20 February 2019

The Manager
Company Announcements Office
Australia Securities Exchange

Dear Manager,

HALF-YEAR REPORT TO 31 DECEMBER 2018

In accordance with ASX Listing Rule 4.2A, attached is the 2019 Half-year Report (incorporating Appendix 4D).

It is recommended that the report be read in conjunction with the Annual Financial Report of Wesfarmers Limited for the period ended 30 June 2018, together with any public announcements made by Wesfarmers Limited in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

An analyst briefing will be held at 10:00am AWST / 1:00pm AEDT on Thursday, 21 February 2019. This briefing will be webcast and is accessible via our website at www.wesfarmers.com.au.

Yours faithfully,

L J KENYON
COMPANY SECRETARY

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HALF-YEAR REPORT 2019

INCORPORATING APPENDIX 4D

For the six months ended 31 December 2018

It is recommended that the 2019 Half-year Report is read in conjunction with the annual financial report of Wesfarmers Limited as at 30 June 2018 together with any public announcements made by Wesfarmers Limited and its controlled entities during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001

Wesfarmers Limited ABN 28 008 984 049

Wesfarmers

THE PRIMARY OBJECTIVE OF WESFARMERS 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

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About Wesfarmers

From its origins in 1914 as a Western Australian farmers' cooperative, Wesfarmers has grown into one of Australia's largest listed companies. With headquarters in Western Australia, its diverse business operations cover: home improvement and outdoor living; apparel and general merchandise; office supplies; and an Industrials division with businesses in chemicals, energy and fertilisers, and industrial and safety products. Wesfarmers is one of Australia's largest private sector employers with around 105,000 employees (including more than 1,800 Indigenous team members) and approximately 490,000 shareholders.

About this report

This Half-year Report is a summary of Wesfarmers' and its subsidiary companies' operations and financial positions as at 31 December 2018 and performance for the half-year ended on that date.

In this report references to 'Wesfarmers', 'the company', 'the Group', 'we', 'us' and 'our' refer to Wesfarmers Limited (ABN 28 008 984 049) unless otherwise stated.

References in this report to the 'half-year' are to the financial period 1 July 2018 to 31 December 2018 unless otherwise stated. The previous corresponding period (pcp) is the half-year ended 31 December 2017.

All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

Appendix 4D

For the half-year ended 31 December 2018

Results for announcement to the market

Revenue from continuing operations	up 4.2% to $14,388 million
Revenue from discontinued operations[a]	down 24.1% to $16,764 million
Profit after tax attributable to members:	
– From continuing operations[b]	up 10.4% to $1,080 million
– From discontinued operations[a,c]	$3,458 million
Net profit for the period attributable to members	$4,538 million (2017: $212 million)
Interim dividend (fully-franked) per share	100 cents (2017: 103 cents)
Special dividend (fully-franked) per share	100 cents (2017: 0 cents)
Record date for determining entitlements to the interim dividend and special dividend	5:00pm (AWST) 27 February 2019
Payment date for interim dividend and special dividend	10 April 2019
Net tangible assets per ordinary share	$6.41 (2017: $4.31)
Operating cash flow per share	$1.75 (2017: $2.56)

[a] 2018 discontinued operations relate to Coles Group Limited (Coles) which was demerged in November 2018 and Wesfarmers' interest in the Bengalla Coal Mine (Bengalla), Tyre and Auto Pty Ltd (KTAS) and Wesfarmers' indirect interest in Quadrant Energy Holdings Pty Ltd (Quadrant Energy), which were disposed of during the year.

[b] Continuing operations for 2017 exclude Target's non-cash impairment of $300 million after tax.

[c] Discontinued operations for 2018 comprises the $297 million post-tax trading result for Coles, Bengalla, KTAS and Quadrant Energy, including a $102 million post-tax provision for supply chain automation in Coles, and the $2,252 million post-tax gain on demerger of Coles, the $583 million post-tax gain on disposal of Bengalla, the $219 million post-tax gain on disposal of KTAS and the $107 million (US $76 million) post-tax gain on disposal of Quadrant Energy.

Dividend Investment Plan

The company operates a Dividend Investment Plan (the Plan) which allows eligible shareholders to elect to invest dividends, including special dividends, in ordinary shares which rank equally with Wesfarmers ordinary shares. The allocation price for shares under the Plan will be calculated as the average of the daily volume weighted average price of Wesfarmers ordinary shares on each of the 20 consecutive trading days from and including the third trading day after the record date of 27 February 2019 for participation in the Plan, being 4 March 2019 to 29 March 2019.

The last date for receipt of applications to participate in or to cease or vary participation in the Plan is by 5:00pm (AWST) on 28 February 2019. The Directors have determined that no discount shall apply to the allocation price and the Plan will not be underwritten. It is the company's expectation that shares allocated under the Plan will be acquired on-market. Shares will be transferred to participants on 10 April 2019. A broker will be engaged to assist in this process.

Further information

Further information to assist in the understanding of the financial results presented above is provided throughout this Half-year Report.

DIRECTORS' REPORT

Half-year Report for the six months ended 31 December 2018

The directors of Wesfarmers Limited submit their report for the half-year ended 31 December 2018.

Directors

Except as otherwise stated below, the names of the directors in office during the half-year reporting period 1 July 2018 to 31 December 2018 and as at the date of this report are shown below.

M A Chaney AO	(Non-Executive Chairman)
R G Scott	(Group Managing Director)
P M Bassat	(Non-Executive Director – retired 15 November 2018)
S W English KNZM	(Non-Executive Director)
J P Graham AM	(Non-Executive Director – retired 23 July 2018)
A J Howarth AO	(Non-Executive Director)
W G Osborn	(Non-Executive Director)
M Roche	(Non-Executive Director – appointed 19 February 2019)
D L Smith-Gander	(Non-Executive Director)
V M Wallace	(Non-Executive Director)
J A Westacott AO	(Non-Executive Director)

DIRECTORS' REPORT

Review of results and operations

Half-year ended 31 December 2018	**Reported**	**Excluding significant items[b]**	**Variance to pcp (exc. sig. items[b])**
Results from continuing operations[a]			
Operating revenue	$14.4b	$14.4b	*4.2%*
Earnings before interest and tax	$1,645m	$1,645m	*9.5%*
Net profit after tax	$1,080m	$1,080m	*10.4%*
Basic earnings per share	$0.96	$0.96	*10.5%*
Results including discontinued operations[a]			
Net profit after tax	$4,538m	$1,479m	*(3.6%)*
Basic earnings per share	$4.01	$1.31	*(3.5%)*
Operating cash flow per share (wanos, incl. res shares)	$1.75	$1.75	*(31.4%)*
Return on equity (R12)	26.9%	13.5%	*1.5 ppts*
Interim dividend (fully-franked) per share	$1.00	$1.00	*(2.9%)*
Special dividend (fully-franked) per share	$1.00	$1.00	*n.m.*

n.m. = not meaningful

[a] 2018 discontinued operations relate to Coles, Wesfarmers' interest in Bengalla, KTAS and Quadrant Energy.

[b] 2018 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.
2017 excludes $306 million ($300 million) relating to Target's non cash impairment. 2017 results including discontinued operations also exclude $931 million ($1,023 million) relating to Bunnings United Kingdom and Ireland (BUKI).

Wesfarmers Limited has 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, 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 (earnings), excluding significant items, derived from the Group's 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 has been made on the Group's digital strategy, with the Advanced Analytics Centre in operation and formalisation of the flybuys joint venture during the period. The Group's retail businesses delivered further improvements in their respective e-commerce capabilities with strong growth in online sales of 34 per cent for the half.

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 on the balance at 30 June 2018, reflecting the receipt of proceeds from portfolio management activity and ongoing strong cash generation in the Group's operating businesses.

In line with the Group's dividend policy, the directors have declared a fully-franked ordinary interim dividend of $1.00 per share. In addition, following the successful completion of a number of actions taken to reposition the Group's portfolio, the directors have also declared a fully-franked special dividend of $1.00 per share, which will distribute $1,134 million to shareholders. This capital management activity distributes to shareholders 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 to take advantage of value-accretive growth opportunities, if and when they arise.

Group results summary

Half-year ended 31 December ($m)	2018	2017	Variance %
Key financials			
Results from continuing operations[a]			
Revenue	14,388	13,814	*4.2*
EBITDA	1,911	1,454	*31.4*
EBITDA (excluding significant items)[b]	1,911	1,760	*8.6*
EBIT	1,645	1,196	*37.5*
EBIT (excluding significant items)[b]	1,645	1,502	*9.5*
NPAT	1,080	678	*59.3*
NPAT (excluding significant items)[b]	1,080	978	*10.4*
Results including discontinued operations[a]			
Revenue	31,152	35,903	*(13.2)*
EBITDA	6,020	1,763	*n.m.*
EBITDA (excluding significant items)[b,c]	2,770	3,000	*(7.7)*
EBIT	5,482	1,113	*n.m.*
EBIT (excluding significant items)[b,c]	2,232	2,350	*(5.0)*
NPAT	4,538	212	*n.m.*
NPAT (excluding significant items)[b,c]	1,479	1,535	*(3.6)*
Return on equity (excluding significant items)[b,c] (R12, %)	13.5	12.0	*1.5 ppt*
Cash flow			
Operating cash flow	1,987	2,897	*(31.4)*
Net capital expenditure	678	686	*(1.2)*
Free cash flow	2,393	2,228	*7.4*
Cash realisation ratio (excluding significant items)[d] (%)	98.5	132.6	*(34.1 ppt)*
Share data (cents per share)			
Basic earnings per share	401.2	18.7	*n.m.*
Basic earnings per share (excluding significant items)[b,c]	130.8	135.6	*(3.5)*
Basic earnings per share (from continuing operations and excluding significant items)[b]	95.5	86.4	*10.5*
Operating cash flow per share (wanos, incl. res shares)[e]	175.4	255.7	*(31.4)*
Interim ordinary dividend	100	103	*(2.9)*
Special dividend	100	-	*n.m*
Balance sheet and gearing			
Net financial debt[f]	324	3,864	*(91.6)*
Interest cover[b,c] (cash basis) (R12, times)	49.2	28.8	*20.4x*
Fixed charges cover[b,c] (R12, times)	4.2	3.0	*1.2x*

n.m. = not meaningful

[a] 2018 discontinued operations include Coles, KTAS, Quadrant Energy and Bengalla. 2017 discontinued operations include Curragh and BUKI.

[b] 2018 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. 2017 excludes Target's non-cash impairment of $306 million ($300 million).

[c] 2017 excludes pre-tax (post-tax) significant items of $931 million ($1,023 million) relating to BUKI.

[d] Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation and significant items.

[e] Calculated by dividing operating cash flows by the weighted average number of ordinary shares (including reserved shares) on issue during the year.

[f] Interest bearing liabilities less cash at bank and on deposit, net of cross currency interest rate swaps and interest rate swap contracts.

Divisional earnings summary

Half-year ended 31 December ($m)	2018	2017	Variance %
EBIT			
Bunnings Australia and New Zealand	932	864	*7.9*
Kmart Group – *continuing operations*[a]	383	398	*(3.8)*
Officeworks	76	68	*11.8*
Industrials – *continuing operations*	227	233	*(2.6)*
Divisional EBIT	**1,618**	**1,563**	***3.5***
Discontinued operations[b]	587	848	*(30.8)*
Other	27	(61)	*n.m.*
Significant items[c]	3,250	(1,237)	*n.m.*
Reported EBIT	**5,482**	**1,113**	***n.m.***

n.m. = not meaningful

[a] 2017 excludes a pre-tax non-cash impairment of $306 million relating to Target.

[b] 2018 discontinued operations include Coles, KTAS, Quadrant Energy and Bengalla.
2017 discontinued operations include Curragh and BUKI.

[c] 2018 includes pre-tax significant items comprising $2,312 million gain on demerger of Coles, $679 million gain on sale of Bengalla, $267 million gain on sale of KTAS, $138 million gain on sale of Quadrant Energy, partially offset by a $146 million provision for supply chain automation in Coles.
2017 includes pre-tax significant items of $931 million relating to BUKI and a $306 million pre-tax non-cash impairment of Target.

Performance overview – divisional

Bunnings Australia and New Zealand (BANZ)

Revenue for BANZ increased 5.2 per cent to $6,909 million for the half, with earnings increasing 7.9 per cent to $932 million.

Earnings growth 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.

Kmart Group

During the half, the Department Stores division was renamed Kmart Group, reflecting the transition of both Kmart and Target away from the traditional department store model.

Kmart Group revenue increased 0.8 per cent to $4,639 million for the half. Earnings for the division (excluding KTAS) of $383 million were 3.8 per cent lower than the prior corresponding period. Including earnings from KTAS for the period of ownership until 1 November 2018, divisional earnings were $393 million for the half.

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.

Officeworks

Officeworks' revenue increased 8.2 per cent to $1,100 million, with earnings increasing 11.8 per cent to $76 million.

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.

The uplift in earnings coupled with disciplined capital management delivered an increase in return on capital of 1.5 percentage points to 17.2 per cent.

Industrials

Earnings for the Industrials division from continuing operations were $227 million, marginally below the prior corresponding period, largely reflecting lower earnings in Industrial and Safety.

WesCEF revenue of $874 million 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 provided to secure longer-term volume commitments in the ammonium nitrate (AN) business.

Despite a modest increase in revenue for the half, Industrial and Safety earnings of $42 million were $10 million or 19.2 per cent below the prior corresponding period, reflecting Blackwoods' ongoing investment in customer service, data and digital, and supply chain transformation activities.

Discontinued operations and significant items

During the half-year Wesfarmers divested its interests in Bengalla, KTAS, Quadrant Energy and completed the demerger of Coles. Earnings from these discontinued operations under the period of ownership were $587 million.

Pre-tax significant items of $3,250 million recorded during the half relate to gains on asset disposals and the gain on the demerger of Coles, and were partially offset by a non-cash provision for supply chain automation in Coles recognised during the five-month period of Wesfarmers ownership during the half.

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, financing and dividends

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 disposals of Bengalla, KTAS and Quadrant Energy. While divisional cash generation remained strong, the Group's cash realisation declined during the period, 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 of $91 million and the non-cash gain on the Group's investment in Barminco.

Gross capital expenditure of $955 million (including discontinued operations) was $49 million lower than the prior corresponding period. The decrease was primarily due to the acquisition by Kmart Group 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.

Free cash flows of $2,393 million (including discontinued operations) were $165 million above the prior corresponding period. This increase was primarily due to the proceeds from disposals of Bengalla, KTAS and Quadrant Energy, largely offset by lower operating cash flows from the removal of divested businesses, the demerger of Coles as well as the transfer of Coles' cash on hand and in transit.

In line with the Group's dividend policy, which considers available franking credits, earnings, cash flows and credit metrics, the directors have declared a fully-franked ordinary interim dividend of $1.00 per share. As set out in the Coles demerger documentation, the interim dividend reflects Coles earnings up to the effective date of the demerger (28 November 2018) and will be the last Wesfarmers dividend paid with respect to wholly-owned Coles earnings. Future dividends will reflect earnings from continuing operations and Wesfarmers' 15 per cent interest in Coles.

Capital management

Following the completion of a number of actions taken to reposition the Group's portfolio, the directors have also declared a fully-franked special dividend of $1.00 per share, which will distribute $1,134 million to shareholders. This capital management activity distributes to shareholders 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 to take advantage of value-accretive growth opportunities, if and when they arise.

Outlook

The Group 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 Group's 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. Bunnings, Kmart, Target and Officeworks will remain steadfast in their focus on customers and on managing the businesses for long-term success and value creation.

The performance of the Group's 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 (EGAN) in the Western Australian market.

Following the capital management initiative announced today, 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.

Bunnings Australia and New Zealand

Half-year ended 31 December ($m)	2018	2017	Variance %
Revenue	**6,909**	**6,566**	***5.2***
EBITDA[a]	1,027	953	*7.8*
Depreciation and amortisation	(95)	(89)	*(6.7)*
EBIT[a]	**932**	**864**	***7.9***
EBIT margin[a] (%)	13.5	13.2	
RoC (R12, %)	50.2	47.0	
Safety (R12, TRIFR)	12.0	15.8	
Total store sales growth[b] (%)	5.5	10.1	
Store-on-store sales growth[b] (%)	4.0	9.0	

[a] Includes net property contribution for 2018 of $51 million and for 2017 of $30 million.
[b] See footnotes within Additional Disclosures (page 43) for relevant retail calendars.

Performance review

Operating revenue for Bunnings increased 5.2 per cent to $6,909 million for the half, with earnings increasing 7.9 per cent to $932 million.

Total store sales increased 5.5 per cent for the half[1], with store-on-store sales increasing 4.0 per cent. Performance during the half was underpinned by continued growth in consumer and commercial markets, in all product categories and across all major trading regions. Growth was achieved despite high levels of growth in the prior corresponding period, very high rainfall in the east coast of Australia and a softening in conditions in the residential housing market.

Earnings growth was assisted by an ongoing focus on cost control and continued favourable commercial property market conditions resulting in further positive outcomes on property divestments. Bunnings will continue to maximise opportunities for property recycling while yield outcomes remain at current levels. Strong earnings and ongoing capital efficiency underpinned return on capital of 50.2 per cent.

Further improvements were made to the customer experience, both in-store and through digital enhancements delivering increased convenience for retail and trade customers. PowerPass customers were provided with a digital self-checkout option via the introduction of a new mobile app. A live trial of a click and collect offer commenced in one Victorian store in December 2018 and supply and install offers were also expanded to a wider range of products with encouraging early results.

The continued focus on long-term value creation was supported by ongoing price reinvestment, continued category refresh and expansion as well as growth in the store network.

Bunnings' investment in data analytics activities accelerated during the period, with a focus on developing and trialling tools aimed at optimising localised ranging, store efficiency and productivity.

The new store and store replacement pipeline remains robust. During the half, eight new stores were opened including four replacement stores. At the end of the period, there were 265 warehouses, 75 smaller format stores and 32 trade centres in the Bunnings network. A further 14 stores were under construction at the end of December.

Outlook

Moderated trading conditions are expected to continue, but Bunnings remains well positioned for continued growth in the second half of the financial year and will retain a strong focus on increasing customer value, broadening product ranges and expanding service offerings.

Continued development of digital capability will be a particular focus, building towards a full online transactional offer for Australia and New Zealand.

[1] See footnotes within Additional Disclosures (page 43) for relevant retail calendars.

Kmart Group

Half-year ended 31 December ($m)	2018	2017	Variance %
Revenue[a]	**4,639**	**4,604**	***0.8***
EBITDA[b]	480	497	*(3.4)*
Depreciation and amortisation[b]	(97)	(99)	*2.0*
EBIT[b]	**383**	**398**	***(3.8)***
EBIT[c] (including KTAS trading EBIT)	**393**	**415**	***(5.3)***
EBIT margin[b] (%)	8.3	8.6	
RoC[d] (R12, %)	33.9	25.6	
Safety[d] (R12, TRIFR)	21.0	24.2	
Kmart (excluding KTAS)			
– Total sales growth[e] (%)	1.0	9.0	
– Comparable store sales growth[e] (%)	(0.6)	5.8	
Target			
– Total sales growth[e] (%)	0.3	(6.2)	
– Comparable store sales growth[e] (%)	0.5	(6.5)	

[a] Excludes KTAS trading performance.
[b] 2018 excludes KTAS trading performance and the gain on disposal of KTAS.
2017 excludes KTAS trading performance and a pre-tax non-cash impairment of $306 million in Target.
[c] 2018 includes KTAS trading performance until 1 November 2018 and excludes the gain on disposal of KTAS.
2017 excludes a pre-tax non-cash impairment of $306 million in Target.
[d] Excludes KTAS. The increase in ROC also reflects lower capital employed as a result of non-cash impairments in Target in June 2016.
[e] See footnotes within Additional Disclosures (page 43) for relevant retail calendars.

Performance review

Kmart Group delivered revenue of $4,639 million for the half, up 0.8 per cent on the prior corresponding period. Earnings for the division (excluding KTAS) of $383 million were 3.8 per cent lower than the prior corresponding period. Including earnings from KTAS for the period of ownership until 1 November 2018, divisional earnings were $393 million for the half.

Kmart (excluding KTAS)

Kmart's total sales increased 1.0 per cent for the half[2], with comparable sales declining by 0.6 per cent. Comparable sales were impacted by weaker sales in apparel, particularly in womenswear, lower growth in non-seasonal products driven by modest price investment during the half relative to the prior corresponding period, and the planned exit from the DVD category that previously accounted for approximately one per cent of sales.

Kmart's customer feedback remained strong, reflected in increased units sold during the half. Kmart's online offer achieved strong double-digit growth, as further investments were made to expand the click and collect service and the introduction of the buy now pay later offering. Inventory was well managed with lower stock levels than the prior year.

Earnings declined compared with the prior corresponding period, primarily due to increased store and supply chain expenses. Higher costs resulted from store openings, increased units sold, underlying cost inflation and implementation of revised product flow through the supply chain to avoid congestion in stores.

Kmart continued to invest in its store network, opening three new stores, including one replacement, and completing 20 store refurbishments during the period. There were 231 Kmart stores as at 31 December 2018.

Target

The first half of the 2019 financial year saw the continued transition of Target to deliver quality fashion. Total sales increased 0.3 per cent during the half[2], with comparable sales improving 0.5 per cent.

Sales performance in the first half reflected the continued reset of product, price and range, with an improved quality of sales mix and growth achieved in womenswear being a highlight.

[2] See footnotes within Additional Disclosures (page 43) for relevant retail calendars.

Improved availability and increased rates of customer conversion through improved customer convenience continue to support good momentum and sales growth in Target's online proposition.

Growth in earnings was delivered through improved trading margins reflecting increased levels of direct sourcing, lower markdowns and an improved sales mix and the benefit of annualised cost savings received in the half. Inventory quality was improved with aged stock levels below the prior corresponding period.

The relocation of the Target store support office to William's Landing (Victoria) was completed in December. Target opened one store and closed eight stores during the half, and had 296 stores as at 31 December 2018.

Outlook

Kmart Group remains well positioned for the future. In the short term, earnings will be affected by the moderated trading momentum, the continued focus on customer value in Kmart, and the ongoing transformation in Target.

Kmart will remain focused on creating a great place to shop that is simple to run and delivering better products at even lower prices. Continued enhancement in product range, maintaining lowest price leadership and a relentless pursuit of lowest cost will remain the key priorities for the business. Investment in the store network is expected to continue with three new stores and completion of eight store refurbishments in the second half.

Target will continue to progress its transformation, focusing on further improving the quality of its product ranges, and accelerating improvements in its online proposition for the remainder of the 2019 financial year. Target will also continue to optimise its store network and expects to close six stores in the second half.

Officeworks

Half-year ended 31 December ($m)	2018	2017	Variance %
Revenue	**1,100**	**1,017**	***8.2***
EBITDA	90	80	*12.5*
Depreciation and amortisation	(14)	(12)	*(16.7)*
EBIT	**76**	**68**	***11.8***
EBIT margin (%)	6.9	6.7	
RoC (R12, %)	17.2	15.7	
Safety (R12, TRIFR)	11.0	10.7	
Total sales growth[a] (%)	8.2	9.8	

[a] See footnotes within Additional Disclosures (page 43) for relevant retail calendars.

Performance review

Officeworks' revenue increased 8.2 per cent to $1,100 million. Earnings of $76 million were 11.8 per cent higher than the prior corresponding period.

Customers continued to respond favourably to Officeworks' 'every channel' strategy, with strong sales growth achieved across stores and online. Sales growth of 8.2 per cent was delivered for the half[3]. Robust growth was achieved across all merchandise categories while strong momentum in the business-to-business segment was maintained.

Providing a compelling offer and seamless experience for customers remained a strong focus throughout the half. Sales growth was underpinned by improvements in merchandise layouts and store design, new and expanded product ranges, ongoing online investment, and a relentless focus on providing low prices on the widest range of products accompanied by great service.

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.

The uplift in earnings coupled with disciplined capital management delivered an increase in return on capital of 1.5 percentage points to 17.2 per cent.

Two new stores opened during the half and one store closed, resulting in 166 stores across Australia as at 31 December 2018.

Outlook

Officeworks will continue to drive growth and productivity by executing its strategic agenda. Key focus areas for the second half include expanding the customer proposition by continually adding new products and services and enhancing productivity and efficiency through working capital improvements and effective cost control.

Variable trading conditions are expected to continue and the competitive environment is expected to remain strong. Despite these challenging conditions, Officeworks remains well positioned to continue to drive growth.

[3] See footnotes within Additional Disclosures (page 43) for relevant retail calendars.

Industrials

Chemicals, Energy and Fertilisers

Half-year ended 31 December[a] ($m)	2018	2017	Variance %
Revenue[b]			
Chemicals	502	439	*14.4*
Energy	233	223	*4.5*
Fertilisers	139	102	*36.3*
Total	**874**	**764**	***14.4***
EBITDA	221	216	*2.3*
Depreciation and amortisation	(36)	(35)	*(2.9)*
EBIT	**185**	**181**	***2.2***
EBIT[c] (including Quadrant Energy)	**190**	**188**	***1.1***
External sales volumes[d] ('000 tonnes)			
Chemicals	546	494	*10.5*
LPG	75	81	*(7.4)*
Fertilisers	301	253	*19.0*
RoC (R12, %)	29.4	26.9	
Safety (R12, TRIFR)	5.3	3.8	

[a] Excludes Quadrant Energy unless otherwise stated.
[b] Excludes intra-division sales.
[c] 2018 includes a five month contribution from Quadrant Energy, which was divested in November 2018.
[d] External sales exclude AN volumes transferred between chemicals and fertilisers business segments.

Performance review

Revenue of $874 million was 14.4 per cent above the prior corresponding period, with Chemicals, Energy and Fertilisers all contributing to revenue growth, including a significant increase derived from low margin traded chemicals.

Earnings (excluding Quadrant Energy) of $185 million were 2.2 per cent higher than the prior corresponding period, including the impact of higher ammonia costs and customer discounts provided to secure longer-term volume commitments in the ammonium nitrate (AN) business.

The total recordable injury frequency rate increased to 5.3 from 3.8 in the prior corresponding period. The business continues to have a strong focus on safety, particularly high potential incidents, to improve safety performance.

Chemicals

The AN business experienced strong demand for explosive grade ammonium nitrate (EGAN) as a result of continued unplanned disruptions at the competing Burrup AN plant. The AN production performance was in line with the prior corresponding period due to the repeat of a planned shutdown during the half.

The ammonia business was impacted by an unplanned production disruption, which was partially offset by higher international ammonia pricing and lower gas costs following the commencement of a new gas supply agreement late in the prior corresponding period.

The sodium cyanide business benefited from higher domestic sales volumes, higher margins in export markets and improved production volumes.

Production from QNP was affected by a planned major shutdown during the half but earnings for the business remained broadly in line with the prior period. Earnings from Australian Vinyls were also in line with the prior corresponding period.

Energy

Kleenheat earnings increased due to a higher Saudi CP (the international benchmark indicator for LPG price), higher LNG sales volumes and further growth in natural gas retail customers compared to the prior period, partially offset by lower domestic LPG sales volumes.

Fertilisers

While not as material as the second half due to seasonality, Fertiliser earnings in the first half increased compared to the prior corresponding period due to favourable late season conditions.

Outlook

Production and demand for products are expected to remain robust. The AN business is expected to continue to benefit from the ongoing production disruption at the Burrup plant in the short term, but beyond this earnings are expected to be adversely affected by an oversupply of EGAN in the Western Australian market. The business remains focused on securing additional contracted offtake and growing sales of emulsion products.

Kleenheat's earnings will be dependent upon international LPG prices and LPG content in the Dampier to Bunbury natural gas pipeline. Growth in natural gas retail is expected to moderate due to increased competition in the Western Australian market.

Farmer sentiment in Western Australia is positive, driven by strong grain harvest volumes and commodity prices. Second half earnings will be highly dependent upon the timing and extent of the seasonal break in autumn.

Overall earnings for Chemicals, Energy and Fertilisers will continue to be impacted by international commodity prices, exchange rates, competitive factors and seasonal outcomes.

Industrial and Safety

Half-year ended 31 December ($m)	2018	2017	Variance %
Revenue	**876**	**869**	***0.8***
EBITDA	61	73	*(16.4)*
Depreciation and amortisation	(19)	(21)	*9.5*
EBIT	**42**	**52**	***(19.2)***
EBIT margin (%)	4.8	6.0	
RoC (R12, %)	7.5	8.3	
Safety (R12, TRIFR)	7.3	6.4	

Performance review

Revenue of $876 million was 0.8 per cent above the prior corresponding period. Blackwoods' revenue was broadly in line with the prior corresponding period, with increased Australian revenues from stronger mining demand offset by weakness in construction and the New Zealand market. Workwear Group revenue was lower than the prior corresponding period due to timing of uniform sales and macroeconomic weakness in the UK market, while Coregas' revenue increased due to demand in the bulk sales channels.

Earnings of $42 million were below the previous corresponding period. Blackwoods' earnings decreased due to ongoing investment in customer service, data and digital and supply change transformation activities. Workwear Group earnings improved benefiting from one-off insurance proceeds while Coregas' earnings were slightly lower due to increased material and freight costs.

The transformation programs in Blackwoods and Workwear Group delivered material improvements in customer experience during the first half. Both businesses continue to invest in data and digital capabilities, merchandising and supply chain efficiency programs to lower the cost and complexity of doing business and enhance customer service.

Safety and injury management remains a core focus, with the total number of reportable incidents declining during the half.

Outlook

Market conditions and demand across Australia are expected to remain stable for the remainder of the financial year, and weaknesses in New Zealand and UK markets are expected to persist. Coregas is expected to continue to benefit from a growing healthcare contribution in the second half, but may be affected by increasing competition.

Performance improvement activities will continue in Blackwoods, Workwear Group and Greencap for the next 12 to 18 months.

Other

Half-year ended 31 December ($m)	Holding %	2018	2017	Variance %
Share of profit of associates				
Coles	15	23	-	*n.m.*
BWP Trust	25	20	26	*(23.1)*
Other associates[a,b]	Various	22	6	*n.m.*
Sub-total share of profit of associates		**65**	**32**	***n.m.***
Interest revenue[c]		9	6	*50.0*
Other[b,d]		27	(25)	*n.m.*
Corporate overheads		(74)	(74)	-
Total Other[d]		**27**	**(61)**	***n.m.***

n.m. = not meaningful

[a] Includes investments in Gresham, flybuys, Wespine and BPI.

[b] 2018 includes $42 million gain on the Group's investment in Barminco following its purchase by Ausdrill. $9 million of this gain relates to the Group's indirect interest held in Other Associates. The remaining $33 million is recognised in Other.

[c] Excludes interest revenue from Quadrant Energy loan.

[d] 2018 includes $16 million from the Curragh coal mine value sharing arrangement.

Performance review

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 a $9 million gain on the Group's investment in Barminco following its purchase 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.

Discontinued operations and significant items

Half-year ended 31 December ($m)	2018	2017	Variance %
EBIT			
Coles[a] (demerged 28 November 2018)	478	780	*(38.7)*
Bengalla (40% interest sold 3 December 2018)	95	73	*30.1*
KTAS (sold 1 November 2018)	10	17	*(41.2)*
Quadrant Energy (13.2% indirect interest sold 27 November 2018)	4	8	*(50.0)*
Curragh & BUKI (sold during 2018 financial year)	-	(30)	*n.m.*
EBIT (excluding significant items)	**587**	**848**	***(30.8)***
Significant items (pre-tax)			
BUKI impairments and provisions	-	(931)	
Target impairments	-	(306)	
Gain on sale of Bengalla	679	-	
Gain on sale of KTAS	267	-	
Gain on sale of Quadrant Energy	138	-	
Provision for supply chain automation in Coles	(146)	-	
Gain on demerger of Coles	2,312	-	
Total significant items	**3,250**	**(1,237)**	***n.m.***

n.m. = not meaningful

[a] 2018 excludes $146 million provision for supply chain modernisation, reported as a significant item.

Discontinued operations

During the half-year Wesfarmers divested its interests in Bengalla, KTAS, Quadrant Energy and demerged Coles Group. Earnings from discontinued operations under the period of ownership were $587 million. While wholly owned by Wesfarmers (1 July 2018 to 28 November 2018), Coles generated earnings excluding significant items of $478 million while Bengalla's earnings increased to $95 million in the period up to 3 December 2018, as the business benefited from high coal prices.

Significant items

Pre-tax significant items of $3,250 million relate to discontinued operations. During the half, the Group successfully completed a number of actions to reposition the portfolio, resulting in pre-tax gains on sale of Bengalla, KTAS, Quadrant Energy and a gain on demerger of Coles, partially offset by a non-cash provision expense for supply chain automation in Coles incurred during the five-month period of Wesfarmers ownership.

The accounting gain on demerger for Coles reflects the difference between Coles' market capitalisation, less transaction costs not taken to equity, and Coles' net assets at the time of the demerger.

Cash flow, financing and dividends

Half-year ended 31 December ($m)	2018	2017	Variance %
Cash flow			
Operating cash flows	1,987	2,897	*(31.4)*
Gross capital expenditure	955	1,004	*(4.9)*
Net capital expenditure	678	686	*(1.2)*
Free cash flow	2,393	2,228	*7.4*
Cash realisation ratio[a] (%)	98.5	132.6	*(34.1 ppt)*
Balance sheet and credit metrics			
Net financial debt[b]	324	3,864	*(91.6)*
Finance costs[c]	97	114	*(14.9)*
Effective cost of debt (%)	4.90	4.08	*0.8 ppt*
Interest cover[d] (cash basis) (R12, times)	49.2	28.8	*20.4x*
Fixed charges cover[d] (R12, times)	4.2	3.0	*1.2x*
Net debt to equity (%)	6.5	19.3	*(12.8 ppt)*
Dividends per share (cents per share)			
Interim ordinary dividend	100	103	*(2.9)*
Special dividend	100	-	*n.m.*

n.m. = not meaningful

[a] Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation and significant items.

[b] Interest bearing liabilities less cash at bank and on deposit, net of cross currency interest rate swaps and interest rate swap contracts.

[c] 2017 includes finance costs relating to BUKI which are reported as part of discontinued operations.

[d] Excludes significant items for 2018 and 2017.

Cash flow

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 disposals of Bengalla, KTAS and Quadrant Energy. While divisional cash generation remained strong, the Group's cash realisation declined during the period, 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 of $91 million and the non-cash gain on the Group's investment in Barminco.

Gross capital expenditure of $955 million (including discontinued operations) was $49 million lower than the prior corresponding period. The decrease was primarily due to the acquisition by Kmart Group 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 Wesfarmers ownership.

Free cash flows of $2,393 million (including discontinued operations) were $165 million above the prior corresponding period. This increase was primarily due to the proceeds from disposals of Bengalla, KTAS and Quadrant Energy, largely offset by lower operating cash flows from the removal of divested businesses, the demerger of Coles as well as the transfer of Coles' cash on hand and in transit.

Financing

Net financial debt at the end of the period, comprising interest bearing liabilities net of cross currency swap assets and cash at bank and on deposit, was $324 million, a decrease of $3,540 million on 31 December 2017 and $3,256 million below the balance at 30 June 2018. The decrease in net financial debt reflects the proceeds received from portfolio management actions completed during the half as well as ongoing strong cash generation in the Group's operating businesses.

Finance costs decreased 14.9 per cent to $97 million, reflecting a lower average net debt balance over the period.

The Group's strong credit ratings remained unchanged during the half and following the demerger of Coles, with a rating from Moody's Investors Services of A3 (stable) and rating of A- (stable) from Standard and Poor's.

Dividends and capital management

In line with the Group's dividend policy, which considers available franking credits, earnings, cash flows and credit metrics, the directors have declared a fully-franked ordinary interim dividend of $1.00 per share. As set out in the Coles demerger documentation, the interim dividend reflects Coles earnings up to the effective date of the demerger (28 November 2018) and will be the last Wesfarmers dividend paid with respect to wholly-owned Coles earnings. Future dividends will reflect earnings from continuing operations and Wesfarmers' 15 per cent interest in Coles.

Following the completion of a number of actions taken to reposition the Group's portfolio, the directors have also declared a fully-franked special dividend of $1.00 per share, which will distribute $1,134 million to shareholders. This capital management activity distributes to shareholders 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 to take advantage of value-accretive growth opportunities, if and when they arise.

The interim and special dividends will be paid on 10 April 2019 to shareholders on the company's register on 27 February 2019, the record date for both the interim and special dividend.

Given the preference of many shareholders to receive dividends in the form of equity, the directors have decided to continue the operation of the Dividend Investment Plan (the 'Plan'). The allocation price for shares issued under the Plan will be calculated as the average of the daily volume weighted average price of Wesfarmers shares on each of the 20 consecutive trading days from and including the third trading day after the record date, being 4 March 2019 to 29 March 2019.

The last date for receipt of applications to participate in, or to cease or vary participation in the Plan, is 28 February 2019. No discount will apply to the allocation price. Given strong cash flow performance and credit metrics, it is the company's expectation that shares to be allocated under the Plan will be acquired on-market and transferred to participants on 10 April 2019.

DIRECTORS' REPORT

Auditor's independence declaration

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is provided below and forms part of this report.

Building a better working world

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Auditor's Independence Declaration to the Directors of Wesfarmers Limited

As lead auditor for the review of Wesfarmers Limited for the half-year ended 31 December 2018,
I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Wesfarmers Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
20 February 2019

Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest million dollars unless otherwise stated (where rounding is applicable) under the option available to the company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The company is an entity to which the instrument applies.

Signed in accordance with a resolution of the directors.

M A Chaney AO
Chairman
Perth, 20 February 2019

FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

Contents

INCOME STATEMENT

For the half-year ended 31 December 2018

	Note	Consolidated December 2018 $m	Consolidated RESTATED December 2017 $m
Continuing operations			
Revenue	4	**14,388**	13,814
Expenses			
Raw materials and inventory		**(8,864)**	(8,452)
Employee benefits expense	4	**(2,291)**	(2,182)
Freight and other related expenses		**(182)**	(161)
Occupancy-related expenses	4	**(751)**	(736)
Depreciation and amortisation	4	**(266)**	(257)
Impairment expenses	4	**(3)**	(327)
Other expenses	4	**(607)**	(597)
Total expenses		**(12,964)**	(12,712)
Other income	4	**149**	55
Share of net profits of associates and joint ventures	12	**72**	39
		221	94
Earnings before interest and income tax expense (EBIT)		**1,645**	1,196
Finance costs	4	**(97)**	(107)
Profit before income tax		**1,548**	1,089
Income tax expense	5	**(468)**	(411)
Profit after tax from continuing operations		**1,080**	678
Discontinued operations			
Profit after tax for Coles	16	**2,471**	538
Profit after tax for Bengalla	16	**648**	52
Profit after tax for KTAS	16	**228**	12
Profit after tax for Quadrant Energy	16	**111**	8
Loss after tax for BUKI		**-**	(1,166)
Profit after tax for Curragh Coal Mine		**-**	90
Profit/(loss) after tax for the period from discontinued operations		**3,458**	(466)
Profit attributable to members of the parent		**4,538**	212
Earnings per share attributable to ordinary equity holders of the parent from continuing operations		**cents**	cents
Basic earnings per share		**95.5**	59.9
Diluted earnings per share		**95.3**	59.8
Earnings per share attributable to ordinary equity holders of the parent	9		
Basic earnings per share		**401.2**	18.7
Diluted earnings per share		**400.5**	18.7

STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2018

		Consolidated	
			RESTATED
		December	December
		2018	2017
	Note	**$m**	$m
Profit attributable to members of the parent		**4,538**	212
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		**10**	9
Financial assets reserve			
Changes in the fair value of financial assets designated at fair value through other comprehensive income		**(13)**	-
Tax effect		**4**	-
Cash flow hedge reserve	11		
Unrealised gains/(losses) on cash flow hedges		**115**	(37)
Realised losses transferred to net profit		**2**	17
Realised (gains)/losses transferred to non-financial assets		**(109)**	82
Transfer of hedges to Coles on demerger		**(22)**	-
Share of associates and joint ventures reserves		**3**	(2)
Tax effect		**3**	(19)
Items that will not be reclassified to profit or loss:			
Retained earnings			
Remeasurement loss on defined benefit plan		**(1)**	(1)
Other comprehensive (loss)/income for the year, net of tax		**(8)**	49
Total comprehensive income for the year, net of tax, attributable to members of the parent arising from:			
Continuing operations		**1,072**	727
Discontinued operations		**3,458**	(466)
		4,530	261

BALANCE SHEET

As at 31 December 2018

		Consolidated		
	Note	**December 2018 $m**	June 2018 $m	December 2017 $m
Assets				
Current assets				
Cash and cash equivalents	6	**2,942**	683	1,842
Receivables - Trade and other		**998**	1,657	1,740
Inventories		**4,374**	6,011	6,979
Derivatives		**137**	126	255
Other		**155**	229	344
Total current assets		**8,606**	8,706	11,160
Non-current assets				
Investments in associates and joint ventures	12	**3,267**	748	724
Deferred tax assets		**240**	692	922
Property		**923**	1,920	2,065
Plant and equipment		**3,042**	6,488	7,210
Goodwill		**3,071**	13,491	13,565
Intangible assets		**973**	4,369	4,380
Derivatives		**431**	391	311
Other		**32**	128	130
Total non-current assets		**11,979**	28,227	29,307
Total assets		**20,585**	36,933	40,467
Liabilities				
Current liabilities				
Trade and other payables		**4,108**	6,541	7,890
Interest-bearing loans and borrowings	7	**600**	1,159	1,231
Income tax payable		**209**	299	292
Provisions		**839**	1,726	1,823
Derivatives		**5**	16	108
Other		**214**	284	414
Total current liabilities		**5,975**	10,025	11,758
Non-current liabilities				
Interest-bearing loans and borrowings	7	**2,878**	2,965	4,206
Provisions		**351**	1,033	1,498
Derivatives		**-**	-	20
Other		**89**	156	156
Total non-current liabilities		**3,318**	4,154	5,880
Total liabilities		**9,293**	14,179	17,638
Net assets		**11,292**	22,754	22,829
Equity				
Equity attributable to equity holders of the parent				
Issued capital	8	**15,795**	22,277	22,268
Reserved shares	8	**(79)**	(43)	(43)
Retained earnings		**1,100**	176	359
Reserves		**(5,524)**	344	245
Total equity		**11,292**	22,754	22,829

CASH FLOW STATEMENT

For the half-year ended 31 December 2018

	Note	Consolidated December 2018 $m	December 2017 $m
Cash flows from operating activities			
Receipts from customers		**33,789**	38,793
Payments to suppliers and employees		**(30,880)**	(35,072)
Dividends and distributions received from associates		**39**	23
Interest received		**4**	7
Borrowing costs		**(89)**	(99)
Income tax paid		**(876)**	(755)
Net cash flows from operating activities	6	**1,987**	2,897
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles	6	**(955)**	(1,004)
Proceeds from sale of property, plant and equipment and intangibles	6	**277**	318
Net proceeds from demerger and sale of businesses		**856**	-
Net proceeds from sale of associate		**230**	-
Acquisition of subsidiaries, net of cash acquired		**(2)**	-
Net redemption of loan notes		**-**	17
Net cash flows from/(used in) investing activities		**406**	(669)
Cash flows from financing activities			
Proceeds from borrowings		**2,000**	71
Repayment of borrowings		**(715)**	(109)
Equity dividends paid		**(1,360)**	(1,361)
Demerger transaction costs recognised directly in equity		**(59)**	-
Net cash flows used in financing activities		**(134)**	(1,399)
Net increase in cash and cash equivalents		**2,259**	829
Cash and cash equivalents at beginning of period		**683**	1,013
Cash and cash equivalents at end of period	6	**2,942**	1,842

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2018

		Attributable to equity holders of the parent						
Consolidated	Note	**Issued capital $m**	**Reserved shares $m**	**Retained earnings $m**	**Hedging reserve $m**	**Other reserves $m**	**Demerger reserve $m**	**Total equity $m**
Balance at 1 July 2017		22,268	(26)	1,509	(82)	272	-	23,941
Net profit for the period		-	-	212	-	-	-	212
Other comprehensive income								
Exchange differences on translation of foreign operations		-	-	-	-	9	-	9
Changes in the fair value of cash flow hedges, net of tax	11	-	-	-	41	-	-	41
Remeasurement gain on defined benefit plan, net of tax		-	-	(1)	-	-	-	(1)
Total other comprehensive income for the period, net of tax		-	-	(1)	41	9	-	49
Total comprehensive income for the period, net of tax		-	-	211	41	9	-	261
Share-based payment transactions		-	-	-	-	5	-	5
Acquisition of shares on-market for Key Executive Equity Performance Plan (KEEPP)	8	-	(17)	-	-	-	-	(17)
Equity dividends	10	-	-	(1,361)	-	-	-	(1,361)
		-	(17)	(1,361)	-	5	-	(1,373)
Balance at 31 December 2017		**22,268**	**(43)**	**359**	**(41)**	**286**	**-**	**22,829**
Balance at 1 July 2018		**22,277**	**(43)**	**176**	**78**	**266**	**-**	**22,754**
Net profit for the period		**-**	**-**	**4,538**	**-**	**-**	**-**	**4,538**
Other comprehensive income								
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**10**	**-**	**10**
Changes in the fair value of financial assets designated at fair value through other comprehensive income, net of tax		**-**	**-**	**-**	**-**	**(9)**	**-**	**(9)**
Changes in fair value of cash flow hedges, net of tax	11	**-**	**-**	**-**	**(8)**	**-**	**-**	**(8)**
Remeasurement loss on defined benefit plan, net of tax		**-**	**-**	**(1)**	**-**	**-**	**-**	**(1)**
Total other comprehensive income for the period, net of tax		**-**	**-**	**(1)**	**(8)**	**1**	**-**	**(8)**
Total comprehensive income for the period, net of tax		**-**	**-**	**4,537**	**(8)**	**1**	**-**	**4,530**
Share-based payment transactions		**-**	**-**	**-**	**-**	**11**	**-**	**11**
Capital distribution and demerger dividend	8,10,16	**(6,482)**	**-**	**-**	**-**	**-**	**(8,124)**	**(14,606)**
Transfer of gain on demerger	16	**-**	**-**	**(2,252)**	**-**	**-**	**2,252**	**-**
Acquisition of shares on-market for Wesfarmers Long Term Incentive Plan (WLTIP)	8	**-**	**(4)**	**-**	**-**	**-**	**-**	**(4)**
Acquisition of shares on-market for Key Executive Equity Performance Plan (KEEPP)	8	**-**	**(32)**	**-**	**-**	**-**	**-**	**(32)**
Equity dividends	10	**-**	**-**	**(1,361)**	**-**	**-**	**-**	**(1,361)**
		(6,482)	**(36)**	**(3,613)**	**-**	**11**	**(5,872)**	**(15,992)**
Balance at 31 December 2018		**15,795**	**(79)**	**1,100**	**70**	**278**	**(5,872)**	**11,292**

1. Corporate information

The financial report of Wesfarmers Limited (referred to as 'Wesfarmers', 'the Company' or 'the Group') for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 20 February 2019. Wesfarmers is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ('the ASX').

2. Basis of preparation and accounting policies

a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and considered with any public announcements made by the Company during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The half-year financial report is presented in Australian dollars and all values are rounded to the nearest million dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the class order applies.

b) Significant accounting policies

Except as noted below, the same accounting policies and methods of computation have been applied by each entity in the consolidated group and are consistent with those adopted and disclosed in the most recent annual financial report.

New and revised Accounting Standards and Interpretations adopted 1 July 2018

The adoption of new and amended standards and interpretations has not resulted in a material change to the financial performance or position of the Company.

All new and amended Australian Accounting Standards and Interpretations mandatory as at 1 July 2018 to the Group have been adopted and include:

AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* (AASB 15) establishes new principles for reporting information to users of financial statements about the nature, timing, amount and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue when control of the goods or services is transferred to the customer for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has adopted AASB 15 from 1 July 2018 using the modified retrospective approach, which has resulted in changes in accounting policies. No material adjustment to opening retained earnings was recognised as the amendments to the Group's accounting policies did not result in any significant changes to the timing or amount of revenue previously recognised. As the modified retrospective approach has been adopted, comparative information continues to be accounted for under AASB 118 *Revenue* and has not been restated.

2. Basis of preparation and accounting policies (continued)

Revenue recognition

The Group generates a significant proportion of its revenue from the sale of the following finished goods:

i. Merchandise direct to customers through the Group's retail operations. Control of goods typically passes at the point of sale in store (refer to Bunnings Australia and New Zealand, Kmart Group and Officeworks in the Segment Information, note 3);
ii. Sales to commercial customers under contracts, of products:
   a. for which the Group has distribution rights, principally related to industrial maintenance and industrial safety (refer to WIS in the Segment Information, note 3); and
   b. produced or purchased by the Group including fertilisers, chemicals, specialty gases, LPG and LNG (refer to WesCEF in the Segment Information, note 3).

The Group's contracts with customers for the sale of goods generally include one performance obligation. Revenue for the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, typically at either the point of sale or at the time of delivery of the goods to the customer. Revenue from lay-by transactions is recognised on the date when the customer completes payment and takes possession of the merchandise. Any cash received in advance is recognised on the balance sheet as a contract liability.

Where satisfaction of a performance obligation is completed over time, revenue is recognised in line with the progress towards complete satisfaction of the performance obligation. This is typically in respect for services rendered and largely reflects revenue of $27 million for HY18 for the Industrial and Safety division.

AASB 9 *Financial Instruments*

The Group had previously early adopted the hedge accounting and classification and measurement phases of AASB 9 *Financial Instruments (December 2010)* (AASB 9). The Group has adopted the impairment phase of AASB 9 (2014) from 1 July 2018. There were no retrospective adjustments to comparative information as a result of adopting the standard.

AASB 9 replaces the incurred loss approach under AASB 139 *Financial Instruments: Recognition and Measurement*, whereby impairment was recognised when there was objective evidence that the Group was not able to collect the debt, with a forward-looking expected credit loss (ECL) approach. Under the ECL approach, an allowance for impairment is considered across all trade receivables, regardless of whether a credit event has occurred, based on the expected losses over the lifetime of the receivable.

The adoption of the impairment phase of AASB 9 has resulted in a change in accounting policy. For trade receivables, the Group has adopted a matrix method that is based on historical default rates, adjusted for forward looking factors. Given the ageing profile of trade receivables and the historical default rates of our customers, the adoption of AASB 9 has not had a material impact on the Group.

The following standards have also been adopted as at 1 July 2018 and have not had a material impact to the Group:

– AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions.*
– AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration.*

2. Basis of preparation and accounting policies (continued)

New and amended Accounting Standards and Interpretations issued but not yet effective

The following standard will have a material impact on the Group and is available for early adoption but has not been applied by the Group in this financial report:

AASB 16 *Leases*

AASB 16 *Leases* (AASB 16) introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Wesfarmers, as a lessee, will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. Wesfarmers will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Wesfarmers will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Wesfarmers will recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under AASB 16 is substantially unchanged from the accounting under AASB 117 *Leases*. Wesfarmers, as a lessor, will not be materially impacted by the adoption of AASB 16.

Transition impact assessment

Wesfarmers will be applying AASB 16 from 1 July 2019, using the modified retrospective transition method whereby there is an option on a lease-by-lease basis to calculate the right-of-use asset as either:

i. its carrying amount as if AASB 16 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; or
ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

Under this method, there is no requirement to restate comparatives.

When applying the modified retrospective approach to leases previously classified as operating leases under AASB 117, the Group can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. Wesfarmers expects to apply a number of the practical expedients including;

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- utilising previous assessments of onerous leases; and
- the use of hindsight in determining the lease term.

Another practical expedient available to Wesfarmers, is to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. Wesfarmers will not elect to combine lease and non-lease components for its property leases. As such, the calculated lease liability will exclude an estimate of the stand-alone price of the non-lease component.

2. Basis of preparation and accounting policies (continued)

Wesfarmers has performed an impact assessment of AASB 16 had the standard been adopted as at 1 July 2018. In summary, the estimated impact of the adoption of AASB 16 on the Balance Sheet as at 1 July 2018, is an increase in assets (right-of-use asset) of between $5,500 million and $6,500 million and an increase in liabilities (lease liability) of between $6,300 million and $7,300 million. The net difference between these balances would have been recognised as an adjustment to equity.

Assuming no changes to the lease portfolio from 1 July 2018, the estimated impact on profit from continuing operations for the half-year ended 31 December 2018 would have been an increase in depreciation expense of between $400 million and $500 million, an increase in finance costs of between $100 million and $200 million and a decrease in operating lease expenses of approximately $600 million. Similarly, the estimated impact on the full year income statement will be approximately double the impact disclosed for the half-year ended 31 December 2018.

A key assumption in determining this estimate is the lease term and option assessment decision. Wesfarmers considers an option to extend a lease to be reasonably certain when the extension date is within twelve months and no decision has been made to terminate, or when there is a clear economic incentive for extension, such as:

- favourable contractual terms and conditions in the option period compared to market rates;
- leasehold improvements have recently been undertaken and are likely to have significant residual value at the end of the current lease period;
- significant termination costs exist; or
- the underlying asset is important to the Group's operations.

Other key assumptions include discount rates (the rates applied were between 3.7 and 4.4 per cent), asset retirement obligations and non-lease components.

These estimates may be materially different to the actual impact on initial application on 1 July 2019 due to changes in the composition of the Group's lease portfolio, the application of practical expedients and recognition exemptions and changes to material judgement areas.

For the half-year ended 31 December 2018

3. Segment information

The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and operates in different industries and markets. The Board and executive management team (the chief operating decision-makers) monitor the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. The types of products and services from which each reportable segment derives its revenues is disclosed in the Wesfarmers 30 June 2018 financial report. Segment performance is evaluated based on operating profit or loss, which in certain respects, as explained in the table below, is presented differently from operating profit or loss in the consolidated financial statements.

Revenue and earnings of retail divisions, particularly the Kmart Group, are typically greater in the December half of the financial year due to the impact of the Christmas holiday shopping period.

Transfer prices between business segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation and are not considered material.

Comparatives have been restated to reflect the continuing operations of the Group.

							INDUSTRIALS									
	BUNNINGS AUSTRALIA AND NEW ZEALAND		KMART GROUP[1,2,3]		OFFICEWORKS		WIS		WesCEF[2]		OTHER[4]		CONTINUING OPERATIONS		DISCONTINUED OPERATIONS[5,6,7]	
	2018 $m	2017 $m	**2018 $m**	2017 $m	**2018 $m**	2017 $m	**2018 $m**	2017 $m	**2018 $m**	2017 $m	**2018 $m**	2017 $m	**2018 $m**	2017 $m	**2018 $m**	2017 $m
Segment revenue	6,909	6,566	4,639	4,604	1,100	1,017	876	869	874	764	(10)	(6)	**14,388**	13,814	**16,764**	22,089
Adjusted EBITDA[8]	1,027	953	480	497	90	80	61	73	221	216	32	(59)	**1,911**	1,760	**859**	1,240
Depreciation and amortisation	(95)	(89)	(97)	(99)	(14)	(12)	(19)	(21)	(36)	(35)	(5)	(2)	**(266)**	(258)	**(272)**	(392)
Segment result	**932**	864	**383**	398	**76**	68	**42**	52	**185**	181	**27**	(61)	**1,645**	1,502	**587**	848
Items not included in segment result	-	-	-	(306)	-	-	-	-	-	-	-	-	**-**	(306)	**3,250**	(931)
EBIT													**1,645**	1,196	**3,837**	(83)
Finance costs													**(97)**	(107)	**-**	(7)
Profit before income tax expense													**1,548**	1,089	**3,837**	(90)
Income tax expense													**(468)**	(411)	**(379)**	(376)
Profit attributable to members of the parent													**1,080**	678	**3,458**	(466)
Capital expenditure[9]	239	275	122	192	20	11	46	19	32	30	4	1	**463**	528	**426**	427
Share of net profit or loss of associates and joint ventures included in EBIT	-	-	-	-	-	-	-	-	7	7	65	32	**72**	39	**4**	8

1 The Department Stores Division has been renamed Kmart Group.
2 The Kmart Group result excludes KTAS and the WesCEF result excludes Quadrant Energy.
3 The 2017 segment result excludes Target's pre-tax impairment of $306 million.
4 The 2018 Other result includes the gain on disposal of Wesfarmers' direct and indirect interest in Barminco of $42 million and share of profits from Wesfarmers' 15 per cent interest in Coles.
5 Discontinued operations relate to Bengalla, KTAS and Quadrant Energy which were disposed of during the current financial year, BUKI and the Curragh Coal Mine which were disposed of during the previous financial year, as well as Coles which was demerged in November 2018.
6 The 2018 segment result excludes the $2,312 million pre-tax gain on demerger of Coles, the $679 million pre-tax gain on disposal of Bengalla, the $267 million pre-tax gain on disposal of KTAS, the $138 million (US$98 million) pre-tax gain on disposal of Quadrant Energy and $146 million provision for Coles supply chain automation.
7 The 2017 segment result excludes BUKI's pre-tax writedown of $861 million (£491 million) and store closure provision of $70 million (£40 million).
8 Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and other items not included in the segment results outlined in footnotes 3, 6 and 7.
9 Capital expenditure includes accruals to represent costs incurred during the year. The amount excluding movement in accruals is $955 million (2017: $1,004 million).

4. Revenue and expenses
From continuing operations

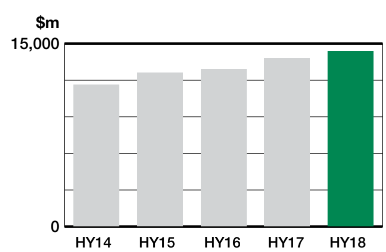
	Consolidated	
	December 2018 $m	December 2017 $m
Revenue from contracts with customers	**14,367**	13,786
Interest revenue	**8**	4
Other	**13**	24
Revenue	**14,388**	13,814
Gains on disposal of property, plant and equipment and other assets	**89**	18
Other	**60**	37
Other income	**149**	55
Remuneration, bonuses and on-costs	**2,085**	1,978
Superannuation expense	**155**	144
Share-based payments expense	**51**	60
Employee benefits expense	**2,291**	2,182
Minimum lease payments	**593**	572
Contingent rental payments	**20**	18
Other	**138**	146
Occupancy-related expenses	**751**	736
Depreciation	**211**	207
Amortisation of intangibles	**22**	20
Amortisation other	**33**	30
Depreciation and amortisation	**266**	257
Impairment of plant, equipment and other assets	**3**	260
Impairment of freehold property	**-**	20
Impairment of goodwill	**-**	47
Impairment expenses	**3**	327
Repairs and maintenance	**94**	80
Utilities and office expenses	**215**	215
Insurance expenses	**80**	87
Other	**218**	215
Other expenses	**607**	597
Interest expense	**85**	93
Discount rate adjustment	**5**	6
Amortisation of debt establishment costs	**1**	2
Other finance related costs	**6**	6
Finance costs	**97**	107

5. Tax expense
From continuing operations

	Consolidated	
	December 2018 $m	December 2017 $m
A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:		
Profit before tax	**1,548**	1,089
Income tax at the statutory rate of 30%	**464**	327
Adjustments relating to prior years	**14**	1
Non-deductible items	**4**	93
Share of results of associates and joint ventures	**(14)**	(2)
Other	**-**	(8)
Income tax on profit before tax	**468**	411

Revenue for half-year
From continuing operations

$14,388m ▲ **4.2%**



	$m
HY18	**14,388**
HY17	13,814
HY16	12,915
HY15	12,622
HY14	11,647

Revenue by segment for HY18[1]
From continuing operations

	$m
Bunnings	6,909
Kmart Group	4,639
Officeworks	1,100
WIS	876
WesCEF	874

*Intragroup elimination: $(10) million

[1] Revenue from contracts with customers disaggregated by segment is materially consistent with the disclosure above.

6. Cash and cash equivalents

	Consolidated December 2018 $m	Consolidated June 2018 $m
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash on hand and in transit	**195**	492
Cash at bank and on deposit	**2,747**	191
	2,942	683

	Consolidated December 2018 $m	Consolidated December 2017 $m
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	**4,538**	212
Non-cash items		
Depreciation and amortisation	**538**	650
Impairment and writedowns of assets	**28**	1,146
Gain on disposal of businesses	**(3,167)**	-
Net gain on disposal of non-current assets including investments and associates	**(218)**	(23)
Share of profits of associates and joint ventures	**(76)**	(47)
Dividends and distributions received from associates	**39**	23
Discount adjustment in borrowing costs	**5**	12
Other	**(33)**	(14)
(Increase)/decrease in assets		
Receivables - Trade and other	**136**	(114)
Inventories	**(687)**	(452)
Prepayments	**(63)**	(55)
Deferred tax assets	**(28)**	32
Other assets	**(1)**	-
Increase/(decrease) in liabilities		
Trade and other payables	**930**	1,317
Current tax payable	**(91)**	-
Provisions	**94**	43
Other liabilities	**43**	167
Net cash flows from operating activities	**1,987**	2,897

6. Cash and cash equivalents (continued)

	Consolidated December 2018 $m	Consolidated December 2017 $m
Net cash capital expenditure		
Cash capital expenditure		
Payment for property	**324**	346
Payment for plant and equipment	**614**	502
Payment for intangibles	**17**	156
	955	1,004
Less: Proceeds from sale of property, plant, equipment and intangibles	**277**	318
Net cash capital expenditure	**678**	686

Cash capital expenditure for HY18
From continuing operations

	$m
Bunnings	239
Kmart Group	122
Officeworks	20
WIS	46
WesCEF	32

*Other cash capital expenditure: $4 million

NOTES TO THE FINANCIAL STATEMENTS: CAPITAL

For the half-year ended 31 December 2018

7. Borrowings

Funding activities

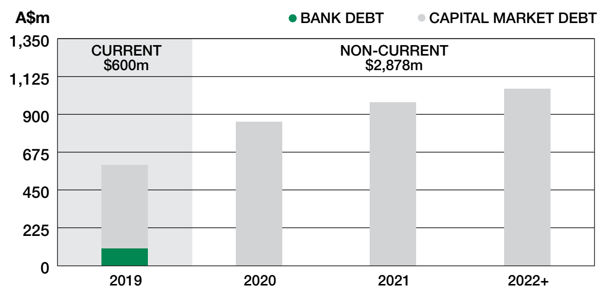
The Group continues its strategy of maintaining diversity of funding sources, pre-funding upcoming maturities and maintaining a presence in key markets. During the half-year ended 31 December 2018, there were no medium term note issuances or maturities.

	Consolidated	
	December 2018 $m	June 2018 $m
Current		
Unsecured		
Bank debt	**100**	660
Capital market debt	**500**	499
	600	1,159
Non-current		
Unsecured		
Bank debt	**-**	150
Capital market debt	**2,878**	2,815
	2,878	2,965
Total interest-bearing loans and borrowings	**3,478**	4,124

7. Borrowings (continued)

The illustration below provides details, including the principal repayment obligations, of all loans and borrowings on issue at 31 December 2018:

Outstanding loans and borrowings



8. Equity

Movement in shares on issue	Ordinary Shares '000	Ordinary Shares $m	Reserved Shares '000	Reserved Shares $m
At 1 July 2017	1,133,840	22,268	(2,088)	(26)
Exercise of in-substance options	-	-	64	-
Acquisition of shares on-market for Key Executive Equity Performance Plan (KEEPP)	-	-	(418)	(17)
At 31 December 2017	1,133,840	22,268	(2,442)	(43)
Exercise of in-substance options	-	-	100	-
Transfer from other reserves	-	9	-	-
At 30 June 2018 and 1 July 2018	1,133,840	22,277	(2,342)	(43)
Exercise of in-substance options	**-**	**-**	**67**	**-**
Acquisition of shares on-market for Wesfarmers Long Term Incentive Plan (WLTIP)	**-**	**-**	**(112)**	**(4)**
Acquisition of shares on-market for Key Executive Equity Performance Plan (KEEPP)	**-**	**-**	**(1,057)**	**(32)**
Capital distribution	**-**	**(6,441)**	**-**	**-**
Demerger transaction costs, net of tax	**-**	**(41)**	**-**	**-**
At 31 December 2018	**1,133,840**	**15,795**	**(3,444)**	**(79)**

NOTES TO THE FINANCIAL STATEMENTS: CAPITAL

For the half-year ended 31 December 2018

9. Earnings per share

	Consolidated	
	December 2018	December 2017
Profit attributable to ordinary equity holders of the parent ($m)	**4,538**	212
WANOS[1] used in the calculation of basic EPS (shares, million)[2]	**1,131**	1,132
WANOS used in the calculation of diluted EPS (shares, million)[2]	**1,133**	1,133
- Basic EPS (cents per share)	**401.2**	18.7
- Diluted EPS (cents per share)	**400.5**	18.7

1 Weighted average number of ordinary shares.

2 The variance in the WANOS used in the calculation of the basic EPS and the diluted EPS is attributable to in-substance options and restricted shares.

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements, apart from the normal conversion of employee reserved shares (treated as in-substance options) to unrestricted ordinary shares.

Calculation of earnings per share

Basic earnings per share

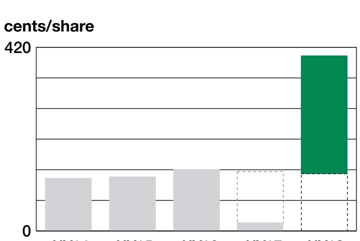
Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share

Diluted earnings per share amounts are calculated per basic earnings per share with an adjustment for the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares. Dilution arises as a result of the employee reserved shares issued under the employee share plan being accounted for as in-substance options.

Half-year basic EPS

401.2 cents



HY18[1]	**401.2**
HY17[2]	18.7
HY16	140.1
HY15	124.2
HY14	121.0

1 HY18 EPS of 401.2 cents per share includes significant items relating to the gains on disposal of Bengalla, KTAS and Quadrant Energy, the gain on demerger of Coles and the provision for Coles' supply chain automation. Excluding these items, basic EPS is 130.8 cents per share.

2 HY17 EPS of 18.7 cents per share includes significant items relating to non-cash impairments and write-offs and store closure provisions at BUKI ($1,023 million post-tax) and Target's non-cash impairment ($300 million post-tax). Excluding these items, basic EPS is 135.6 cents per share.

10. Dividends and distributions

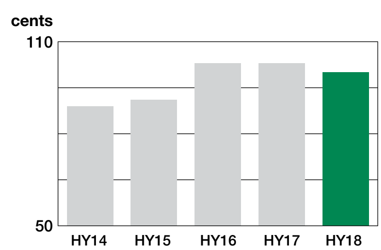
	Consolidated	
	December 2018 $m	December 2017 $m
Declared and paid during the year (fully-franked at 30 per cent)		
Final dividend for 2018: $1.20 (2017: $1.20)	**1,361**	1,361
Capital distribution and demerger dividend[1]	**14,565**	-
	15,926	1,361
Proposed and unrecognised as a liability (fully-franked at 30 per cent)		
Interim dividend for 2019: $1.00 (2018: $1.03)	**1,134**	1,168
Special dividend[2]	**1,134**	-

1 The capital distribution and demerger dividend represents the fair value of the Coles distribution to shareholders. Refer to note 16 for further details.

2 A fully-franked special dividend of 100 cents per share was declared on 20 February 2019.

Interim distributions

100 cents



HY18	**100**
HY17	103
HY16	103
HY15	91
HY14	89

11. Cash flow hedge reserve

The change in cash flow hedge reserve for the half-year ended 31 December 2018 includes the after-tax net movement in the market value of cash flow hedges from 30 June 2018 and comprised: $9 million (2017: $39 million) of foreign exchange rate contracts, $(12) million (2017: $5 million) of commodity swaps, $(6) million (2017: nil) of interest rate swaps and a $1 million (2017: ($3) million) movement in associates and joint ventures reserves.

12. Associates and joint arrangements

	Consolidated	
	December 2018 $m	June 2018 $m
Investments in associates[1]	**3,233**	731
Interests in joint ventures	**34**	17
	3,267	748

	Consolidated	
	December 2018 $m	December 2017 $m
Net profits from operations of associates	**68**	37
Other comprehensive income/(loss) of associates	**7**	(3)
Profit from operations of joint ventures	**4**	2
Other comprehensive (loss)/income of joint ventures	**(4)**	1
Total comprehensive income	**75**	37

Interests in joint arrangements

The Group recognises its share of the assets, liabilities, expenses and income from the use and output of its joint operations.
The Group's investment in joint ventures is accounted for using the equity method.

Investments in associates

The Group's investments in its associates, being entities in which the Group has significant influence and are neither subsidiaries nor jointly controlled assets, are accounted for using the equity method.

Interests in associates and joint arrangements		Ownership	
Associates	*Principal activity*	**December 2018 %**	June 2018 %
Australian Energy Consortium Pty Ltd[2,3]	Oil and gas	**-**	27.4
Bengalla Coal Sales Company Pty Limited[3]	Sales agent	**-**	40.0
Bengalla Mining Company Pty Limited[3]	Management company	**-**	40.0
BWP Trust	Property investment	**24.8**	24.8
Coles Group Limited[1]	Food and staples retailing	**15.0**	(a)
Gresham Partners Group Limited	Investment banking	**50.0**	50.0
Gresham Private Equity Funds	Private equity fund	**(b)**	(b)
Queensland Nitrates Management Pty Ltd	Chemical manufacture	**50.0**	50.0
Queensland Nitrates Pty Ltd	Chemical manufacture	**50.0**	50.0
Wespine Industries Pty Ltd	Pine sawmillers	**50.0**	50.0
Joint Operations	*Principal activity*		
Bengalla[3]	Coal mining	**-**	40.0
ISPT[1]	Property ownership	**-**	25.0
Sodium Cyanide	Sodium cyanide manufacture	**75.0**	75.0
Joint Ventures	*Principal activity*		
BPI NO 1 Pty Ltd	Property management	**(c)**	(c)
Loyalty Pacific Pty Ltd[4]	Loyalty programs	**50.0**	(a)

1 A wholly owned subsidiary, Wesfarmers' Retail Holdings has a 15.0 per cent interest in Coles. As at 31 December 2018, the carrying value of the investment in Coles was $2,592 million. Refer to note 16 for further details. ISPT was disposed as part of the Coles demerger.

2 Australian Energy Consortium Pty Ltd (AEC) had a 50.0 per cent interest in Quadrant Energy.

3 Wesfarmers disposed of its interest in Bengalla and its indirect interest in Quadrant Energy during the period. Refer to note 16 for further details.

4 Loyalty Pacific Pty Ltd has a 50.0 per cent interest in flybuys.

(a) As at 30 June 2018, Coles Group Limited and Loyalty Pacific Pty Ltd were wholly owned subsidiaries.

(b) Gresham Private Equity Funds: Whilst the Group's interest in the unitholders' funds of Gresham Private Equity Fund No. 2 amounts to greater than 50.0 per cent, it is not a controlled entity as the Group does not have the practical ability to direct their relevant activities. Such control requires a unit holders' resolution of 75.0 per cent of votes pursuant to the Funds' trust deeds.

(c) BPI NO 1 Pty Ltd: Whilst the Group owns the only equity share in BPI NO 1 Pty Ltd, the Group's effective interest approximates 50.0 per cent and joint control is effected through contractual arrangements with the joint venture partner.

13. Financial instruments

Valuation methodology of financial instruments

For financial instruments measured and carried at fair value, the Group uses the following to categorise the method used:

- Level 1: fair value is calculated using quoted prices in active markets for identical assets or liabilities;
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

All of the Group's financial instruments carried at fair value were valued using market observable inputs (Level 2) with the exception of shares in unlisted companies at fair value (Level 3) which were not material.

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between Level 1 and Level 2 during the period. There were no material Level 3 fair value movements during the period.

Fair values

The carrying amounts and estimated fair values of all the Group's financial instruments recognised in the financial statements are materially the same, with the exception of the following:

	Consolidated		
	December 2018 $m	June 2018 $m	December 2017 $m
Capital market debt:			
Carrying amount	**3,378**	3,314	4,220
Fair value	**3,485**	3,437	4,380

13. Financial instruments (continued)

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

Cash

The carrying amount is fair value due to the asset's liquid nature.

Receivables/payables

Due to the short-term nature of these financial rights and obligations, carrying amounts are estimated to represent fair values.

Other financial assets/liabilities

The fair values of corporate bonds held at fair value have been calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs. The fair values of other financial assets have been calculated using market interest rates.

Derivatives

The fair values are calculated at the present value of estimated future cash flows using a market based yield curve sourced from available market data quoted for all major currencies.

The fair values of foreign exchange contracts are calculated by reference to forward exchange market rates at reporting date for contracts with similar maturity profiles. As market rates are observable they are classified as Level 2.

Interest-bearing loans and borrowings

Quoted market prices or dealer quotes for similar instruments are used to value long-term debt instruments, except for corporate bonds.

Financial risk factors

The Group's activities expose its financial instruments to a variety of market risks, including foreign currency, commodity price and interest rate risk. The half-year financial report does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 30 June 2018. There have been no significant changes in risk management policies since year-end.

14. Impairment of non-financial assets

Wesfarmers is required to review, at the end of each reporting period, whether there is any indication that an asset may be impaired, in accordance with Australian Accounting Standards. Wesfarmers has reviewed each cash generating unit (CGU) for indications of impairment using both external and internal sources of information. This review included an assessment of performance against expectations and changes in market values or discount rates.

Detailed impairment testing has been completed for non–current assets when the existence of an indication of impairment has been identified. No material impairment has been recognised in the half-year ended 31 December 2018.

Consistent with prior periods, Wesfarmers will perform detailed annual impairment testing prior to the end of the financial year using cash flow projections based on Wesfarmers' five-year corporate plans, long-term business forecasts and market-based valuation assumptions. Where there are significant changes in the corporate plan, long-term business forecasts or market-based valuation assumptions from those used in impairment testing in previous periods, this may cause the carrying values of non-current assets to exceed their recoverable amounts.

15. Contingent liabilities

Certain companies within the Group are party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material effect on the Group's financial performance.

16. Discontinued operations

The businesses demerged or disposed of during the period, being Coles, Bengalla, KTAS and Quadrant Energy, were not considered discontinued operations or classified as held-for-sale as at 31 December 2017 and therefore the comparative consolidated income statement, the statement of comprehensive income and certain applicable notes have been restated to show the discontinued operation separately from continuing operations.

Demerger of Coles

On 16 March 2018, Wesfarmers announced its intention to demerge Coles and its subsidaries. The demerger was completed on 28 November 2018. Coles was previously treated as a seperate reportable segment. Wesfarmers has retained a 15 per cent minority ownership in Coles, which is classified as an investment in associate and accounted for using the equity method. The remaining 85 per cent interest in Coles reflects a demerger distribution.

The fair value of Coles at the date of settlement, being $17,136 million, was calculated using the volume weighted average price (VWAP) of Coles' shares as traded on the ASX over the first five trading days after the demerger date ($12.8459) multiplied by the number of Coles' shares on initial listing (1,333,929,696). The 15 per cent investment retained by Wesfarmers has been valued at $2,571 million was determined applying the same methodology.

The demerger distribution is accounted for as a reduction in equity, split between share capital of $6,441 million and demerger reserve of $8,124 million. The amount treated as a reduction in share capital has been calculated by reference to the market value of Coles' shares and the market value of Wesfarmers' shares post demerger. The difference between the fair value of the distribution and the capital reduction amount is the demerger dividend.

16. Discontinued operations (continued)

Demerger of Coles (continued)

	Consolidated	
	2018	2017
Coles	**$m**	$m
Results of discontinued operation		
Revenue	**16,453**	19,978
Expenses	**(16,121)**	(19,198)
Profit before tax[1]	**332**	780
Income tax expense	**(113)**	(242)
Gain on demerger after income tax	**2,252**	-
Profit after tax from discontinued operation	**2,471**	538
Assets and liabilities of controlled entities at date of demerger		
Assets		
Cash and cash equivalents	**322**	
Trade and other receivables	**829**	
Inventories	**2,313**	
Property, plant and equipment	**4,387**	
Intangibles and goodwill	**13,700**	
Other assets	**629**	
Total assets demerged	**22,180**	
Liabilities		
Trade payables	**3,633**	
Interest bearing loans and borrowings	**2,000**	
Other liabilities	**1,803**	
Total liabilities demerged	**7,436**	
Net assets demerged	**14,744**	
Cash flows of discontinued operation		
Net cash from operating activities	**690**	1,216
Net cash used in investing activities	**(450)**	(285)
Net cash from financing activities	**2,000**	-
Net cash flows for the period	**2,240**	931
Allocation of deemed fair value of Coles at demerger		
Capital distribution	**6,441**	
Demerger dividend	**8,124**	
Fair value of Wesfarmers' retained investment in Coles	**2,571**	
Fair value of demerger distribution	**17,136**	
Gain on demerger		
Fair value of Coles at demerger	**17,136**	
Carrying amount of net assets	**(14,744)**	
Transaction costs[2]	**(80)**	
Net gain on demerger before income tax	**2,312**	
Income tax expense[3]	**(60)**	
Gain on demerger after income tax	**2,252**	
Earnings per share - discontinued operation	**cents**	cents
Basic earnings per share	**218.5**	47.5
Diluted earnings per share	**218.1**	47.5

1. Includes $146 million provision for supply chain automation.
2. Excludes $59 million of transaction costs recognised directly in equity.
3. Represents tax benefit on transaction costs and deferred tax liability on investment in associate.

16. Discontinued operations (continued)

Sale of indirect interest in Quadrant Energy

On 22 August 2018, Wesfarmers announced that it had agreed to sell its interest in AEC, which holds a 13.2 per cent interest in Quadrant Energy, to Santos Limited for US$170 million (A$232 million). The transaction was completed on 27 November 2018. Wesfarmers recognised a pre-tax gain on sale of $138 million (post-tax $107 million) in its half-year results. Wesfarmers' share of profits from its indirect interest in Quadrant Energy recognised for the period was $4 million (2017: $8 million).

Sale of Bengalla

On 7 August 2018, Wesfarmers announced that it had entered into an agreement with New Hope Corporation to sell its 40 per cent interest in Bengalla for $860 million subject to certain conditions including regulatory approval. The transaction was completed on 3 December 2018. Bengalla was previously reported in the Resources segment.

	Consolidated	
	2018	2017
Bengalla	**$m**	$m
Results of discontinued operation		
Revenue	**197**	184
Expenses	**(104)**	(110)
Profit before tax	**93**	74
Income tax expense	**(28)**	(22)
Gain on disposal after income tax	**583**	-
Profit after tax from discontinued operation	**648**	52
Assets and liabilities of controlled entities at date of disposal		
Assets		
Cash and cash equivalents	**5**	
Trade and other receivables	**19**	
Inventories	**14**	
Property, plant and equipment	**216**	
Other assets	**13**	
Total assets disposed	**267**	
Liabilities		
Trade payables	**18**	
Other liabilities	**77**	
Total liabilities disposed	**95**	
Net assets disposed	**172**	
Cash flows of discontinued operation		
Net cash from operating activities	**106**	79
Net cash used in investing activities	**(14)**	(7)
Net cash used in financing activities	**(95)**	(66)
Net cash flows for the period	**(3)**	6
Gain on disposal		
Total consideration received	**860**	
Carrying amount of net assets disposed	**(172)**	
Transaction costs and other items	**(9)**	
Gain on disposal before income tax	**679**	
Income tax expense	**(96)**	
Gain on disposal after income tax	**583**	
Earnings per share - discontinued operation	**cents**	cents
Basic earnings per share	**57.2**	4.6
Diluted earnings per share	**57.2**	4.6

16. Discontinued operations (continued)

Sale of KTAS

On 13 August 2018, Wesfarmers announced that it had entered into an agreement with Continental A.G. to sell its KTAS business for $350 million. The transaction was completed on 1 November 2018.

	Consolidated	
	2018	2017
KTAS	**$m**	$m
Results of discontinued operation		
Revenue	**115**	165
Expenses	**(103)**	(149)
Profit before tax	**12**	16
Income tax expense	**(3)**	(4)
Gain on disposal after income tax	**219**	-
Profit after tax from discontinued operation	**228**	12
Assets and liabilities of controlled entities at date of disposal		
Assets		
Cash and cash equivalents	**1**	
Trade and other receivables	**15**	
Inventories	**10**	
Property, plant and equipment	**35**	
Goodwill and intangibles	**60**	
Other assets	**13**	
Total assets disposed	**134**	
Liabilities		
Trade payables	**33**	
Other liabilities	**16**	
Total liabilities disposed	**49**	
Net assets disposed	**85**	
Cash flows of discontinued operation		
Net cash (used in)/from operating activities	**(8)**	17
Net cash used in investing activities	**(2)**	(4)
Net cash from/(used in) financing activities	**10**	(12)
Net cash flows for the period	**-**	1
Gain on disposal		
Total consideration received	**350**	
Carrying amount of net assets disposed	**(85)**	
Transaction costs and other items	**2**	
Gain on disposal before income tax	**267**	
Income tax expense	**(48)**	
Gain on disposal after income tax	**219**	
Earnings per share - discontinued operation	**cents**	cents
Basic earnings per share	**20.1**	1.1
Diluted earnings per share	**20.1**	1.1

17. Events after the reporting period

Dividends

A fully-franked interim dividend of 100 cents per share resulting in a dividend payment of $1,134 million and a fully-franked special dividend of 100 cents per share resulting in a dividend payment of $1,134 million were declared for a payment date of 10 April 2019. These dividends have not been provided for in the 31 December 2018 half-year financial report.

DIRECTORS' DECLARATION

Wesfarmers Limited and its controlled entities

1. In accordance with a resolution of the directors of Wesfarmers Limited, I note that in the opinion of the directors:

    (a) The financial statements and notes of Wesfarmers Limited for the half-year ended 31 December 2018 are in accordance with the *Corporations Act 2001*, including

    (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

    (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;

    (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declaration made to the directors for the half-year ended 31 December 2018 in accordance with the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

On behalf of the Board

M A Chaney AO
Chairman
Perth, 20 February 2019

Building a better working world

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Independent auditor's review report to the members of Wesfarmers Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Wesfarmers Limited (the Company) and its subsidiaries (collectively the Group), which comprises the balance sheet as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF WESFARMERS LIMITED

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
20 February 2019

J K Newton
Partner

ADDITIONAL DISCLOSURES

2019 half-year retail sales results

Headline retail sales results

Half-year sales ($m)	2019	2018	Variance %
Bunnings[1,2]	**6,907**	**6,547**	***5.5***
Kmart[3]	3,176	3,146	*1.0*
Target[4]	1,559	1,555	*0.3*
Total Kmart Group	**4,735**	**4,701**	***0.7***
Officeworks[1]	**1,100**	**1,017**	***8.2***

1 Financial Year 2019 and Financial Year 2018 for the six month period 1 July to 31 December.

2 Includes cash and trade sales, excludes property income.

3 Excludes KTAS. Financial Year 2019 for the 27 week period 25 June 2018 to 30 December 2018 and Financial Year 2018 for the 27 week period 26 June 2017 to 31 December 2017.

4 Financial Year 2019 for the 27 week period 24 June 2018 to 29 December 2018 and Financial Year 2018 for the 27 week period 25 June 2017 to 30 December 2017.

Key metrics

Key Metrics (%)	Half-year 2019[1]	Half-year 2018[2]
Bunnings[3]		
Total store sales growth	5.5	10.1
Store-on-store sales growth	4.0	9.0
Kmart Group[4]		
Kmart: Comparable store sales growth	(0.6)	5.8
Target: Comparable store sales growth	0.5	(6.5)
Officeworks		
Total sales growth	8.2	9.8

1 2019 growth for Bunnings and Officeworks represents the six month period 1 July 2018 to 31 December 2018 and 1 July 2017 to 31 December 2017; for Kmart reflects the 27 week period 25 June 2018 to 30 December 2018 and the 27 week period 26 June 2017 to 31 December 2017; and for Target represents the 27 week period 24 June 2018 to 29 December 2018 and the 27 week period 25 June 2017 to 30 December 2017.

2 2018 growth for Bunnings and Officeworks represents the six month period 1 July 2017 to 31 December 2017 and 1 July 2016 to 31 December 2016; for Kmart reflects the 27 week period 26 June 2017 to 31 December 2017 and the 27 week period 27 June 2016 to 1 January 2017; and for Target represents the 27 week period 25 June 2017 to 30 December 2017 and the 27 week period 26 June 2016 to 31 December 2016.

3 Includes cash and trade sales, excludes property income.

4 Excludes KTAS. Comparable store sales include lay-by sales. Lay-by sales are excluded from total sales under Australian Accounting Standards.

ADDITIONAL DISCLOSURES

Store network

	Open at 1 Jul 2018	Opened	Closed	Re-branded	Open at 31 Dec 2018
BUNNINGS AUSTRALIA & NEW ZEALAND					
Bunnings Warehouse	259	8	(2)	-	265
Bunnings smaller formats	78	-	(3)	-	75
Bunnings Trade Centres	32	-	-	-	32
Total Bunnings Australia & New Zealand	369	8	(5)	-	372
KMART GROUP					
Kmart	228	3	-	-	231
Target Large	187	1	(2)	-	186
Target Small	116	-	(6)	-	110
Total Target	303	1	(8)	-	296
OFFICEWORKS					
Officeworks	165	2	(1)	-	166

ADDITIONAL DISCLOSURES

Five-year history – financial performance and key metrics

Group financial performance

Half-year ended 31 December ($m)[1]	2018	2017	2016	2015	2014
Summarised income statement[2]					
Revenue	14,388	13,814	34,917	33,462	31,970
EBITDA	1,911	1,454	3,064	2,749	2,657
Depreciation and amortisation	(266)	(258)	(635)	(639)	(581)
EBIT	1,645	1,196	2,429	2,110	2,076
Finance costs[3]	(97)	(114)	(149)	(152)	(158)
Income tax expense	(468)	(411)	(703)	(565)	(542)
Profit after tax from discontinued operations	3,458	(466)	-	-	-
NPAT (including discontinued operations)	4,538	212	1,577	1,393	1,376
Summarised balance sheet					
Total assets	20,585	40,467	41,399	41,790	40,541
Total liabilities	9,293	17,638	17,632	16,828	15,797
Net assets	11,292	22,829	23,767	24,962	24,744
Net debt	731	4,401	5,916	6,108	5,139
Summarised cash flow statement					
Operating cash flows	1,987	2,897	2,648	2,404	2,281
Add/(less): Net capital expenditure	(678)	(686)	(400)	(675)	(899)
Add/(less): Other investing cash flows	1,084	17	(17)	(64)	(113)
Add/(less): Total investing cash flows	406	(669)	(417)	(739)	(1,012)
Free cash flow	2,393	2,228	2,231	1,665	1,269
Add/(less): Financing cash flows	(134)	(1,399)	(2,104)	(1,682)	(1,831)
Net increase/(decrease) in cash	2,259	829	127	(17)	(562)
Distributions to shareholders (cents per share)					
Interim ordinary dividend	100	103	103	91	89
Capital management (paid)	100	-	-	-	100
Key performance metrics					
Earnings per share (cents per share)	401.2	18.7	140.1	124.2	121.0
Earnings per share from continuing operations[2] excluding sig. items[4] (cents per share)	95.5	86.4	140.1	124.2	121.0
Operating cash flow per share[5] (cents per share)	175.4	255.7	234.9	213.9	200.1
Cash realisation ratio[6] (excluding sig. items[3]) (%)	98.5	132.6	119.7	118.3	116.6
Return on equity (R12, %)	26.9	6.4	2.5	10.0	10.4
Return on equity (R12, %) (excluding sig. items[4])	13.5	12.0	10.2	10.0	9.7
Net tangible asset backing per share ($ per share)	6.41	4.31	4.23	5.05	4.92
Interest cover[4] (cash basis) (R12, times)	49.2	28.8	18.9	19.3	18.1
Fixed charges cover[4] (R12, times)	4.2	3.0	2.7	3.0	3.1

1 Unless specified, all figures are presented as last reported.

2 2018 and 2017 income statement balances have been restated for the classification of Coles, Bengalla, KTAS, Quadrant Energy, Curragh and BUKI as discontinued operations.

3 2017 finance costs include costs relating to BUKI which are reported as part of discontinued operations.

4 2018 excludes pre-tax significant items comprising $2,312 million gain on demerger of Coles, $679 million gain on sale of Bengalla, $267 million gain on sale of KTAS, $138 million gain on sale of Quadrant Energy, partially offset by a $146 million provision for supply chain automation in Coles. 2017 excludes pre-tax significant items of $931 million relating to BUKI and a $306 million pre-tax non-cash impairment of Target.

5 For the purposes of this calculation, reserved shares have been included.

6 Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation and significant items.

ADDITIONAL DISCLOSURES

Five-year history – financial performance and key metrics

Divisional key performance metrics

Half-year ended 31 December ($m)[1]	2018	2017	2016	2015	2014
BUNNINGS AUSTRALIA & NEW ZEALAND					
Revenue	6,909	6,566	5,957	5,500	4,959
EBITDA	1,027	953	853	776	686
Depreciation and amortisation	(95)	(89)	(83)	(75)	(68)
EBIT[2]	932	864	770	701	618
EBIT margin[2] (%)	13.5	13.2	12.9	12.7	12.5
ROC (R12, %)	50.2	47.0	39.0	35.8	31.6
Capital expenditure (cash basis)	240	275	212	314	352
Total sales growth (%)	5.5	10.0	8.3	10.9	11.9
Total store sales growth (%)	5.5	10.1	8.4	11.0	11.7
Store-on-store sales growth (%)	4.0	9.0	6.5	7.9	9.1
KMART GROUP					
Revenue[3]	4,639	4,769	4,619	4,722	4,377
EBITDA[4]	480	518	486	487	445
Depreciation and amortisation	(97)	(103)	(99)	(94)	(86)
EBIT[4]	383	415	387	393	359
EBIT margin[4] (%)	8.3	8.7	8.4	8.3	8.2
ROC[5] (R12, %)	33.9	26.2	9.2	14.8	11.8
Capital expenditure (cash basis)	119	201	123	145	171
Kmart					
- Total sales growth[3,6] (%)	1.0	8.6	9.1	12.4	5.3
- Comparable sales growth[3,6] (%)	(0.6)	5.4	5.7	9.1	2.4
Target					
- Total sales growth[6] (%)	0.3	(6.2)	(17.4)	1.6	(1.8)
- Comparable sales growth[6] (%)	0.5	(6.5)	(18.2)	1.4	(1.0)
OFFICEWORKS					
Revenue	1,100	1,017	927	875	802
EBITDA	90	80	74	70	61
Depreciation and amortisation	(14)	(12)	(12)	(11)	(11)
EBIT	76	68	62	59	50
EBIT margin (%)	6.9	6.7	6.7	6.7	6.2
ROC (R12, %)	17.2	15.7	13.9	12.5	10.5
Total sales growth (%)	8.2	9.8	5.8	9.1	7.8

1 All figures are presented as last reported.

2 Includes net property contribution for 2018 of $51 million; 2017 of $30 million; 2016 of $44 million; 2015 of $33 million; and for 2014 of $14 million.

3 2018 excludes KTAS trading performance.

4 2018 excludes KTAS trading performance. 2017 excludes a pre-tax non-cash impairment of $306 million for Target. 2016 includes a provision of $13 million recognised for restructuring costs associated with the planned relocation of Target's store support office. 2015 includes rebate income of $21 million recognised contrary to Group policy which was reversed in the second half of 2016, having no effect on the 2016 full-year results.

5 2018 excludes KTAS. 2017 excludes a pre-tax non-cash impairment of $306 million for Target. 2016 includes $158 million in restructuring costs and provisions for Target. In addition to higher earnings, the increase in ROC in 2017 also reflects lower capital employed as a result of non-cash impairments in Target in June 2016 and December 2017.

6 Based on retail period (rather than Gregorian reporting). Refer to page 43 for applicable retail period.

ADDITIONAL DISCLOSURES

Five-year history – financial performance and key metrics

Divisional key performance metrics (continued)

Half-year ended 31 December ($m)[1]	2018	2017	2016	2015	2014
INDUSTRIALS					
Divisional performance					
Revenue[2,3]	1,750	1,633	1,579	1,680	1,645
EBITDA[3,4]	282	296	298	218	211
Depreciation and amortisation	(55)	(56)	(59)	(78)	(66)
EBIT[3,4]	227	240	239	140	145
Capital expenditure (cash basis)	78	49	36	50	64
Chemicals, Energy and Fertilisers					
Chemicals revenue	502	439	412	469	415
Energy revenue[2,3]	233	223	182	173	267
Fertilisers revenue	139	102	101	111	128
Total revenue[3]	874	764	695	753	810
EBITDA[3,4]	221	223	225	161	144
Depreciation and amortisation	(36)	(35)	(38)	(57)	(49)
EBIT[3,4]	185	188	187	104	95
ROC[3,4] (R12, %)	29.4	28.0	25.1	15.7	13.4
Capital expenditure (cash basis)	32	30	20	21	39
Sales volumes ('000 tonnes)					
Chemicals	546	494	499	524	455
LPG[5]	75	81	55	74	108
Fertilisers	301	253	234	214	260
Industrial and Safety					
Revenue	876	869	884	927	835
EBITDA	61	73	73	57	67
Depreciation and amortisation	(19)	(21)	(21)	(21)	(17)
EBIT	42	52	52	36	50
EBIT margin (%)	4.9	6.0	5.9	3.9	5.9
ROC (R12, %)	7.5	8.3	5.9	4.2	9.3
Capital expenditure (cash basis)	46	19	16	29	25

1 All figures are presented as last reported except Industrials divisional total, which has been restated to exclude Resources.

2 2018 excludes Quadrant Energy. Prior years include interest revenue from Quadrant Energy loan notes. All years exclude intra-division sales.

3 2018 excludes Quadrant Energy. Prior years include Quadrant Energy, Kleenheat (including east coast LPG operations prior to sale in February 2015), and ALWA prior to December 2013 divestment.

4 2016 includes a profit on sale of land of $22 million. 2015 includes $30 million of one-off restructuring costs associated with the decision to cease PVC manufacturing.

5 Includes Kleenheat (including east coast LPG operations prior to sale in February 2015), and ALWA prior to December 2013 divestment.

ADDITIONAL DISCLOSURES

Five-year history – financial performance and key metrics

Store network

Open at 31 December	2018	2017	2016	2015	2014
BUNNINGS AUSTRALIA & NEW ZEALAND					
Bunnings Warehouse	265	253	248	240	228
Bunnings smaller formats	75	77	73	67	63
Bunnings Trade Centres	32	33	33	32	33
Total Bunnings Australia & New Zealand	372	363	354	339	324
KMART					
Kmart	231	224	214	206	200
KTAS	-	254	250	249	246
Total Kmart	231	478	464	455	446
TARGET					
Large	186	189	185	185	183
Small	110	118	119	121	126
Total Target	296	307	304	306	309
OFFICEWORKS					
Officeworks	166	165	163	158	153

CORPORATE DIRECTORY

Wesfarmers Limited ABN 28 008 984 049

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Executive director

Rob Scott
Group Managing Director and Chief Executive Officer

Non-executive directors

Michael Chaney AO, Chairman
Bill English KNZM
Tony Howarth AO
Wayne Osborn
Mike Roche
Diane Smith-Gander
Vanessa Wallace
Jennifer Westacott AO

Chief Financial Officer

Anthony Gianotti

Company Secretary

Linda Kenyon

Share registry

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Financial calendar+

Half-year end	31 December 2018
Half-year results briefing	21 February 2019
Record date for interim dividend and special dividend	27 February 2019
Interim dividend and special dividend payable	10 April 2019
Strategy Briefing Day	13 June 2019
Year end	30 June 2019
Full-year results announcement	27 August 2019
Record date for final dividend	August 2019
Final dividend payable	October 2019
Annual general meeting	November 2019

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

Website

To view the 2019 Half-year Report, the 2018 Annual Report, shareholder and company information, news announcements, background information on Wesfarmers' businesses and historical information, visit the Wesfarmers website at **www.wesfarmers.com.au**