

30 November 2015

ASX Announcement

Non-cash adjustment following inventory review

Following the trading update at the Company's Annual General Meeting on 28 October 2015, management initiated a review of inventory. The review, which is being conducted with the assistance of external consultants, remains in progress.

The objectives of this review include:

- achieving category right sizing;
- optimising the depth and breadth of inventory;
- identifying the anticipated impact of achieving preferred weeks cover and the level of marketing support required to achieve these objectives, and;
- driving customer-centric outcomes.

Whilst this review was prompted by the disappointing October performance, November trading was below expectations and stock holdings remain above management's preferred levels.

Significant marketing activity continues in an effort to stimulate consumer demand during the all-important Christmas trading period. The benefits of this activity on inventory levels are, at this time, uncertain.

"We remain cautious on the outlook for the Christmas trading period," said Dick Smith Managing Director and CEO, Nick Abboud. "We will continue to drive sales, maintaining flexibility on gross margin to reduce inventory and improve our net debt position."

While the inventory review has not concluded, the Board has determined that a non-cash impairment of \$60 million (pre-tax) is required. Further impairment may be required, depending on Christmas trading.

Given the non-cash write-down and the uncertain trading outlook, the Company is unable to re-affirm the profit guidance previously provided.

A further update will be provided in February 2016, when the half year results are released, or earlier if required.

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For further information please contact:

David Cooke
Director of Investor Relations
+61 (0) 411 885 041

Mandy Galmes or Trisha Routledge
Fuel Communications
+61 2 8217 6500