

14 January 2019

Outcomes of portfolio management actions and trading update

Following the completion of a number of actions taken to reposition the Group's portfolio and the completion of the Christmas trading period, Wesfarmers today provided a preliminary estimate of its net financial debt position as at 31 December 2018, significant items expected in the Group's 2019 first half results and an update on retail trading for the half-year ending 31 December 2018.

Preliminary balance sheet position

During the half-year ending 31 December 2018, Wesfarmers undertook a number of actions to reposition the Group's portfolio including the demerger of Coles, the divestment of Bengalla, the divestment of Kmart Tyre and Auto (KTAS) and the divestment of the Group's interest in Quadrant Energy.

Following the receipt of proceeds from these transactions, the Group's balance sheet is in a strong position, with net financial debt reducing from \$3.6 billion at 30 June 2018 to an unaudited net debt position of approximately \$0.3 billion at 31 December 2018.

Significant items expected in the 2019 half-year results

As announced previously, the Group's first half results will include a number of significant items relating to discontinued operations, including the following pre-tax items:

- Gain on disposal of Bengalla: \$670 million to \$680 million.
- Gain on disposal of KTAS: \$265 million to \$275 million.
- Gain on disposal of interest in Quadrant Energy: US\$98 million.
- Provision relating to supply chain modernisation in Coles: \$130 million to \$150 million.
- Gain on demerger of Coles: \$2,100 million to \$2,300 million. The gain on demerger of Coles is non-cash in nature and is not subject to tax.

The above items remain subject to completion of auditor review of the 2019 half-year financial report.

Retail trading update

During the half-year ended 31 December 2018, the trading performance of the Group's retail divisions was generally in line with management expectations with the exception of the Department Stores business.

As advised at the Annual General Meeting on 15 November 2018, sales growth in Kmart had moderated from the significant sales growth achieved in the prior corresponding period. This trend continued during the latter part of November and through December which represents a significant trading period for Department Stores.

For the 2019 half-year, total sales in Kmart (excluding KTAS) increased by 1.0 per cent, with comparable sales declining by 0.6 per cent. Kmart sales growth during the period was impacted by:

- The planned exit from the low margin DVD category that previously accounted for approximately one per cent of sales.
- Weaker sales in apparel categories, particularly in womenswear.
- Moderated growth in everyday products compared to the 2018 half-year, which saw significant growth in units stimulated by strong price investment.

In Target, total sales increased by 0.2 per cent, with comparable sales increasing by 0.5 per cent, representing an improvement on the prior corresponding period. Pleasingly, inventory levels in both Kmart and Target remain at appropriate levels.

The moderation in sales growth in Kmart is expected to result in earnings before interest and tax for Department Stores for the half-year ending 31 December 2018 between \$385 million and \$400 million, excluding the gain on disposal of KTAS.

2019 half-year results

Further details will be provided at Wesfarmers' half-year results, which will be announced on 21 February 2019.

Wesfarmers Managing Director Rob Scott said the Group's overall performance continued to reflect the strength of its diverse portfolio of businesses and interests.

"All of our businesses continue to deliver a compelling offer to their customers and Wesfarmers enters the new calendar year with a strong balance sheet and operating businesses well positioned for the future," Mr Scott said.

For further information:

Media

Cathy Bolt
Media and External Affairs Manager
+61 8 9327 4423 or +61 417 813 804
CBolt@wesfarmers.com.au

Investors

Erik du Plessis
Manager, Investor Relations
+61 8 9327 4603 or +61 439 211 630
EduPlessis@wesfarmers.com.au