

5 October 2018

Coles supply chain modernisation

Wesfarmers today announced that Coles has entered into a Heads of Agreement with Witron Australia, the Australian subsidiary of Witron Logistik + Informatik GmbH (Witron), to develop two new automated ambient distribution centres for Coles over a five year period. Witron is a market leader in the design and realisation of dynamic warehouse and order picking systems for distribution centres, with over 50 automated projects for major retailers around the world.

Wesfarmers Managing Director Rob Scott said the decision to make this investment followed an extensive evaluation process and assessment of global best practice to ensure that the project supports Coles' strategy over the long term.

"We are pleased to partner with Witron, a global leader in this field, to invest in world-class technology to modernise Coles' supply chain," Mr Scott said. "Following a comprehensive review of all options this investment is expected to deliver significant productivity improvements over the medium to long term."

Coles Managing Director Steven Cain said the investment demonstrates Coles' commitment towards modernising its supply chain, which delivers more than one billion cartons to stores each year, through investment in technology and automation.

"Coles is committed to improving efficiency and stock availability in stores and delivering higher service levels for our customers," Mr Cain said. "The investment we are making in this technology is expected to lower supply chain costs, provide safer working environments and enhance our business competitiveness."

The total investment required to develop the two new automated ambient distribution centres will be managed within Coles' overall capital expenditure budget by applying its established capital allocation processes and return hurdles. Future capital expenditure requirements associated with this investment were taken into account in determining the appropriate level of net debt for Coles as a standalone company, and the investment is supported by the incoming Coles Board.

The 2019 financial year capital expenditure associated with this project is included in Coles' net capital expenditure guidance of \$600 million to \$800 million. Coles expects to recognise provisions of approximately \$130 million to \$150 million before tax in the 2019 financial year, relating to redundancies and lease exit costs for a number of existing distribution centres that will be closed over a five year period.

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