

17 June 2015

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

Dear Sir/Madam

RE: Woolworths Limited – Market Update June 2015

Please find attached an update on a number of key matters including:

- CEO retirement
- Trading update
- Outline of significant items
- Update on earnings guidance
- Other management changes

**For and on behalf of
WOOLWORTHS LIMITED**



RICHARD DAMMERY
Chief Legal Officer and Company Secretary

WOOLWORTHS LIMITED

17 June 2015

Market Update – June 2015

Key updates:

- CEO retirement
- Trading update
- Outline of significant items
- Update on earnings guidance
- Other management changes

CEO Retirement

Woolworths Limited (Woolworths) Chief Executive Officer and Managing Director, Grant O'Brien, today announced he will retire from the Company. Mr O'Brien has been CEO since October 2011.

A global executive search process including external and internal candidates will be conducted by the Woolworths Board to appoint a new CEO. Mr O'Brien will continue to serve as CEO and Managing Director during this period.

Mr O'Brien said; "Woolworths is family to me and I have been honoured to work alongside our team of 200,000 hard-working, talented people for the past 28 years. Woolworths has a proud tradition of success and growth which has been built by dedicated Australians and New Zealanders.

"At the recent Investor Day we set out clear strategies to grow our businesses over the next three years and we have been working hard to execute these plans. However, the recent performance has been disappointing and below expectations. I believe it is in the best interests of the Company for new leadership to see these plans to fruition.

"I approached the Chairman and expressed to him that I am committed to a smooth transition to a new CEO and wanted to give the Board sufficient time to consider its options," Mr O'Brien said.

Woolworths Chairman, Ralph Waters, said; "I would like to pay tribute to Grant O'Brien for his commitment to Woolworths over 28 years. On behalf of the Board, senior management and staff, I would like to thank Grant for his ongoing contribution and for his willingness to stay at the helm until we appoint a successor."

To ensure an orderly transition, the Company has entered into a Transition and Separation Deed with Mr O'Brien. This Deed provides certainty and timing flexibility for the Company and Mr O'Brien during the transition period. A summary of the key terms of the Transition and Separation Deed is attached to this release.

“The Woolworths Board has already commenced a search for a new Non-Executive Director following the recent retirement of Mr Ian McFarlane AC.

“Whilst the Board acknowledges that the Company’s recent financial performance has been disappointing, it is committed to the plans and strategies outlined at the May Investor Day. Successful execution of these plans will be the basis for continued long-term value creation for our shareholders,” Mr Waters concluded.

Q4’15 Trading Update

“We have been very transparent about the key challenges and opportunities for growth for each of our businesses, including setting out detailed plans at our recent Investor Day to win back sales momentum within our Australian Food business,” Mr O’Brien said.

“We are on track to exceed the forecast of \$500 million in cost savings across FY15 and FY16 and we have commenced investing these funds into lower prices, better service and an enhanced offer for customers. We are now at our most competitive position on price since January 2014, and our in store experience is greatly improved.

“Australian Food is on a three year journey to get customers to put us first consistently and our sales results will be volatile in the short term. It will take time for the improvements we have made to convert into sales momentum,” he said.

As indicated at the Q3’15 sales release, the Australian Food and Liquor sales performance in April was disappointing. There has been no improvement in May and June to date. Australian Food and Liquor recorded a decline in Easter adjusted¹ comparable sales of approximately 0.7% for Q4’15 to date².

General Merchandise sales continue to be impacted by our ongoing transformation plan. The plan includes the introduction of a new merchandising system, which has occurred during Q4’15. The launch of the new system created stock availability issues in our stores, which in turn has impacted sales. As a result, General Merchandise Easter adjusted¹ comparable sales for Q4’15 to date² declined by approximately 12.1%. The merchandising system implementation issues are in the process of being resolved.

Home Improvement Easter adjusted¹ sales increased by approximately 19.8% for Q4’15 to date² with Home Timber and Hardware reporting growth of 21.9% and Masters reporting growth of 17.7%. In August 2014, we announced a new format and range for Masters. By the end of FY15, we will have approximately 20% of our network trading in the new format and while it is still early days, we are very pleased with the performance of these stores.

Trading performance for our other divisions is broadly in line with our expectations. Detailed quarterly sales results will be released as usual with the full year results scheduled for 28 August 2015.

Outline of Significant Items

As outlined during our Investor Day in May, the Woolworths Group is going through significant strategic change. There are a number of significant items, representing non-recurring costs, which will be included in the FY15 profit result. Each of these relate to unlocking value within the strategic plans we outlined in May, including a major cost transformation project, 'Fuel For Growth' (FFG), and a continued focus on managing the balance sheet to drive shareholder returns.

We anticipate these costs will be approximately \$270 million and are comprised as follows:

Business transformation costs (\$180 - \$200m)

As detailed at our Investor Day, FFG represents the largest cost transformation project undertaken in many years across the Woolworths Group. The program is on track to deliver more than \$500 million of cost savings across FY15 and FY16 and we are confident there will be further savings beyond this. The FFG program is a fundamental part of the Group strategy and will create capacity within the Group to drive sales momentum in Australian Food through reinvestment in price and improving the customer offer.

Business transformation costs primarily represent dedicated internal resourcing and professional services costs associated with the FFG program, the write-off of central and store assets which are no longer in use and the write down of inventory in Australian Food due to changes in category strategy.

Redundancy costs (\$40 - \$50m)

We anticipate a cost of \$40 - \$50 million in FY15 associated with a number of workforce changes, including the cost of redundancies undertaken to date. In addition to our plans to reduce 400 support roles announced at the Investor Day in May, we have identified additional opportunities to improve efficiency and remove outdated processes. We now anticipate a total reduction of approximately 1,200 roles across support functions, supply chain and non-customer facing store positions (including those relating to the new distribution centre and meat processing facility announced last week).

Property portfolio review (\$30 - \$40m)

As outlined at the Investor Day, we have continued our focus on managing the balance sheet to release cash and drive returns to shareholders. Within our existing property portfolio, we have an opportunity to dispose of a number of properties some of which we are unlikely to develop within the next five years.

Given our choice to accelerate the disposal of property sites, a loss in the range of \$30 - \$40 million is forecast and has been provided for during FY15.

Update on Earnings Guidance

At our HY15 profit results announcement in February, we adjusted our previous guidance for FY15 net profit after tax before significant items³ to the lower end of the analyst consensus forecast range, which was at that time 1.8% growth.

In February, we stated that we would do whatever it takes to win back the trust of our customers. Since then, we have invested in lowering prices and improving service and in store experience. The level of investment we have chosen to make, combined with the subdued trading in Q4'15, have impacted our ability to meet our February guidance.

Woolworths now expects to deliver FY15 net profit after tax before significant Items³ broadly in line with the prior year, which was \$2.45 billion. Including the impact of significant items, we expect FY15 net profit after tax to be approximately \$2.15 billion.

As previously stated, we will not be providing any further guidance on profit growth moving forward.

Other Management Changes

Woolworths Director of Group Retail Services, Penny Winn, has flagged an intention to pursue a career as a Non-Executive Director. Ms Winn will remain with Woolworths until November 2015. It is expected that her position will be taken up by an internal candidate.

Mr O'Brien said; "During her retail career, Penny has worked with Woolworths for more than 23 years after originally joining in 1987. During this period she led the original Mercury program, and more recently as Director of Group Retail Services, Penny has driven our multi-option and online strategies across all trading divisions. She has also managed our shared services including Logistics, Fulfilment and IT functions.

"Penny will remain with us for some months to come, however, I would like to take the opportunity to thank her for her significant contribution to Woolworths and wish her all the best for the future," Mr O'Brien said.

Conference Call / Webcast

A conference call for analysts is scheduled for 10am Eastern Standard Time and will be webcast live at www.woolworthslimited.com.au.

-ENDS-

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Endnotes

¹ In FY15, the first week of the Easter trading period fell into Q3 whereas in FY14, Easter was included in Q4. The impact of Easter is an approximation only and has been estimated by adjusting FY14 sales to reflect the timing of Easter in FY15.

² Q4'15 to date represents the 10 week period ended 14 June 2015.

³ Including significant items outlined within this announcement and the General Merchandise Transformation Provision raised at HY15.

WOOLWORTHS LIMITED

Annexure

Key provisions of CEO Transition and Separation agreement

Woolworths Limited has entered into a Transition and Separation agreement with the current Chief Executive and Managing Director, Mr Grant O'Brien. This arrangement, to ensure a smooth and orderly transition, provides certainty for the Company and flexibility during the transition period to a new CEO.

It has been agreed that Mr O'Brien:

- will continue in the position of Chief Executive and Managing Director during the transition period;
- will work in accordance with any transition protocols or other directions nominated by the Company;
- will cease acting in the position from a date advised to him by the Chairman (this will be not sooner than late November 2015, and the Company maintains flexibility in this regard); and
- will be available to provide assistance to the Company and to his successor as may be required.

In consideration of Mr O'Brien agreeing to these matters and, in light of Mr O'Brien's 28 years of service to the Company, the Board has determined to allow Mr O'Brien to take his accrued annual leave and long service leave entitlements in the lead up to the termination of his employment. As a consequence, Mr O'Brien will continue to be employed by the Company past his 55th birthday, and his retirement entitlements under the Company's Defined Benefits superannuation scheme will vest.

Mr O'Brien has agreed to waive in full his rights to all other contractual entitlements relating to his retirement, including any pay in lieu of any unserved notice, any FY16 short term incentive and long term incentive payments, and any other compensation to which he may have been entitled in relation to the agreed 12 month restraint period. In addition, Mr O'Brien's unvested awards under the Company's long term incentive plans will lapse.

No shareholder approval of these arrangements is required.