2016 Half-year Results Shareholder Quick Guide

Wesfarmers

Group performance summary

We are pleased to provide shareholders with a summary of Wesfarmers Limited's results for the half-year ended 31 December 2015. For more detail, we encourage you to read the half-year results announcements lodged with the ASX on 23 February 2016.

Michael Chaney AO
Chairman

Richard Goyder AO
Managing Director

24 February 2016

Strong performances across the Group's retail portfolio supported continued earnings growth in a period in which low commodity prices provided a significant headwind for the Group's Resources business.

The retail portfolio delivered a strong increase in earnings before interest and tax (earnings or EBIT) of $176 million or 9.2 per cent, supported by good Christmas seasonal trading in all businesses. Investment in customer value, store network improvement and better merchandise offers and service drove increased earnings across the portfolio.

Due largely to a substantial decline in revenue in the Resources business, and despite a continued strong focus on cost reduction, earnings across the Industrials division were $158 million lower.

Cash realisation and free cash flow generation remained strong with working capital well managed. Consistent with the growth in earnings per share, the interim dividend has been increased two cents per share to 91 cents per share.

Retail

The good momentum in Coles' food and liquor business continued. Food and liquor revenue grew $937 million, driven by investing benefits from operational simplification and supply chain efficiencies into better value for customers and improvements in service, particularly over the Christmas period. Coles continued to make improvements in its fresh offer, resulting in increased transaction volumes and basket size. The transformation of Coles Liquor was further progressed with encouraging signs. Despite lower fuel volumes and average fuel price, the convenience business produced a solid result, supported by strong growth in store sales.

Bunnings produced another very strong result, reflecting the broad strength of its offer and solid execution of its strategic agenda. Sales uplifts were achieved in both consumer and commercial areas following the delivery of more value to customers, merchandising improvements and extended brand reach through growth in the store network and further digital enhancements. In January 2016, the Group entered into an agreement to acquire Homebase, the second largest home improvement and garden retailer in the United Kingdom and Ireland.

Officeworks continued its good record of strong growth in earnings and return on capital. Its results included growth across every channel, driven by improvements in store layouts, the introduction of new merchandise categories and further investments in its business-to-business offer and digital platform.

Kmart's strong result, which included a significant increase in return on capital, was delivered through a continued focus on range improvement, cost control and inventory management. Target made sound progress across its strategic agenda, particularly in the areas of SKU reduction, higher levels of direct sourcing and supply chain overhaul. New format store trial performance at Target was encouraging.

Industrials

The operating environment for the Group's Industrials division was challenging due to further falls in commodity prices and lower mining investment and industrial activity. Earnings growth in the Chemicals, Energy and Fertilisers business (WesCEF) was driven by improved contributions from ammonia and ammonium nitrate, lower gas feedstock costs and a contribution from Quadrant Energy. Industrial and Safety experienced a high level of sales and margin pressure and also a higher cost of goods sold. A significant business restructure commenced late in the half. The Resources business recorded a loss with earnings adversely affected by further declines in export coal prices, an unfavourable sales mix and a currency hedge book loss.

Cash flow

Operating cash flows of $2,404 million were $123 million higher, with a good cash realisation ratio of 118.3 per cent recorded.

Marginally lower retail store network investment and higher proceeds from the sale of retail property resulted in gross capital expenditure of $1,059 million being 12.3 per cent lower than the same time last year and net capital expenditure of $675 million being 24.9 per cent lower.

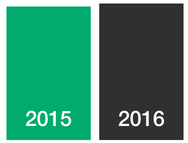
Free cash flows of $1,665 million were 31.2 per cent above the prior corresponding period.

Dividends

The directors have declared a fully-franked interim dividend of 91 cents per share, compared with 89 cents per share in the prior corresponding period.

INTERIM DIVIDEND PER SHARE

91¢
up 2.2 per cent



2015	89¢
2016	91¢

Outlook

With the exception of mining and resources-related areas, the Group continues to remain generally optimistic in its outlook. The retail businesses have good sales momentum and are well positioned in an environment where consumers are expected to remain value-conscious. In strongly competitive markets, their performance is expected to be supported by an ongoing focus on delivering further value, better service and improved ranges for customers. Strategies will also focus on merchandise innovation, supply chain productivity, digital engagement and store network improvement. Through the newly created Department Stores division, which was recently announced, the Group will seek more streamlined coordination across functions to realise benefits now available given the considerable work completed to improve Kmart and Target.

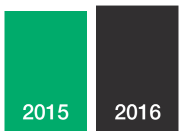
The short-term outlook for the Industrials division remains challenging. Low export coal prices, locked-in currency hedge book losses and production impacts due to wet weather provide for a very difficult short-term outlook for the Resources business. The Group continues to look at all options to maximise shareholder value from this business. The outlook for WesCEF is generally positive but remains subject to plant performance and seasonal conditions. Volume and margin declines are expected to stabilise for Industrial and Safety, although earnings in the second half will be adversely affected by further costs of transformation work.

Wesfarmers' balance sheet and cash flow generation are expected to remain strong, supported by continued capital discipline. Wesfarmers remains well positioned to take advantage of growth opportunities, including through reinvestment in growth pipelines in each of the Group's businesses, and will continue to seek to optimise the portfolio.

Strong performances across the Group's retail portfolio supported continued earnings growth, in a period in which low commodity prices provided a significant headwind for the Resources business.

REVENUE

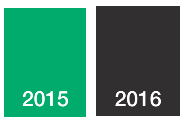
$33,462M
up 4.7 per cent



2015	$31,970m
2016	$33,462m

EARNINGS BEFORE INTEREST AND TAX

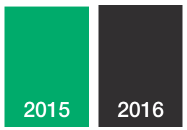
$2,110M
up 1.6 per cent



2015	$2,076m
2016	$2,110m

NET PROFIT AFTER TAX

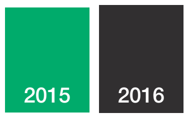
$1,393M
up 1.2 per cent



2015	$1,376m
2016	$1,393m

EARNINGS PER SHARE

124.2¢
up 2.6 per cent



2015	121.0¢
2016	124.2¢

RETURN ON EQUITY (R12)

10.0%
up 30 bps[1]

2015	10.4%	9.7%
2016		10.0%

[1] On an underlying basis, excluding discontinued operations and non-trading items (NTIs).

■ Including discontinued operations and NTIs. Discontinued operations for the 12 month period to 31 December 2014 included the Insurance division's contribution of $121 million and $82 million of pre-tax and post-tax earnings respectively. NTIs for the 12 month period to 31 December 2014 include $196 million of post-tax earnings (which include a $939 million gain on disposal of the Insurance division, a $677 million non-cash impairment of Target's goodwill and a $66 million Coles Liquor restructuring provision).

Coles

Financial performance

- Further investment in price, service and fresh offer drove continued improvement in sales, transaction volumes, basket size and sales density
- Comparable food and liquor sales up 4.3 per cent, supported by strong comparable food growth of 5.3 per cent through the second quarter
- Transformation of Liquor is progressing with encouraging signs through price investment, range simplification and network optimisation
- Despite lower fuel volumes and lower fuel prices, Convenience earnings growth was consistent with divisional growth, supported by strong store offer and continued focus on better value and food-to-go

Outlook

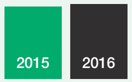
- Customers are expected to remain value-conscious
- Coles to remain committed to long-term growth driven by trusted value and a market-leading offer in fresh food and service
- Remain focused on improving productivity to enable further investment in value and the customer offer
- Continued investment in new channels across Coles Financial Services, Coles Online and flybuys
- Maintain strong focus on Liquor transformation
- Coles Express to drive growth through improved store offer and network growth

REVENUE

$20,087M

up 3.1 per cent

2015	$19,483m
2016	$20,087m

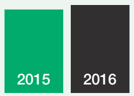


EARNINGS BEFORE INTEREST AND TAX

$945M

up 5.6 per cent

2015	$895m
2016	$945m

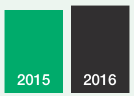


RETURN ON CAPITAL (R12)

11.2%

up 54 bps

2015	10.6%
2016	11.2%



Home Improvement and Office Supplies

Bunnings

Financial performance

- Store growth up 11.0 per cent and store-on-store sales up 7.9 per cent
- Strong sales growth achieved in consumer and commercial areas and across all merchandising categories and all trading regions
- Earnings growth from good cost control, process efficiencies and favourable property development outcomes
- Significant increase in return on capital due to strong earnings growth and capital discipline
- Post completion of the half, agreement announced to acquire Homebase, the second largest home improvement and garden retailer in the United Kingdom and Ireland

Outlook

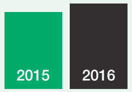
- Continued sales and earnings growth as a result of the momentum and traction from a disciplined focus on the established strategic agenda
- Changes in the competitive environment, which could include elevated competitor clearance activity, may result in short-term volatility of trading margins
- Further expansion of the brand in Australia and New Zealand, with 14 to 16 new Bunnings Warehouse stores expected to open in FY2016 and a further 16 to 20 in FY2017 (10 to 14 over the longer term)
- Detailed operational and integration planning for the proposed Homebase acquisition has been well progressed ahead of Home Retail Group shareholder vote on 25 February 2016

REVENUE

$5,500M

up 10.9 per cent

2015	$4,959m
2016	$5,500m

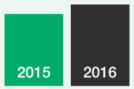


EARNINGS BEFORE INTEREST AND TAX

$701M

up 13.4 per cent

2015	$618m
2016	$701m

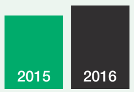


RETURN ON CAPITAL (R12)

35.8%

up 420 bps

2015	31.6%
2016	35.8%



Officeworks

Financial performance

- 'Every channel' strategy continued to produce strong sales growth in stores and online
- New and expanded categories, upgraded store layouts and improved service levels contributed to the positive results
- Price investment continued to deliver more value for customers
- 'Business-to-business' offer gained momentum

Outlook

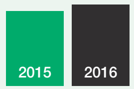
- In a market expected to remain competitive, Officeworks will continue to drive growth and productivity by executing its strategic agenda, focused on providing customers with a unique yet consistent 'every channel' experience
- Key focus areas include continued merchandising innovation, an enhanced physical and digital offer, increased investment in value, and ongoing development and team engagement

REVENUE

$875M

up 9.1 per cent

2015	$802m
2016	$875m

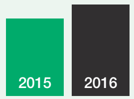


EARNINGS BEFORE INTEREST AND TAX

$59M

up 18.0 per cent

2015	$50m
2016	$59m

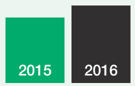


RETURN ON CAPITAL (R12)

12.5%

up 202 bps

2015	10.5%
2016	12.5%



Department Stores

Kmart

Financial performance

- Comparable store sales up 9.1 per cent supported by continued investment in price and growth in transactions and units sold
- Strong earnings growth and increase in return on capital through productivity improvement and effective working capital management
- Opened three new stores and completed 18 refurbishments

Target

Financial performance

- Sound transformation progress
- Further investment in lower prices as part of 'first price, right price' strategy
- Earnings improvement supported by further SKU reductions, increased direct sourcing and improved availability
- New store format trials continued, with encouraging results through simpler store layouts and improved services

Outlook

Through the new Department Stores division, the Group will seek to leverage, where practicable, more streamlined coordination across functions

- Continued focus at Kmart on lowest prices
- Growth focus at Kmart through volume retailing, operational excellence, adaptable stores and high performance culture
- Continued new Kmart store openings and refurbishments
- Continue to progress 'Growth and Efficiency' phase of Target's transformation
- Improve customer experience at Target through continued roll-out of new store format
- Increase Target's direct sourcing to support price investment and improve margins

Industrials

Due largely to a substantial decline in revenue in the Resources business, and despite a continued focus on cost reduction, earnings across the Industrials division were $158 million lower

Chemicals, Energy and Fertilisers

Financial performance

- Strong earnings improvement with higher earnings across chemicals (excluding PVC), Kleenheat and an initial contribution from Quadrant Energy
- PVC manufacturing will cease in the second half of FY2016; $30 million of one-off associated costs incurred
- Strong WA harvest positive for fertilisers

Industrial and Safety

Financial performance

- Strong growth in Coregas driven by new distribution channels
- Lower volumes and margins due to reduced mining investment and business activity
- Workwear integration advanced
- 'Fit for Growth' transformation commenced in November 2015 – benefits to support longer term earnings growth, but restructuring costs of ~$35m in FY2016 ($5m in first half)

Resources

Financial performance

- Lower coal production due to planned mine site shutdown
- Significant decline in US$ export revenue due to lower export coal prices and an unfavourable metallurgical coal sales mix
- Benefits of a lower Australian dollar largely offset by hedge book losses ($70 million in first half)
- Very strong focus on cost control and productivity improvement

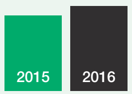
Outlook

- Overall outlook positive for Chemicals, Energy and Fertilisers, but remains subject to international commodity prices, exchange rates and seasonal outcomes
- Chemicals earnings supported by contracted volumes and pricing but subject to ongoing good plant performances; second half ammonia earnings to be impacted by planned major shutdown
- Lower customer activity and increased margin pressure expected to continue for Industrial and Safety through FY2016
- Industrial and Safety 'Fit for Growth' transformation to unlock efficiency benefits of scale; benefits expected to have an increasingly positive impact from FY2017
- Resources' earnings largely dependent upon export coal pricing, with near-term outlook challenging; continued strong focus on operational productivity and cost control
- Curragh's metallurgical coal sales for FY2016 forecast to be 7.3 to 7.8 million tonnes, impacted by significant wet weather in January and February 2016
- Potential benefit of a lower Australian dollar will not be fully realised by Resources given pre-existing currency hedge positions (hedge book losses of $77 million in second half)

REVENUE

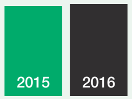
Kmart: $2,750M – up 12.6 per cent

2015	$2,442m
2016	$2,750m



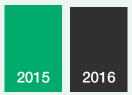
Target: $1,972M – up 1.9 per cent

2015	$1,935m
2016	$1,972m



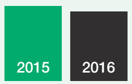
Industrials: $2,278M – down 2.4 per cent

2015	$2,334m
2016	$2,278m



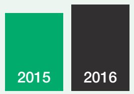
Chemicals, Energy and Fertilisers: $753M – down 7.0 per cent

2015	$810m
2016	$753m



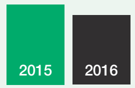
Industrial and Safety: $927M – up 11.0 per cent

2015	$835m
2016	$927m



Resources: $598M – down 13.2 per cent

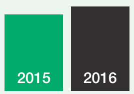
2015	$689m
2016	$598m



EARNINGS BEFORE INTEREST AND TAX

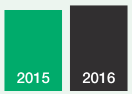
Kmart: $319M – up 10.4 per cent

2015	$289m
2016	$319m



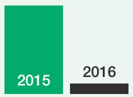
Target: $74M – up 5.7 per cent

2015	$70m
2016	$74m



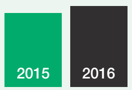
Industrials: $22M – down 87.8 per cent

2015	$180m
2016	$22m



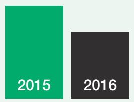
Chemicals, Energy and Fertilisers: $104M – up 9.5 per cent

2015	$95m
2016	$104m



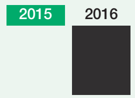
Industrial and Safety: $36M – down 28 per cent

2015	$50m
2016	$36m



Resources: ($118M)

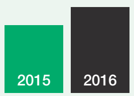
2015	$35m
2016	($118m)



RETURN ON CAPITAL (R12)

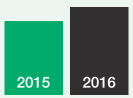
Kmart: 36.6% – up 759 bps

2015	29.0%
2016	36.6%



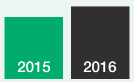
Target: 3.8% – up 59 bps

2015	3.2%
2016	3.8%



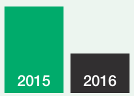
Chemicals, Energy and Fertilisers: 15.7% – up 233 bps

2015	13.4%
2016	15.7%



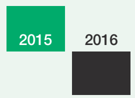
Industrial and Safety: 4.2% – down 504 bps

2015	9.3%
2016	4.2%



Resources: (7.0%)

2015	7.3%
2016	(7.0%)



Key dates

2016 Half-year results briefing	24 February 2016
2016 Interim dividend	
– Ex-dividend date	29 February 2016
– Record date	5:00pm (AWST) 2 March 2016
– Last date for receipt of election notice for DIP	5.00pm (AWST) 3 March 2016
– Payment date and DIP allocation date	7 April 2016
***2016 Third Quarter Retail Sales Results**	21 April 2016
***Strategy Briefing Day**	22 June 2016

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

Share registry

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

Computershare Investor Services Pty Limited

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

www.investorcentre.com/wes

Dividend Investment Plan (DIP)

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

Wesfarmers Investor Centre

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

Go electronic!

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

Notifications of dividends and payments, Notices of Meetings, Annual Reports, Shareholder Reviews and/or ASX announcements can all be delivered instantly to your email inbox.
To receive some or all shareholder communications electronically, contact our share registry, Computershare Investor Services Pty Limited.

Wesfarmers brands

Retail operations

Coles

Home Improvement and Office Supplies

Department Stores

Industrials and other businesses

Industrials

Other businesses

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