



Wesfarmers NEWS

2 February 2012

FINANCIAL YEAR 2012 SECOND QUARTER RETAIL SALES RESULTS

Second Quarter Sales (\$m)	Financial Year 2012	Financial Year 2011	Movement (%)
Food & Liquor ^{1,2}	7,344	7,041	4.3
Convenience ^{1,3}	2,062	1,773	16.3
Total Coles	9,406	8,814	6.7
Home Improvement ^{4,5}	2,062	1,955	5.5
Office Supplies ⁴	349	346	0.9
Total Home Improvement & Office Supplies	2,411	2,301	4.8
Target⁶	1,262	1,303	(3.1)
Kmart¹	1,354	1,384	(2.2)

Refer to appendix two for footnotes.

Half Year Sales (\$m)	Financial Year 2012	Financial Year 2011	Movement (%)
Food & Liquor ^{8,2}	13,625	12,993	4.9
Convenience ^{8,3}	3,877	3,315	17.0
Total Coles	17,502	16,308	7.3
Home Improvement ^{9,5}	3,792	3,549	6.8
Office Supplies ⁹	710	706	0.6
Total Home Improvement & Office Supplies	4,502	4,255	5.8
Target¹⁰	2,097	2,150	(2.5)
Kmart⁸	2,281	2,310	(1.3)

Refer to appendix two for footnotes.

Wesfarmers Limited today released its second quarter retail sales results for the period ending 31 December 2011.

Managing Director, Richard Goyder, said that given a relatively tough retail environment and widespread deflation he was pleased with the Group's sales result, particularly the momentum in Coles and Bunnings, where both businesses recorded good sales growth in the second quarter.

"Our retail businesses continue to work hard to execute strategies that are improving the value and shopping experience of their customers," Mr Goyder said.

"Coles reported its fourteenth straight quarter of comparable store sales growth with customer numbers and sales units continuing to grow faster than sales. This period delivered a record-breaking Christmas, with Coles achieving its biggest ever sales week as more customers responded to the greater value offered as well as improvements in product quality and in-store service.

"Bunnings' sales increased 5.5 per cent in the quarter, despite ongoing deflationary impacts, reflecting a solid contribution from new store openings and growth in both consumer and commercial areas.

"Kmart and Officeworks continue to benefit from initiatives put in place to reposition these businesses. It was encouraging to see that both divisions reported another quarter of strong growth in both units sold and customer transactions although sales were affected by the deflationary pricing environment.

"Target experienced difficult trading conditions in the quarter with total sales declining 3.1 per cent. December sales were, more encouraging as the business took steps to improve promotional effectiveness and stock management."

Mr Goyder said in a retail environment where consumer sentiment remained subdued, each of our retail businesses had managed their seasonal inventory positions well with appropriate levels of good quality inventory on hand, which would be of benefit going into the second half.

COLES

Food and Liquor

Coles' total food and liquor sales for the second quarter¹ of the 2012 financial year grew by 4.3 per cent to \$7.3 billion. Total sales in the first half⁸ of the 2012 financial year increased by 4.9 per cent to \$13.6 billion.

In the fourth year of the turnaround, Coles delivered comparable food and liquor store sales growth of 3.7 per cent in the second quarter¹ and 4.4 per cent in the first half⁸, with underlying volume growth continuing strongly.

Volume growth exceeded sales growth as deflation in fresh produce and continued investment in value led to food and liquor deflation increasing to 2.4 per cent in the second quarter¹. Deflation for the quarter reflected an increase from deflation of 1.8 per cent in the first quarter, resulting in deflation of 2.1 per cent in the first half⁸.

Coles Managing Director, Ian McLeod, said all of Coles' businesses had made good progress in the second quarter and customers rewarded Coles for its continued investment in lower prices as part of our 'Down Down' campaign.

"We have delivered share growth across all of Coles' businesses," Mr McLeod said.

“We were particularly pleased with the strong volume growth which has been driven by investment in value, quality, and service at a time when Australian families are looking to manage tight household budgets.

“As we continue the transformation program, we are encouraged that our drive to change the business has resonated well with customers and is reflected in improvements in perception and increasing customer numbers.”

Coles supermarkets and liquor stores recorded over 17 million customer transactions in Christmas week alone, over one million more transactions than in the same week last year, and the average volume of weekly transactions continues to rise. Online sales and transactions again recorded double digit growth.

Coles’ investment in value has been enabled by continued reduction in costs and increases in efficiency. Easy Warehousing, part of Coles’ internal efficiency program, was completed during the quarter providing improved productivity for the business and its suppliers. The efficiency programs continue to generate significant savings to re-invest in better value for customers. In addition, Coles now has almost 2,000 self-scan check-outs reducing queuing times for customers in over 300 supermarkets.

Together with its value investment, Coles continues to roll out at a pace its market leading renewal format. Coles renewed 30 supermarkets, opened six new supermarkets and closed four underperforming supermarkets during the quarter. Coles now has a total of 193 supermarkets in the renewal format, having renewed 49 in the first half. Coles opened 19 new liquor stores during the second quarter taking the total number of liquor stores to 886.

Convenience

Total Coles Express sales, including fuel, for the second quarter¹ were \$2.1 billion, an increase of 16.3 per cent on the previous corresponding period. Total sales for the first half⁸ were \$3.9 billion, 17.0 per cent ahead of the same period last year.

Mr McLeod said the value investment in fuel remained popular with customers, resulting in record levels of shopping docket redemptions at Coles Express. This contributed to 2.5 per cent growth in comparable fuel volumes during the quarter¹ and 3.7 per cent growth for the first half⁸.

Convenience store sales, excluding fuel sales, grew by 0.7 per cent for the quarter¹ and 1.2 per cent in the first half⁸. Comparable store sales declined 1.4 per cent in the second quarter¹ and 0.5 per cent in the first half⁸, as a result of lower discretionary spending by customers.

As part of its convenience store renewal program, Coles Express opened three new sites and closed one site during the second quarter¹, bringing the total store network to 625 sites across the country.

HOME IMPROVEMENT AND OFFICE SUPPLIES

Home Improvement

Total sales for the quarter⁴ of \$2.1 billion were up 5.5 per cent on the previous corresponding period. Total store sales for the quarter⁴ grew 5.5 per cent, while store-on-store growth was 3.2 per cent.

For the first half⁹ of the 2012 financial year, total sales were up 6.8 per cent to \$3.8 billion. Total store sales grew 7.0 per cent in the first half⁹, while store-on-store growth was 4.6 per cent.

Sales growth for the quarter was achieved in both consumer and commercial areas across most key trading regions.

John Gillam, Managing Director of Home Improvement and Office Supplies, said the \$243 million growth in sales in the first half was pleasing given ongoing deflationary impacts and challenging trading conditions, and reflected the strong focus in the business on generating more value for customers and category expansion, particularly paint and storage.

“Good progress in all aspects of Bunnings’ strategic agenda, in particular, network expansion and reinvestment, service improvements for consumer and commercial customers, and offer improvements, has the business well positioned to achieve further sales growth,” Mr Gillam said.

Two Bunnings Warehouses were opened during the second quarter, taking the total trading location openings for the first half to seven. There are currently 16 stores under construction, ten of which are expected to open before the end of this financial year.

Office Supplies

Total sales for the quarter⁴ were \$349 million, up 0.9 per cent on the previous corresponding period. Retail sales across the Officeworks store network grew by 0.2 per cent which was underpinned by continued strong transaction growth.

During the first half⁹ of the 2012 financial year, total sales were up 0.6 per cent to \$710 million, with retail sales increasing by 0.2 per cent as the business built on the solid sales growth achieved during the first half last year.

Price deflation continued to present challenges in a number of categories, particularly technology and furniture. The business focus on improving the offer through execution of the strategic agenda continues to be received favourably by an increasing number of customers.

One new Officeworks store was opened during the second quarter.

TARGET

Total sales of \$1.3 billion for the quarter⁶ were 3.1 per cent below the previous corresponding period, with comparable⁷ store sales declining 3.1 per cent.

For the first half of the 2012 financial year¹⁰, total sales declined 2.5 per cent to \$2.1 billion, with comparable⁷ store sales declining 3.5 per cent.

Target Managing Director, Dene Rogers, said total sales for the quarter had been negatively affected by tough trading conditions across the market.

“Having joined Target just prior to the important Christmas trading period, I am pleased with the initial customer response to the changes made to our marketing program.

“While customer numbers were down across the quarter, there was a noticeable improvement in December as the business took steps to improve its promotional effectiveness.

“We also increased our focus on inventory management to ensure that stock on hand is appropriate as we approach the change in season,” Mr Rogers said.

Target opened six new stores and refurbished 13 stores during the quarter.

KMART

Total sales of \$1.4 billion for the quarter¹ were 2.2 per cent below the previous corresponding period, with comparable⁷ store sales declining 2.7 per cent. The quarter represented the eighth consecutive quarter of growth in transactions and units sold.

For the first half⁸ of the 2012 financial year, deflation resulted in a total sales decline of 1.3 per cent to \$2.3 billion, with comparable⁷ store sales declining 1.4 per cent.

Kmart Managing Director, Guy Russo, said it was pleasing to record another quarter of growth in unit sales and customer numbers.

“During the period the business continued to improve its in-store offer and provided customers with even greater every day value, while better product sourcing, pricing disciplines and stock management continued to benefit the business,” Mr Russo said.

During the quarter, Kmart continued to focus on refreshing its stores with the completion of three store refurbishments, including the re-opening of a store in New Zealand following earthquake damage in February 2011.

Kmart Tyre and Auto opened five new stores during the quarter.

Refer to appendix two for footnotes.

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APPENDIX ONE

WESFARMERS RETAIL OPERATIONS - STORE NETWORK FINANCIAL HALF YEAR ENDED 31 DECEMBER 2011

	Open at 1 Jul 2011	Opened	Closed	Re- branded	Open at 31 Dec 2011
COLES					
Supermarkets					
Coles	696	9	4	2	703
Bi-Lo	45	-	2	(2)	41
Total Supermarkets	741	9	6	-	744
Liquor					
1st Choice	76	4	-	1	81
Vintage Cellars	83	3	3	(1)	82
Liquorland	626	18	13	-	631
Hotels	93	-	1	-	92
Total Liquor	878	25	17	-	886
Convenience	620	6	1	-	625
Selling Area (m²)					
Supermarkets	1,599,271	n/a	n/a	n/a	1,612,739
Liquor (excluding hotels)	184,442	n/a	n/a	n/a	187,781
HOME IMPROVEMENT					
Bunnings Warehouse	194	5	-	-	199
Bunnings smaller formats	59	-	1	-	58
Bunnings Trade Centres	36	2	1	-	37
OFFICE SUPPLIES					
Officeworks	135	1	-	-	136
Harris Technology	4	-	1	-	3
TARGET					
Target	172	5	-	-	177
Target Country	119	3	-	-	122
KMART					
Kmart	187	-	-	-	187
Kmart Tyre & Auto	251	8	-	-	259

APPENDIX TWO

FOOTNOTES

1. Financial Year 2012 for the 14 week period 26 September 2011 to 1 January 2012 and Financial Year 2011 for the 14 week period 27 September 2010 to 2 January 2011
2. Includes hotels, excludes gaming revenue and property income
3. Includes fuel sales
4. Financial Year 2012 and Financial Year 2011 for the three month period 1 October to 31 December
5. Includes consumer and commercial sales, excludes property income
6. Financial Year 2012 for the 14 week period 25 September 2011 to 31 December 2011 and Financial Year 2011 for the 14 week period 26 September 2010 to 1 January 2011
7. Comparable store sales include lay by sales. Lay by sales are excluded from total sales under Australian Accounting Standards
8. Financial Year 2012 for the 27 week period 27 June 2011 to 1 January 2012 and Financial Year 2011 for the 27 week period 28 June 2010 to 2 January 2011
9. Financial Year 2012 and Financial Year 2011 for the six month period 1 July to 31 December
10. Financial Year 2012 for the 27 week period 26 June 2011 to 31 December 2011 and Financial Year 2011 for the 27 week period 27 June 2010 to 1 January 2011