

27 February 2015

HALF YEAR PROFIT AND DIVIDEND ANNOUNCEMENT FOR THE 27 WEEKS ENDED 4 JANUARY 2015

STEADY GROWTH IN PROFIT NEW LEADERSHIP AND FORWARD INVESTMENT IN SUPERMARKETS

Net Profit After Tax Before Significant Items¹, up 4.7%

Earnings Per Share Before Significant Items¹, up 4.0%

FY15 Half Year Key Financial Highlights

Before Significant Items¹

- Sales of \$32.4 billion, up 1.8% or 3.4% excluding Petrol²
- Earnings Before Interest and Tax of \$2,129.2 million, up 4.0%
- Net Profit After Tax of \$1,384.1 million, up 4.7%
- Earnings per Share of 110.3 cents, up 4.0%
- Fully franked HY15 dividend of 67 Cents Per Share

After Significant Items¹

- Net Profit After Tax of \$1,280.4 million, down 3.1%
- Earnings per Share of 102.0 cents, down 3.9%

Note: This announcement contains certain non-IFRS measures that Woolworths believes are relevant and appropriate to understanding its business. Refer to Appendix One for further information.

Woolworths Limited Chief Executive Officer, Grant O'Brien said: "Woolworths Limited today reported growth in net profit after tax before significant items¹ of 4.7% for the first half of FY15.

"In Australian Food, Liquor and Petrol, earnings before interest and tax increased 7.3% on the prior half year. The sales momentum in October and November showed improvement, however trading in December was subdued and this trend continued into January.

"Cost savings have enabled us to continue to invest in lower prices. In Australian Supermarkets, customers benefited from lower average prices as reflected by deflation of 1.8% for the half year.

"We have created a new leadership team and structure in our Supermarkets business following the resignation of Tjeerd Jegen, with Brad Banducci appointed as Managing Director, Australian Food and Liquor. Dave Chambers has been appointed Director, Woolworths Supermarkets, reporting to Brad. Brad will maintain leadership of the Woolworths Liquor Group until a new appointment has been made.

"Liquor continues to perform well and is the clear market leader across its formats on price, offer, convenience and innovation.

"In Petrol, as announced during the half, we have made changes to our agreement with Caltex which enable us to focus our efforts on our operated sites and deliver further improvements to our convenience offer.

"Countdown Supermarkets continued to deliver profit growth despite price deflation and ongoing subdued grocery market conditions in New Zealand.

"As previously advised, the General Merchandise result has continued to be impacted by our ongoing BIG W business transformation. A key part of this transformation is to accelerate the alignment of our inventory to our customer strategy. A provision of \$148.2 million (\$103.7 million after tax) has been raised primarily to facilitate this.

"Hotel earnings were impacted by the additional Victorian gaming tax which came into effect in May 2014 as well as the divestment of a portfolio of freehold Hotel sites in October. Excluding these, earnings before interest and tax was in line with the prior year.

"Home Improvement continues to deliver against the plan announced in August, focused on a new store format, range improvements and a revised store roll out plan. December store openings in Adelaide and Brisbane featuring elements of the new format are delivering encouraging early results.

"Online sales increased more than 20% on the previous half year and were \$1.4 billion in calendar 2014. We continue to lead the market in innovation, having launched 'Dan Murphy's Connections' and the 'Simply Collect' partnership with eBay.

"During the half we accelerated cost reduction initiatives and are driving greater efficiency through the early stages of Mercury 2. Implementing further cost reduction initiatives across the business will be a key focus for the second half of FY15 and beyond.

“A strategic review of Australian Supermarkets performance confirmed the considerable opportunities for performance improvement, future growth and the need for continued disciplined investment in value for customers to maintain our market leadership and drive sales momentum.

“While there is a clear path to meet the guidance provided of net profit after tax of 4-7% in FY15, we have decided to provide ourselves with additional flexibility to make the necessary investments to deliver on our long term plans and the associated shareholder value creation. These investments will impact second half FY15 results and as a result we are amending guidance.

“In addition, in line with industry practice, we will ensure a fully informed market by reference to analyst consensus rather than providing specific guidance. At present the range of analyst net profit after tax growth forecasts for FY15 is 1.8-6.6%. Factoring in the investment initiatives now planned, our current expectations are that growth in FY15 net profit after tax before significant items¹ will be towards the lower end of this range.

“The investment in Australian Supermarkets will span all aspects of the customer offer and will be funded in part by a pipeline of cost savings in excess of \$500 million, which we are currently building. We will provide further details of our plans at the Investor Strategy Day which is being scheduled for May 6 in Sydney.”

Woolworths Limited Chairman, Ralph Waters, said: “The Board has announced a half year dividend of 67 cents per share, up from 65 cents in the prior year and I am confident that the actions announced today to protect our market leading position will deliver sustainable returns for both customers and shareholders into the future.”

PROGRESS AGAINST OUR FOUR STRATEGIC PRIORITIES

Our four Strategic Priorities continue to be fundamental to delivering growth while also ensuring the business is well placed to generate strong returns for our shareholders into the future. Progress during HY15 included:

1. Extend our leadership in Food and Liquor

- **Continued profit growth in Australian Food, Liquor and Petrol** with EBIT growth of 7.3%
- **Improved value to customers** as we further invest in price through key shelf price and promotional campaigns. Average price deflation was 1.8% for the half year
- **Provided more convenient access** both in-store with 16 new Australian supermarkets (net) and six new Dan Murphy's (net), and Online. We served on average 21.4 million Australian Food and Liquor customers per week
- **Improved our offer** with the completion of 33 Australian supermarket refurbishments during the half and a further 30 planned for the second half
- **Enhanced Australia's leading liquor offer** with the launch of 'Dan Murphy's Connections', providing customers with an extended range, including hard to find niche liquor products. Danmurphys.com.au is Australia's most visited liquor website
- **Delivered savings to customers in Countdown New Zealand** with improved price perception, customer numbers and units sold since the start of our price down campaigns in October 2013
- **Strengthened our Petrol offer** with a further 49 canopies and forecourts refreshed to provide increased access to diesel and premium fuels. Simplification of the Caltex alliance will enable further improvements to our convenience offer

2. Maintain our track record of building new growth businesses

- **Australia's fastest growing Home Improvement offer** with good progress on the new Masters store format and range and refocused store roll out initiatives. Announced a strategic partnership with Hills Limited
- **Cemented our position as Australasia's largest domestic online retailer** with Online sales increasing more than 20%
- **Continued to lead on innovation** through our recently announced 'Simply Collect' partnership with eBay and extended access to Click & Collect services, with BIG W and EziBuy orders now able to be collected from 47 Australian Supermarket locations
- **Acquisition of Hudson Building Supplies and Belmont Timber and Hardware** that has increased our trade presence in New South Wales, Queensland and Victoria
- **Acquired Summergate Fine Wines and Spirits** a leading wine and drinks distributor in China which will leverage our liquor and supply chain expertise

3. Put in place the enablers for a new era of growth

- **Next generation logistics and technology development** that will greatly enhance efficiency as we progress Mercury 2 plans
- **Better understanding our customers** through the launch of our market leading customer insight tool 'Checkout' to a range of trading partners
- **Continued to strengthen our world class retail team** with the appointment of Matt Stanton as Chief Transformation Officer as well as a number of senior appointments in BIG W and Masters

4. Act on our portfolio to maximise shareholder value

- **Accelerating the transformation of BIG W** with a plan to accelerate the alignment of our inventory to our customer strategy. A provision has been raised primarily to facilitate this
- **Continued to roll out voluntary pre-commitment functionality** on electronic gaming machines in our Hotels with scheduled completion during FY16
- **Continued divestment of property as market opportunities arise** with the sale and leaseback of 54 freehold Hotel sites in October 2014, one of the largest hotel portfolio sales in Australian history

BUSINESS PERFORMANCE

Earnings Before Interest and Tax (EBIT)

\$ million	HY15 (27 weeks)	HY14 (27 weeks)	Change
Before Significant Items¹			
Australian Food, Liquor and Petrol	1,895.6	1,766.1	7.3%
New Zealand Supermarkets (AUD)	154.3	136.8	12.8%
<i>New Zealand Supermarkets (NZD)</i>	169.1	164.4	2.9%
General Merchandise	109.7	120.5	(9.0)%
Hotels	144.6	163.9	(11.8)%
Home Improvement	(103.2)	(64.4)	60.2%
Central Overheads	(71.8)	(74.9)	(4.1)%
Group EBIT (before significant items¹)	2,129.2	2,048.0	4.0%
Significant Items¹ (before tax)			
General Merchandise transformation provision	(148.2)	-	n.c
Group EBIT (after significant items¹)	1,981.0	2,048.0	(3.3)%

Net Profit After Tax (NPAT)

\$ million	HY15 (27 weeks)	HY14 (27 weeks)	Change
Group net profit after income tax and non-controlling interests (before significant items¹)	1,384.1	1,321.7	4.7%
Significant items¹ (after tax)			
General Merchandise transformation provision	(103.7)	-	n.c
Group net profit after income tax and non-controlling interests (after significant items¹)	1,280.4	1,321.7	(3.1)%

GROUP INCOME STATEMENT PERFORMANCE

Sales were \$32.4 billion, an increase of 1.8% on the prior half year or 3.4% excluding Petrol which was impacted by changes to the Woolworths-Caltex alliance² and declining fuel sell prices as a result of falling global oil prices. Details of HY15 sales by quarter are provided in Appendix Two.

Gross profit (before significant items¹) as a percentage of sales increased 20 bps on the prior half year to 27.24% despite investment in lower prices which led to declining margins in both Australian Food and Liquor and New Zealand Supermarkets. The increased Group margin reflects changes in sales mix away from lower margin divisions, falling wholesale fuel prices following progressive declines in global oil prices, improvements in buying, growth in exclusive brand ranges and reduced shrinkage.

Cost of doing business (CODB) (before significant items¹) as a percentage of sales increased 6 bps on the prior half year to 20.67%, impacted by additional net costs following the sale and leaseback of 54 freehold Hotel properties as well as the roll out of 96 new stores. This was offset by cost savings and improved efficiency across store operations and support functions as well as some benefit following the repeal of the carbon tax. Australian Food, Liquor and Petrol CODB as a percentage of sales decreased 12 bps compared to the prior half year.

Earnings before interest and tax (before significant items¹) increased 4.0% on the prior half year to \$2,129.2 million, underpinned by 7.3% EBIT growth in Australian Food, Liquor and Petrol.

Net financing costs increased 2.3% on the prior half year, impacted by lower capitalised interest associated with fewer active property development sites.

Net profit after tax and non-controlling interests (before significant items¹) increased 4.7% on the prior half year to \$1,384.1 million, with corresponding earnings per share (EPS) up 4.0% to 110.3 cents.

On a statutory basis, after reflecting the General Merchandise transformation provision¹, NPAT decreased 3.1% to \$1,280.4 million with corresponding EPS down 3.9% to 102.0 cents.

AUSTRALIAN FOOD, LIQUOR AND PETROL

	HY15 (27 weeks)	HY14 (27 weeks)	Change
Sales (\$ million)			
Food and Liquor	22,200	21,477	3.4%
Petrol*	3,306	3,665	(9.8)%
Food, Liquor and Petrol*	25,506	25,142	1.4%
EBIT (\$ million)			
Food, Liquor and Petrol	1,895.6	1,766.1	7.3%
Funds Employed (\$ million)	4,678.7	4,312.8	8.5%
Gross Margin (%)	25.46	25.17	29 bps
Cost of Doing Business (%)	18.03	18.15	(12) bps
EBIT to Sales (%)	7.43	7.02	41 bps
Return on Average Funds Employed (%)	40.96	40.89	7 bps

* Petrol sales are not comparable with the prior half year given changes to the Woolworths-Caltex alliance that became effective during Q2'15²

Trading Performance

Australian Food and Liquor sales for the half year were \$22.2 billion, an increase of 3.4% on the previous year. Comparable sales increased 1.7%. The sales momentum in October and November showed improvement, however trading in December was subdued and this trend continued into January. While our 'Cheap Cheap' campaign has been well received by customers, our promotional programs were not as successful as we expected and we did not see the improvement in price perception we anticipated during the quarter. We also should have invested more into in-store service during the critical Christmas trading period.

Cost savings have enabled us to continue to invest in lower prices for customers as reflected by deflation of 1.8% for the half year (Q2'15: deflation of 1.6%; Q1'15: deflation of 2.0%) when the effects of promotions and volumes are included.

The standard shelf price movement index³ which excludes the significant investment in price and promotional activity increased 4.0% for the half year (Q2'15: 3.5%; Q1'15: 4.6%), driven by the increase in tobacco excise.

Liquor continued to perform well across all three formats – Dan Murphy's (Destination), BWS (Convenience) and The Wine Quarter (Online and Direct). Total Liquor sales for the half year (including ALH Group on premise liquor sales) of \$4.2 billion represent an increase of 4.0% on the previous year.

Petrol sales for the half year were \$3.3 billion, a decrease of 9.8% on the previous year (volumes decreased by 6.8%), impacted by declining average fuel sell prices (unleaded HY15: 142.0 cpl; HY14: 150.2 cpl) and changes to the Woolworths-Caltex alliance after which sales from Caltex operated sites are no longer recognised by Woolworths².

Australian Food, Liquor and Petrol (continued)

The revised arrangements with Caltex which became effective during Q2'15 will enable us to focus our efforts on our operated sites and deliver further improvements to our convenience offer. Woolworths customers will continue to benefit from Woolworths fuel discount redemption offers in the majority of Caltex-operated sites which have been rebranded as 'Star Mart' or 'Star Shop' convenience stores. The new arrangements do not have a material profit impact on the Woolworths Group².

Comparable sales (dollars) decreased 6.6% for the half year and comparable volumes declined 3.4%, impacted by reduced fuel discount activity following the undertaking to the Australian Competition and Consumer Commission (ACCC) which limited fuel discounts available to customers.

Despite the lower fuel volumes, solid growth in non-fuel categories continued with total merchandise sales for the half year increasing 9.4% and comparable merchandise sales increasing 6.2%, reflecting improved ranging and more effective promotional activity.

Australian Food, Liquor and Petrol (FLP) gross margin increased 29 bps, driven by a change in sales mix away from the lower margin Petrol sales and assisted by falling wholesale fuel prices following progressive declines in global oil prices, improvements in buying, growth in exclusive brand ranges and reduced shrinkage. Australian Food and Liquor gross margin declined as a result of price investment which was enabled through CODB savings.

FLP CODB as a percentage of sales decreased 12 bps on the prior half year driven by cost savings and improved efficiency across store operations and support functions as well as some benefit from repeal of the carbon tax. This was achieved despite lower than anticipated sales which limited the ability to fractionalise costs and the large number of new stores yet to reach mature trading levels.

FLP EBIT of \$1,895.6 million increased 7.3% on the previous half year, with the EBIT margin increasing 41 bps.

Return on Average Funds Employed (ROFE) for FLP increased 7 bps on the prior half year, reflecting EBIT growth and continued investment in the roll out of new supermarkets, liquor outlets and petrol canopies.

NEW ZEALAND SUPERMARKETS

\$NZD	HY15 (27 weeks)	HY14 (27 weeks)	Change⁴
Sales (\$ million)	3,054	3,020	1.1%
EBIT (\$ million)	169.1	164.4	2.9%
Funds Employed (\$ million)	3,173.9	3,137.7	1.2%
Gross Margin (%)	23.19	23.25	(6) bps
Cost of Doing Business (%)	17.65	17.81	(16) bps
EBIT to Sales (%)	5.54	5.44	10 bps
Return on Average Funds Employed (%)	5.43	5.17	26 bps

Trading Performance

New Zealand Supermarkets' sales for the half year were NZ\$3.1 billion, an increase of 1.1%⁴ on the previous year (4.7% increase in AUD). Comparable sales decreased 0.3%⁴ and reflect further investment in price for the benefit of our customers as well as ongoing subdued grocery market conditions.

The Countdown Supermarkets food price index showed deflation for the half year of 0.3% (Q2'15: deflation of 0.5%; Q1'15: zero), with deflation across a number of key categories including Grocery and Bakery.

Gross margin decreased 6 bps⁴ on the previous half year. While the reinvestment in price as part of our 'Price Lockdown' and 'Price Drop' campaigns has impacted margins, strengthened customer price perception results, customer numbers and units sold since the launch of these campaigns indicates their success as we progress with the transformation of this business.

CODB as a percentage of sales decreased 16 bps⁴ on the previous half year, reflecting strong cost management particularly across support functions.

EBIT increased 2.9%⁴ on the previous half year to NZ\$169.1 million.

ROFE was 26 bps⁴ higher than the prior half year, reflecting EBIT growth and continued investment in new stores and refurbishments.

GENERAL MERCHANDISE

	HY15 (27 weeks)	HY14 (27 weeks)	Change
<i>Before Significant Items¹</i>			
Sales (\$ million)	2,365	2,452	(3.5)%
EBIT (\$ million)	109.7	120.5	(9.0)%
Funds Employed (\$ million)	968.8	1,092.7	(11.3)%
Gross Margin (%)	33.84	32.90	94 bps
Cost of Doing Business (%)	29.20	27.99	121 bps
EBIT to Sales (%)	4.64	4.91	(27) bps
Return on Average Funds Employed (%)	9.98	11.56	(158) bps
<i>After Significant Items¹</i>			
EBIT (\$ million)	(38.5)	120.5	n.c

Trading Performance

The BIG W transformation continued during HY15, impacting our trading results as expected. Sales for the half year of \$2.4 billion, a decrease of 3.5% on the previous year, were also impacted by declining consumer sentiment, ongoing price deflation (HY15: 3.5%) and inventory clearance activity. Comparable store sales decreased 5.4%.

The 94 bps gross margin improvement (before significant items¹) reflects the inclusion of EziBuy for the entire half year period as well as shifts in sales mix towards higher margin apparel, improvements in buying and lower shrinkage costs which were partially offset by price markdowns and clearance activity.

CODB (before significant items¹) as a percentage of sales increased 121 bps on the prior half year, reflecting the inclusion of EziBuy for the entire half year period and the lower sales.

The challenging environment and ongoing impacts of the transformation resulted in a disappointing EBIT (before significant items¹) of \$109.7 million, a decrease of 9.0% on the previous half year.

ROFE (before significant items¹) decreased 158 bps, impacted by lower EBIT and the inclusion of EziBuy for the entire half year.

We previously stated that FY15 would be a year of significant change under the new leadership of Alistair McGeorge as the business transformation continues. While the HY15 result was disappointing, encouraging signs are evident from recent initiatives as reflected through increased profitability during the second quarter (before significant items¹) despite the declining sales growth.

While the fundamental principles of the BIG W strategy remain sound, a key part of the BIG W transformation is to accelerate the alignment of our inventory to our customer strategy. A provision of \$148.2 million (\$103.7 million after tax) has been raised primarily to facilitate this.

While clearance activity will continue to impact existing store sales and profitability in the short term, we remain confident the business will return to profit growth from FY16.

HOTELS

	HY15 (27 weeks)	HY14 (27 weeks)	Change
Sales (\$ million)	782	788	(0.8)%
EBIT (\$ million)	144.6	163.9	(11.8)%
Gross Margin (%)	83.22	82.75	47 bps
Cost of Doing Business (%)	64.73	61.95	278 bps
EBIT to Sales (%)	18.49	20.80	(231) bps

Trading Performance

Hotel sales for the half year were \$782 million, a decrease of 0.8% on the previous year with comparable sales decreasing by 1.4%. Excluding the impact of the additional Victorian gaming tax which came into effect in May 2014, sales increased 0.8% and comparable sales increased 0.1%. Trading in Victoria and Queensland, where the majority of hotel sites are located, remained subdued for much of the half.

Gross margin increased 47 bps on the prior half year, assisted by changes in sales mix as well as improvements in buying.

CODB as a percentage of sales increased 278 bps on the prior half year, impacted by additional rental expense (net of depreciation savings) following the sale and leaseback of 54 freehold Hotel sites in October 2014, costs associated with the acquisition of three new Hotels and the lower sales resulting from the Victorian gaming tax changes.

EBIT decreased 11.8% on the previous half year to \$144.6 million. Excluding the impact of the additional Victorian gaming tax and the additional net rental expense following the sale of the hotel sites, EBIT was in line with the prior year.

HOME IMPROVEMENT

\$ million	HY15 (27 weeks)	HY14 (27 weeks)	Change
Sales			
Masters	505	393	28.5%
Home Timber and Hardware	483	403	19.9%
Home Improvement	988	796	24.1%
EBIT			
Masters	(112.2)	(71.9)	56.1%
Home Timber and Hardware	9.0	7.5	20.0%
Home Improvement	(103.2)	(64.4)	60.2%

Trading Performance

Home Improvement sales for the half year were \$988 million, an increase of 24.1% on the previous year.

Masters sales for the half year were \$505 million, an increase of 28.5%. Masters stores have traded on average for 22 months at HY15.

While sales continue to be impacted by clearance activity as we commence implementation of the changes we outlined in August, the roll out of key initiatives such as improved store formats and range, and a refocused store roll out plan together with successful promotional activity have driven an increase in customer visits.

Home Timber and Hardware sales for the half year were \$483 million, an increase of 19.9% on the previous half year, driven by sales from recent store acquisitions as well as strong growth from a number of recently refurbished stores.

Matt Tyson and his team continue to lead Masters out of its start-up phase and we remain committed to making the Home Improvement business a material profit contributor for the Group.

OVERHEADS, CASH FLOW AND BALANCE SHEET

Central Overheads

Central Overheads were \$71.8 million for the half year (HY14: \$74.9 million), with underlying costs well controlled and broadly in line with the prior year.

Balance Sheet

Key balance sheet movements relative to the prior half year were as follows:

- **Closing inventory** increased 1.2%, driven by new store openings, in particular 27 Australian Supermarkets (net), 13 Masters and 11 Dan Murphy's (net) stores and increased global sourcing. This was partially offset by the inventory component of the General Merchandise transformation provision. Closing inventory decreased 0.4 days to 38.5 days. Average inventory increased 1.2 days or decreased 0.7 days after excluding Home Improvement and incremental global sourced inventory
- **Net investment in inventory** increased \$300.0 million, impacted by a lower HY15 trade payables balance, with Australian Food and Liquor inventory purchased and paid for earlier in December in anticipation of a stronger sales result and also given a focus on reducing inventory purchasing in General Merchandise and Home Improvement
- **Fixed assets and investments** increased \$202.8 million to \$10,193.8 million, reflecting ongoing property development and capital expenditure, with 163 new stores added to the network and 209 refurbishments undertaken since the prior half year
- **Intangible assets** increased \$151.6 million to \$6,432.0 million, primarily reflecting increased intangible assets in our New Zealand Supermarkets business attributable to the stronger New Zealand dollar and the acquisition of Summergate Fine Wines and Spirits, Hudson Building Supplies and Belmont Timber and Hardware
- **Net repayable debt** (which includes cash, borrowings, hedge assets and liabilities) decreased \$321.7 million to \$3,211.2 million, reflecting \$673.0 million of proceeds from the sale of property (primarily the sale of 54 freehold Hotel sites) offset by the higher net investment in inventory
- **Other financial liabilities** increased \$179.2 million to \$975.5 million, primarily reflecting an increase in the value of the Lowe's put option in our Home Improvement business to \$866.7 million
- **Shareholders' equity** increased \$1,055.4 million to \$10,883.2 million primarily reflecting profits generated by the Group offset by the payment of dividends
- **Return on Average Funds Employed (ROFE)** before significant items¹ was 14.5%, a decrease of 47 bps or an increase of 14 bps after excluding the investment in our Home Improvement business

Overheads, Cash Flow and Balance Sheet (continued)

Cash Flow

Free cash flow generated by the business (before the payment of dividends and movements in borrowings) was \$1,280.7 million after the acquisition of businesses and ongoing capital expenditure.

Cash flow from operating activities before interest and tax was \$2,278.4 million. The comparison to the prior half year is impacted by differences in the timing of creditor payments relative to the reporting date, a lower HY15 trade payables balance with Australian Food and Liquor inventory purchased and paid for earlier in December in anticipation of a stronger sales result and incremental investment in global sourced inventory. These factors are predominantly timing issues only.

Our **cash realisation ratio**⁵ before significant items¹ was 86% after adjusting for differences in the timing of creditor payments.

Net interest paid of \$171.4 million was in line with the prior half year.

Tax payments increased to \$598.8 million for the half year (HY14: \$564.8 million) driven by a higher tax instalment rate in FY15.

Cash used in investing activities was \$334.0 million, a decrease of \$742.2 million on the prior half year. During the period, cash proceeds of \$603.0 million were received from the sale of 54 freehold Hotel sites with a further \$70.0 million received from the sale of other property. Payments for the purchase of businesses were \$82.8 million, reflecting the acquisition of Summergate Fine Wines and Spirits, Hudson Building Supplies, Belmont Timber and Hardware and other Hotel acquisitions.

Expenditure on property development of \$341.8 million was higher than the prior half year (HY14: \$290.5 million) driven by increased property acquisition spend to support our future store network.

Expenditure on property, plant and equipment of \$557.7 million was higher than the prior half year (HY14: \$515.6 million) and included continued investment in new stores and refurbishments as well as investment in new merchandising systems, the replacement of our gaming systems in line with our commitment to introduce voluntary pre-commitment functionality, further enhancement of our online businesses and spend associated with the early stages of Mercury 2.

Cash contributions from Lowe's in relation to our Home Improvement business were \$120.0 million (HY14: \$60.0 million).

Proceeds from share issues of \$6.5 million were lower than the prior half year (HY14: \$33.7 million) as a result of fewer employee options exercised under long term incentive plans given the transition by the Group to the use of performance rights, which do not have an exercise price.

We have maintained our investment grade credit ratings by Standard & Poor's (A- since 2001) and Moody's (A3 since 2005)⁶. Our **fixed charges cover ratio**⁷ before significant items¹ of 3.1 times remains in line with HY14.

CAPITAL MANAGEMENT

Dividends

Payment of the October 2014 and April 2015 dividends will return \$1.8 billion and \$0.8 billion in franking credits to shareholders. Woolworths expects that after these events, there will be approximately \$2.1 billion of franking credits available for future distribution.

Debt Financing and Maturities

An A\$580 million revolving syndicated bank loan facility matured in October 2014. This was re-financed through a new A\$600 million syndicated bank loan facility which will mature in October 2019.

A US\$100 million (fully hedged at A\$127.1 million) tranche of the US\$500 million US Private Placement matures in April 2015. This will be repaid using surplus cash flow or undrawn committed bank loan facilities.

In December 2014, a total of A\$1.1 billion in committed bank loan facilities was terminated. These facilities were identified as surplus to Woolworths' funding requirements and as a result of early termination, Woolworths will benefit from savings in borrowing costs.

At the end of the half year, Woolworths had \$2.4 billion in undrawn bank loan facilities across the Group.

Property Sales Program

Woolworths is generally not a long term holder of property assets and will continue its strategy of divesting property assets as appropriate market opportunities arise as demonstrated through the sale and leaseback of 54 freehold Hotel sites during the half.

Defined Plans to Continue Space Roll Out

Space roll out is supported by detailed plans for the next 3 – 5 years identifying specific sites.

	HY15 Net Store Openings (incl. acquisitions)	Long Term Target (Net)
Australian Supermarkets	16	<ul style="list-style-type: none"> - 20 – 30 new full range supermarkets per annum - 34 planned for FY15 (including 8 small format stores)
New Zealand Supermarkets Countdown	3	<ul style="list-style-type: none"> - 3 – 5 new supermarkets per annum - 6 planned for FY15
Franchise Stores	1	<ul style="list-style-type: none"> - 2 planned for FY15
Dan Murphy's	6	<ul style="list-style-type: none"> - 10 – 15 new stores per annum - 11 planned for FY15
BWS (including attached)	18	<ul style="list-style-type: none"> - 6 – 10 new standalone stores per annum - 2 standalone and 19 attached stores planned for FY15
Summergeate	2	
Petrol	(124)	<ul style="list-style-type: none"> - Grow to support the Supermarket new store strategy - 14 planned for FY15 - HY15 net decline of 124 stores due to changes to the Woolworths-Caltex alliance²
General Merchandise		
BIG W	1	<ul style="list-style-type: none"> - 2 – 5 new BIG W stores per annum - 2 planned for FY15
EziBuy	1	
Hotels (ALH Group)	1	<ul style="list-style-type: none"> - Acquire as appropriate opportunities arise
Home Improvement		
Masters	2	<ul style="list-style-type: none"> - Plan to open approx 6-11 Masters stores per year for the next few years - 11 planned for FY15
Home Timber and Hardware (Retail)	16	<ul style="list-style-type: none"> - Acquire as appropriate opportunities arise

OUTLOOK

A strategic review of Australian Supermarkets performance confirmed the considerable opportunities for performance improvement, future growth and the need for continued disciplined investment in value for customers to maintain our market leadership and drive sales momentum.

While there is a clear path to meet the guidance provided of net profit after tax of 4-7% in FY15, we have decided to provide ourselves with additional flexibility to make the necessary investments to deliver on our long term plans and the associated shareholder value creation. These investments will impact second half FY15 results.

The investment in Australian Supermarkets will span all aspects of the customer offer and will be funded in part by a pipeline of cost savings in excess of \$500 million, which we are currently building. We will provide further details of our plans at the Investor Strategy Day which is being scheduled for May 6 in Sydney.

- Ends -

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Sales Summary – HY15 and Q2'15

Group Sales – Half Year

\$ million	HY15 (27 weeks)	HY14 (27 weeks)	Change
Australian Food and Liquor	22,200	21,477	3.4%
Petrol (dollars)*	3,306	3,665	(9.8)%
<i>Petrol (litres)*</i>	2,373	2,547	(6.8)%
Australian Food, Liquor and Petrol*	25,506	25,142	1.4%
New Zealand Supermarkets (AUD)	2,790	2,665	4.7%
<i>New Zealand Supermarkets (NZD)</i>	3,054	3,020	1.1%
General Merchandise	2,365	2,452	(3.5)%
Hotels	782	788	(0.8)%
Masters	505	393	28.5%
Home Timber and Hardware	483	403	19.9%
Home Improvement	988	796	24.1%
Group Sales	32,431	31,843	1.8%
Group Sales (excluding Petrol)	29,125	28,178	3.4%

Group Sales – Second Quarter

\$ million	Q2'15 (13 weeks)	Q2'14 (13 weeks)	Change
Australian Food and Liquor	11,185	10,876	2.8%
Petrol (dollars)*	1,461	1,734	(15.7)%
<i>Petrol (litres)*</i>	1,075	1,201	(10.5)%
Australian Food, Liquor and Petrol*	12,646	12,610	0.3%
New Zealand Supermarkets (AUD)	1,424	1,372	3.8%
<i>New Zealand Supermarkets (NZD)</i>	1,553	1,536	1.1%
General Merchandise	1,308	1,391	(6.0)%
Hotels	383	385	(0.5)%
Masters	267	211	26.5%
Home Timber and Hardware	249	194	28.4%
Home Improvement	516	405	27.4%
Group Sales	16,277	16,163	0.7%
Group Sales (excluding Petrol)	14,816	14,429	2.7%

* Petrol sales and litres are not comparable with the prior half year given changes to the Woolworths-Caltex alliance that became effective during Q2'15²

Group Profit and Loss for the 27 weeks ended 4 January 2015

\$ million	HY15 (27 weeks)	HY14 (27 weeks)	Change
Before Significant Items¹			
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	3,684.2	3,544.7	3.9%
Rent	(1,020.0)	(973.9)	4.7%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2,664.2	2,570.8	3.6%
Depreciation and amortisation	(535.0)	(522.8)	2.3%
Earnings before interest and tax (EBIT)	2,129.2	2,048.0	4.0%
Net financial expenses ⁱ	(143.9)	(140.7)	2.3%
Income tax expense	(597.5)	(572.9)	4.3%
Net profit after income tax	1,387.8	1,334.4	4.0%
Non-controlling interests	(3.7)	(12.7)	(70.9)%
Group net profit after income tax and non-controlling interests (before significant items¹)	1,384.1	1,321.7	4.7%
Significant Items¹ (after tax)			
General Merchandise transformation provision	(103.7)	-	n.c
Group net profit after tax, non controlling interests (after significant items¹)	1,280.4	1,321.7	(3.1)%
MARGINS - Before Significant Items¹			
Gross Profit (%)	27.24	27.04	20 bps
Cost of Doing Business (%)	20.67	20.61	6 bps
EBIT (%)	6.57	6.43	14 bps
EARNINGS PER SHARE (EPS) AND DIVIDENDS			
Weighted average ordinary shares on issue (million)	1,254.9	1,246.1	0.7%
Ordinary EPS (cents) – before significant items ¹	110.3	106.1	4.0%
Ordinary EPS (cents) – after significant items ¹	102.0	106.1	(3.9)%
Diluted EPS (cents) – before significant items ¹	110.0	105.6	4.2%
Diluted EPS (cents) – after significant items ¹	101.8	105.6	(3.6)%
Interim dividend per share (cents) ⁱⁱ	67	65	3.1%
Footnote i: Net financial expenses			
Interest expense	(174.2)	(179.0)	(2.7)%
Less interest capitalised	27.4	40.0	(31.5)%
Net interest expense	(146.8)	(139.0)	5.6%
Dividend income	3.1	2.9	6.9%
Foreign exchange loss	(0.2)	(4.6)	(95.7)%
Net financial expenses	(143.9)	(140.7)	2.3%

ⁱⁱ Interim 2015 dividend payable on 24 April 2015 will be fully franked at 30%

Group Balance Sheet as at 4 January 2015

\$ million	HY15 4 Jan 2015	HY14 5 Jan 2014	Change HY15/HY14	FY14 29 Jun 2014
Inventory	4,835.2	4,779.8	1.2%	4,693.2
Trade Payables ⁱ	(4,448.8)	(4,693.4)	(5.2)%	(4,588.4)
Net Investment in Inventory	386.4	86.4	347.2%	104.8
Receivables	1,059.0	874.1	21.2%	965.2
Other Creditors	(3,251.0)	(3,191.2)	1.9%	(3,184.9)
Working Capital	(1,805.6)	(2,230.7)	(19.1)%	(2,114.9)
Fixed Assets and Investments	10,193.8	9,991.0	2.0%	10,394.5
Intangible Assets	6,432.0	6,280.4	2.4%	6,335.0
Total Funds Employed	14,820.2	14,040.7	5.6%	14,614.6
Net Tax Balances	552.7	386.6	43.0%	522.9
Net Assets Employed	15,372.9	14,427.3	6.6%	15,137.5
Net Repayable Debt	(3,211.2)	(3,532.9)	(9.1)%	(3,731.6)
Other Financial Liabilities ⁱⁱ	(975.5)	(796.3)	22.5%	(880.5)
Total Net Assets	11,186.2	10,098.1	10.8%	10,525.4
Non-controlling Interests	303.0	270.3	12.1%	272.9
Shareholders' Equity	10,883.2	9,827.8	10.7%	10,252.5
Total Equity	11,186.2	10,098.1	10.8%	10,525.4
KEY RATIOS				
Closing Inventory Days (based on COGS)	38.5	38.9	(0.4) days	38.6
Closing Creditor Days (based on sales) ⁱ	44.9	46.8	(1.9) days	46.6
Return on Average Funds Employed (ROFE) (before significant items ¹) ⁱⁱⁱ	14.5%	14.9%	(47) bps	27.0%

ⁱ HY15 trade payables were impacted by differences in the phasing of purchases in anticipation of a stronger sales result

ⁱⁱ Other financial liabilities primarily represent put options held by non-controlling interests and the Hotels gaming entitlement liability resulting from the FY13 changes to the Victorian gaming regulations

ⁱⁱⁱ ROFE (before significant items¹) increased 14 bps excluding the investment in our Home Improvement business

Group Cash Flow for the 27 weeks ended 4 January 2015

\$ million	HY15 (27 weeks)	HY14 (27 weeks)	Change
EBITDA before Significant Items¹	2,664.2	2,570.8	3.6%
Significant items ¹ – General Merchandise transformation provision	(148.2)	-	
EBITDA – Total	2,516.0	2,570.8	(2.1)%
Net increase in inventory	(225.1)	(511.2)	
Net (decrease)/increase in accounts payable	(220.8)	669.0	
Net change in other working capital and non-cash ⁱ	208.3	51.9	
Cash from Operating Activities before interest and tax	2,278.4	2,780.5	(18.1)%
Net interest paid (including cost of Woolworths Notes)	(171.4)	(172.0)	
Tax paid	(598.8)	(564.8)	
Total cash provided by Operating Activities	1,508.2	2,043.7	(26.2)%
Proceeds from the sale of property, plant and equipment	673.0	49.3	
Proceeds from the sale of businesses	-	36.0	
Payments for the purchase of businesses	(82.8)	(337.7)	
Payments for property, plant and equipment – property development	(341.8)	(290.5)	
Payments for property, plant and equipment – other	(557.7)	(515.6)	
Payments for intangible assets	(25.3)	(20.6)	
Payments for the purchase of investments and contingent consideration	(2.5)	-	
Dividends received	3.1	2.9	
Total cash used in Investing Activities	(334.0)	(1,076.2)	(69.0)%
Lowes's cash contributions (Home Improvement)	120.0	60.0	
Transactions with non-controlling interests	(13.5)	-	
Free Cash Flow before equity related financing activities	1,280.7	1,027.5	
Proceeds from share issues	6.5	33.7	
Dividends paid (including to non-controlling interests)	(797.6)	(792.5)	
Free Cash Flow after equity related financing activities	489.6	268.7	

ⁱ Non-cash movements include the General Merchandise transformation provision¹ recognised at HY15

Appendix One: ASIC Regulatory Guide 230 Disclosing non-IFRS financial information

In December 2011 ASIC issued Regulatory Guide 230. To comply with this Guide, Woolworths is required to make a clear statement about the non-IFRS information included in the Half Year Profit and Dividend Announcement ('Profit Announcement') for the 27 weeks ended 4 January 2015.

In addition to statutory reported amounts, the following non-IFRS measures are used by management and the directors as the primary measures of assessing the financial performance of the Group and individual segments.

Non-IFRS measures used in describing the business performance include:

- Earnings before interest and tax (EBIT)
- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)
- Fixed charges cover ratio
- Cost of doing business
- Comparable sales

Non-IFRS measures used in describing the balance sheet and cash flow statement include:

- Funds employed
- Cash flow from operating activities before interest and tax
- Free cash flow
- Free cash flow before equity related financing activities
- Free cash flow after equity related financing activities
- Cash realisation ratio

The above non-IFRS measures may also be referred to before significant items¹.

The Directors consider that these performance measures are appropriate for their purposes and present meaningful information on the underlying drivers of the business.

Many of the measures used are common practice in the industry within which Woolworths operates.

The Profit Announcement has not been audited in accordance with Australian Auditing Standards.

Appendix One: ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (continued)

The following table provides a reconciliation of EBIT, NPAT and EPS before significant items¹ to the statutory statement of profit and loss.

\$ million	HY15 (27 weeks)	HY14 (27 weeks)	Change
EBIT			
EBIT – before significant items¹	2,129.2	2,048.0	4.0%
<i>Other items included in statutory EBIT:</i>			
General Merchandise transformation provision (before tax) ¹	(148.2)	-	
Statutory EBIT	1,981.0	2,048.0	(3.3)%
NPAT			
Profit after income tax and non-controlling interests – before significant items¹	1,384.1	1,321.7	4.7%
<i>Other items included in statutory NPAT:</i>			
General Merchandise transformation provision (after tax) ¹	(103.7)	-	
Statutory profit attributable to equity holders of the parent entity	1,280.4	1,321.7	(3.1)%
Ordinary EPS			
Profit after income tax and non-controlling interests – before significant items¹ (as above)	1,384.1	1,321.7	4.7%
<i>Weighted average ordinary shares on issue</i>	<i>1,254.9</i>	<i>1,246.1</i>	
Ordinary EPS (cents) – before significant items¹	110.3	106.1	4.0%
Statutory profit attributable to equity holders of the parent entity (as above)	1,280.4	1,321.7	(3.1)%
<i>Weighted average ordinary shares on issue</i>	<i>1,254.9</i>	<i>1,246.1</i>	
Ordinary EPS (cents)	102.0	106.1	(3.9)%
Diluted EPS			
Profit after income tax and non-controlling interests – before significant items¹ (as above)	1,384.1	1,321.7	4.7%
<i>Weighted average ordinary shares on issue</i>	<i>1,257.9</i>	<i>1,251.1</i>	
Diluted EPS (cents) – before significant items¹	110.0	105.6	4.2%
Statutory profit attributable to equity holders of the parent entity (as above)	1,280.4	1,321.7	(3.1)%
<i>Weighted average ordinary shares on issue</i>	<i>1,257.9</i>	<i>1,251.1</i>	
Diluted EPS (cents)	101.8	105.6	(3.6)%

Appendix Two: Quarterly Sales Summary

Total Sales Growth %

	Q1'15	Q2'15	HY15
Australian Food and Liquor	3.9	2.8	3.4
Petrol (dollars)*	(4.5)	(15.7)	(9.8)
<i>Petrol (litres)*</i>	(3.6)	(10.5)	(6.8)
Australian Food, Liquor and Petrol*	2.6	0.3	1.4
NZ Supermarkets (AUD)	5.6	3.8	4.7
<i>NZ Supermarkets (NZD)</i>	1.1	1.1	1.1
General Merchandise	(0.4)	(6.0)	(3.5)
Hotels	(1.0)	(0.5)	(0.8)
Home Improvement	20.7	27.4	24.1
Total Group	3.0	0.7	1.8
Total Group (excluding Petrol)	4.1	2.7	3.4

* Petrol sales and litres are not comparable with the prior half year given changes to the Woolworths-Caltex alliance that became effective during the second quarter²

Comparable Sales Growth (%)

	Q1'15	Q2'15	HY15
Australian Food and Liquor	2.1	1.2	1.7
Petrol (dollars)	(6.1)	(7.3)	(6.6)
<i>Petrol (litres)</i>	(5.2)	(1.1)	(3.4)
NZ Supermarkets (NZD)	(0.1)	(0.5)	(0.3)
General Merchandise	(4.1)	(6.5)	(5.4)
Hotels	(1.7)	(1.1)	(1.4)

Appendix Three: Five Year Store and Trading Area Analysis

Half Year Ended 4 January 2015 STORES (number)	2015 HALF YEAR	2014 FULL YEAR	2013 FULL YEAR	2012 FULL YEAR	2011 FULL YEAR
NSW & ACT	289	282	271	262	255
QLD	227	222	209	203	194
VIC	229	226	221	214	203
SA & NT	80	81	78	78	76
WA	91	88	88	85	83
TAS	31	32	30	30	29
Supermarkets in Australia ⁱ	947	931	897	872	840
New Zealand Supermarkets ⁱⁱ	174	171	166	161	156
Total Supermarkets	1,121	1,102	1,063	1,033	996
Thomas Dux	10	11	11	11	11
Freestanding Liquor (incl. Dan Murphy's)	356	349	339	329	305
Attached Liquor ⁱⁱⁱ	521	509	490	477	457
ALH Retail Liquor Outlets	549	544	526	507	488
Summergate	2	-	-	-	-
Caltex/WOW Petrol	-	131	131	132	132
Woolworths Petrol – Australia	509	502	482	467	449
Total Food, Liquor and Petrol	3,068	3,148	3,042	2,956	2,838
BIG W	183	182	178	172	165
Dick Smith	-	-	-	-	390
Tandy	-	-	-	-	4
EziBuy	5	4	-	-	-
Total General Merchandise Division	188	186	178	172	559
Hotels (includes clubs)	330	329	326	294	282
Home Timber and Hardware (Retail)	44	28	26	21	19
Masters	51	49	31	15	-
Total Continuing Operations	3,681	3,740	3,603	3,458	3,698
Discontinued Operations (Dick Smith and Tandy)	-	-	-	348	-
Total Group	3,681	3,740	3,603	3,806	3,698
Wholesale customer stores					
Dick Smith	-	-	-	-	3
Progressive	60	59	55	54	51
Croma (Consumer Electronics India)	-	-	-	77	64
Home Timber and Hardware (Wholesale)	459	475	490	518	543
Statewide Independent Wholesale	220	220	220	220	220
Total wholesale customer stores	739	754	765	869	881
Trading Area (sqm)					
Supermarkets Division – Australia ^{iv}	2,574,357	2,522,981	2,413,527	2,318,756	2,202,620
Supermarkets Division – New Zealand ^v	393,835	386,818	372,373	351,744	333,274
General Merchandise Division ^{vi}	1,049,724	1,042,927	1,016,086	1,107,732	1,086,082

Store Movements July 14 – January 15

	ⁱ Australian Supermarkets	ⁱⁱ New Zealand Supermarkets
New Stores – incremental	20	5
Closures – permanent	(4)	(2)
Net New Stores	16	3

ⁱⁱⁱ Attached liquor stores were previously not reported separately

^{iv} Excludes Langton's, Cellarmasters, Petrol, Wholesale and ALH Group Retail (BWS). From HY15, also excludes Attached Liquor.

^v Excludes Gull and franchise stores

^{vi} Includes BIG W, EziBuy, Dick Smith and Tandy in the periods these businesses were owned by Woolworths

Appendix Four: New Stores and Refurbishments

Half Year

	Gross New Stores (incl acquisitions)	Net New Stores (incl acquisitions)	Refurbishments
Australian Supermarkets	20	16	33
Thomas Dux	-	(1)	-
Liquor (including attached)	39	26	55
New Zealand Supermarkets	5	3	3
Petrol *	7	(124)	25
BIG W	1	1	1
EziBuy	1	1	-
Hotels	3	1	17
Masters	2	2	-
Home Timber and Hardware (Retail)	18	16	-
Total	96	(59)	134

Second Quarter

	Gross New Stores (incl acquisitions)	Net New Stores (incl acquisitions)	Refurbishments
Australian Supermarkets	10	7	20
Thomas Dux	-	-	-
Liquor (including attached)	20	17	27
New Zealand Supermarkets	3	3	2
Petrol *	-	(130)	8
BIG W	-	-	1
EziBuy	-	-	-
Hotels	2	2	11
Masters	2	2	-
Home Timber and Hardware (Retail)	-	-	-
Total	37	(99)	69

* Decline in Petrol sites due to changes to the Woolworths-Caltex alliance²

Endnotes

n.c Not comparable

¹ At HY15, a provision of \$148.2 million before tax (\$103.7 million after tax) was raised for costs associated with the transformation of the General Merchandise business. The provision largely represents costs associated with the accelerated clearance of inventory in BIG W and has been treated as a significant item.

There were no significant items in HY14.

Where noted, profit and loss items have been adjusted to reflect this significant item.

² Petrol sales and volumes are not comparable with the prior half year 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.

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.

Between January and June 2015, up to an additional 12 Caltex-operated 'Star Mart' or 'Star Shop' sites will begin to offer Woolworths fuel discount redemptions. Once fully implemented by the end of the 2015 financial year, 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.

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.

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

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.

⁵ Operating cash flow as a percentage of Group net profit after tax before depreciation and amortisation.

⁶ The credit ratings referred to in this document have been issued by a credit rating agency which holds an Australian Financial Services Licence with an authorisation to issue credit ratings to wholesale clients only. The credit ratings in this document are published for the benefit of Woolworths' debt providers.

⁷ Group earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) divided by rent and interest costs. Rent and interest costs include capitalised interest but exclude foreign exchange gains / losses and dividend income.