

WOOLWORTHS LIMITED

31 October 2013

First Quarter Sales Results – Financial Year 2014 14 weeks to 6 October 2013

- Sales from Continuing Operations increased 6.1%, underpinned by Australian Food and Liquor which delivered solid unit and customer growth driven by price leadership
- An additional 1.1 million customers on average per week have chosen to shop in our stores during the quarter
- Solid result despite weak trading conditions impacted by price deflation and consumer uncertainty
- Completed the acquisition of EziBuy, the leading direct retailer of apparel and homewares in Australia and New Zealand

	2013 (14 weeks)	2014 (14 weeks)	Increase (%)
<u>First Quarter Sales (\$ million)</u>			
<u>Continuing Operations</u>			
Supermarket Division	12,993	13,825	6.4%
Australian Food and Liquor	10,142	10,601	4.5%
New Zealand Supermarkets (AUD)	1,136	1,293	13.8%
<i>New Zealand Supermarkets (NZD)</i>	1,458	1,484	1.8%
Petrol (dollars)	1,715	1,931	12.6%
<i>Petrol (litres)</i>	1,301	1,346	3.5%
BIG W	1,101	1,061	(3.6)%
Hotels	379	403	6.3%
Home Improvement	305	391	28.2%
Masters	119	182	52.9%
Danks	186	209	12.4%
First Quarter Sales – Continuing Operations	14,778	15,680	6.1%
<i>First Quarter Sales – Continuing Operations (excl Petrol)</i>	13,063	13,749	5.3%
First Quarter Sales – Discontinued Operations	444	-	n.c¹
Total Group First Quarter Sales	15,222	15,680	3.0%

Woolworths Limited today announced first quarter sales from continuing operations of \$15.7 billion, an increase of 6.1% on the previous year.

CEO Grant O'Brien said: "This was a pleasing start to the year, underpinned by growth in our Australian Food and Liquor business. Our ongoing commitment to price leadership continues to drive unit and customer growth as we reinforce Woolworths' position as Australia's lowest priced full range supermarket. Our customers continue to benefit from lower average prices as reflected by deflation of 4.3% for the quarter (when the effects of promotions and volumes are included) driven by campaigns such as 'More Savings Every Day' and Fresh deflation.

"As anticipated, retail trading conditions remained subdued with ongoing consumer caution reflecting cost of living pressures, higher unemployment and uncertainty prior to the Federal Election. We continue to support the local communities in which we operate and created 1,000 new jobs during the quarter.

"Australian Food and Liquor delivered sales growth of 4.5% with increased market share, customer numbers, basket size and items sold. Our increased capability in using our data to deliver insights and tailor the shopping experience for customers also continues to enhance growth.

"New Zealand Supermarkets sales increased 1.8%², driven by stronger customer numbers and items sold which resulted in increased market share. This is a good result in light of ongoing subdued economic conditions and price deflation across a number of key categories.

"Petrol sales for the quarter increased 12.6% with volumes increasing by 3.5%. Forecourt work to improve the customer experience, our ongoing focus on targeted fuel promotions and an improved merchandise offer is driving strong growth in customer numbers.

"BIG W sales for the quarter decreased 3.6% due to the timing difference in the annual Toy Sale relative to the reporting date and ongoing price deflation, particularly in Home Entertainment. As advised at the FY13 year end, we have commenced the strategic repositioning of BIG W to drive profitable growth in categories that are core to our customer, which had an effect on sales growth during the quarter.

"Hotels sales for the quarter increased 6.3%, driven by the acquisition of hotels during the prior year as well as changes to the Victorian gaming regulations which were cycled during the quarter.

"Home Improvement sales increased 28.2% for the quarter with our Masters store roll out remaining on track. With a good start to the Spring season, we remain confident that we are building a sustainable future for Masters to become a long term profit contributor for the Group.

“During the quarter, we completed the acquisition of EziBuy, the leading direct-to-customer retailer of apparel and homewares in Australia and New Zealand. The acquisition will allow us to grow our multi-option presence and provides us with a unique competitive advantage as a result of the expertise the EziBuy team brings to the business.

“Online sales from continuing operations increased 37% for the quarter. We are on track to record online sales of more than \$1 billion in FY14.

“We are focussed on the second quarter of the financial year as we enter the all important Christmas period and we continue to make good progress against our four Strategic Priorities.”

SUPERMARKET DIVISION

Australian Food and Liquor

Australian Food and Liquor sales for the quarter were \$10.6 billion, an increase of \$0.5 billion or 4.5% on the previous year. Comparable store sales for the quarter increased 2.5% with strong unit growth, particularly in Fresh, and customer growth offsetting higher deflation in Produce.

During the quarter, the Australian Food and Liquor business continued to increase market share, customer numbers, basket size and items sold.

Customers continued to benefit from lower average prices as reflected by deflation of 4.3% for the quarter (when the effects of promotions and volumes are included) driven by campaigns such as 'More Savings Every Day' and Fresh deflation.

The standard shelf price movement index³ for the quarter was flat (Q4'13: inflation of 0.9%). Excluding Produce, the standard shelf price movement index³ was inflation of 1.1% (Q4'13: inflation of 1.0%).

Tjeerd Jegen, Managing Director Australian Supermarkets and Petrol said: "We delivered a pleasing first quarter result with good volume growth in both Fresh and Grocery reflecting our leading offer. Results across Seafood, Meat and Deli were pleasing, supported by improved results in core grocery categories as we build further momentum to extend our leadership position. Our online business also continues to deliver strong growth, further strengthening our leading position in the online food market.

"Our continued focus on value through the 'More Savings Every Day' campaign has gained further traction with customers. The introduction of 'Big Family Special' offers, sponsorship of Channel Ten's 'Recipe to Riches' and 'Aussie Animals' collectors albums and cards have resonated well with customers.

"As a proudly Australian owned company, we also continue to demonstrate our commitment to sourcing Australian made and grown products wherever possible. We recently announced a new \$16.5 million agreement with Simplot to source 100% of 'Select' frozen vegetables from Australia by May 2014 as well as an arrangement with SPC Ardmona which will ensure all Own Brand canned fruit is Australian sourced. 'Farmers' Own' milk sourced directly from dairy farmers in the Manning Valley commenced its trial in stores in that local area, with the aim to roll this out across New South Wales in the coming months."

Australian Food and Liquor (continued)

Brad Banducci, Director of Liquor said: "Liquor has had a pleasing start to the year with the first quarter delivering solid growth across each of our major brands. Highlights for the quarter include the success of our Dan Murphy's and BWS Father's Day and Footy Finals marketing campaigns.

"The Dan Murphy's online business continues to experience strong growth with sales for the quarter more than double the prior year. Achievements include being recognised as the Online Retailer of the Year at the Online Retail Industry Awards (ORIAS) and the recent launch of the Dan Murphy's app which includes market leading photo recognition technology."

We opened six and closed two Australian Supermarkets during the quarter bringing the total to 901 and we opened two Dan Murphy's bringing the total to 177.

New Zealand Supermarkets

New Zealand Supermarkets' sales for the quarter were NZ\$1.5 billion, an increase of 1.8%² on the previous year (13.8% increase in AUD). Comparable sales for the quarter decreased 0.7%², impacted by low price inflation and a reduction in sales of infant milk formula resulting from the Fonterra product recall. Excluding the impact of infant milk formula, comparable sales for the quarter were flat when compared with last year.

Dave Chambers, Managing Director PEL Supermarkets said: "This is a solid result despite the subdued market conditions, a highly competitive marketplace as well as price deflation across a number of key categories. We increased our market share, customer numbers and items sold, reflecting the success of promotional activity such as 'Red Hot Deals' and 'Windback Week'. Online sales were a highlight with double digit sales growth for the quarter."

The Countdown Supermarkets food price index showed inflation for the quarter of 0.1% (Q4'13: 0.1%). Inflation remains very low, restricted in particular by deflation in the dry grocery category with increased frequency of customer promotions as we continue to lower prices for the benefit of our customers.

Total Countdown Supermarkets at the end of the quarter were unchanged at 166. We added one franchise store bringing the total to 56 franchise stores at the end of the quarter.

Petrol

Petrol sales for the quarter, including Woolworths/Caltex alliance sites, were \$1.9 billion, an increase of 12.6% on the previous year. Average unleaded fuel sell prices for the quarter were 150.9 cpl (Q1'13: 139.6 cpl). Comparable sales (dollars) increased 10.2%.

Petrol volumes increased 3.5% for the quarter and comparable volumes increased 1.9%. Volume growth has been driven by forecourt improvements for the benefit of our customers including increased access to all types of fuel as well as our focus on targeted fuel promotions which provide customers with leading offers within our supermarkets. Strong growth in customer numbers has been a highlight for the quarter.

Total merchandise sales increased 9.5% and comparable merchandise sales increased 6.2% for the quarter, driven by new product lines as part of our expanded convenience offer, improved ranging and more effective promotional activity.

We opened ten petrol canopies during the quarter bringing the total to 623, including 131 Woolworths/Caltex alliance sites.

BIG W

BIG W sales for the quarter were \$1.1 billion, a decrease of 3.6% on the previous year. Sales growth for the quarter was impacted by differences in the timing of the annual Toy Sale relative to the reporting date, with it being launched in the 53rd week of FY13. Excluding the timing impact of the Toy Sale, sales growth was positive for the quarter.

Comparable store sales decreased 3.2% for the quarter⁴ (Q4'13: decreased 4.1% adjusted for Easter⁵). Sales have been impacted by price deflation of 4.1% for the quarter (FY13: deflation of 4.2%), particularly in Home Entertainment.

Julie Coates, Director of BIG W said: "We advised the market earlier in the year that we had commenced BIG W's strategic repositioning, which had an effect on sales growth during the quarter. We have increased our focus on categories of high customer importance and are focussed on driving profitable growth for our business. This strategy is already beginning to achieve results with categories such as Home, Childrenswear, Menswear, Womenswear and Toys & Sporting delivering pleasing sales during the quarter."

We opened one new store during the quarter bringing the total to 179.

EziBuy

In August, we completed the acquisition of EziBuy, the leading direct-to-customer retailer of apparel and homewares in Australia and New Zealand. The sales contribution for the quarter was minimal and is reported as part of BIG W.

The acquisition accelerates our multi-option capabilities in general merchandise and acts as a launch pad for our next phase of multi-option growth. These channels will continue to provide Woolworths with opportunities for customer growth and innovation.

HOTELS

Hotel sales for the quarter were \$403 million, an increase of 6.3% on the previous year. Comparable sales increased 3.7% for the quarter.

Bruce Mathieson Jnr, Chief Executive Officer ALH Group said: "In August, we cycled the introduction of the Victorian gaming regulatory changes which provided an uplift to sales in the prior year and also part of the current quarter. However, we have seen a continuation of challenging trading conditions with sales subdued. Pleasing Food sales during the quarter reflects our ongoing focus on developing the 'family friendly' features of our venues."

We opened one hotel during the quarter bringing the total number of venues to 327.

HOME IMPROVEMENT

Home Improvement sales for the quarter were \$391 million, an increase of 28.2% on the previous year. This included Danks sales of \$209 million, up 12.4% on the previous year and Masters sales of \$182 million, up 52.9% on the previous year. Sales per average square metre for Masters have strengthened during the quarter when compared to the previous two quarters.

We opened three Masters stores during the quarter. Our new Home Improvement business is a driver of growth and we remain confident that it will become a long term profit contributor for the Group. The rationale for entering the \$42 billion Australian Home Improvement market remains compelling and attractive with substantial opportunity for growth.

Sales growth in Danks was driven by some pleasing results following recent refurbishments within our company store network, positive growth from our wholesale store network as well as stores acquired during the prior year.

Melinda Smith, Director of Masters said: “Sales growth in Masters was driven by new store openings as well as a strong start to the Spring season, with pleasing growth in our Planting and Garden Care departments. Sales in the Kitchen, Flooring and Outdoor Living departments were also a highlight with customers enjoying the unique Masters range. We had 34 stores open at the end of the quarter with store roll outs continuing to be delivered on schedule. Store roll outs are critical to our success and we remain on track to open 18 Masters stores this financial year.

“We also remain focused on our multi-option offer with Masters being the first Home Improvement chain in Australia to launch online and mobile shopping. This was recently recognised with Masters being awarded the ORIA for ‘Best New Online Retailer’.”

– Ends –

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Appendix One: New Stores and Refurbishments

<u>First Quarter</u>	Gross New Stores	Net New Stores	Refurbishments
Continuing Operations			
Australian Supermarkets	6	4	5
Thomas Dux	-	-	-
Liquor	9	4	8
New Zealand Supermarkets	-	-	1
Petrol	10	10	-
BIG W	1	1	-
EziBuy	4	4	-
Hotels	1	1	3
Masters	3	3	-
Danks Retail	-	-	1
Total Continuing Operations	34	27	18

Appendix Two: Notes

n.c – not comparable

¹ Sales for Consumer Electronics are not comparable given the divestment of the Consumer Electronics businesses in Australia, New Zealand and India during the second quarter of the 2013 Financial Year.

² Sales growth for New Zealand Supermarkets is quoted in New Zealand Dollars.

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 The annual Toy Sale commenced in-store during the 53rd week of FY13. Comparable sales growth reflects 'like-for-like' timing for the Toy Sale and as such, is not impacted by this event.

⁵ In 2013, the first week of Easter was in Quarter Three whereas in 2012, Easter was in Quarter Four. The Easter adjustment was calculated by adjusting 2012 sales to reflect the timing of Easter in 2013.