINGDOM AND IRELAND

Financial performance

- Operating revenue down 15.5 per cent to £517m resulting in loss before interest and tax of £97m
- Pre-tax significant items of £531m reflecting Homebase's current trading performance and a moderated outlook for BUKI
- Continued challenges from the rapid repositioning of Homebase
- Early sales results encouraging from 15 Bunnings pilots
- Senior leadership team strengthened

Outlook

- Review underway to identify actions to improve shareholder returns; update in June 2018
- Focus on significantly improving retail execution to lift Homebase performance over spring and summer

COLES

Financial performance

- Earnings decline reflected annualisation of investments in the customer offer, a one-off property gain in the prior year, lower financial services earnings following the sale of credit card receivables; and lower fuel earnings
- Improved sales trend during the half, with headline food and liquor sales up 1.9 per cent and comparable sales up 0.9 per cent
- Food and liquor deflation of 1.6 per cent underpinned by seasonally driven lower fresh produce prices
- Double-digit sales growth in Coles Online
- Positive comparable sales growth in Liquor as transformation program continues
- Comparable convenience store sales up 0.4 per cent
- Comparable fuel volumes down 19.3 per cent reflecting changes in Alliance agreement; average weekly volumes broadly in line over the past three quarters

Outlook

- Sales momentum in Supermarkets expected to continue in the second half
- Price deflation expected to remain at elevated levels due to lower fresh produce prices
- Divisional earnings expected to be affected by increased team member costs, with a new enterprise agreement likely to be finalised in the second half, and lower Convenience earnings due to ongoing impact of changes in terms with its Alliance partner
- Exciting initiatives for customers, including Sports for Schools program

DEPARTMENT STORES

Financial performance

- Revenue up 3.2 per cent; continued strong growth at Kmart partially offset by Target
- Highest combined first half earnings since FY2010
- **Kmart** total sales up 8.6 per cent and comparable sales up 5.4 per cent
- Sales growth driven by increased transactions and units per basket
- Significant investment in line with Kmart's lowest price strategy
- Earnings growth driven by an enhanced product range, improved sell-through of full-price inventory, and productivity improvements
- **Target** total sales down 6.2 per cent and comparable sales down 6.5 per cent
- Significant transition to deliver quality and fashion at low prices continued with ongoing reset of product, price and range
- Earnings growth driven by improved trading margins and lower supply chain and store operating costs

Outlook

- Division is well-positioned to grow
- Kmart's solid sales momentum expected to continue in the second half
- Plans to open four new Kmart stores and complete nine store refurbishments in the second half
- Target will continue to reflect the significant transition underway to fashionable home, kidswear and womenswear offers

	Bunnings Australia and New Zealand	Bunnings United Kingdom and Ireland	Coles	Department Stores
Revenue	$6,566m ↑ 10.2%	$875m ↓ 15.7%	$19,978m ↓ 0.4%	$4,769m ↑ 3.2%
2018	$6,566m	$875m	$19,978m	$4,769m
2017	$5,957m	$1,038m	$20,056m	$4,619m
Earnings before interest and tax	$864m ↑ 12.2%	($165m)	$790m ↓ 14.1%	$415m ↑ 7.2%
2018	$864m	($165m)	$790m	$415m
2017	$770m	($48m)	$920m	$387m
Return on capital (R12)	47.0% ↑ 8.0ppts	(22.0%)	9.0% ↓ 2.1ppts	26.2% ↑ 17.0ppts
2018	47.0%	(22.0%)	9.0%	26.2%
2017	39.0%	n.a.	11.1%	9.2%

DIVISIONAL PERFORMANCE SUMMARY

OFFICEWORKS

Financial performance

- Sales growth of 9.8 per cent
- Earnings growth achieved through higher sales across stores and online, and effective management of gross margin and cost of doing business
- Ongoing improvement in customer offer driven by continued focus on core offer complemented by new and expanded product ranges, improvements in merchandise layouts and store design, online enhancements, and a relentless focus on price, range and service
- Strong momentum maintained in business-to-business customer segment

Outlook

- Back-to-school trading period delivered a strong start to second half
- Continue to drive growth and productivity by executing strategic agenda
- Competitive intensity to continue, particularly in technology
- Well-placed to continue to drive growth and enhancements to its offer through range extension and merchandising initiatives

INDUSTRIALS

Earnings for the division were $72 million higher than the prior corresponding period largely reflecting higher coal prices and strong production volumes in Resources.

Chemicals, Energy and Fertilisers

Financial performance

- Earnings up 13.9 per cent, after excluding one-off profit in the prior period on sale of land
- Chemicals' earnings up due to strong production performance and demand
- Kleenheat's earnings up due to higher Saudi CP pricing, increased LPG exports and continued growth in natural gas retailing
- Lower fertiliser earnings due to impact of increased competition

Industrial and Safety

Financial performance

- Blackwoods' earnings in line with prior corresponding period, supported by improved trading margins, offset by continued investments in customer service, supply chain and digital
- Workwear Group earnings improved as a result of lower operating costs
- Coregas' earnings affected by competitive pressures and rising energy input costs

Resources

Financial performance

- Revenue and earnings up due to continued strength in export coal prices, higher sales volumes and lower hedge book losses
- During the half, Wesfarmers agreed to sell Curragh coal mine to Coronado Coal Group – subject to completion

Outlook

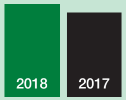
- Production and demand for WesCEF's products is expected to remain strong for the remainder of the financial year
- Increased competition and oversupply in AN and fertiliser markets in the medium term
- International commodity prices, exchange rates and seasonal factors will continue to influence WesCEF's earnings
- Market conditions and demand for products are expected to remain stable for all Industrial and Safety businesses, except Coregas which expects continued margin pressure and rising energy input costs
- Performance improvement activities will continue in Blackwoods and Workwear Group
- Coal prices are expected to remain volatile in the near term
- Resources' full-year contribution dependent on timing of completion of Curragh sale
- Curragh's metallurgical sales volumes forecast to be 8.5 to 8.8 million tonnes for FY2018 due to the impact on rail capacity of Aurizon's recently announced changes to network practices and January 2018 derailment
- Strategic review of 40 per cent interest in Bengalla mine is ongoing

Officeworks

Revenue

$1,017m ↑ 9.7%

2018	$1,017m
2017	$927m



Earnings before interest and tax

$68m ↑ 9.7%

2018	$68m
2017	$62m

Return on capital (R12)

15.7% ↑ 1.8ppts

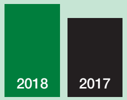
2018	15.7%
2017	13.9%

Industrials

Revenue

$2,704m ↑ 16.5%

2018	$2,704m
2017	$2,321m



Earnings before interest and tax

$449m ↑ 19.1%

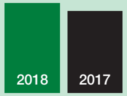
2018	$449m
2017	$377m

Chemicals, Energy and Fertilisers

Revenue

$764m ↑ 9.9%

2018	$764m
2017	$695m



Earnings before interest and tax

$188m ↑ 0.5%

2018	$188m
2017	$187m

Return on capital (R12)

28.0% ↑ 2.9ppts

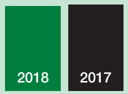
2018	28.0%
2017	25.1%

Industrial and Safety

Revenue

$869m ↓ 1.7%

2018	$869m
2017	$884m



Earnings before interest and tax

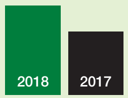
$52m

2018	$52m
2017	$52m

Return on capital (R12)

8.3% ↑ 2.4ppts

2018	8.3%
2017	5.9%

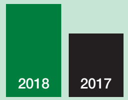


Resources

Revenue

$1,071m ↑ 44.3%

2018	$1,071m
2017	$742m



Earnings before interest and tax

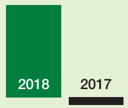
$209m ↑ 51.4%

2018	$209m
2017	$138m

Return on capital (R12)

77.0% ↑ 83.1ppts

2018	77.0%
2017	(6.1%)



SHAREHOLDER INFORMATION

Key dates

2018 Half-year results announcement and briefing	21 February 2018
2018 Interim dividend	
– Ex-dividend date	26 February 2018
– Record date	5:00pm AWST 27 February 2018
– Last date for receipt of election notice for DIP	5:00pm AWST 28 February 2018
– Payment date and DIP allocation date	5 April 2018
***Strategy Briefing Day**	7 June 2018

* Dates are subject to change should circumstances require. All changes will be advised to the ASX.

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 Reviews 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.

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Wesfarmers brands

Home Improvement

Bunnings Warehouse · Bunnings · Bunnings Trade · Homebase

Coles

coles · coles.com.au · coles express · Vintage Cellars · first choice liquor · Liquorland · spirit hotels · coles Financial Services

Department Stores

K · K Tyre & Auto Service · Target

Officeworks

Officeworks

Industrials

Wesfarmers Chemicals, Energy & Fertilisers · CSBP · Australian Vinyls · AGA · QNP · EVOL LNG · Kleenheat · Modwood · Quadrant Energy · Wesfarmers Industrial and Safety · Blackwoods · NZ Safety Blackwoods · Workwear Group · coregas · Greencap · Wesfarmers Resources · Curragh · Bengalla

Other businesses

bwp TRUST · GRESHAM · WESPINE