

WOOLWORTHS LIMITED

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3 November 2014

The Manager Companies
Australian Securities Exchange Limited
Company Announcements Office
Level 4 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

RE: Woolworths Limited – Listing Rule 3.1

Please find following the First Quarter Sales Results for the fourteen week period ended 5 October 2014.

**For and on behalf of
WOOLWORTHS LIMITED**



**RICHARD DAMMERY
CHIEF LEGAL OFFICER AND COMPANY SECRETARY**

WOOLWORTHS LIMITED

3 November 2014

First Quarter Sales Results – Financial Year 2015 14 weeks to 5 October 2014

- First quarter sales of \$16.2 billion, an increase of 3.0% or 4.1% excluding Petrol
- Launched new value campaign in Australian Supermarkets
- Continued progress on our four Strategic Priorities

	2015 (14 weeks)	2014 (14 weeks)	Increase
<u>First Quarter Sales (\$ million)</u>			
Australian Food and Liquor	11,015	10,601	3.9%
Petrol (dollars)	1,845	1,931	(4.5)%
<i>Petrol (litres)</i>	1,298	1,346	(3.6)%
Australian Food, Liquor and Petrol	12,860	12,532	2.6%
New Zealand Supermarkets (AUD)	1,366	1,293	5.6%
<i>New Zealand Supermarkets (NZD)</i>	1,501	1,484	1.1%
General Merchandise	1,057	1,061	(0.4)%
Hotels	399	403	(1.0)%
Masters	238	182	30.8%
Home Timber and Hardware	234	209	12.0%
Home Improvement	472	391	20.7%
Total First Quarter Sales	16,154	15,680	3.0%
<i>Total First Quarter Sales (excluding Petrol)</i>	14,309	13,749	4.1%

Chief Executive Officer, Grant O'Brien said: "Woolworths Limited today announced first quarter FY15 sales of \$16.2 billion, an increase of 3.0% on the previous year or 4.1% excluding Petrol.

"Australian Food and Liquor delivered sales growth of 3.9% on the previous year. Following a pleasing July result, trading was softer in August and September with growth impacted by differences in the timing of promotional activities compared to the prior year and the cycling of higher fuel discount activity.

"We are focused on delivering lower prices everyday to our customers and launched our 'Cheap Cheap' campaign at the end of the quarter by reducing a number of prices on key household items. We were the first Australian supermarket to reduce the price of white bread to 85 cents and have also reduced prices on other staple products including Lamb Forequarter Chops and Beef Mince.

"Petrol sales decreased 4.5% on the previous year, impacted by reduced fuel discount activity following the undertaking to the Australian Competition and Consumer Commission (ACCC). Despite lower fuel volumes, the merchandise offer continues to deliver strong results, increasing 8.8% for the quarter.

"New Zealand Supermarkets' sales increased 1.1%¹ on the previous year (5.6% increase in AUD), impacted by price deflation across key categories as well as ongoing subdued grocery market conditions. We have continued our focus on value through the 'Price Lockdown' and 'Price Drop' campaign and were the first supermarket in New Zealand with \$1 bread.

"General Merchandise sales decreased 0.4% on the previous year, with the BIG W transformation continuing to adversely impact results as previously advised. Positive comparable sales growth in Softgoods during the quarter is an indication that we are making progress with our new offer.

"Hotel sales decreased 1.0% on the previous year or increased 0.5% excluding the impact of the additional Victorian gaming tax which came into effect from May 2014. Trading conditions in Victoria and Queensland remain challenging.

"Home Improvement sales increased 20.7% on the previous year. In Masters, sales increased 30.8%. We commenced implementation of the changes we communicated in August, including an enhanced store format and range. We also launched the 'Australia You've Been Paying Too Much' campaign. Home Timber and Hardware delivered sales growth of 12.0%, a pleasing result driven by recent store refurbishments.

“Online sales across the Group increased more than 30% for the quarter with further development of our Online business remaining a key focus. We have extended access to Click & Collect services, with BIG W and EziBuy orders now able to be collected from selected Supermarket locations. We also launched the ‘Dan Murphy’s Connections’ platform which provides customers with an extended range including products from boutique wineries and craft brewers.

“While first quarter sales were lower than expected, we are confident that our trading plans will improve momentum in the second quarter which includes the key Christmas period.”

AUSTRALIAN FOOD, LIQUOR AND PETROL

Australian Food and Liquor

Australian Food and Liquor sales for the quarter were \$11.0 billion, an increase of 3.9% on the previous year with comparable store sales increasing by 2.1%.

Despite a pleasing July result and ongoing growth in customer numbers and items sold for the quarter, sales were below our expectations with trading softer in August and September. Growth was impacted by differences in the timing of promotional activities and the cycling of higher fuel discount activity.

Customers continued to benefit from deflation in average prices of 2.0% for the quarter (Q4'14: deflation of 1.7%) when the effects of promotions and volumes are included.

The standard shelf price movement index² which excludes investment in promotional activity increased 4.6% for the quarter (Q4'14: 3.5%), impacted by the increase in tobacco excise and produce inflation resulting from tightened supply conditions.

Tjeerd Jegen, Managing Director of Australian Supermarkets and Petrol said: "We are focused on delivering lower prices everyday to our customers. In mid September, we launched the 'Cheap Cheap' campaign which has resonated strongly with customers and will help further reduce the cost of living for Australian families by lowering prices on key household items. We were the first Australian Supermarket to reduce the price of white bread to 85 cents and have reduced prices on other key products, demonstrating our commitment to being the market leader in price.

"We relaunched 'The Fresh Food People' in August and have continued to focus on being the first choice for Fresh food. In line with our strategy, Fresh sales for the quarter grew faster than Grocery. We have also extended our 'Farmers' Own' milk range to Western Australia in partnership with Margaret River dairy farmers. Our Grocery business remains a key focus and we are confident our trading plans for the second quarter will deliver on the many opportunities."

Brad Banducci, Managing Director of Liquor said: "The Liquor market continues to be subdued, in particular the Beer and Ready-To-Drink categories, with trading remaining highly competitive. During the quarter we continued to experience strong growth in Dan Murphy's Online and launched 'Dan Murphy's Connections' which provides customers with an extended range including products from boutique wineries, craft brewers and artisan distillers. We also launched the BWS '200 Specials' campaign which we expect to build on in the second quarter."

We opened nine (net) Australian Supermarkets during the quarter bringing the total to 940, three (net) Dan Murphy's bringing the total to 189 and six (net) BWS stores bringing the total to 1,222 (including both standalone and supermarket attached BWS stores).

AUSTRALIAN FOOD, LIQUOR AND PETROL (continued)

Petrol

Petrol sales for the quarter, including Woolworths/Caltex alliance sites, were \$1.8 billion, a decrease of 4.5% on the previous year. Average unleaded fuel sell prices for the quarter were 147.1 cpl (Q1'14: 150.9 cpl). Comparable sales (dollars) decreased 6.1%.

Petrol volumes decreased 3.6% for the quarter and comparable volumes decreased 5.2%.

Michael James, General Manager Petrol said: "Volumes were impacted by reduced fuel discount activity following the undertaking to the ACCC which limited fuel discounts available to customers.

"Strong growth in merchandise sales continued, increasing 8.8% for the quarter with comparable merchandise sales increasing 5.4%, driven by improved ranging and promotional activity as well as forecourt improvements."

We opened six (net) petrol canopies during the quarter bringing the total to 639, including 130 Woolworths/Caltex alliance sites.

NEW ZEALAND SUPERMARKETS

New Zealand Supermarkets' sales for the quarter were NZ\$1.5 billion, an increase of 1.1%¹ on the previous year (5.6% increase in AUD). Comparable sales for the quarter decreased 0.1%¹, impacted by inflation remaining flat and continued subdued grocery industry market conditions.

The Countdown Supermarkets food price index for the quarter was zero¹ (Q4'14: 1.5%¹) with inflation in dairy offset by deflation across a number of categories including Grocery, Bread, Liquor and Produce.

Dave Chambers, Managing Director PEL Supermarkets said: "We have demonstrated leadership in price through the 'Price Lockdown' and 'Price Drop' campaign with increasing basket penetration of these items as well as growth in customer transactions and items sold indicating it is resonating strongly with customers. We were also the first supermarket in New Zealand with \$1 bread."

Total Countdown Supermarkets at the end of the quarter were unchanged at 171 with total franchise stores remaining at 59.

GENERAL MERCHANDISE

Sales for the quarter were \$1.1 billion, a decrease of 0.4% on the previous year. The previously advised transformation of BIG W has continued to adversely impact results, with comparable sales decreasing 4.1% for the quarter, impacted by the cycling of Hardgoods clearance activity in the prior year, particularly in Home Entertainment. Excluding categories which are being rationalised as part of the transformation of BIG W, comparable sales decreased 0.8% for the quarter. The transformation will continue to adversely impact results in FY15.

Sales were also impacted by increased promotional activity in the current period to clear seasonal apparel following an unseasonably warm winter and ongoing price deflation.

Alistair McGeorge, Managing Director of BIG W said: “While the business transformation will continue to adversely impact results, positive comparable sales growth in Softgoods during the quarter is an indication that we are making progress with our new offer. Childrenswear performed particularly well with a successful Baby event as well as the launch of Peter Morrissey Kids.”

We opened one new BIG W store during the quarter, bringing the total to 183 and one new EziBuy store, bringing the total to five.

HOTELS

Hotel sales for the quarter were \$399 million, a decrease of 1.0% on the previous year with comparable sales decreasing 1.7%. Excluding the impact of the additional Victorian gaming tax which came into effect from May 2014, sales increased 0.5% and comparable sales decreased 0.2%.

Bruce Mathieson Jnr, Chief Executive Officer ALH Group said: “Trading conditions during the quarter varied by geography. Victoria and Queensland, where the majority of our hotels are located, remain challenging.”

We opened one and closed two hotels during the quarter bringing the total number of venues to 328.

HOME IMPROVEMENT

Home Improvement sales for the quarter were \$472 million, an increase of 20.7% on the previous year.

Masters sales for the quarter were \$238 million, up 30.8% on the previous year, however impacted by clearance activity as we commenced implementation of the changes we outlined in August including refining our range. The number of Masters stores at the end of the quarter remains unchanged at 49, in line with our plan for the period.

Home Timber and Hardware sales for the quarter were \$234 million, up 12.0% on the previous year with positive results from store refurbishments and an increased focus on the trade offer. The acquisition of Hudson Building Supplies (ten sites in New South Wales and five sites in Queensland) and Belmont Timber (one site in Victoria) completed at the end of the quarter.

Matt Tyson, Managing Director Home Improvement said: “During the quarter, we commenced implementation of the changes we communicated in August, including an enhanced store format and range with a focus on increasing customer traffic and conversion rates.

“We launched the ‘Australia You’ve Been Paying Too Much’ campaign in late September with a range of market leading prices for interior wall paint generating a pleasing early response from customers, particularly Trade customers. We are now focused on our Spring trading program.”

– Ends –

For further information contact:

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Appendix One: New Stores and Refurbishments

<u>First Quarter</u>	Gross New Stores	Net New Stores	Refurbishments
Australian Supermarkets	10	9	13
Thomas Dux	-	(1)	-
Liquor (including attached liquor stores)	19	9	13
New Zealand Supermarkets	2	-	1
Petrol	7	6	17
BIG W	1	1	-
EziBuy	1	1	-
Hotels	1	(1)	6
Masters	-	-	-
Home Timber and Hardware Retail	18	16	-
Total	59	40	50

Appendix Two: Notes

¹ Sales growth for New Zealand Supermarkets is quoted in New Zealand Dollars.

² 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.