Wesfarmers Limited
ABN 28 008 984 049

14 January 2009

WESFARMERS UPDATE

Wesfarmers announced today that it expects Net Profit After Tax for the six months to 31 December 2008 to be in the range of $850 million to $880 million, after approximately $150 million (pre-tax) in provisions and write-downs in the values of some investments.

Given recent share price and interest rate movements and broader market conditions and the impact of those factors on the carrying values of provisions, property and other investments, Wesfarmers believes it is appropriate to provide an early indication of half year results for the Group.

The guidance contained in this update is preliminary in nature, subject to finalisation within Wesfarmers as well as to review by the company's external auditors. As such, the actual results for the six months to 31 December 2008 may differ from the guidance given in this update. In addition, in accordance with AIFRS requirements, Wesfarmers will be conducting impairment testing in respect of the carrying value of certain of its businesses as at 31 December 2008.

Managing Director Richard Goyder said the preliminary divisional results highlighted that the underlying performance of the majority of the Group's retail business units, particularly Coles, Bunnings and Target, has been strong, notwithstanding the current economic climate.

Preliminary results from the Group's divisions for the six months to 31 December 2008 are:

- **Coles:** Operating revenue for the Coles division for the six months ended 31 December was $14.6 billion and EBIT is estimated to have been in the range of $420 million to $430 million.

  Operating revenue in Food and Liquor for the six months was $11.2 billion. Comparative store-on-store sales growth was 2.6 per cent for the period, having increased to 3.8 per cent for the second quarter. EBIT for Food and Liquor in the six months is estimated to have been in the range of $372 million to $381 million.

  Operating revenue in Convenience for the six months was $3.4 billion. Convenience store comparative store-on-store sales growth was 5.3 per cent. EBIT for Convenience is estimated to have been in the range of $35 million to $36 million.

  Property earnings (excluding non-trading items) are estimated to have been $13 million in the period.

- **Home Improvement and Office Supplies:**
  - **Bunnings**: Earnings for Bunnings continued to show strong growth throughout the six months. Operating revenue of the home improvement business increased by 7.6 per cent to $3.01 billion in the first half. EBIT of $370 million was over 13 per cent higher than in the corresponding period last year. Growth in trading earnings (net of property sale contributions) were approximately 14 per cent. Cash sales growth in Bunnings of 10.3 per cent was achieved, with underlying store-on-store cash sales growth of 7.7 per cent. Trade sales were 1.6 per cent higher than in the comparative period. Continued retail sales growth is expected in the second half, albeit at a likely lower growth rate, given the continued volatility in the Australian and New Zealand economies. Trade sales are expected to be impacted by any further slowing in housing construction.

- **Officeworks**: While operating revenue for the six months was $602 million, with EBIT for the same period of $25 million, adverse sales trends were experienced in both Officeworks Business and Harris Technology. The pressure on sales and margin is expected to continue throughout the second half of the year, particularly with regards the small-to-medium size business sector. Moderate sales growth is expected as the business continues to gain traction from revised strategies.

- **Target:** Target recorded solid sales in the first half. Operating revenue for the six months was $2.09 billion. Comparative store-on-store sales growth for the period was 4.0 per cent. EBIT for the six months was $215 million.

- **Kmart**: Kmart continued to focus on improving its long-term performance in what has been a challenging environment. Operating revenue for the six months was $2.25 billion, with comparative store-on-store sales growth of 0.4 per cent. EBIT for the six months was $75 million.

- **Insurance**: Increases in revenues and earnings resulted from higher premium rates and improved performance in New Zealand operations, notwithstanding losses from crop insurance following severe weather events in rural areas. Operating revenue for the period was $887 million, compared to $799 million for the corresponding period last year, an increase of 11.0 per cent. Earnings before interest, tax and amortization (EBITA) for the six months was $75 million, compared to an EBITA of $71 million for the same period last year, an increase of 5.6 per cent.

- **Industrial and Safety**: Improved business platforms delivered sales growth and margin improvement across most businesses, particularly in Australia. Operating revenue for the period was $687 million, compared to $642 million for the corresponding period last year, an increase of 7.0 per cent. EBIT for the period was $68 million, compared to $61 million for the same period last year, an increase of 11.5 per cent.

- **Resources**: Operating revenue for the six months was $1.427 billion, compared to $530 million in the corresponding period last year, an increase of 169.2 per cent. Revenue was impacted by some carry-over tonnage on contracts from the prior year (at lower prices than the current year benchmarks), foreign exchange hedge losses, and cancellation of some hedging contracts in light of exchange rate movements. EBIT for the six months was $686 million, compared to $112 million for the same period last year. EBIT was impacted by increased operating costs and royalty payments, and higher Stanwell rebate payment due to the higher rolling 12 month weighted average coal price.

- **Energy:** Revenue was adversely impacted by approximately $40 million as a result of the Varanus Island gas incident, and international LPG prices declined sharply towards the end of the half impacting inventory carrying values and selling prices. Total operating revenue for the division was $322 million compared to $281 million in the prior year, an increase of 14.6 per cent but significantly lower than expected. EBIT for the six months was $30 million, compared to $48 million for the same period last year, a decrease of 37 per cent.

- **Chemicals & Fertilisers:** The division was also adversely affected by the Varanus Island gas incident, as well as movements in exchange rates and global commodity prices for fertilisers, which will lower first half earnings by approximately $40 million compared to the corresponding period last year. Total operating revenue for the period was $458 million, compared to $391 million for the same period the previous year, an increase of 17.1 per cent. EBIT for the six months was $4 million, compared to $48 million for the same period last year. A recovery in earnings is expected for the full year, with fertiliser sales expected to be strong in the second half.

The Group’s working capital requirements, which are typically high through the October-December period, peaked around the end of November and retail sales pre- and post-Christmas resulted in significant reductions in inventory.

The approximately $150 million (expected to be approximately $130 million to $140 million on a post tax basis) in non-cash provisions and write-downs referred to above, which are in addition to the preliminary divisional EBIT results, are as follows:

- Property write downs in the Coles division, given reduced yield expectations;
- Reductions as a result of mark-to-market of the value of investments in Gresham Partners Private Equity Funds, Bunning Warehouse Property Trust and other portfolio investments;
- Provision for the closure of one of Kmart’s distribution centres, as part of the restructuring of the division; and
- The Group’s workers’ compensation provisions for future claims has increased following an actuarial review, primarily due to reductions in interest rates.

The Group’s full year outlook is particularly dependent on retail trading conditions, coal price negotiations and sale volumes, and general economic conditions.

Wesfarmers continues to consider a range of options on refinancing.

The FY2009 interim and final dividend will depend on a number of factors. The company’s ability to pay dividends for FY2009 at the previous guidance level of $2 a share will be impacted by, particularly, the finalisation of the half year accounts, full year results (which will be impacted by the factors noted above) , the outcomes of the impairment testing process, and the structure, conditions and timing of the company's refinancing programme, all of which will potentially impact on the companies retained earnings, franking credit position and dividend capacity.

In the event of a negative impact from these factors, the company may not be in a position to pay dividends for FY2009 at the previous guidance level.

Wesfarmers expects to announce its interim dividend and results for the half year, following review by the company’s external auditors, on 19 February 2009.

Mr Goyder said these preliminary results reflect the benefits of the Group’s broad range of diversified businesses, with strong performances from the majority of its retail divisions and the Resources Division, balancing results in some of the Group’s other divisions which have been impacted by external conditions.

“I remain very confident that the turnaround of the Coles group over the five-year timeframe we have set will continue to gain momentum and provide our shareholders with satisfactory returns over the longer-term” he said.

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