

# WOOLWORTHS LIMITED

27.10.11

PRESS RELEASE

## First Quarter Sales Results – Financial Year 2012

	2011 Statutory (14 weeks)	2012 Statutory (14 weeks)	Increase (%)
<b>First Quarter Sales (\$m)</b>			
<b>Supermarket Division</b>	<b>11,875</b>	<b>12,564</b>	<b>5.8%</b>
Australian Food and Liquor	9,292	9,700	4.4%
<i>New Zealand Supermarkets (NZD)</i>	<i>1,378</i>	<i>1,420</i>	<i>3.0%</i>
New Zealand Supermarkets (AUD)	1,095	1,123	2.6%
Petrol (dollars)	1,488	1,741	17.0%
<i>Petrol (litres)</i>	<i>1,297</i>	<i>1,333</i>	<i>2.8%</i>
<b>General Merchandise Division</b>	<b>1,547</b>	<b>1,522</b>	<b>(1.6)%</b>
<b>BIG W</b>	<b>1,066</b>	<b>1,037</b>	<b>(2.7)%</b>
<b>Consumer Electronics</b>	<b>481</b>	<b>485</b>	<b>0.8%</b>
– Australia	333	326	(2.1)%
– <i>New Zealand (NZD)</i>	<i>84</i>	<i>80</i>	<i>(4.8)%</i>
– New Zealand (AUD)	67	63	(6.0)%
– India	81	96	18.5%
<b>Hotels</b>	<b>311</b>	<b>323</b>	<b>3.9%</b>
<b>Home Improvement</b>	<b>177</b>	<b>188</b>	<b>6.2%</b>
<b>Total First Quarter Sales</b>	<b>13,910</b>	<b>14,597</b>	<b>4.9%</b>
<i>Total First Quarter Sales (excl Petrol)</i>	<i>12,422</i>	<i>12,856</i>	<i>3.5%</i>

Woolworths Limited today announced first quarter sales of \$14.6 billion – a 4.9% increase on the previous year.

CEO Grant O’Brien said: “It was a solid start to the year considering retail conditions remain challenging.”

“The retail sector continues to be impacted by a lack of consumer confidence which means we have to work harder for every dollar. General merchandise is particularly affected, especially when combined with the deflationary effects of the high Australian dollar.”

“Highlights for the quarter included the pleasing 5.8% topline sales growth for our Supermarkets Division, as well as our Home Improvement Division sales growth of 6.2% that included one month of revenue from our first Masters store which traded well above expectations.”

## **SUPERMARKETS DIVISION**

### **Australian Food and Liquor**

Australian Food and Liquor sales for the quarter were \$9.7 billion, an increase of \$0.4 billion or 4.4% over last year. Comparable store sales in Australian Food and Liquor for the quarter increased 1.9% (Q1 2011: 2.0%).

In a highly competitive and challenging retail environment we increased market share, customer numbers, basket size and items sold. During the quarter, we served on average close to 19 million customers per week. Trading continues to be impacted by tightened consumer spending with higher domestic savings rates, interest rates, petrol and utility prices.

Tjeerd Jegen, Director of Australian Supermarkets and Petrol said: "Clearly this is a tough trading environment with continuing deflation across key product categories. Fresh food was a standout performer, with strong sales, particularly for new season launches such as lamb and mangoes."

Steve Greentree, General Manager of Liquor said: "Liquor experienced pleasing growth across all brands, particularly Dan Murphy's and gained market share at an accelerated rate. Our newest business, Cellarmasters, performed well with integration progressing ahead of schedule."

The standard shelf price movement index<sup>1</sup> for the quarter was 2.2%. This was impacted by high produce inflation due to the natural disasters early in the calendar year. Excluding produce the index was 1.0% (Q1 2011: 1.8%).

Average prices continued to experience deflation for the quarter of 3.3% when the effects of promotions and volumes are included (H2 2011: 3.3% deflation). Part of this deflation resulted from Woolworths lowering its prices for the benefit of customers.

We opened eight Australian Supermarkets during the quarter bringing the total to 848. We also opened six Dan Murphy's during the quarter taking the total to 146. We plan to open another 17 Supermarkets and eight Dan Murphy's prior to Christmas.

### **New Zealand Supermarkets**

New Zealand Supermarkets achieved sales of NZ\$1.4 billion for the quarter, an increase of 3.0%<sup>2</sup> (2.6% increase in AUD). Comparable sales for the first quarter were 4.9%<sup>2</sup> (Q1 2011: 4.5%<sup>2</sup>). Stores closed due to the Christchurch earthquake and the petrol sites transferred back to Gull have been excluded from comparable sales.

Dave Chambers, Managing Director PEL Supermarkets said: "We grew market share, customer numbers and items sold in the quarter in a challenging economic environment, particularly following the Christchurch earthquake. One of the earthquake damaged stores reopened during the quarter with one Countdown and one franchise store remaining closed. Whilst customers continue to shop at our other nearby stores, sales for the quarter were adversely impacted."

The food price index inflation for the quarter was 1.9% (Q1 2011: 0.3% deflation, Q4 2011: 2.5% inflation).

We opened one new store during the quarter and reopened one earthquake damaged store bringing total New Zealand Supermarkets to 158.

## **Petrol**

Petrol dollar sales for the quarter, including Woolworths/Caltex Alliance sites, increased by 17.0% reflecting an increase in average fuel sell prices compared to last year (Q1 2012: 140.0cpl, Q1 2011: 123.5cpl). Comparable sales (dollars) increased by 14.0% (Q1 2011: 0.9%). Litres sold increased 2.8%. Comparable litres grew by 0.1% (Q1 2011: 0.9% decrease). Merchandise (non-fuel) sales were up in total 10.7% and comparable merchandise (non-fuel) sales were up 5.2%.

We opened three petrol canopies during the quarter bringing the total to 584, including 132 Woolworths/Caltex alliance sites. We plan to open a further seven sites prior to Christmas.

## **GENERAL MERCHANDISE**

### **BIG W**

BIG W sales for the quarter were \$1,037 million representing a decrease of 2.7% (Q1 2011: 2.7% decrease). Comparable store sales for the quarter decreased 4.2% (H2 2011: flat).

Customer transactions and unit sales were down slightly and price deflation continued, averaging 5% during the quarter. Deflation was most evident in Home Entertainment and Toys.

Julie Coates, Director of BIG W said: "Toys, Footwear, Home and Menswear traded well in the first quarter. Particularly pleasing is the performance of Emerson and Mambo in our apparel area."

"We had great success with our multichannel offer in July with the Toy sale and continue to experience growth in visits and sales."

We opened one new store in the first quarter bringing the total to 166. We plan to open a further three stores before Christmas 2011.

### **Consumer Electronics**

Total Consumer Electronics grew by 0.8% during the quarter.

Consumer Electronics Australia sales decreased 2.1% with comparable store sales decreasing 0.5%. Whilst slightly negative, this is a reasonable performance relative to the sector. Consumer Electronics continues to be impacted by the current economic conditions, continued high level of price competition across the sector and price deflation in key products, exacerbated by the strong Australian dollar.

Debra Singh, General Manager Consumer Electronics commented: "Whilst the business is in transition, the new format stores, which are now 71% of the total store network, are outperforming older format stores and achieved sales growth of 4.2%. 51% of the store network is now in the optimal size new concept format. These stores delivered strong comparable sales growth of 5.2% this quarter."

We opened seven stores and closed 14 during the quarter bringing total Consumer Electronics stores in Australia to 320.

Consumer Electronics New Zealand continues to face a very challenging macroeconomic environment and significant price deflation in key categories. Sales declined 4.8%<sup>3</sup> and comparable store sales increased by 0.3%<sup>3</sup> during the quarter.

We opened one store and closed two stores with the total in New Zealand now 66. As a result of the Christchurch earthquake, three stores remain closed, with the intention of re-opening two in the future.

Our Consumer Electronics multichannel offer continues to display strong growth in customers and sales. We were pleased to be recognised by the Online Retail Industry Association as the Best Multi Channel Retailer and Online Retailer of the year for 2011.

Our business venture with TATA in India now services 68 retail stores operating under the Croma brand and produced sales of \$96 million for the first quarter.

## **HOTELS**

Hotel sales of \$323 million for the quarter represent an increase of 3.9% with comparable sales increasing 3.5% (Q1 2011: 1.8%). Gaming comparable sales increased 1.3% (Q1 2011: 1.7%).

Bruce Mathieson Jnr, Chief Executive Officer ALH Group said: "The overall sales result is a very pleasing outcome reflecting our continued initiatives to improve the food offering across our neighbourhood venues."

One hotel opened during the quarter and one closed with total venues remaining at 282.

## **HOME IMPROVEMENT**

Home Improvement sales increased 6.2% to \$188 million. The result includes sales from the first Masters store which opened on 1 September 2011 and has exceeded our expectations in its first month of trade.

- Ends -

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## Appendix 1: First quarter new stores and refurbishments

	New Stores <sup>4</sup>	Refurbishments
Australian Supermarkets	8	31
Thomas Dux	-	-
Liquor	14	7
New Zealand Supermarkets	2 <sup>5</sup>	1
Petrol	3	-
BIG W	1	1
Consumer Electronics – Aust / NZ	8	6
Hotels	1	30
Masters Home Improvement	1	-
Danks – Retail	-	-
<b>Total first quarter</b>	<b>38</b>	<b>76</b>

## Appendix 2: Notes

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- <sup>1</sup> The shelf price movement index is calculated by comparing the number of products sold in the current year using the current year prices to the number of 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.
- <sup>2</sup> Sales growth for New Zealand Supermarkets is quoted in NZD.
- <sup>3</sup> Sales growth for Consumer Electronics New Zealand is quoted in NZD.
- <sup>4</sup> Reflects gross store openings.
- <sup>5</sup> Includes re-opening of one earthquake impacted store.