

WOOLWORTHS LIMITED

6 May 2015

Third Quarter Sales Results – Financial Year 2015 13 weeks to 5 April 2015

*Third quarter sales of \$15.0 billion, an increase of 3.0% excluding Petrol¹
or 2.3% Easter adjusted² and excluding Petrol¹*

| | 2015 (13 weeks) | 2014 (13 weeks) | Increase | Easter Adjusted ² Increase (%) |
|---|--------------------|--------------------|---------------|--|
| <u>Third Quarter Sales (\$ million)</u> | | | | |
| Australian Food and Liquor | 10,621 | 10,382 | 2.3% | 1.7% |
| Petrol (dollars) | 1,181 | 1,822 | (35.2)% | (34.8)% |
| <i>Petrol (litres)</i> | 977 | 1,234 | (20.8)% | (20.2)% |
| Australian Food, Liquor and Petrol | 11,802 | 12,204 | (3.3)% | (3.7)% |
| New Zealand Supermarkets (AUD) | 1,433 | 1,331 | 7.7% | 7.7% |
| <i>New Zealand Supermarkets (NZD)</i> | 1,500 | 1,429 | 5.0% | 5.0% |
| General Merchandise | 907 | 926 | (2.1)% | (5.7)% |
| Hotels | 359 | 357 | 0.6% | 1.1% |
| Masters | 217 | 179 | 21.2% | 19.2% |
| Home Timber and Hardware | 238 | 195 | 22.1% | 24.0% |
| Home Improvement | 455 | 374 | 21.7% | 21.7% |
| Total Third Quarter Sales | 14,956 | 15,192 | (1.6)% | (2.1)% |
| <i>Total Third Quarter Sales (excluding Petrol)</i> | 13,775 | 13,370 | 3.0% | 2.3% |

Media Release

Woolworths Limited Chief Executive Officer, Grant O'Brien said: "Woolworths Limited today announced third quarter FY15 sales of \$15.0 billion, an increase of 3.0% on the previous year excluding Petrol¹ or a decrease of 1.6% including Petrol which was impacted by changes to the Woolworths-Caltex alliance¹ and declining fuel sell prices.

"Easter falling largely into the third quarter this year has created a timing difference when compared to last year. Adjusting for the timing of Easter², third quarter sales increased 2.3% excluding Petrol¹.

"At the half year 2015 results, we informed the market that Australian Food and Liquor sales in December and January were disappointing. While February and March showed some improvement as we commenced the actions announced in February, April was more subdued and there is still much to do.

"As will be demonstrated through the Investor Strategy Day presentation today, the new leadership teams in Australian Food and Liquor have clear plans in place to restore sales momentum and extend our market leading position."

AUSTRALIAN FOOD, LIQUOR AND PETROL

Australian Food and Liquor sales for the quarter were \$10.6 billion, an increase of 2.3% on the previous year or 1.7% Easter adjusted². Comparable store sales for the quarter increased 0.7% or 0.2% Easter adjusted².

We have continued to lower our prices for customers as reflected by deflation in average prices of 2.4% for the third quarter (Q2'15: deflation of 1.6%) when the effects of promotions and volumes are included.

The standard shelf price movement index³ which excludes investment in promotional activity increased 2.4% for the quarter (Q2'15: 3.5%), easing from the prior quarter as a result of lowering prices on everyday items for the benefit of our customers as well as cycling prior increases in tobacco excise.

Our new store openings during the quarter included five (net) Australian Supermarkets bringing the total to 952, one (net) Dan Murphy's bringing the total to 193 and six (net) BWS stores bringing the total to 1,240 (including both standalone and supermarket attached BWS stores).

Petrol sales for the quarter were \$1.2 billion, a decrease of 35.2% on the previous year or 34.8% Easter adjusted² (volumes decreased 20.8% or 20.2% Easter adjusted²), impacted by a 22% reduction in average fuel sell prices (Q3'15: 120.0 cpl and Q3'14: 153.0 cpl) and the previously advised changes to the Woolworths/Caltex alliance¹ after which sales from Caltex operated sites are no longer recognised by Woolworths.

AUSTRALIAN FOOD, LIQUOR AND PETROL (CONTINUED)

Petrol (continued)

Comparable sales (dollars) decreased 19.8% or 19.3% Easter adjusted² and comparable volumes decreased 1.5% or 0.8% Easter adjusted², showing improvement after cycling the limitations on fuel discounts at the end of January.

Strong growth in merchandise sales continued, increasing 10.3% for the quarter (9.2% Easter adjusted²) with comparable merchandise sales increasing 7.5% (6.4% Easter adjusted²), driven by successful tailored customer offers and more effective promotional activity.

We opened four (net) petrol canopies during the quarter bringing the total to 513.

NEW ZEALAND SUPERMARKETS

New Zealand Supermarkets' sales for the quarter were NZ\$1.5 billion, an increase of 5.0%⁴ on the previous year (7.7% in AUD).

Comparable sales returned to solid growth, increasing 3.0%⁴ for the quarter (Q3'14: decrease of 1.0%⁴). This was achieved despite low inflation, reflecting investment in price for the benefit of our customers.

Our 'Price Drop' and 'Price Lockdown' campaigns continue to resonate well with customers, driving improved price perception results as well as growth in customer numbers and units sold.

The Countdown Supermarkets food price index for the quarter was deflation of 0.1% (Q2'15: deflation of 0.5%) with deflation continuing across the majority of key categories, including Grocery, Meat and Bakery.

Total Countdown Supermarkets at the end of the quarter were unchanged at 174 with total franchise stores remaining at 60.

GENERAL MERCHANDISE

As anticipated, General Merchandise results continue to be adversely impacted by the BIG W transformation with sales for the quarter decreasing 2.1% on the previous year or 5.7% Easter adjusted² and comparable sales decreasing 4.1% or 7.3% Easter adjusted². Sales were also impacted by the continuing decline in Home Entertainment, the clearance of seasonal apparel and ongoing price deflation (Q3'15: deflation of 2.5% excluding 'Drop Zone' clearance activity).

During March, as part of the BIG W transformation, we launched our 'Drop Zone' campaign. We have made solid early progress with clearance activity to ensure our inventory is aligned to our customer strategy going forward.

Continued positive results from new Softgoods ranges indicate further progress with our revised customer offer.

Total BIG W and EziBuy stores at the end of the quarter were unchanged at 183 and 5 respectively.

HOTELS

Hotel sales for the quarter were \$359 million, an increase of 0.6% on the previous year or 1.1% Easter adjusted² with comparable sales increasing 0.2% or 0.7% Easter adjusted². Excluding the impact of the additional Victorian gaming tax which came into effect from May 2014, sales increased 2.1% or 2.7% Easter adjusted² and comparable sales increased 1.7% or 2.2% Easter adjusted².

While trading conditions remain challenging, sales momentum has shown improvement during the quarter, particularly in gaming and bars and in Queensland and Victoria.

Total Hotel venues at the end of the quarter were unchanged at 330.

HOME IMPROVEMENT

Home Improvement sales for the quarter were \$455 million, an increase of 21.7% on the previous year (21.7% Easter adjusted²).

Masters sales for the quarter were \$217 million, up 21.2% on the previous year (19.2% Easter adjusted²). We continue to make progress on the Masters priorities outlined in August, focused on addressing range in key customer visitation categories, commencing the roll-out of our new store format and refocusing our new store opening schedule to focus on key metropolitan sites.

We opened two stores in our new format during the quarter (New South Wales and Western Australia) and they are providing positive early results. Through new store openings and refurbishments, we plan to have 13 stores (approximately 22% of our network) in the new format by the end of the financial year.

Home Timber and Hardware sales for the quarter were \$238 million, up 22.1% on the previous year (24.0% Easter adjusted²), driven by sales from recent store acquisitions as well as enhancements to our trade offer. Excluding the impact of acquisitions, underlying sales were positive.

The two Masters stores opened during the quarter bring the total to 53 with Home Timber and Hardware store numbers remaining unchanged at 44.

INVESTOR STRATEGY DAY

Further information in relation to the strategic activities of the Group are provided in the Investor Strategy Day announcement, also released today.

– Ends –

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Appendix One: Year To Date Sales

| | 2015 (40 weeks) | 2014 (40 weeks) | Increase (%) | Easter Adjusted ² Increase (%) |
|---|--------------------|--------------------|-----------------|--|
| <u>Year to Date Sales (\$ million)</u> | | | | |
| Australian Food and Liquor | 32,821 | 31,859 | 3.0% | 2.8% |
| Petrol (dollars) | 4,487 | 5,487 | (18.2)% | (18.0)% |
| <i>Petrol (litres)</i> | 3,350 | 3,781 | (11.4)% | (11.2)% |
| Australian Food, Liquor and Petrol | 37,308 | 37,346 | (0.1)% | (0.2)% |
| New Zealand Supermarkets (AUD) | 4,223 | 3,996 | 5.7% | 5.7% |
| <i>New Zealand Supermarkets (NZD)</i> | 4,554 | 4,449 | 2.4% | 2.4% |
| General Merchandise | 3,272 | 3,378 | (3.1)% | (4.2)% |
| Hotels | 1,141 | 1,145 | (0.3)% | (0.2)% |
| Masters | 722 | 572 | 26.2% | 25.6% |
| Home Timber and Hardware | 721 | 598 | 20.6% | 21.2% |
| Home Improvement | 1,443 | 1,170 | 23.3% | 23.3% |
| Year to Date Sales | 47,387 | 47,035 | 0.7% | 0.6% |
| <i>Year to Date Sales (excluding Petrol)</i> | 42,900 | 41,548 | 3.3% | 3.0% |

| <u>Period (\$ million)</u> | 2015 | 2014 | Increase (%) | Easter Adjusted ² Increase (%) |
|--------------------------------------|---------------|---------------|-----------------|--|
| Group | | | | |
| Quarter One (14 weeks) | 16,154 | 15,680 | 3.0% | n/a |
| Quarter Two (13 weeks) | 16,277 | 16,163 | 0.7% | n/a |
| Quarter Three (13 weeks) | 14,956 | 15,192 | (1.6)% | (2.1)% |
| Year to Date Sales (40 weeks) | 47,387 | 47,035 | 0.7% | 0.6% |
| Group excluding Petrol | | | | |
| Quarter One (14 weeks) | 14,309 | 13,749 | 4.1% | n/a |
| Quarter Two (13 weeks) | 14,816 | 14,429 | 2.7% | n/a |
| Quarter Three (13 weeks) | 13,775 | 13,370 | 3.0% | 2.3% |
| Year to Date Sales (40 weeks) | 42,900 | 41,548 | 3.3% | 3.0% |

Appendix Two: New Stores and Refurbishments

| <u>Third Quarter</u> | Gross New Stores | Net New Stores | Refurbishments |
|---|------------------|----------------|----------------|
| Australian Supermarkets | 5 | 5 | 5 |
| Thomas Dux | - | - | - |
| Liquor (including attached liquor stores) | 10 | 7 | 6 |
| New Zealand Supermarkets | - | - | 1 |
| Petrol | 4 | 4 | 8 |
| BIG W | - | - | - |
| EziBuy | - | - | - |
| Hotels | - | - | 4 |
| Masters | 2 | 2 | - |
| Home Timber and Hardware Retail | - | - | - |
| Total | 21 | 18 | 24 |

Appendix Three: Notes

¹ Petrol sales and volumes are not comparable with the prior period given changes to the Woolworths-Caltex alliance that became effective progressively during Q2'15.

At the end of FY14, the Woolworths-Caltex fuel network comprised 633 sites, including 131 Caltex-operated sites with the remainder operated by Woolworths.

Given operational changes under the new arrangements with Caltex, Woolworths no longer recognises sales from the Caltex-operated sites in its financial results. The new arrangements do not have a material profit impact on the Woolworths Group.

Under the revised arrangements, 92 of the Caltex-operated sites were rebranded as 'Star Mart' or 'Star Shop' convenience stores and have continued to offer the Woolworths fuel discount redemption.

The remaining 39 sites, which were located in close proximity to Woolworths Petrol sites, have exited the Woolworths-Caltex alliance and no longer offer Woolworths fuel discount redemptions.

By the end of FY15, we expect Woolworths petrol discounts will be redeemable at approximately 100 Caltex-operated 'Star Mart' or 'Star Shop' sites and at more than 500 Woolworths-operated sites. Woolworths has no plans to close sites as a result of any of these changes to the alliance.

Further details on the revised arrangements with Caltex are provided in our ASX announcement dated 20 November 2014.

² In FY15, the first week of the Easter trading period fell into Q3 whereas in FY14, Easter was included in Q4. The impact of Easter is an approximation only and has been estimated by adjusting FY14 sales to reflect the timing of Easter in FY15.

³ The standard shelf price movement index is calculated by comparing the number of comparable products sold in the current year using the current year prices to the number of comparable products sold in the current year using the prior year prices. The price used for this comparison is the standard shelf price. Products on promotion are excluded from the calculation (i.e. the volume of these items sold is removed from both years' sales). The calculation removes the impact of any changes in volumes and the distortion of promotional activity.

⁴ Growth for New Zealand Supermarkets is quoted in New Zealand Dollars.