2019 Half-Year Results Briefing Presentation

To be held on Thursday, 21 February 2019

Wesfarmers

Presentation outline

Group Performance Overview

Rob Scott

Managing Director, Wesfarmers Limited

Long-term shareholder returns

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

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

- Anticipating the needs of our customers & delivering competitive goods & services
- Looking after our team members & providing a safe, fulfilling work environment
- Engaging fairly with our suppliers & sourcing ethically & sustainably
- Supporting the communities in which we operate
- Taking care of the environment
- Acting with integrity & honesty in all of our dealings

Progress on strategic agenda: 1H19 highlights

Portfolio management – significant repositioning

- Demerger of Coles
- Sale of Bengalla
- Sale of Kmart Tyre & Auto
- Sale of stake in Quadrant Energy

Talent – key appointments

- Ian Bailey, MD Kmart Group
- Marina Joanou, MD Target
- Sarah Hunter, MD Officeworks
- Naomi Flutter, EGM Corporate Affairs
- David Cheesewright (ex-Walmart) as strategic adviser

Data & digital

- Group leadership conference (top 160)
- Build out of Advanced Analytics Centre & use case development
- Formalised flybuys JV with Coles & appointment of new CEO
- Record penetration & strong growth (34%) in online sales

Financial overview

Half-year ended 31 December ($m)	Reported	Excluding significant items[2]	Variance to pcp (exc. significant items[2])
Results from continuing operations[1]			
Earnings before interest & tax	1,645	1,645	*9.5%*
Net profit after tax	1,080	1,080	*10.4%*
Basic earnings per share (cps)	96	96	*10.5%*
Results including discontinued operations[1]			
Earnings before interest & tax	5,482	2,232	*(5.0%)*
Net profit after tax	4,538	1,479	*(3.6%)*
Basic earnings per share (cps)	401	131	*(3.5%)*
Dividend per share (cps)	100	100	*(2.9%)*
Special dividend per share (cps)	100	100	*n.a.*

- Results reflect a period of significant change following successful completion of actions taken to reposition Group's portfolio
- Reported net profit after tax (NPAT) of $4,538m for the half, including post-tax significant items of $3,059m; NPAT from continuing operations increased 10.4% to $1,080m
- Fully-franked ordinary interim dividend of $1.00 per share & fully-franked special dividend of $1.00 per share
- Strong balance sheet & portfolio activity supports capital management while preserving capacity to take advantage of value-accretive growth opportunities if & when they arise

1. 2018 discontinued operations include Coles, Kmart Tyre & Auto (KTAS), Bengalla & Quadrant Energy. 2017 discontinued operations include Curragh & Bunnings UK & Ireland (BUKI).
2. 2018 excludes pre-tax (post-tax) significant items comprising $2,312m ($2,252m) gain on demerger of Coles, $679m ($583m) gain on sale of Bengalla, $267m ($219m) gain on sale of KTAS, $138m ($107m) gain on sale of Quadrant Energy, partially offset by a $146m ($102m) provision for supply chain automation in Coles. 2017 excludes Target's pre-tax (post-tax) non-cash impairment of $306m ($300m). Results including discontinued operations also exclude pre-tax (post-tax) significant items of $931m ($1,023m) relating to BUKI.

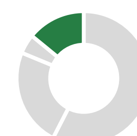
Group performance summary

Half-year ended 31 December ($m)	2018	2017	Var %
Results from continuing operations[1]			
EBIT	1,645	1,196	*37.5*
EBIT (excl. significant items)[2]	1,645	1,502	*9.5*
Net profit after tax	1,080	678	59.3
Net profit after tax (excl. significant items)[2]	1,080	978	*10.4*
Earnings per share (excl. significant items)[2] (cps)	95.5	86.4	*10.5*
Results including discontinued operations[1]			
EBIT	5,482	1,113	*n.m.*
EBIT (exc. significant items)[2,3]	2,232	2,350	*(5.0)*
Net profit after tax	4,538	212	*n.m.*
Net profit after tax (excl. significant items)[2,3]	1,479	1,535	*(3.6)*
Earnings per share (excl. significant items)[2,3] (cps)	130.8	135.6	*(3.5)*
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*
Half-year ordinary dividend (cps)	100	103	*(2.9)*
Special dividend (cps)	100	-	*n.a.*
Net financial debt[4]	324	3,864	*(91.6)*

n.m. = not meaningful

1. Discontinued operations relate to Coles, KTAS, Bengalla & Quadrant Energy which were disposed of during 1H19, & Curragh & BUKI which were disposed of during FY18.
2. 2018 excludes pre-tax (post-tax) significant items comprising $2,312m ($2,252m) gain on demerger of Coles, $679m ($583m) gain on sale of Bengalla, $267m ($219m) gain on sale of KTAS, $138m ($107m) gain on sale of Quadrant Energy, partially offset by a $146m ($102m) provision for supply chain automation in Coles.
   2017 excludes Target's non-cash impairment of $306m ($300m).
3. 2017 excludes pre-tax (post-tax) significant items of $931m ($1,023m) relating to BUKI.
4. Interest bearing liabilities less cash at bank, on deposit & in short term investments, net of cross-currency interest rate swaps & interest rate swap contracts.

Divisional earnings summary

EBIT ($m) Half-year ended 31 December	2018	2017	Var %	Var $m	% of divisional EBIT
Bunnings Australia & New Zealand	932	864	*7.9*	*68*	
Kmart Group (continuing operations)[1]	383	398	(3.8)	(15)	
Including KTAS[2]	*393*	*415*	*(5.3)*	*(22)*	
Officeworks	76	68	*11.8*	*8*	
Industrials (continuing operations)[3]	227	233	*(2.6)*	*(6)*	
WesCEF	*185*	*181*	*2.2*	*4*	
Industrial & Safety	*42*	*52*	*(19.2)*	*(10)*	

1. Excludes KTAS.
2. Includes KTAS for period of ownership (divested 1 November 2018). 2017 includes full six month contribution from KTAS.
3. Excludes Quadrant Energy & Resources (Bengalla & Curragh).

Divisional return on capital

Rolling 12 months to 31 December	2018			2017	
	EBIT ($m)	Cap Emp ($m)	RoC (%)	RoC (%)	Var (ppt)
Bunnings Australia & New Zealand	1,572	3,133	50.2	47.0	*3.2*
Kmart Group[1,2] *(continuing operations)*	612	1,806	33.9	25.6	*8.3*
Officeworks	164	951	17.2	15.7	*1.5*
Industrials[3] *(continuing operations)*	492	2,750	17.9	17.3	*0.6*
WesCEF[3] *(continuing operations)*	383	1,304	29.4	26.9	*2.5*
Industrial & Safety	109	1,446	7.5	8.3	*(0.8)*

1. Excludes KTAS.
2. The increase in ROC also reflects lower capital employed as a result of non-cash impairments in Target in June 2016.
3. Excludes Quadrant Energy.

Group Balance Sheet & Cash Flow

Anthony Gianotti
Chief Financial Officer, Wesfarmers Limited

Significant items summary

Half-year ended 31 December 2018 ($m)	Pre-tax	Estimated tax impact[1]	Post-tax
Gain on demerger of Coles	2,312	(60)	2,252
Gain on sale of Bengalla	679	(96)	583
Gain on sale of KTAS	267	(48)	219
Gain on sale of Quadrant Energy	138	(31)	107
Provision relating to supply chain modernisation in Coles	(146)	44	(102)
Total significant items	**3,250**	**(191)**	**3,059**

- Significant items of $3,250m pre-tax, $3,059m post-tax; all relate to discontinued operations
- During the half, the Group completed a number of actions to reposition the portfolio, resulting in gains on disposal for KTAS, Bengalla, Quadrant Energy & a gain on demerger of Coles
  - Gain on demerger reflects the difference between the value derived from Coles' market capitalisation (less transaction costs not taken to equity) & Coles' net assets at time of demerger
  - Non-cash provision expense relating to supply chain modernisation in Coles incurred during five months' ownership; provision balance de-recognised as part of demerger

1. Tax impact on divestments may vary depending on final assessment of available tax losses.

Discontinued operations summary

Half-year ended 31 December ($m)	Effective date	2018	2017
Coles[1]	28 November 2018	478	780
Bengalla (40% interest)	3 December 2018	95	73
KTAS	1 November 2018	10	17
Quadrant Energy (13.2% indirect interest)	27 November 2018	4	8
Curragh & BUKI	During 2018 financial year	-	(30)
Total EBIT from discontinued operations		**587**	**848**

- Discontinued operations trading performance of $587m; reflects the period of ownership until disposal or demerger during the half compared to a full six months in the prior corresponding period

1. Excludes $146m provision for supply chain modernisation, reported as a significant item. Excludes Wesfarmers share of earnings from 15% stake in Coles.

Other business performance summary

Half-year ended 31 December ($m)	Holding %	2018	2017	Var %
Share of profit of associates				
Coles	*15*	23	-	*n.m.*
BWP Trust	*25*	20	26	*(23.1)*
Other associates[1,2]	*Various*	22	6	*n.m.*
Sub-total share of profit of associates		**65**	**32**	***n.m.***
Interest revenue[3]		9	6	*50.0*
Other[2,4]		27	(25)	*n.m.*
Corporate overheads		(74)	(74)	-
Total Other		**27**	**(61)**	***n.m.***

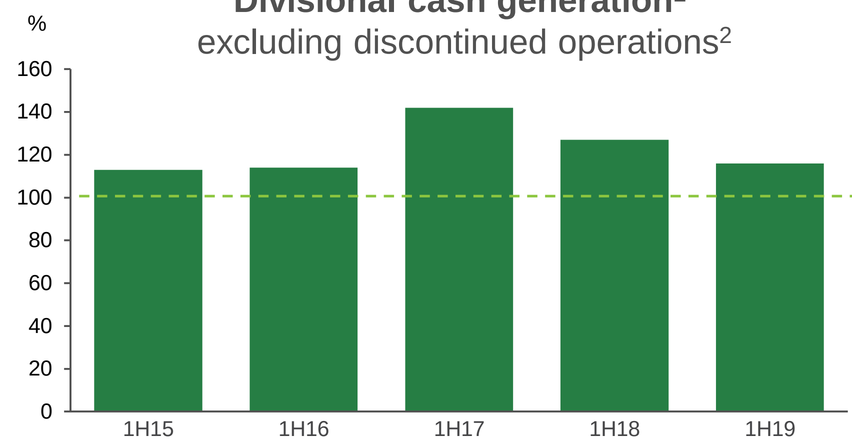
n.m. – not meaningful

1. Includes investments in Gresham, flybuys, Wespine & BPI.
2. 2018 includes $42m gain on investment in Barminco following purchase by Ausdrill. $9m of this gain relates to the Group's indirect interest held in Other Associates. The remaining $33m is recognised in Other.
3. Excludes interest revenue from Quadrant Energy loan.
4. 2018 includes $16m from Curragh value sharing arrangement, agreed at time of disposal.

Operating cash flows

- Divisional cash generation[1] excluding discontinued operations remains strong at approximately 115%[2]
- Operating cash flows of $1,987m impacted by demerger of Coles
  - Coles operating cash flow $526m lower than prior corresponding period, reflecting removal of Coles earnings in December & the usual working capital unwind
  - Payment of tax instalments in December, relating to pre-demerger trading
- The determination of Coles' net debt of $2.0bn at time of demerger took into account the seasonality of operating cash flows
- Group cash realisation ratio of 98.5%[3], impacted by the timing of the demerger of Coles, timing of property sales, reduction in income tax payable as well as one-off non-cash gains on investment in Barminco

Divisional cash generation[1]
excluding discontinued operations[2]



1. Divisional operating cash flows before tax after net capital expenditure divided by divisional EBIT.
2. Includes contribution from KTAS & Quadrant
3. Operating cash flows as a percentage of net profit after tax, before depreciation, amortisation & significant items.

Working capital & free cash flows

- Positive working capital result lower than 1H18
  - Timing of Coles demerger during seasonal inventory build & removal of the usual working capital unwind during December
  - Non-repeat of significant inventory reduction in Target in 1H18
  - Timing of Bunnings property sales impacting receivables
- Free cash flows of $2,393m, $165m above prior half-year
  - Net proceeds from disposals totalling $1.1bn offset by lower operating cash flows from removal of divested businesses, demerger of Coles & transfer of Coles' cash on hand & in transit

Half-year ended 31 December ($m)	2018	2017
Cash movement inflow/(outflow)		
Receivables & prepayments	73	(169)
Inventory	(687)	(452)
Payables	930	1,317
Total	**316**	**696**
Working capital cash movement		
Retail	362	837
Industrials & Other	(46)	(141)
Total	**316**	**696**

Capital expenditure

- Gross capital expenditure, including discontinued operations, decreased $49m to $955m
  - Higher capital expenditure in Coles
  - Investment in Coregas healthcare

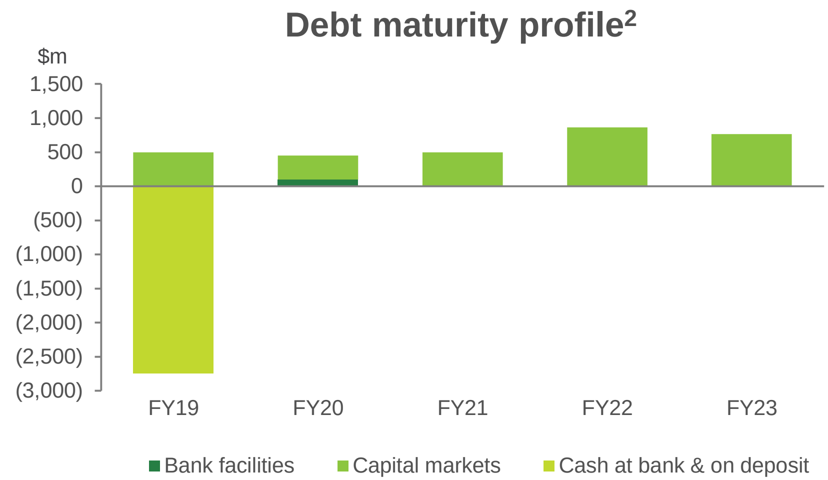
  Offset by:
  - Decrease in Kmart Group capital expenditure due to brand acquisition in 1H18
  - Timing of new stores in Bunnings
- Proceeds from property disposals decreased $41m to $277m:
  - Bunnings property disposals of $237m
- Net capital expenditure decreased marginally to $678m
- FY19 net capital expenditure of $750m to $950m expected (including discontinued operations), subject to net property investment

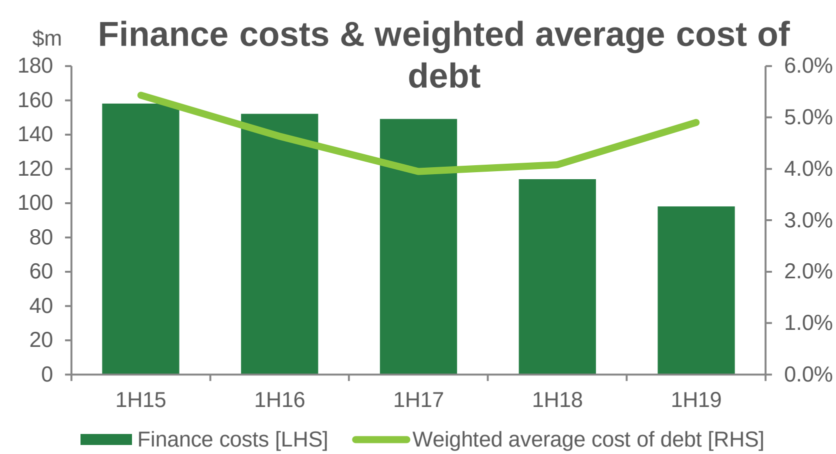
Half-year ended 31 December ($m)[1]	**2018**	**2017**	**Var %**
Bunnings	240	275	*(12.7)*
Kmart Group	119	197	*(39.6)*
Officeworks	20	11	*81.8*
WesCEF	32	30	*6.7*
Industrial & Safety	46	19	*n.m.*
Other	2	1	*n.m.*
Gross capital expenditure	**459**	**533**	***(13.9)***
Sale of PP&E	(245)	(226)	*8.4*
Net capital expenditure	**214**	**307**	***(30.3)***
Net capital expenditure in discontinued operations[2]	464	379	*22.4*
Group (including discontinued)			
Gross capital expenditure	955	1,004	*(4.9)*
Sale of PP&E	(277)	(318)	*(12.9)*
Net capital expenditure - Group	**678**	**686**	***(1.2)***

1. Capital investment provided on a cash basis.
2. Discontinued operations include Coles, KTAS, Bengalla & Quadrant Energy in 2019 & Curragh & BUKI in 2018.

Balance sheet & debt management

- Net financial debt[1] of $0.3b as at 31 December 2018, down from $3.6b at 30 June 2018
  - Demerger of Coles ($2b)
  - Net proceeds on disposals totalling $1.1b
- All-in effective borrowing cost 4.90% in 1H19 (1H18: 4.08%)
  - Increased weighting of higher cost bonds as lower cost bank debt was repaid
- $500m bond (coupon of 6.25%) due in March 2019
- Strong credit metrics
  - Cash interest cover (R12) at 49.2 times[3]
  - Fixed charges cover (R12) at 4.2 times[3]
- Strong & stable credit ratings post demerger
  - Moody's A3 (stable outlook)
  - Standard & Poor's A- (stable outlook)



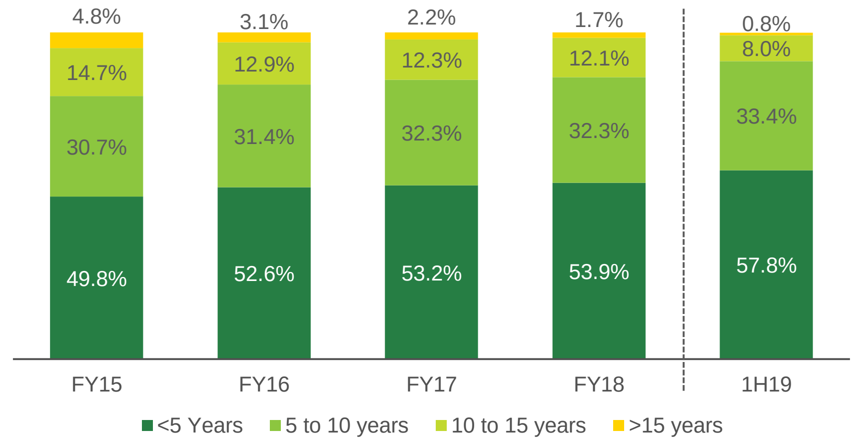


1. Interest bearing liabilities less cash at bank & on deposit, net of cross currency swaps & interest rate swap contracts.
2. As at 31 December 2018.
3. 2018 excludes pre-tax significant items of $3,250m. 2017 excludes 2H pre-tax significant items of $255m.

Management of lease portfolio

- Undiscounted lease commitments totalled $8.6b & represent 74% of Group fixed financial obligations as at 31 December 2018
  - Undiscounted lease commitments reduced by more than $9b following the demerger of Coles
- Shorter average lease tenure of 5.3 years[1] (FY18: 5.8 years), complemented by extension options to maintain security of tenure
  - Reflects demerger of Coles & disciplined management of leases in remaining retail businesses
- Continued focus on lease-adjusted return on capital as a key hurdle for divisions

Weighted average lease terms



Fixed financial obligations[1]

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

Preliminary impact of new lease accounting standard

- Wesfarmers will adopt the new lease accounting standards (AASB 16) from 1 July 2019
- Recognise on balance sheet:
  - Lease asset: right-of-use of underlying leased assets
  - Lease liability: obligation to make lease payments
- Requirement to split current lease expense (including rent) into:
  - straight-line depreciation of right-of-use asset
  - interest expense on reducing lease liability balance
- Estimated pro forma impact in FY19 includes:
  - Positive impact on EBIT of $200m to $400m
  - Positive impact on return on capital
  - No impact on cash flows
  - No impact on debt covenants or credit ratings

Estimated pro forma impact on FY19 financials (continuing operations)	
Balance sheet (as at 1 July 2018)	
Assets (right-of-use) increase	$5,500m to $6,500m
Liabilities (leases) increase	$6,300m to $7,300m
Retained earnings decrease	Net difference
Income statement (full year 2019 impact)	
Depreciation expense increase	$800m to $1,000m
Finance costs increase	$200m to $400m
Decrease in operating lease expenses	~$1,200m

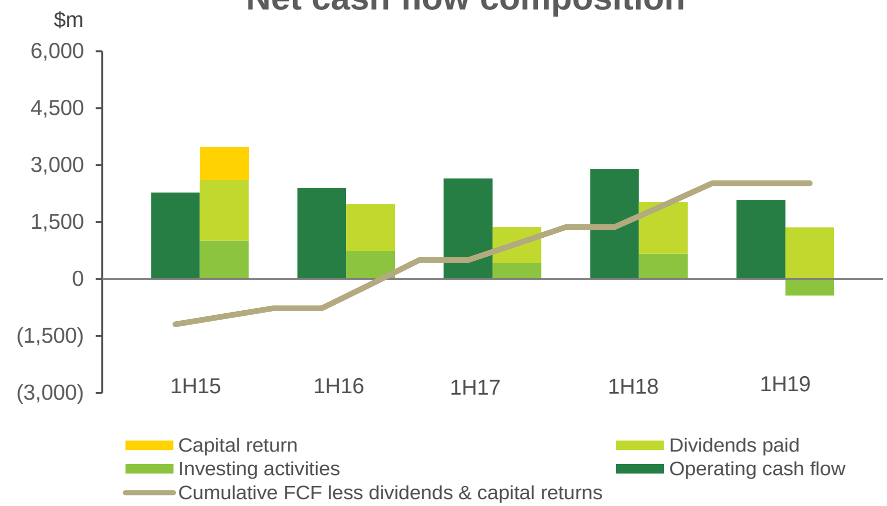
Estimate may be materially different to actual impact on initial application due to:

- Changes in composition of the Group's lease portfolio
- Future economic conditions, including the Group's borrowing rates at 1 July 2019
- Changes to material judgement areas

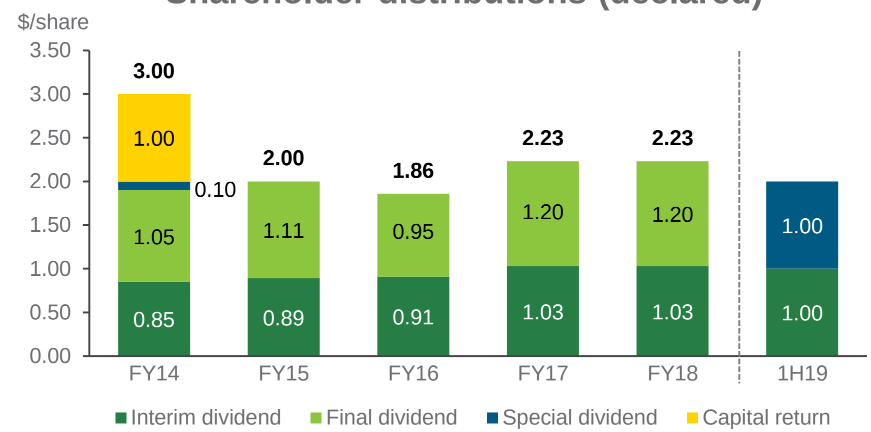
Dividends & capital management

- Fully-franked ordinary interim dividend of $1.00 per share
  - Reflects Coles earnings up to demerger date of 28 November 2018
- Fully-franked special dividend of $1.00 per share; total amount of $1.1b
  - Distributes profits from asset disposals
  - Takes into account available franking credits, strong balance sheet, robust credit metrics & cash flow generation
  - Preserves balance sheet capacity to take advantage of value-accretive growth opportunities if & when they arise
- Dividend record date 27 February 2019; dividend payable 10 April 2019
- Dividend investment plan: not underwritten; last day for election 28 February 2019
  - Dividend investment plan shares expected to be purchased on market

Net cash flow composition



Shareholder distributions (declared)



Bunnings Australia & New Zealand

Michael Schneider

Managing Director, Bunnings Group

BUNNINGS warehouse BUNNINGS BUNNINGS TRADE

Bunnings Australia & New Zealand performance summary

Half-year ended 31 December ($m)	2018	2017	Var %
Revenue	**6,909**	**6,566**	***5.2***
EBITDA[1]	1,027	953	*7.8*
Depreciation & amortisation	(95)	(89)	*(6.7)*
EBIT[1]	**932**	**864**	***7.9***
EBIT margin[1] (%)	13.5	13.2	
RoC (R12, %)	50.2	47.0	
Safety (R12, TRIFR)	12.0	15.8	
Total store sales growth[2] (%)	5.5	10.1	
Store-on-store sales growth[2] (%)	4.0	9.0	

1. Includes net property contribution for 2018 of $51m & 2017 of $30m.
2. 2018 growth reflects the six months to 31 December 2018 relative to the six months to 31 December 2017. 2017 growth reflects the 6 months to 31 December 2017 relative to the 6 months to 31 December 2016.

Bunnings Australia & New Zealand overview

- Revenue growth of 5.2%
  - Total store growth of 5.5%; store-on-store growth of 4.0%
  - Continued growth in consumer & commercial, in all product categories & across all major trading regions
  - Growth was achieved despite high levels of growth in 1H18, high rainfall on the East Coast & softening in conditions in the residential housing market
- EBIT increased 7.9%
  - Ongoing focus on cost control
  - Higher property contribution
- RoC (R12) increased 3.2 ppt
  - Ongoing investment in network
  - Property recycling program
  - Eight new warehouse stores opened including four replacement stores
  - 18 upgrades & expansions completed

Bunnings Australia & New Zealand overview

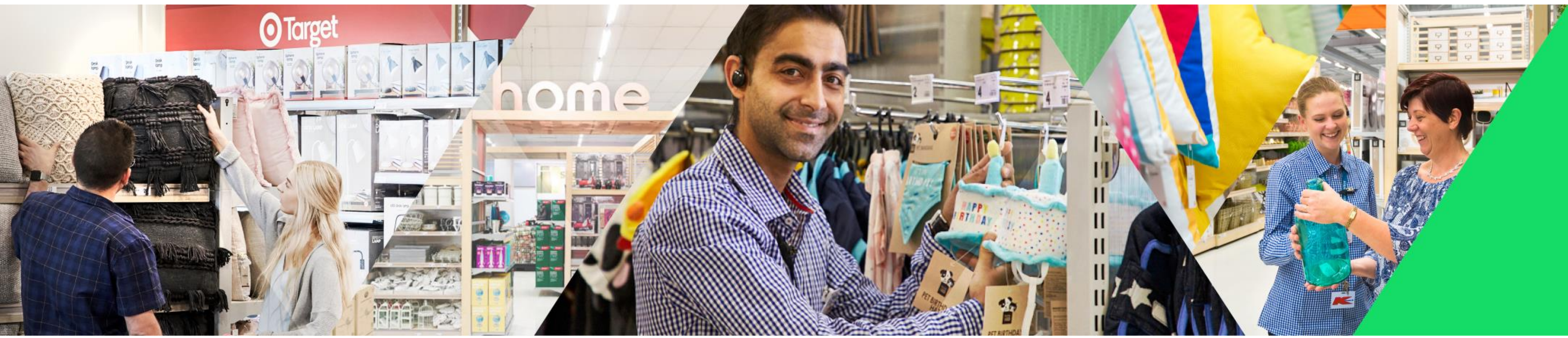
- Strong progress on strategic agenda
- Driving growth
  - Continued investment in customer value
  - Product range expansion & innovation
  - Ongoing network & layout refresh work
- Better experiences
  - Click & collect pilot trial underway
  - PowerPass mobile app introduced
  - Expansion of installation offer
  - Increased in-store workshops & activities
- Efficiency through the core
  - Continued safety focus, reduced injury frequency
  - Using analytics to drive productivity & inventory optimisation

Bunnings Australia & New Zealand outlook

- Moderated trading conditions are expected to continue
- Well positioned to continue to drive growth
  - Investing further in customer value
  - Broadening product ranges
  - Expanding service offerings
- Continued development of digital capability
  - Significant increase in digital investment
  - Expansion of click & collect offer
  - Building towards full online transactional offer for Australia & New Zealand
- 14 new stores under construction
- Six upgrades & expansions to be completed

Kmart Group

Ian Bailey
Managing Director, Kmart Group



Kmart Group performance summary

Half-year ended 31 December ($m)	2018	2017	Var %
Revenue[1]	**4,639**	**4,604**	***0.8***
EBITDA[1]	480	497	*(3.4)*
Depreciation & amortisation[1]	(97)	(99)	*2.0*
EBIT[1]	**383**	**398**	***(3.8)***
EBIT (including KTAS)[2]	**393**	**415**	***(5.3)***
EBIT margin[1] (%)	8.3	8.6	
RoC[3] (R12, %)	33.9	25.6	
Safety[3] (R12, TRIFR)	21.0	24.2	
Kmart[3]			
Total sales growth[4] (%)	1.0	9.0	
Comparable sales growth[4] (%)	(0.6)	5.8	
Target			
Total sales growth[5] (%)	0.3	(6.2)	
Comparable sales growth[5] (%)	0.5	(6.5)	

1. 2018 excludes KTAS trading performance & gain on disposal of KTAS. 2017 excludes a pre-tax non-cash impairment of $306m in Target.
2. 2018 includes KTAS trading performance & excludes gain on disposal of KTAS. 2017 includes KTAS for full six months and excludes a pre-tax non-cash impairment of $306m in Target.
3. Excludes KTAS. The increase in ROC also reflects lower capital employed as a result of non-cash impairments in Target in June 2016.
4. 2018 growth reflects the 27 week period 25 June 2018 to 30 December 2018 & the 27 week period 26 June 2016 to 31 December 2017.
   2017 growth reflects the 27 week period 26 June 2017 to 31 December 2017 & the 27 week period 27 June 2016 to 1 January 2017.
5. 2018 growth reflects the 27 week period 24 June 2018 to 29 December 2018 & the 27 week period 25 June 2016 to 30 December 2017.
   2017 growth reflects the 27 week period 25 June 2017 to 30 December 2017 & the 27 week period 26 June 2016 to 31 December 2017.

Kmart Group overview

- Revenue increased 0.8% to $4,639 million[1]
- **Kmart:**
  - Total sales growth of 1.0%
  - Modest decline in comparable sales driven by underperformance in apparel, lower growth in non-seasonal products & exit from DVD category
  - Strong double digit sales growth in online offer supported by extended click & collect service & introduction of buy now pay later offering
  - Customer feedback remained strong, reflected in increased units sold
- **Target:**
  - Continued reset of product, price & range
  - Improved quality of sales mix & growth achieved in womenswear a highlight
  - Good momentum & sales growth in online proposition driven by improved availability & increased rates of customer conversion

1. Excludes KTAS

Kmart Group overview

- Earnings decreased by 3.8% to $383m[1]
  - **Kmart** earnings declined primarily due to increased store & supply chain expenses resulting from additional stores, increased units sold, underlying cost inflation & implementation of revised product flow through the supply chain to reduce congestion in stores
  - **Target** earnings growth delivered through improved trading margins reflecting increased levels of direct sourcing, lower markdowns, improved sales mix & the benefit of annualised cost savings
- Improved inventory & working capital management within both brands
- Disciplined & integrated management of the store network:
  - **Kmart:** opened three new stores (including one replacement) & completed 20 store refurbishments
  - **Target:** opened one previously committed new store, closed eight stores & progressed store renewal trials & space resets

1. Excludes KTAS

Kmart Group outlook

- Kmart Group is well positioned for the future
- In the short term earnings will be affected by moderated trading momentum & continued focus on customer value in Kmart & ongoing transformation in Target
- **Kmart** will continue to focus on:
  - Creating a great place to shop that is simple to run & delivering better products at even lower prices
  - Maintaining lowest price leadership & continued improvements to the product offer
  - Relentlessly pursuing lowest cost & increasing operational productivity
  - Accelerating initiatives to improve the digital customer offer
  - Continuing to invest in the store network
- **Target** to continue to advance its business transformation focused on improving quality of its ranges, accelerating the online proposition & optimising the store network including by progressing store renewal trials & space resets

Officeworks

Sarah Hunter
Managing Director, Officeworks

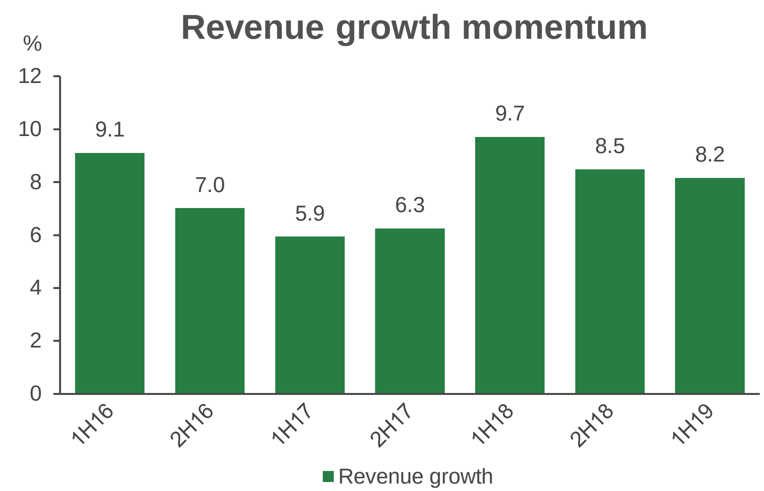
Officeworks performance summary

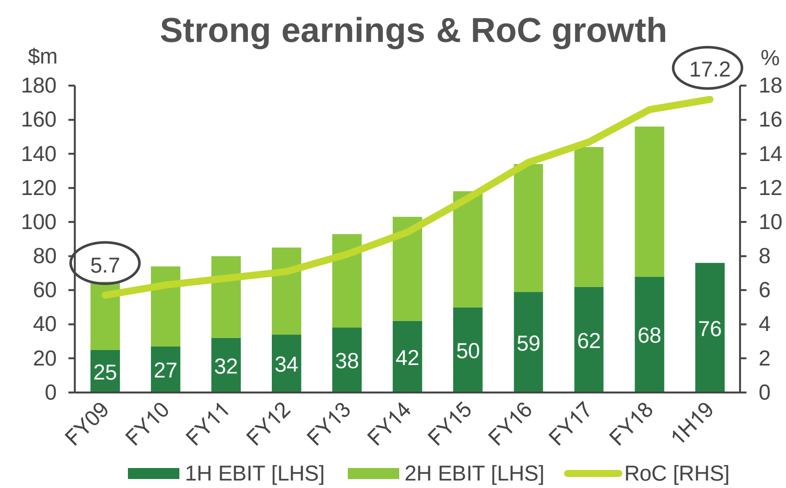
Half-year ended 31 December ($m)	2018	2017	Var %
Revenue	**1,100**	**1,017**	***8.2***
EBITDA	90	80	*12.5*
Depreciation & amortisation	(14)	(12)	*(16.7)*
EBIT	**76**	**68**	***11.8***
EBIT margin (%)	6.9	6.7	
RoC (R12, %)	17.2	15.7	
Safety (R12, TRIFR)	11.0	10.7	
Sales growth[1]	8.2	9.8	

1. 2018 growth reflects the six months to 31 December 2018 relative to the six months to 31 December 2017. 2017 growth reflects the 6 months to 31 December 2017 relative to the 6 months to 31 December 2016.

Officeworks overview

- Strong headline results
  - Revenue growth of 8.2%
    - Strong sales growth in stores & online
    - Ongoing improvement in sales density
  - EBIT growth of 11.8%
    - Effective gross margin & CODB management
  - RoC (R12) up 1.5 ppts to 17.2%
- Strong focus on customer offer
  - Relentless focus on price, range & service
  - Merchandise layout & store design changes
  - New & expanded product ranges
- Continued investment in 'every channel' strategy
  - Two new stores, ongoing online investment
  - Strong momentum maintained in B2B segment





Officeworks outlook

- Continued focus on execution of strategic agenda
  - Strengthen & expand the customer proposition by continually adding new products & services
  - Extend ‘every channel’ reach – physical & digital
  - Enhance productivity & efficiency through effective cost control & working capital improvements
  - Invest in talent, diversity & safety
  - Make a positive difference in the community
- Variable trading conditions expected to continue & competitive pressure expected to remain strong

Industrials

David Baxby

Managing Director, Industrials

Wesfarmers Chemicals, Energy & Fertilisers | CSBP | Australian Vinyls | AGR | QNP | EVOL LNG | Kleenheat

Wesfarmers Industrial and Safety | Blackwoods | NZ Safety Blackwoods | WORKWEAR GROUP | coregas | GREENCAP

Industrials performance summary (continuing operations)

Half-year ended 31 December ($m)		2018	2017	Var %
Revenue	Chemicals, Energy & Fertilisers	874	764	*14.4*
	Industrial & Safety	876	869	*0.8*
	Total	**1,750**	**1,633**	***7.2***
EBITDA	Chemicals, Energy & Fertilisers[1]	221	216	2.3
	Industrial & Safety	61	73	*(16.4)*
	Total	**282**	**289**	***(2.4)***
EBIT	Chemicals, Energy & Fertilisers[1]	185	181	*2.2*
	Industrial & Safety	42	52	*(19.2)*
	Total	**227**	**233**	***(2.6)***

1. Excludes Quadrant Energy, which was divested in November 2018.

Chemicals, Energy & Fertilisers performance summary

Half-year ended 31 December[1] ($m)		2018	2017	Var %
Revenue[2]	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 & amortisation		(36)	(35)	*(2.9)*
EBIT		**185**	**181**	***2.2***
EBIT[3] (including Quadrant Energy)		**190**	**188**	***1.1***
External sales volumes[4] ('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	

1. Excludes Quadrant Energy unless otherwise stated.
2. Excludes intra-division sales.
3. 2018 includes a five month contribution from Quadrant Energy, which was divested in November 2018.
4. External sales exclude AN volumes transferred between chemicals & fertilisers business segments.

Chemicals, Energy & Fertilisers overview

- Modest earnings growth & improved capital efficiency increased RoC by 2.5 ppt
- Chemicals earnings slightly lower
  - Strong WA EGAN[1] demand due to continued disruption at competing Burrup plant but AN[2] earnings impacted by increasing ammonia input costs & customer discounts to secure contracted offtake
  - Ammonia impacted by an unplanned production disruption partially offset by higher ammonia prices & lower gas input costs (new gas supply contract commenced late in prior period)
  - Higher volumes of lower margin traded chemicals contributed to sales revenue growth
  - Higher earnings for sodium cyanide as a result of higher domestic volumes & export margins
- Energy earnings higher
  - Increased Kleenheat earnings driven by higher Saudi CP[3] & further growth in natural gas retail customers during the period, partially offset by lower domestic LPG sales volumes
- Fertilisers earnings improved due to favourable late season conditions

1. Explosive grade ammonium nitrate.
2. Ammonium nitrate.
3. Contract price.

Industrial & Safety performance summary

Half-year ended 31 December ($m)	2018	2017	Var %
Revenue	**876**	**869**	***0.8***
EBITDA	61	73	*(16.4)*
Depreciation & 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	

Industrial & Safety overview

- Revenue 0.8% higher than prior corresponding period
  - Blackwoods revenue broadly in line, with increased Australian revenues from stronger mining demand offset by weakness in construction & New Zealand market
  - Workwear Group revenue lower due to timing of uniform sales & macroeconomic weakness in UK market
  - Coregas revenue increased due to demand in the bulk sales channels
- Earnings of $42m, 19.2% down on prior corresponding period
  - Blackwoods earnings decreased due to ongoing investment in customer service, data & digital & supply change transformation activities; strong improvement in customer service metrics achieved during H1
  - Workwear Group earnings benefited from one-off insurance proceeds
  - Coregas earnings slightly lower due to higher material & freight costs

Industrials outlook

Chemicals, Energy & Fertilisers

- Production & demand for products expected to remain robust
- AN to continue to benefit from ongoing disruption at competing Burrup plant but medium term earnings will be affected by an oversupply of EGAN in WA
- Growth in natural gas retail is expected to moderate due to increased competition in the WA market
- Fertiliser earnings dependent on seasonal break but sentiment is positive for WA growers
- Earnings will continue to be impacted by international commodity prices, exchange rates, competitive factors & seasonal outcomes

Industrial & Safety

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

Group Outlook

Rob Scott

Managing Director, Wesfarmers Limited

Outlook

- Following successful repositioning of the portfolio, Wesfarmers has a very strong balance sheet & is well placed to deliver improved shareholder returns
- Despite cautious trading conditions, businesses within the portfolio are well positioned to continue to deliver long term growth in shareholder value
- The retail divisions will remain focused on customers & on managing the businesses for long term success & value creation
- Continued focus on leveraging data & digital capabilities, developing great talent & teams, & driving entrepreneurial initiative
- Following the capital management initiative announced today, Wesfarmers' balance sheet will remain strong & the Group will be able to take advantage of growth opportunities to create value for shareholders over the long term

Questions

Appendix:
Supplementary Information

Wesfarmers

Group management balance sheet – overview

($m)[1]	1H19	FY18	1H18	Commentary (versus 1H18)
Inventories	4,374	6,011	6,979	Detailed working capital discussion provided on slides 47 and 48
Receivables & prepayments	1,152	1,939	2,096	
Trade & other payables	(4,108)	(6,552)	(7,890)	
Other	195	492	805	
Net working capital	**1,613**	**1,890**	**1,990**	
Property, plant & equipment	3,965	8,408	9,275	• Decrease due to divestments of Curragh, BUKI, Bengalla, KTAS, Quadrant Energy & Coles
Intangibles	4,044	17,860	17,945	
Other assets	3,456	970	744	• Increase due to recognition of 15% share in Coles
Provisions & other liabilities	(1,492)	(3,187)	(3,891)	• Decrease due to divestments of Curragh, BUKI, Bengalla, KTAS, Quadrant Energy & Coles demerger
Total capital employed	**11,586**	**25,941**	**26,063**	
Net financial debt[2]	(324)	(3,580)	(3,864)	• Decrease due to net cash inflows, receipt of proceeds from disposals & demerger of Coles
Net tax balances	123	393	630	
Total net assets	**11,385**	**22,754**	**22,829**	

1. The above balances reflect the management balance sheet, which is based on different classification & groupings from the balance sheet in the Half-year Report.
2. Net debt including cross currency swap assets / liabilities.

Balance sheet – working capital

($m)[1]	1H19	FY18	1H18	Commentary (versus 1H18)
Inventories	4,374	6,011	6,979	• Decrease reflects demerger of Coles & disposal of Bengalla, partially offset by store network growth in retail divisions
Receivables & prepayments	1,152	1,939	2,096	
Trade & other payables	(4,108)	(6,552)	(7,890)	• Decrease primarily due to demerger of Coles
Other	195	492	805	• Decrease primarily due to demerger of Coles (cash in transit)
Net working capital	**1,613**	**1,890**	**1,990**	

- FY18 to 1H19 movements primarily reflect demerger of Coles & disposals of Bengalla, KTAS & Quadrant Energy

1. The above table refers to balance sheet movements only. Working capital movements as shown on slide 15 exclude non-cash movements which are included in the table above.

Balance sheet – working capital (continuing operations)

($m)[1]	1H19	FY18	1H18	Commentary (versus 1H18)
Inventories	4,374	3,883	4,029	• Increase primarily reflects inventory growth in Bunnings to support network growth & timing of shipments in WesCEF
Receivables & prepayments	1,152	1,213	1,066	
Trade & other payables	(4,108)	(3,190)	(3,624)	• Increase due to higher inventory purchases in Bunnings & Officeworks (for Back to School)
Other	195	166	256	• Lower cash in transit due to timing of period end (1H19 fall on Monday v 1H18 on Sunday)
Net working capital	**1,613**	**2,072**	**1,727**	

1. The above table refers to continuing operations balance sheet movements only. Working capital movements as shown on slide 15 exclude non-cash movements which are included in the table above.

Retail store networks

As at 31 December 2018

More than 1,000 locations across Australia & New Zealand

Brand	NSW/ACT	VIC	QLD	SA	WA	TAS	NT	NZ	Total
Bunnings									
Warehouse	78	58	45	15	32	7	3	27	265
Smaller format	17	13	13	3	9	-	-	20	75
Trade	7	4	7	2	3	1	-	8	32
Total Bunnings	**102**	**75**	**65**	**20**	**44**	**8**	**3**	**55**	**372**
Kmart Group									
Kmart	57	54	48	15	27	5	3	22	231
Target – Large	58	46	35	18	22	5	2	-	186
Target – Small	37	24	28	9	10	1	1	-	110
Total Kmart Group	**152**	**124**	**111**	**42**	**59**	**11**	**6**	**22**	**527**
Officeworks	**57**	**50**	**30**	**10**	**16**	**2**	**1**	**-**	**166**

Revenue reconciliation – Kmart Group

Half-year ended 31 December ($m)	2018	2017
Segment revenue (Gregorian)	**4,639**	**4,604**
Less: Non sales revenue	(6)	(2)
Headline sales (Gregorian)	**4,633**	**4,602**
Add: Gregorian adjustment[1]	102	99
Headline sales revenue (Retail)[2]	**4,735**	**4,701**

1. Adjustment to headline sales revenue to reflect retail period end.
2. 2018 for Kmart reflects the 27 week period 25 June 2018 to 30 December 2018 & the 27 week period 26 June 2016 to 31 December 2017.
   2018 for Target reflects the 27 week period 24 June 2018 to 29 December 2018 & the 27 week period 25 June 2016 to 30 December 2017.

Wesfarmers