WOOLWORTHS LIMITED

26 February 2016

HALF YEAR PROFIT/(LOSS) AND DIVIDEND ANNOUNCEMENT FOR THE 27 WEEKS ENDED 3 JANUARY 2016

Rebuilding the business

- **New Group CEO appointed**
- **HY16 NPAT before Significant Items[1] within guidance**
- **Progress in multi-year journey in Australian Supermarkets**
- **Decision taken on Home Improvement and BIG W CEO in place**
- **Board renewal well progressed**

Net Profit After Tax attributable to shareholders of Woolworths Before Significant Items[1], down 33.1%

Net Loss After Tax attributable to shareholders of Woolworths, down 176.0%

FY16 Half Year Key Financial Highlights

Before Significant Items[1]

- **Sales** of $32.0 billion, down 1.4% or up 1.2% excluding Petrol[2]
- **Earnings Before Interest and Tax** of $1,456.6 million, down 31.6%
- **Net Profit After Tax attributable to shareholders of Woolworths** of $925.8 million, down 33.1%
- **Earnings Per Share** of 73.4 cents, down 33.5%
- **Fully franked HY16 dividends** of 44 Cents Per Share, down 34.3%

After Significant Items[1]

- **Net Loss After Tax attributable to shareholders of Woolworths** of $972.7 million, down 176.0%

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.

Media Release

Woolworths Limited (Woolworths) today reported net profit after tax (NPAT) attributable to shareholders of Woolworths of $925.8 million before significant items[1] for HY16 which was within the guidance range provided at the Q1'16 sales update in October.

Chairman, Gordon Cairns, said: "We are rebuilding the Woolworths business. While we have made progress, it will be a three to five year journey and there is much to do.

"When I joined the Board as Chairman in September last year I said the most pressing issue was to appoint a new CEO. We have today announced the appointment of Brad Banducci as CEO and Managing Director of Woolworths Limited.

"The Board undertook a rigorous international search process to find the best person to rebuild Woolworths and return it to sustainable growth. Brad has had 25 years in retail, including 15 years consulting to some of the world's leading retailers. He has successful private equity experience with Cellarmasters. Brad has been at Woolworths for five years during which time he led Dan Murphy's to become one of Australia's great retailers. For the last 12 months he has been leading the turnaround of our Supermarkets business.

"Grant O'Brien leaves Woolworths today and the Board thanks him for his service and wishes him the best for the future.

"At the AGM I outlined clear business priorities to rebuild Woolworths, with a particular focus on our Supermarkets business to ensure we are competing vigorously. This is underway with significant investment in improving the customer experience.

"Our second priority is to optimise our portfolio. The decision to exit Home Improvement will allow Woolworths to focus its energy and resources on strengthening and executing its plans in its core businesses. Sally Macdonald's appointment will allow Woolworths to benefit from the potential upside we see in BIG W.

"The third priority is leadership. We have announced a new CEO for the Group and for BIG W.

"The fourth priority was board renewal. We recently welcomed two new Independent Directors. Holly Kramer's background in retail and Siobhan McKenna's private equity and media expertise complement and strengthen the Board's existing skills.

"The final priority is to embrace a listening culture. This transformation is fundamental and will ensure that the strategies and programs we implement will enhance value for our shareholders.

"An additional priority to those identified at the AGM is disciplined capital management. The Board is committed to a solid investment grade credit rating. We need to prioritise from growth capex to stay-in-business capex as we seek to accelerate the renewal of our store network. To provide some funding flexibility we have introduced a 1.5% discount on the Dividend Reinvestment Plan. Finally, given the importance of dividends to many of our shareholders we have decided to maintain our 70% payout ratio.

"There is a lot of hard work ahead of us but we are very clear on our priorities and are confident we have the leadership team to get us there," Mr Cairns said.

Woolworths CEO, Brad Banducci, said: "Woolworths is going through a period of significant change. This result reflects the impact of those changes, most notably the considerable investment in price, service and customer experience across Australian Supermarkets. The reported earnings result is also heavily impacted by the decision taken to exit the Home Improvement business and the subsequent provision for the impairment of assets, lease liabilities and other exit costs.

"Australian Food, Liquor and Petrol reported a decrease in earnings before interest and tax of 31.7% on the prior year reflecting subdued sales growth driven primarily by deflation from significant investment in better prices for our customers. Sales momentum improved slightly during Q2'16 with December our best trading month of the half. Importantly, we delivered a materially improved Christmas for our customers on last year. However, trading remains volatile and there remains a lot more to do.

"Liquor continued to perform strongly and gain market share with all formats (Dan Murphy's, BWS and Online) delivering an improved sales performance. Monthly sales in our retail liquor businesses exceeded $1 billion for the first time in December.

"Countdown Supermarkets delivered EBIT in New Zealand Dollars slightly above the prior year in a competitive market driven by a strong focus on costs.

"General Merchandise delivered an improved sales result during the second quarter with comparable sales growth of -1.7%. However, comparable sales for the half were still negative resulting in a lower profit than the prior year.

"Hotels delivered an improved sales performance during the half. Earnings were impacted by non-comparable costs on the prior year disposal of 54 freehold properties. Excluding these items, EBIT was up marginally on the prior year.

"Today Woolworths announced a provision for the impairment of assets, lease liabilities and other exit costs reflecting its announcement on 18 January that we intend to exit Home Improvement. The valuation process of Lowe's shareholding is underway and will be determined by an independent expert process unless a negotiated outcome can be reached. The sale process of Masters and Home Timber and Hardware has commenced and is expected to continue into FY17.

"Looking forward, we expect trading conditions to remain competitive as we continue on the journey of rebuilding Woolworths," Mr Banducci said.

"The Board has announced an interim dividend of 44 cents per share, a 34.3% decrease on the prior half year but in line with the historical payout ratio," Mr Cairns said.

PROGRESS AGAINST BUSINESS UNIT PLANS

1. Woolworths Food Group

Australian Supermarkets

- ***Invested over $350 million in price since H1'15 to lower prices for our customers*** with average price deflation of 2.1% in H1'16
- ***Improved customer service through investing in team hours with ~100,000 hours added per week*** in H1'16 compared to H1'15 as we employed a record number of team members ahead of our key Christmas trading period
- ***Improved the quality of our fruit and vegetable offer*** through merchandising and freshness leading to growth in both comparable store transactions and items in the second quarter
- **Improved our customers' in-store experience** investing in customer service, upgrading our trolley fleet, improving store signage and ease of access to our stores
- ***Completed 42 Supermarket refurbishments during the half*** including landing our first new format store. The second half of FY16 will be focused on transitioning away from our traditional store refurbishment program to a scalable store renewal program by iterating and tailoring the new format
- ***Began repositioning the Woolworths brand*** with the launch of 'Low Price Always' and the relaunch of our Woolworths Rewards program
- ***Started to improve the value proposition of our own and exclusive brands*** through a combination of price investment, product redesign and brand refreshes

Countdown New Zealand

- ***Continued to lower prices for our customers*** by substantially increasing the number of products on Price Lockdown and Price Drop
- ***Expanded the Countdown network*** with six (net) new stores and two refurbishments completed in H1'16
- ***Retained our position as New Zealand's leading online grocery retailer*** with another double digit sales increase

Petrol and Convenience

- ***Invested in forecourt improvements*** in 96 sites, bringing the number of sites completed to date to 422
- ***Reduced the prices of core merchandise lines*** as we introduced 'Low Prices Always' across key value lines including gas, water and ice
- ***Rolled-out the Metro brand*** across our urban food store network and continued to refine the format, with recent changes delivering strong comparable store sales growth

2. Woolworths Liquor Group

- ***Continued growth and market share gains in a highly competitive market*** with Liquor sales of $4.4 billion, an increase of 4.9% on the prior year
- ***Strong growth in our retail formats*** with Dan Murphy's (Destination) and BWS (Convenience) enjoying strong trading
- ***Richer engagement with our customers through MyDanMurphy's loyalty program*** now with over 1.3 million members and growing
- ***Dan Murphy's retained its position as Australia's leading online business*** being recognised as the 'Multi-Channel Retailer of the Year' in 2015 by the Online Retailer Association

3. General Merchandise

- ***Sally Macdonald commenced in mid-January as new CEO of BIG W*** with strong retail and local turnaround experience
- ***Improving sales trend through Q2'16*** with December the strongest trading month of the period driven by an improvement in availability and clearance of unproductive inventory ahead of schedule
- ***Retained our position as Australia's leading bricks and mortar book and toy seller*** with strong positive comparable sales growth in both categories in Q2'16

4. Hotels

- ***Rollout of voluntary pre-commitment functionality was completed in key trading states*** supporting our commitment to be Australia's most responsible gaming operator
- ***Refurbished 17 key venues*** during the half delivering a strong improvement in sales
- ***A focus on improving bar sales*** has delivered a return to growth underpinned by the recent investment in refurbishments as well as stronger and more targeted entertainment, sports, sponsorships and events

BUSINESS PERFORMANCE

(Loss)/Earnings Before Interest and Tax (LBIT/EBIT)

$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
Before Significant Items[1]			
Australian Food, Liquor and Petrol	1,294.7	1,895.6	(31.7)%
New Zealand Supermarkets	151.3	154.3	(1.9)%
New Zealand Supermarkets (NZD)	*170.6*	*169.1*	*0.9%*
General Merchandise	67.3	109.7	(38.7)%
Hotels	135.1	144.6	(6.6)%
Central Overheads	(66.8)	(71.8)	(7.0)%
Group EBIT excluding Home Improvement (before Significant Items[1])	**1,581.6**	**2,232.4**	**(29.2)%**
Home Improvement	(125.0)	(103.2)	21.1%
Group EBIT (before Significant Items[1])	**1,456.6**	**2,129.2**	**(31.6)%**
Significant Items[1] (before tax)*	(3,249.5)	(148.2)	n.c
Group (LBIT)/EBIT (after Significant Items[1])	**(1,792.9)**	**1,981.0**	**(190.5)%**

Net (Loss)/Profit After Tax Attributable to Shareholders of Woolworths

$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
Group EBIT (before Significant Items[1])	**1,456.6**	**2,129.2**	**(31.6)%**
Net financing costs	(133.6)	(143.9)	(7.2)%
Tax expense	(396.9)	(597.5)	(33.6)%
Non-controlling interests	(0.3)	(3.7)	(91.9)%
Group net profit after income tax attributable to shareholders of Woolworths (before Significant Items[1])	**925.8**	**1,384.1**	**(33.1)%**
Significant Items[1] (after tax and non-controlling interests)*	(1,898.5)	(103.7)	n.c
Group net (loss)/profit after income tax attributable to shareholders of Woolworths (after Significant Items[1])	**(972.7)**	**1,280.4**	**(176.0)%**

**Refer to Appendix Two for further detail on significant items[1] recognised in HY16*

GROUP INCOME STATEMENT PERFORMANCE*

Sales were $32.0 billion, a decrease of 1.4% driven by a lower trading result in Australian Food and General Merchandise as well as the impact of cycling the exit from 131 Woolworths-Caltex operated sites[2]. Excluding Petrol, sales increased 1.2% on the prior half year. Details of HY16 sales by quarter are provided in Appendix Three.

Gross profit (before significant items[1]) as a percentage of sales decreased 31 bps on the prior year to 26.9% driven primarily by the significant price investment in Australian Supermarkets over the half offset somewhat by the change in sales mix from Petrol to our higher margin businesses.

Cost of doing business (CODB) (before significant items[1]) as a percentage of sales increased 171 bps on the prior half year to 22.4% due to subdued sales growth, primarily in Australian Supermarkets, limiting the ability to fractionalise costs as well as the incremental investment in store labour. This was partially offset by cost savings primarily generated through improved efficiency across non-trade procurement and support functions.

Earnings before interest and tax (before significant items[1]) decreased 31.6% on the prior half year to $1,456.6 million.

Net financing costs decreased 7.2% on the prior half year, primarily driven by interest savings on lower debt.

Net profit after tax attributable to shareholders of Woolworths (before significant items[1]) decreased 33.1% on the prior half year to $925.8 million, with corresponding earnings per share (EPS) (before significant items[1]) down 33.5% to 73.4 cents.

On a statutory basis, after reflecting the impact of significant items[1], Net Loss After Tax decreased 176.0% to $972.7 million with corresponding EPS down 175.6% to -77.1 cents.

All **Significant items[1]** in HY16 relate to the provision for impairment of assets and store and other exit costs of the Home Improvement business. Refer to Appendix Two for further detail.

AUSTRALIAN FOOD, LIQUOR AND PETROL

	HY16 (27 weeks)	HY15 (27 weeks)	Change
Sales			
Food and Liquor ($ million)	22,347	22,200	0.7%
Petrol ($ million)	2,519	3,306	(23.8)%
Food, Liquor and Petrol ($ million)	**24,866**	**25,506**	**(2.5)%**
EBIT			
Food, Liquor and Petrol ($ million)	**1,294.7**	**1,895.6**	**(31.7)%**
Funds Employed[3] ($ million)	3,538.4	3,851.0	(8.1)%
Gross Margin (%)	24.91	25.46	(55) bps
Cost of Doing Business (%)	19.70	18.03	167 bps
EBIT to Sales (%)	5.21	7.43	(222) bps
Return on Average Funds Employed[3] (%)	35.96	50.99	(1,503) bps

Trading Performance

Australian Food and Liquor sales for the half year were $22.3 billion, an increase of 0.7% on the previous half. Significant price investment led to a comparable sales decline of 0.8% in HY16. Sales momentum improved over the half, with December delivering the strongest rate of growth.

We returned to positive comparable transaction growth of 0.5% during Q2'16, however, we are not yet seeing an improvement in items per basket. Fruit and Vegetables delivered both positive comparable transaction and item growth in the second quarter.

Customers are telling us that their shopping experience is improving with our Voice of the Customer (VOC) shopping measure improving from 72% in April to 75% in December with the half year peak in our VOC in the week leading up to Christmas. VOC provides the business with real-time customer feedback at a store level across seven areas that we believe matter the most to our customers. The area with the biggest improvement was service speed up 11 points since December 2014 to 71%. On shelf availability, while improving, remains the biggest opportunity. Team attitude continues to be our highest score at 84%.

We experienced a reduction in average prices[4] of 2.1% in HY16 (Q2'16: down 2.5%, Q1'16: down 1.8%) as we continued to lower prices for our Australian Supermarkets' customers with over $350 million invested in price since H1'15 (incremental price investment over the half of $150 million) and finished the year at better than parity to our major competitor across more than 17,000 products we check at least weekly.

By category, groceries, bakery and fruit and vegetables experienced the biggest reductions in price. Red meat and tobacco experienced the biggest increases on the back of dramatically higher beef and lamb livestock costs and tobacco excise increases.

Despite a stronger December, comparable Food and Liquor sales for the seven week period ended 21 February declined 0.9%, highlighting the ongoing volatility in sales.

Liquor continued to perform well across Dan Murphy's (Destination), BWS (Convenience) and The Wine Quarter (Direct & Digital) despite aggressive competitor pricing activity. By category, Spirits was the standout. Total Liquor sales for the year (including ALH Group on premise liquor sales) of $4.4 billion represent an increase of 4.9% on the previous half year.

Australian Food, Liquor and Petrol (continued)

Petrol sales were $2.5 billion, a decrease of 23.8% on the previous half year (volumes decreased by 15.6%). Sales were impacted by changes to the Woolworths – Caltex alliance[2] where sales from 131 Caltex operated sites are no longer recognised by Woolworths, and declining average fuel sell prices (unleaded HY16: 127.4 cpl; HY15: 142.0 cpl). We cycled the changes to the Woolworths – Caltex alliance[2] in December.

Comparable petrol sales (dollars) decreased 11.7% for the half year due to the impacts of declining global oil prices and a decline in comparable volumes of 2.0%.

Growth in non-fuel categories continued with total merchandise sales for the half year increasing 8.5% and comparable merchandise sales increasing 5.7%.

Australian Food, Liquor and Petrol (FLP) gross margin decreased 55 bps due to price investment offset somewhat by lower Petrol sales which drove a change in sales mix to the higher margin Food and Liquor businesses. The impact of the price investment was even more pronounced in our Australian Food and Liquor business where gross margin declined by 162 bps.

FLP CODB as a percentage of sales increased 167 bps on the prior year driven by lower sales (including the impact of the changes to the Caltex-Woolworths alliance[2]) and investment in store labour to improve the customer experience. This was partly offset by cost savings generated through improved efficiency across store operations and support functions.

FLP EBIT of $1,294.7 million decreased 31.7% on the previous half year, with the EBIT margin decreasing 222 bps.

Woolworths Food Group Managing Director, Brad Banducci said: "Our investment across all aspects of the customer experience during the half resulted in increased customer numbers, improved Voice of the Customer shopping scores and comparable store transaction growth. While our investment has resulted in lower profit, it has improved our competitive position as we put our customers 1st and continue the work to reset Australian Supermarkets for sustainable profit growth.

"In May last year we outlined our Customer 1st Strategy. Since then we have been delivering on our commitment to lower prices and deliver a better shopping experience for our customers. We are doing this through investment in price, more team hours in store and shopping experience improvements such as new shopping trolleys, improved signage and ease of access into our stores. We also made progress in improving the quality of our fruit and vegetable offer and repositioning the Woolworths brand through the launch of 'Low Prices Always' and relaunch of Woolworths Rewards.

"However, trading remains competitive and there is much to do. The implementation of our new retail merchandising system has proven challenging and our underlying IT infrastructure and core business processes are a key focus for the second half," Mr Banducci said

NEW ZEALAND SUPERMARKETS

$NZD	HY16 (27 weeks)	HY15 (27 weeks)	Change[5]
Sales ($ million)	3,176	3,054	4.0%
EBIT ($ million)	170.6	169.1	0.9%
Funds Employed ($ million)	3,179.9	3,173.9	0.2%
Gross Margin (%)	23.51	23.19	32 bps
Cost of Doing Business (%)	18.14	17.65	49 bps
EBIT to Sales (%)	5.37	5.54	(17) bps
Return on Average Funds Employed (%)	5.45	5.43	2 bps

Trading Performance

New Zealand Supermarkets' sales for the half year were NZ$3.2 billion, an increase of 4.0%[5] on the previous half year (3.8% increase in AUD). H1'16 sales were assisted by the bulk sales of gift cards and excluding the sales of these cards, sales growth was 2.8%. Comparable sales increased 2.0%[5] as customers reacted positively to our lower prices despite cycling a strong promotional period in the prior year.

The Countdown Supermarkets food price index showed inflation of 0.2% driven by seasonal fruit and vegetables (Q2'16: deflation of 0.2%; Q1'16: inflation of 0.5%). We exceeded our targets for the number of lines on our Price Lockdown and Price Drop programs with 750 products now on the price down programs. Comparable customer numbers and basket size has continued to grow over the last six months.

Gross margin increased 32 bps[5] on the previous half year driven by better buying largely in Grocery due to the benefit of our price down programs, somewhat offset by the reinvestment in price.

CODB as a percentage of sales increased 49 bps[5] on the previous half year largely due to the impact of higher employee incentive provisions compared to HY15. Cost control remained strong.

EBIT increased 0.9%[5] on the previous half year to NZ$170.6 million.

ROFE was 2 bps[5] higher than the prior half year.

GENERAL MERCHANDISE*

	HY16 (27 weeks)	HY15 (27 weeks)	Change
***Before Significant Items*[1]**			
Sales ($ million)	2,272	2,365	(3.9)%
EBIT ($ million)	67.3	109.7	(38.7)%
Funds Employed ($ million)	1,015.5	968.8	4.8%
Gross Margin (%)	33.72	33.84	(12) bps
Cost of Doing Business (%)	30.76	29.20	156 bps
EBIT to Sales (%)	2.96	4.64	(168) bps
Return on Average Funds Employed (%)	6.44	9.98	(354) bps

Trading Performance

Sales for the half year were $2.3 billion, a decrease of 3.9% on the previous half year with comparable sales decreasing 4.5%. The sales performance improved over the second quarter with December comparable sales broadly flat.

The improving sales trend was driven by an improvement in availability and a strong performance in key destination categories like Toys and Apparel. In Toys, sales were boosted by Star Wars merchandise as well as Lego and strong promotional activity on bikes. Childrenswear and Menswear were the strongest performers in apparel in the second quarter. Entertainment continued to be challenging due to significantly lower tablet sales and an ongoing decline in DVDs offset somewhat by a strong performance in gaming.

The 12 bps gross margin decline reflects mix, price investment in certain categories like Toys to drive sales growth offset by lower markdowns in Apparel.

CODB as a percentage of sales increased 156 bps on the prior year, driven by a disappointing trading result limiting the ability to fractionalise costs and increased rental, labour and depreciation on new stores. Excluding the impact of three new store openings since the prior half and the continued rollout of Party stores into our existing stores which have a higher service model, dollar CODB was largely stable.

We completed the clearance of unproductive inventory in the half ahead of initial expectations.

EBIT of $67.3 million decreased 38.7% on the previous half year.

ROFE decreased 354 bps impacted by lower EBIT, new store openings and higher inventory.

**Unless otherwise stated, growth percentages represent continuing operations before significant items*[1]

HOTELS

	HY16 (27 weeks)	HY15 (27 weeks)	Change
Sales ($ million)	802	782	2.6%
EBIT ($ million)	135.1	144.6	(6.6)%
Gross Margin (%)	83.21	83.22	(1) bps
Cost of Doing Business (%)	66.37	64.73	164 bps
EBIT to Sales (%)	16.84	18.49	(165) bps

Trading Performance

Sales for the half year were $802 million, an increase of 2.6% on the previous half year with comparable sales increasing by 1.4%. The sales performance was driven by a continued improvement in Bars which reflected its best trading performance in over two years with Food sales also benefiting from strong execution around key events in December.

CODB as a percentage of sales increased 164 bps on the prior year, impacted mainly by additional rental expense of $11.8 million following the sale and leaseback of 54 freehold hotel sites in October 2014. An increase in promotional spend was offset by improved efficiency across venue operations and support functions.

Reported EBIT decreased 6.6% on the previous half year to $135.1 million.

Excluding the impact of the additional rental expense following the sale of the hotel sites, EBIT increased marginally on the prior half year.

HOME IMPROVEMENT*

$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
***Before Significant Items*[1]**			
Sales			
Masters	623	505	23.4%
Home Timber and Hardware	525	483	8.7%
Home Improvement	**1,148**	**988**	**16.2%**
(LBIT)/EBIT			
Masters	(137.9)	(112.2)	22.9%
Home Timber and Hardware	12.9	9.0	43.3%
Home Improvement	**(125.0)**	**(103.2)**	**21.1%**

Trading Performance

Masters sales for the half year were $623 million, an increase of 23.4%.

Masters loss before interest and tax (before significant items[1]) increased by 22.9% to $137.9 million driven by the sales performance of the original format stores, the impact of clearance activity and category mix on gross margins and higher costs associated with new store openings.

Home Timber and Hardware sales for the half year were $525 million, an increase of 8.7% on the previous year, driven by the sales benefit of recent acquisitions as well as comparable growth in our wholesale operations.

Home Timber and Hardware reported strong growth in EBIT (before significant items[1]) driven by higher sales and recent acquisitions.

Update on process for exit of Home Improvement business

On 18 January, Woolworths announced that it intended to exit the Home Improvement market through an orderly prospective sale or wind-up of the business. The valuation of Lowe's shareholding as detailed in the Annexure to the announcement made to the market on 18 January 2016 is underway. At HY16 Woolworths has valued the put option at $nil. Upon conclusion of this process, having exercised its call option, Woolworths will acquire Lowe's 33.3% interest in Home Improvement.

The sale process of Masters and Home Timber and Hardware has commenced and is expected to continue into FY17.

As a result of the Group's planned exit from the Home Improvement market, a provision for impairment and store exit costs after tax of $1,898.5 million attributable to shareholders of Woolworths has been recognised during the period. A detailed breakdown of the provision is included in Appendix Two.

In addition to the provisions recognised at HY16, additional estimated restructuring costs in the range of $70 million to $80 million are expected to be recognised in the second half of FY16.

The cash flow impact from a potential sale or wind-up of the business is expected to be broadly neutral to cash flow positive through to completion (excluding the impact from any potential cash consideration exchanged for Lowe's shareholding).

Woolworths will consolidate 100% of the results of the Home Improvement business from 18 January 2016 as Lowe's is not required to contribute capital past this date, and has no ongoing economic exposure to the ongoing trading of the Home Improvement business.

**Unless otherwise stated, growth percentages represent continuing operations before significant items[1]. On 18 January 2016, the Group made a formal announcement to exit the Home Improvement business and consequently this segment will be presented as a discontinued operation in Woolworths Limited's consolidated annual report for the 52 weeks ended 26 June 2016.*

OVERHEADS, CASH FLOW AND BALANCE SHEET

Central Overheads

Central Overheads before significant items[1] were $66.8 million for the half year, a decrease of $5.0 million on the prior half year due to minor gains on the disposal of property and benefits in the timing of Central Overheads. Central Overheads are expected to be approximately $150 million in FY16.

Fuel for Growth

We previously announced that we expected to deliver at least $500 million of cost-savings by the end of FY16 primarily across Non-Trade Procurement, Support Functions, Mercury2 and Supermarkets Operations.

At the end of HY16 we had delivered approximately $260 million of cumulative cost savings (including savings in H2'15). These savings have been predominantly delivered across Non-trade Procurement ($190 million), Mercury2 ($28 million) and Support Functions ($40 million).

The savings have been used to fund our planned significant investment in areas such as price, service and customer experience.

In addition, we have made some progress in better buying and this has been fully offset by unprecedented levels of COGS inflation including significant increases in livestock prices ($150 million compared to H1'15) and other unforeseen cost inflation.

Balance Sheet

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

- **Net Working capital** of -$3,955.9 million decreased $2,150.3 million or $484.5 million after excluding the write down of inventory and provisions recognised in relation to the exit from the Home Improvement business. This improvement was predominately driven by a $293.6 million decrease in the net investment in inventories and an increase in other creditors of $216.8 million.
- **Closing inventory** of $4,923.1 million was impacted by the $547.1 million write down of inventory relating to the exit from the Home Improvement business. Excluding this write down, inventory increased $635.0 million driven by new store openings, in particular 29 (net) Australian Supermarkets, 12 (net) Masters and 45 (net) Liquor stores since HY15 and a deliberate decision to improve merchandise presentation and availability. Average inventory excluding Home Improvement increased 1.8 days to 37.1 days.
- **Net investment in inventory** decreased $848.0 million, or $293.6 million after excluding the write down of inventory relating to the exit from the Home Improvement business, impacted by differences in the timing of creditor payments relative to the reporting date (approximately $155 million).
- **Other creditors** increased $1,314.4 million to $4,565.4 million impacted by the recognition of onerous contract and other exit provisions relating to the exit from the Home Improvement business. Excluding the movements relating to the exit from the Home Improvement business, other creditors increased $216.8 million impacted by growth in employee, occupancy and other provisions.
- **Fixed assets and investments** decreased $991.9 million to $9,201.9 million, impacted by $1,464.3 million impairment charge recorded against Home Improvement property, plant and equipment assets. Excluding this impairment charge, fixed assets and investments increased $472.4 million reflecting ongoing property development and capital expenditure, with 109 (net) new stores added to the network and 171 refurbishments since the prior half year offset by the disposal of property assets and ongoing depreciation.
- **Intangible assets** decreased $177.7 million to $6,254.3 million, impacted by $119.4 million impairment charge relating to the exit from the Home Improvement business. Excluding this, intangible assets decreased $58.3 million primarily reflecting decreased intangible assets in our New Zealand Supermarkets business attributable to the weaker New Zealand dollar.
- **Total funds employed** decreased $3,319.9 million, primarily impacted by impairment charges and other exit costs relating to the exit from the Home Improvement business.

- **Net tax balances** increased $541.2 million to $1,093.9 million, due to Woolworths moving to a current tax receivable position from a current tax payable position due to a higher tax instalment rate applying to tax payments in the first half of 2016 on lower profit as well as $235.9 million in net tax benefits associated with Home Improvement business exit costs.
- **Other financial liabilities** decreased $915.1 million to $60.4 million, primarily reflecting the $866.7 million movement in the value of the Lowe's put option in our Home Improvement business.
- **Shareholders' equity** decreased $1,795.1 million to $9,088.1 million primarily reflecting profits generated by the Group offset by the payment of dividends. Shareholder's equity has been impacted by losses of $1,898.5 million attributable to the shareholders of Woolworths relating to the impairment of assets and other exit costs in the Home Improvement business recognised during HY16.
- **Return on Average Funds Employed (ROFE) before significant items**[1] was 11.2%, a decrease of 327 bps or a decrease of 482 bps after excluding the investment in our Home Improvement.

Appendix Two provides further detail in relation to the impairment of Home Improvement assets and store exit costs.

Cash Flow

Free cash flow generated by the business (before the payment of dividends and movements in borrowings) was $761.5 million after the acquisition of businesses and capital expenditure.

Cash flow from operating activities before interest and tax decreased $256.2 million to $2,022.2 million, and was primarily impacted by the lower trading performance. The net increase in inventories was driven by growth in new stores during the period and a focus on improving on-shelf availability. The net increase in accounts payable is in line with expectations as the prior half year was adversely impacted by the earlier purchase and payment of inventories in December 2014. The net impact of creditor timing differences between the reporting periods did not result in material differences in operating cash flows.

Our **cash realisation ratio**[6] before significant items[1] was 84.1%, impacted by both Home Improvement and a higher tax instalment rate on lower net profit. Excluding Home Improvement, our cash realisation ratio before significant items[1] was 99.8%.

Net interest paid of $150.9 million decreased $20.5 million driven by lower average net debt funded by proceeds received from the sale of property assets and investments.

Tax payments increased to $618.6 million for the half year (HY15: $598.8 million) due to a higher income tax instalment rate compared to the prior period. Woolworths will be revising its income tax instalment rate downwards to take effect from the second half of FY16.

Cash used in investing activities was $599.1 million, an increase of $265.1 million on the prior half year. During HY16, cash proceeds of $273.4 million were received from the sale of property, plant and equipment, a decrease of $399.6 million on the prior half which included $603.0 million proceeds from the sale of 54 Hotel property assets. Payments for the purchase of businesses, representing three Hotels in HY16, decreased by $65.5m on the prior half.

Expenditure on property development of $291.5 million decreased $50.3 million (HY15: $341.8 million) driven by lower activity in the current period.

Investment in property, plant and equipment of $540.9 million included continued investment in new stores and store refurbishments, investment in our new point of sale system and spend associated with our supply chain initiative, Mercury2.

Cash contributions from Lowe's in relation to our Home Improvement business were $120.0 million, in line with the prior half.

There were no proceeds from share issues during the half as the Group had fully transitioned to the use of performance rights, which do not have an exercise price, by the end of FY15.

Our **fixed charges cover ratio**[7] before significant items[1] is 2.5 times.

CAPITAL MANAGEMENT

Woolworths is committed to a solid investment grade credit rating[8] and a number of actions can be undertaken to support the credit profile including the sale of non-core assets, accelerating working capital initiatives and adjusting its growth capital expenditure and property leasing profile.

The Board continues to target an after tax dividend payout ratio of 70% for the full year. In the absence of accelerated store refurbishments, this payout ratio is supported by free cash flow and achieves a balance between shareholder reward and reinvestment in the business.

We have introduced a 1.5% discount on the DRP and removed the participation limit, in the shorter term, to allow for accelerated investment in our store renewal program.

Dividends

The Board has approved an interim dividend per share of 44c, a decrease of 34.3% on the prior half year.

The payment of the October 2015 and April 2016 dividends will return $1.5 billion and $0.6 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.

Upcoming refinancing

Woolworths has approximately $700m of debt maturing in the second half of FY16 and a further $400m maturing in November 2016. These refinancing requirements have been pre-funded by additional undrawn bank facilities totalling $1.2 billion with tenors of two and three years, established in November 2015.

The five year non-call period for the $700 million Woolworths Notes II ends on 24 November 2016. Pursuant to a replacement capital covenant, the Notes may be refinanced by a hybrid containing similar characteristics (50% S&P equity credit) or a combination of debt and equity in equal proportions.

Home Improvement exit

The cash flow impact from a potential sale or wind-up of the business is expected to be broadly neutral to cash flow positive through to completion (excluding the impact from any potential cash consideration exchanged for Lowe's shareholding).

Any short term cash requirements for restructuring Home Improvement is provided for under Woolworths existing undrawn debt facilities.

New store rollout plans

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

	HY16 Net Store Openings (incl. acquisitions)	Medium Term Target (Net)
Australian Supermarkets	15	– 20 – 30 new full range supermarkets per annum
New Zealand Supermarkets		
Countdown	6	– 3 – 5 new supermarkets per annum
Franchise Stores	1	
Dan Murphy's	8	– 10 – 15 new stores per annum
BWS (including attached)	20	– 6 – 10 new standalone stores per annum
Petrol	5	– Grow as appropriate to support the Supermarket new store strategy
General Merchandise		
BIG W	2	– As appropriate opportunities arise
EziBuy	-	
Hotels (ALH Group)	1	– Acquire as appropriate opportunities arise

OUTLOOK

Despite the financial performance, we are making progress in the rebuilding of Woolworths. We have significantly invested in price, service and customer experience in Australian Supermarkets, appointed a new Group and BIG W CEO and announced our exit of the Home Improvement business.

We are not anticipating a significant improvement in comparable sales in Australian Supermarkets in the second half with the market likely to remain competitive and price deflation likely to continue. We currently expect an EBIT margin in FY16 in Australian Food, Liquor and Petrol of approximately 5% reflecting a seasonally lower margin in H2'16, continued deleverage as we continue on the journey to restore sales momentum and an incentive plan for our staff aligned to transformation of the business.

- Ends -

For further information contact:

Media
Claire Kimball, Corporate Communications
+ 61 432 696 650

Investors and Analysts
David Marr, Chief Financial Officer
+ 61 2 8885 4711

Sales Summary – HY16 and Q2'16

Group Sales – Half Year

$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
Australian Food and Liquor	22,347	22,200	0.7%
Petrol (dollars)*	2,519	3,306	(23.8)%
*Petrol (litres)**	*2,003*	*2,373*	*(15.6)%*
Australian Food, Liquor and Petrol*	24,866	25,506	(2.5)%
New Zealand Supermarkets (AUD)	2,895	2,790	3.8%
New Zealand Supermarkets (NZD)	*3,176*	*3,054*	*4.0%*
General Merchandise	2,272	2,365	(3.9)%
Hotels	802	782	2.6%
Group Sales (excluding Home Improvement)	**30,835**	**31,443**	**(1.9)%**
Masters	623	505	23.4%
Home Timber and Hardware	525	483	8.7%
Home Improvement	1,148	988	16.2%
Group Sales	**31,983**	**32,431**	**(1.4)%**
Group Sales (excluding Petrol)	***29,464***	***29,125***	***1.2%***

Group Sales – Second Quarter

$ million	Q2'16 (13 weeks)	Q2'16 (13 weeks)	Change
Australian Food and Liquor	11,283	11,185	0.9%
Petrol (dollars)*	1,188	1,461	(18.7)%
*Petrol (litres)**	*968*	*1,075*	*(10.0)%*
Australian Food, Liquor and Petrol*	12,471	12,646	(1.4)%
New Zealand Supermarkets (AUD)	1,496	1,424	5.1%
New Zealand Supermarkets (NZD)	*1,617*	*1,553*	*4.1%*
General Merchandise	1,298	1,308	(0.8)%
Hotels	390	383	1.8%
Group Sales (excluding Home Improvement)	**15,655**	**15,761**	**(0.7)%**
Masters	329	267	23.2%
Home Timber and Hardware	251	249	0.8%
Home Improvement	580	516	12.4%
Group Sales	**16,235**	**16,277**	**(0.3)%**
Group Sales (excluding Petrol)	***15,047***	***14,816***	***1.6%***

** Petrol sales and litres are not comparable with the prior year given changes to the Woolworths – Caltex alliance that became effective during Q2'15*[2]

Group Profit and Loss for the 27 weeks ended 3 January 2016

$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
Before Significant Items[1]			
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	**3,105.8**	**3,684.2**	**(15.7)%**
Rent	(1,086.4)	(1,020.0)	6.5%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**2,019.4**	**2,664.2**	**(24.2)%**
Depreciation and amortisation	(562.8)	(535.0)	5.2%
Earnings before interest and tax (EBIT)	**1,456.6**	**2,129.2**	**(31.6)%**
Net financial expenses	(133.6)	(143.9)	(7.2)%
Income tax expense	(396.9)	(597.5)	(33.6)%
Net profit after income tax	**926.1**	**1,387.8**	**(33.3)%**
Non-controlling interests	(0.3)	(3.7)	(91.9)%
Group net profit after income tax and non-controlling interests (before Significant Items[1])	**925.8**	**1,384.1**	**(33.1)%**
Significant Items[1] (after tax and non-controlling interests)	(1,898.5)	(103.7)	**n.c**
Group net (loss)/profit after tax, non-controlling interests (after Significant Items[1])	**(972.7)**	**1,280.4**	**(176.0)%**
MARGINS - Before Significant Items[1]			
Gross Profit (%)	26.93	27.24	(31) bps
Cost of Doing Business (%)	22.38	20.67	171 bps
EBIT (%)	4.55	6.57	(202) bps
EARNINGS PER SHARE (EPS) AND DIVIDENDS			
Weighted average ordinary shares on issue (million)	1,261.8	1,254.9	0.5%
Ordinary EPS (cents) – before significant items[i1]	73.4	110.3	(33.5)%
Ordinary EPS (cents) – after significant items[1]	(77.1)	102.0	(175.6)%
Diluted EPS (cents) – before significant items[1]	73.4	110.0	(33.3)%
Diluted EPS (cents) – after significant items[1]	(77.1)	101.8	(175.7)%
Interim dividend per share (cents)[ii]	44	67	(34.3)%

[i] Ordinary EPS (cents) before significant items excluding Home Improvement decreased 31.7% to 78.0c

[ii] Interim 2016 dividend payable on 8 April 2016 will be fully franked

Group Balance Sheet as at 3 January 2016

$ million	HY16 3 Jan 2016	HY15 4 Jan 2015	Change	FY15 28 Jun 2015
Inventory	4,923.1	4,835.2	1.8%	4,872.2
Trade Payables	(5,384.7)	(4,448.8)	21.0%	(5,040.0)
Net Investment in Inventory	**(461.6)**	**386.4**	**(219.5)%**	**(167.8)**
Receivables	1,071.1	1,059.0	1.1%	1,001.9
Other Creditors	(4,565.4)	(3,251.0)	40.4%	(3,102.9)
Working Capital	**(3,955.9)**	**(1,805.6)**	**119.1%**	**(2,268.8)**
Fixed Assets and Investments	9,201.9	10,193.8	(9.7)%	10,545.6
Intangible Assets	6,254.3	6,432.0	(2.8)%	6,244.5
Total Funds Employed	**11,500.3**	**14,820.2**	**(22.4)%**	**14,521.3**
Net Tax Balances	1,093.9	552.7	97.9%	654.1
Net Assets Employed	**12,594.2**	**15,372.9**	**(18.1)%**	**15,175.4**
Net Repayable Debt	(3,125.2)	(3,211.2)	(2.7)%	(3,067.3)
Other Financial Liabilities[i]	(60.4)	(975.5)	(93.8)%	(976.1)
Total Net Assets	**9,408.6**	**11,186.2**	**(15.9)%**	**11,132.0**
Non-controlling Interests	320.5	303.0	5.8%	297.8
Shareholders' Equity	9,088.1	10,883.2	(16.5)%	10,834.2
Total Equity	**9,408.6**	**11,186.2**	**(15.9)%**	**11,132.0**
KEY RATIOS – Continuing Operations				
Closing Inventory Days (based on COGS)[ii]	38.9	38.5	0.4 days	40.2
Closing Creditor Days (based on sales)[iii]	58.8	44.9	13.9 days	48.8
Return on Average Funds Employed (ROFE) (before significant items[1])[iv]	11.20%	14.47%	(327) bps	25.73%

[i] Other financial liabilities primarily represent put options held by non-controlling interests, the Hotels gaming entitlement liability and contingent consideration on business acquisitions

[ii] Closing inventory days (based on COGS) excluding Home Improvement increased 4.3 days to 38.4 days

[iii] Closing creditor days (based on sales) excluding Home Improvement increased 7.1 days to 51.3 days

[iv] ROFE (before significant items[1]) excluding Home Improvement decreased 482 bps to 13.28%

Group Cash Flow for the 27 weeks ended 3 January 2016

$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
EBITDA before Significant Items[1]	**2,019.4**	**2,664.2**	**(24.2)%**
Significant Items[1] excluding items presented below EBITDA	(3,249.5)	(148.2)	
EBITDA – Total	**(1,230.1)**	**2,516.0**	**(148.9)%**
Net increase in inventory	(578.8)	(225.1)	
Net increase/(decrease) in trade payables	306.0	(220.8)	
Net change in other working capital and non-cash	275.6	60.1	
Net change in working capital and other non-cash relating to Significant Items[1]	3,249.5	148.2	
Cash from Operating Activities before interest and tax	**2,022.2**	**2,278.4**	**(11.2)%**
Net interest paid	(150.9)	(171.4)	
Tax paid	(618.6)	(598.8)	
Total cash provided by Operating Activities	**1,252.7**	**1,508.2**	**(16.9)%**
Proceeds from the sale of property, plant and equipment and businesses	273.4	673.0	
Payments for the purchase of businesses	(17.3)	(82.8)	
Payments for property development	(291.5)	(341.8)	
Payments for property, plant and equipment	(540.9)	(557.7)	
Payments for intangible assets	(23.0)	(25.3)	
Payments for the purchase of investments and contingent consideration	(1.3)	(2.5)	
Dividends received	1.5	3.1	
Total cash used in Investing Activities	**(599.1)**	**(334.0)**	**79.4%**
Lowe's cash contributions (Home Improvement)	120.0	120.0	
Transactions with non-controlling interests	(12.1)	(13.5)	
Free Cash Flow before equity related Financing Activities	**761.5**	**1,280.7**	
Proceeds from share issues/other	-	6.5	
Dividends paid (including to non-controlling interests)	(818.6)	(797.6)	
Free Cash Flow after equity related Financing Activities	**(57.1)**	**489.6**	

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/(Loss) and Dividend Announcement ('Profit Announcement') for the 27 weeks ended 3 January 2016.

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, 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 items[1].

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/(Loss) 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 items[1] to the statutory statement of profit or loss.

$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
EBIT			
EBIT – before Significant Items[1]	**1,456.6**	**2,129.2**	**(31.6)%**
Other items included in statutory EBIT:			
Significant Items[1] (before tax)	(3,249.5)	(148.2)	
Statutory (LBIT)/EBIT	**(1,792.9)**	**1,981.0**	**(190.5)%**
NPAT			
Profit after income tax attributable to the shareholders of Woolworths – before Significant Items[1]	**925.8**	**1,384.1**	**(33.1)%**
Other items included in statutory NPAT:			
Significant Items[1] (after tax and non-controlling interests)	(1,898.5)	(103.7)	
Statutory (loss)/profit attributable to the shareholders of Woolworths	**(972.7)**	**1,280.4**	**(176.0)%**
Ordinary EPS			
Profit after income tax attributable to the shareholders of Woolworths – before Significant Items[1] (as above)	**925.8**	**1,384.1**	**(33.1)%**
Weighted average ordinary shares on issue	*1,261.8*	*1,254.9*	
Ordinary EPS (cents) – before Significant Items[1]	**73.4**	**110.3**	**(33.5)%**
Statutory (loss)/profit attributable to the shareholders of Woolworths (as above)	**(972.7)**	**1,280.4**	**(176.0)%**
Weighted average ordinary shares on issue	*1,261.8*	*1,254.9*	
Ordinary EPS (cents)	**(77.1)**	**102.0**	**(175.6)%**
Diluted EPS			
Profit after income attributable to the shareholders of Woolworths – before Significant Items[1] (as above)	**925.8**	**1,384.1**	**(33.1)%**
Weighted average ordinary shares on issue	*1,262.1*	*1,257.9*	
Diluted EPS (cents) – before Significant Items[1]	**73.4**	**110.0**	**(33.3)%**
Statutory (loss)/profit attributable to the shareholders of Woolworths (as above)	**(972.7)**	**1,280.4**	**(176.0)%**
Weighted average ordinary shares on issue	*1,262.1*	*1,257.9*	
Diluted EPS (cents)	**(77.1)**	**101.8**	**(175.7)%**

Appendix Two: Significant Items[1]

The following table provides a breakdown of the significant items recognised. All significant items in HY16 relate to Woolworths' planned exit of Home Improvement.

$ million	Reported at HY16	Reported at HY15
Impairment of property, plant and equipment	(1,464.3)	-
Impairment of inventories	(547.1)	(126.4)
Onerous lease expense, store and other exit costs	(1,238.1)	(21.8)
EBIT impact from Significant Items	**(3,249.5)**	**(148.2)**
Tax benefit	235.9	44.5
Net loss after tax impact from Significant Items before non-controlling interests	**(3,013.6)**	**(103.7)**
Non-controlling interests	1,115.1	-
Net loss after tax impact from Significant Items attributable to shareholders of Woolworths	**(1,898.5)**	**(103.7)**

2016 Half Year

As a result of the Group's planned exit from the Home Improvement market, the recoverable amount of assets and recognition and measurement of liabilities have been assessed as at the end of the reporting period based on management's best estimate of the expected net proceeds to be realised or payments to be incurred upon an orderly exit of the Home Improvement business.

The net loss after tax from significant items recognised in HY16 of $1,898.5 million after tax attributable to the shareholders of Woolworths includes the following:

Impairment of property, plant and equipment of $1,464.3 million primarily relates to asset impairments of stores, distribution centres and property assets pertaining to the Home Improvement business. Of the total expense recognised:

- $142.2 million relates to impairment of development properties;
- $898.6 million relates to impairment of freehold land, warehouse, retail and other properties;
- $50.4 million relates to impairment of leasehold improvements;
- $340.6 million relates to impairment of plant and equipment; and
- $32.5 million relates to impairment of property, plant and equipment classified as held for sale.

Valuations of property assets have been determined with regard to the Group's asset disposal strategy and investment yields reflective of the characteristics and location of the individual properties.

Impairment of inventories of $547.1 million relates to the write-down of Home Improvement inventory to net realisable value during the period. Management has assessed the value of inventory that is likely to be sold below cost using past experience and judgement on the likely sell through rates of inventory and recognised a provision for impairment for this amount.

Onerous lease expense, store and other exit costs of $1,238.1 million relates to a provision for store closures, onerous leases and other exit costs in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' based on the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The Group has recognised a provision for store closures and onerous leases based on the lower of:

- the estimated unavoidable costs of meeting all leases and other obligations under the stores; and
- management's best estimate of the compensation expected to be payable to landlords and other third parties as a result of early termination of contracts.

Estimates differ depending on the rent, location, the respective lease exit terms, and management's assessment of the timing and likely termination costs.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Income tax benefits of $235.9 million primarily represent the deferred tax asset recognised by the Woolworths Group with respect to the impairment of inventories and store exit costs, partially reduced by the reversal of a deferred tax asset primarily in relation to carry forward losses attributable to Hydrox Holdings Pty Ltd which has been derecognised due to uncertainty associated with the future utilisation of tax losses. A tax benefit has not been recognised in relation to the expected capital losses on disposal of property assets.

Non-controlling interests share of the net loss after tax from significant items of $1,115.1 million represents Lowe's 33.3% share of impairment and other store exit costs. This does not approximate 33.3% of the 'Net loss after tax impact from Significant Items before non controlling interests' disclosed in the table above due to certain tax benefits and other exit costs that are only recognised by Woolworths Limited.

2015 Half Year

At HY15, a provision of $103.7 million after tax attributable to shareholders of Woolworths ($148.2 million before tax) was raised for costs associated with the transformation of the General Merchandise business. The provision represented transformation costs primarily pertaining to inventory ($126.4 million before tax) and associated expenses ($21.8 million before tax) of facilitating the alignment of inventory to our customer strategy.

Appendix Three: Quarterly Sales Summary

Total Sales Growth %	Q1'16	Q2'16	HY16
Australian Food and Liquor	0.4	0.9	**0.7**
Petrol (dollars)	(27.9)	(18.7)	**(23.8)**
Petrol (litres)	*(20.3)*	*(10.0)*	***(15.6)***
Australian Food, Liquor and Petrol	(3.6)	(1.4)	**(2.5)**
NZ Supermarkets (AUD)	2.4	5.1	**3.8**
NZ Supermarkets (NZD)	*3.9*	*4.1*	***4.0***
General Merchandise	(7.9)	(0.8)	**(3.9)**
Hotels	3.3	1.8	**2.6**
Home Improvement	20.3	12.4	**16.2**
Total Group	**(2.5)**	**(0.3)**	**(1.4)**
Total Group *(excluding Petrol)*	***0.8***	***1.6***	***1.2***

Comparable Sales Growth %	Q1'16	Q2'16	HY16
Australian Food and Liquor	(1.0)	(0.6)	**(0.8)**
Petrol (dollars)	(12.2)	(11.2)	**(11.7)**
Petrol (litres)	*(2.3)*	*(1.7)*	***(2.0)***
NZ Supermarkets (NZD)	2.5	1.5	**2.0**
General Merchandise	(8.1)	(1.7)	**(4.5)**
Hotels	2.0	0.8	**1.4**

Appendix Four: Five Year Store and Trading Area Analysis

Half Year Ended 3 January 2016 STORES (number)	2016 HALF YEAR	2015 FULL YEAR	2014 FULL YEAR	2013 FULL YEAR	2012 FULL YEAR
NSW & ACT	297	292	282	271	262
QLD	232	230	225	209	203
VIC	241	234	224	221	214
SA & NT	83	82	80	78	78
WA	92	92	89	88	85
TAS	31	31	31	30	30
Supermarkets in Australia [i]	976	961	931	897	872
New Zealand Supermarkets [ii]	183	177	171	166	161
Total Supermarkets	1,159	1,138	1,102	1,063	1,033
Thomas Dux	9	9	11	11	11
Freestanding Liquor (incl. Dan Murphy's)	370	359	349	339	329
Attached Liquor	537	527	509	490	477
ALH Retail Liquor Outlets	564	557	544	526	507
Summergate	2	2	-	-	-
Caltex/WOW Petrol	-	-	131	131	132
Woolworths Petrol – Australia	521	516	502	482	467
Total Food, Liquor and Petrol	**3,162**	**3,108**	**3,148**	**3,042**	**2,956**
BIG W	186	184	182	178	172
EziBuy	5	5	4	-	-
Total General Merchandise Division	**191**	**189**	**186**	**178**	**172**
Hotels (includes clubs)	331	330	329	326	294
Home Timber and Hardware (retail)	43	44	28	26	21
Masters	63	58	49	31	15
Total Continuing Operations	**3,790**	**3,729**	**3,740**	**3,603**	**3,458**
Discontinued Operations (Dick Smith and Tandy)	-	-	-	-	348
Total Group	**3,790**	**3,729**	**3,740**	**3,603**	**3,806**
Wholesale customer stores					
Super Value and Fresh Choice	61	60	59	55	54
Consumer Electronics India	-	-	-	-	77
Home Timber and Hardware (wholesale)	421	452	475	490	518
Statewide Independent Wholesale	220	220	220	220	220
Total wholesale customer stores	**702**	**732**	**754**	**765**	**869**
Trading Area (sqm)					
Supermarkets Division – Australia [iii]	2,674,614	2,617,924	2,522,981	2,413,527	2,318,756
Supermarkets Division – New Zealand [iv]	413,935	397,889	386,818	372,373	351,744
General Merchandise Division [v]	1,066,914	1,055,231	1,042,927	1,016,086	1,107,732

Store Movements July 15 – January 16	[i] **Australian Supermarkets**	[ii] **New Zealand Supermarkets**
New Stores – incremental	18	7
Closures – permanent	(3)	(1)
Net New Stores	**15**	**6**

[iii] Excludes Langton's, Cellarmasters, Petrol, Wholesale and ALH Group Retail (BWS)
[iv] Excludes Gull and franchise stores
[v] Includes BIG W, EziBuy, Dick Smith and Tandy in the periods these businesses were owned by Woolworths

Appendix Five: New Stores and Refurbishments

Half Year

	Gross New Stores (incl. acquisitions)	Net New Stores (incl. acquisitions)	Refurbishments
Continuing Operations			
Australian Supermarkets	18	15	42
Thomas Dux	-	-	-
Liquor (including attached)	40	28	23
New Zealand Supermarkets	7	6	2
Petrol	6	5	7
BIG W	2	2	2
EziBuy	-	-	-
Hotels	3	1	17
Masters	5	5	1
Home Timber and Hardware (retail)	-	(1)	-
Total	**81**	**61**	**94**

Second Quarter

	Gross New Stores (incl. acquisitions)	Net New Stores (incl. acquisitions)	Refurbishments
Continuing Operations			
Australian Supermarkets	12	9	17
Thomas Dux	-	-	-
Liquor (including attached)	24	18	9
New Zealand Supermarkets	3	3	1
Petrol	5	4	5
BIG W	1	1	1
EziBuy	-	-	-
Hotels	2	-	12
Masters	1	1	-
Home Timber and Hardware (retail)	-	(1)	-
Total	**48**	**35**	**45**

Endnotes

n.c Not comparable

[1] In HY16, total significant items of $3,249.5 million before tax ($1,898.5 million after tax attributable to shareholders of Woolworths) were recognised. In HY15, total significant items of $148.2 million before tax ($103.7 million after tax attributable to shareholders of Woolworths) were recognised. Details of these costs have been provided in Appendix Two of this announcement.

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

[2] 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.

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] HY15 Funds Employed for Food, Liquor and Petrol ('FLP') has been restated to reflect a change in the classification of accounts payable balances between the FLP and Unallocated segments. Prior to the current period, FLP accounts payable balances were transferred to the Unallocated segment balance sheet when they were processed for payment, and would remain in the Unallocated segment balance sheet until they were paid. During HY16, there was a change in process which has resulted in accounts payable balances remaining in the FLP balance sheet until they are paid, no longer resulting in a transfer of accounts payable balances from FLP's balance sheet to the Unallocated segment balance sheet. Previously reported HY15 FLP Funds Employed of $4,678.7 million and Return on Average Funds Employed of 40.96% have been restated to be consistent with HY16. This change does not impact Woolworths Group's closing Funds Employed and Return on Average Funds Employed reported results.

[4] We have adopted a revised method for calculating inflation for our Australian Food and Liquor business and will only disclose an average price inflation measure going forward. In developing the revised measure we consulted with Deloitte Access Economics. The new measure uses the Fisher methodology to weight changes in average quarterly prices by the average of current quarter and preceding quarter volumes and reflects the effects of promotional activity and changes in volume. We believe this measure is the most appropriate representation of the average price changes of items that consumers have bought during the quarter. Note that due to the change in methodology, the data is not directly comparable to previously reported data. Below is restated data for FY15 using the new method.

Average price changes	**Q1'15**	**Q2'15**	**Q3'15**	**Q4'15**	**Q1'16**	**Q2'16**
Price change (% year on year)	1.3%	1.3%	0.4%	-1.2%	-1.8%	-2.5%

[5] Growth for New Zealand Supermarkets is quoted in New Zealand Dollars.

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

[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.

[8] 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.