

25 August 2016

FINAL PROFIT AND DIVIDEND ANNOUNCEMENT FOR THE 52 WEEKS ENDED 26 JUNE 2016

Early signs of progress in transformation

Net Profit After Tax (NPAT) from Continuing Operations attributable to shareholders of Woolworths Before Significant Items¹ of \$1,558.2 million

NPAT from Continuing Operations attributable to shareholders of Woolworths of \$803.5 million

Group Net Loss After Tax (NLAT) attributable to shareholders of Woolworths of \$1,234.8 million

- **Solid progress on key priorities:**
 - Regaining competitiveness: lower prices, better service, fruit and veg and improved store experience
 - Customers noticing the difference - Record Voice of Customer scores in Food
 - Strong customer response to new format stores
 - New operating model moving shared services closer to stores and customers
 - Cultural change underway with team engagement improving
- **Addressing key issues:**
 - New store rollout slowed with focus on renewing existing store network
 - Progress on exit of Home Improvement business
 - Decisive action taken on BIGW to position the business for success going forward
- **More to do:**
 - Improving team capabilities in key areas
 - Improving supplier engagement and joint business planning
 - Delivering productivity dividend from IT systems implementation

FY16 KEY FINANCIAL HIGHLIGHTS

\$ million	FY16 (52 weeks)	FY15 (52 weeks)	Change
Continuing Operations Before Significant Items¹			
Sales	58,086	58,812	(1.2)%
Sales (excluding Petrol)	53,474	53,180	0.6%
Earnings Before Interest and Tax (EBIT)	2,563.8	3,973.1	(35.5)%
NPAT attributable to shareholders of Woolworths	1,558.2	2,561.4	(39.2)%
Ordinary Earnings Per Share (EPS) – cents	123.3	203.9	(39.5)%
Dividend Per Share – cents	77	139	(44.6)%
Continuing Operations After Significant Items¹			
EBIT	1,605.2	3,549.9	(54.8)%
NPAT attributable to shareholders of Woolworths	803.5	2,255.4	(64.4)%
Group			
(NLAT)/ NPAT attributable to shareholders of Woolworths	(1,234.8)	2,146.0	(157.5)%

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



Brad Banducci, Woolworths Group CEO, said: “FY16 was a year of unprecedented change for Woolworths. The decisions we have taken and investments we have made have had a material impact on our FY16 results but have been necessary to begin the rebuilding of Woolworths.

“We are seeing early signs of progress as we work to restore our competitiveness and improve our culture in Australian Food. We have also addressed significant issues facing the Group with the decision to exit Home Improvement and decisive action taken on BIGW to reposition the business.

“Top of my five priorities is getting our customers to put us 1st and making the right business decisions to enable this to happen. We are regaining competitiveness with improving customer metrics and sales and transaction growth demonstrating our customers are recognising our investment in lower prices, better service, fresh fruit and veg and improved store experience. Our improving team engagement scores show we are also changing our culture for the better.

“While we are seeing early signs of momentum, we are not underestimating the size of the task that lies ahead, especially given the highly competitive nature of the markets in which we operate. As we have consistently said, this is a three to five year journey.

“Sales improved over the year for our Australian Food business with comparable sales in the fourth quarter the strongest for the year driven by strong comparable transaction growth. However, underlying earnings from Australian Food & Petrol were down 40.8% on last year reflecting lower sales growth driven primarily by our investment in lower prices and a decline in items per basket.

“We are committed to strengthening our leading position in Drinks. To give this important part of our business more visibility, this year we have separated out the trading performance of Endeavour Drinks Group for the first time. Endeavour delivered sales growth of 4.7% in a very competitive market.

“In New Zealand dollars, New Zealand Food’s earnings were marginally below last year primarily due to additional investment in team hours and higher performance-based bonuses for our team.

“During the year we made major changes to the way we operate our business to meet our priority of empowering our portfolio businesses to pursue strategies to better deliver shareholder value and to take out all unnecessary bureaucracy and cost.

“We appointed Colin Storrie as Group Portfolio Director in July to provide greater support and oversight of our portfolio businesses. Boards are now in place for all these businesses.

“We also announced that we had separated EziBuy from BIGW and are currently exploring options to sell EziBuy. BIGW reported a loss before interest and tax before significant items¹ of \$14.9 million largely due to lower sales and extensive clearance activity.

“Hotels earnings were impacted by non-comparable costs on last year’s disposal of 54 freehold properties and increased costs of promotional activity.

“Yesterday, we announced three transactions to facilitate our exit from the Home Improvement business. Home, Timber and Hardware has been sold to Metcash, Hydrox has received an underwritten recovery on Masters inventory and we have granted an exclusive call option over our two third share in Hydrox to Home Consortium. All Masters stores will cease trading on or before 11 December 2016.

“We expect trading conditions to remain highly competitive in FY17 but are confident that we have a clear plan and set of priorities, and we are encouraged that we finished FY16 with some early signs of momentum” Mr Banducci said.

Woolworths Chairman, Gordon Cairns, said: “We have addressed a number of key issues during the year to position the business for the future and we are making good progress. We are rebuilding our team with a number of key hires during the year with more to come. We are confident of further progress in FY17 and are on track in our three to five year transformation.

“The Board has announced a final dividend of 33 cents per share taking the total dividend for the year to 77 cents, a 44.6% decrease on the prior year but in line with the historical payout ratio on Group Net Profit After Tax Before Significant Items. The DRP will be settled through the issue of new shares and underwritten to 50%. The Board remains committed to a solid investment grade credit rating” Mr Cairns said.



KEY PRIORITIES

We are focused on five key priorities across the Group. Progress against those priorities over the last 12 months has been as follows:

1. Building a customer and store-led culture and team

- Implemented revised short term and long term performance measures aligned with our business transformation
- New Operating Model implemented with key shared service functions much closer to the customer
- All new Support Office team members now spend a week in-store ('Woolies Welcome')
- New tools for stores to provide feedback to Support Office
- New Chief Supply Chain Officer appointed (Paul Graham) and Chief Information and Chief People Officer appointments expected in the next few weeks
- More work to do on team capabilities, especially in Stores and Buying

2. Generating sustainable sales momentum in Food

- Strong Voice of the Customer results in June with record Overall Customer Satisfaction
- Comparable transaction growth of 1.4% in Q4'16 with positive item growth from June
- More competitive prices across the store with average prices 2.3% lower in FY16 and over \$500 million investment in FY16 relative to FY15
- Incremental investment in team hours, particularly on the weekend
- Significant progress in new own brand strategy with Essentials and Woolworths brand transitions well underway
- More work to do on Supplier engagement and joint business planning

3. Evolving our Drinks business to provide even more value and convenience to customers

- Strong performance from 11 new Dan Murphy's opened during the year
- Dan Murphy's business model continues to evolve with investment in a new in-store wine format, My Dan Murphy's loyalty program and the launch of Dan Murphy's Wine Cellar
- Strong double digit sales growth from Dan Murphy's online
- BWS local empowerment-driven business model resonating with customers and team alike

4. Empowering our portfolio businesses to pursue strategies to deliver shareholder value

- Colin Storie appointed Group Portfolio Director and Boards established on all portfolio businesses
- Separation well underway with Sourcing, Quality, Logistics, Property and IT all being integrated back into the individual businesses
- Exploring options for the sale of EziBuy
- BIGW early in its turnaround, with lots more to do

5. Becoming a lean retailer through end-to-end process and systems excellence

- Merchandising platform now stable, SuccessFactors Human Capital Management system now live, 1 Store Program in roll-out
- End-to-end process improvement initiatives underway across the business - Faster Fresh, meat processing model, on-shelf availability, store IT support, store maintenance
- Over 500 support office and supply chain roles to be removed
- More work to do on generating a productivity dividend from new IT systems implementation



BUSINESS PERFORMANCE

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

\$ million	FY16 (52 weeks)	FY15 (52 weeks)	Change
Continuing Operations (before Significant Items¹)			
Australian Food and Petrol	1,759.8	2,970.2	(40.8)%
Endeavour Drinks Group	483.8	469.6	3.0%
Australian Food, Petrol and Endeavour Drinks Group	2,243.6	3,439.8	(34.8)%
New Zealand Food	284.4	303.2	(6.2)%
<i>New Zealand Food (NZD)</i>	<i>313.9</i>	<i>326.0</i>	<i>(3.7)%</i>
BIGW	(14.9)	111.7	(113.3)%
Hotels	208.5	234.5	(11.1)%
Central Overheads	(157.8)	(116.1)	35.9%
EBIT Continuing Operations (before Significant Items¹)	2,563.8	3,973.1	(35.5)%
Significant Items ¹ (before tax)	(958.6)	(423.2)	n.c
EBIT Continuing Operations (after Significant Items¹)	1,605.2	3,549.9	(54.8)%
Discontinued Operations			
Home Improvement (before Significant Items ¹)	(218.8)	(224.7)	(2.6)%
Significant Items ¹ (before tax)	(3,055.1)	(2.7)	n.c
LBIT Discontinued Operations (after Significant Items¹)	(3,273.9)	(227.4)	1,339.7%

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

\$ million	FY16 (52 weeks)	FY15 (52 weeks)	Change
Continuing Operations			
Group EBIT (before Significant Items¹)	2,563.8	3,973.1	(35.5)%
Net financing costs	(245.6)	(253.3)	(3.0)%
Tax expense	(712.6)	(1,112.8)	(36.0)%
Non-controlling interests	(47.4)	(45.6)	3.9%
NPAT from Continuing Operations attributable to shareholders of Woolworths (before Significant Items¹)	1,558.2	2,561.4	(39.2)%
Significant Items ¹ from Continuing Operations after tax attributable to shareholders of Woolworths	(754.7)	(306.0)	n.c
NPAT from Continuing Operations attributable to shareholders of Woolworths	803.5	2,255.4	(64.4)%
Discontinued Operations			
NLAT from Discontinued Operations attributable to shareholders of Woolworths (before Significant Items ¹)	(165.2)	(108.1)	52.8%
Significant Items ¹ from Discontinued Operations after tax attributable to shareholders of Woolworths	(1,873.1)	(1.3)	n.c
NLAT from Discontinued Operations attributable to shareholders of Woolworths	(2,038.3)	(109.4)	1,763.2%
Total Group			
NLAT/NPAT attributable to shareholders of Woolworths	(1,234.8)	2,146.0	(157.5)%



GROUP INCOME STATEMENT PERFORMANCE*

Sales from Continuing Operations were \$58.1 billion, a decrease of 1.2% in FY16 driven primarily by lower sales in Petrol. Excluding Petrol, sales increased 0.6% on the prior year. FY16 sales by quarter are provided in Appendix Three.

Gross profit from Continuing Operations (before significant items¹) as a percentage of sales decreased 65 bps on the prior year to 26.9% driven primarily by the significant price investment in Australian Supermarkets during the year.

Cost of doing business from Continuing Operations (CODB) (before significant items¹) as a percentage of sales increased 169 bps on the prior year to 22.5% due to subdued sales growth limiting the ability to fractionalise costs, incremental investment in store labour in Australian and New Zealand Food and higher team performance-based bonuses. This was partially offset by cost savings generated primarily through improved efficiency across support functions.

EBIT from Continuing Operations (before significant items¹) decreased 35.5% on the prior year to \$2,563.8 million.

Net financing costs decreased 3.0% on the prior year, primarily driven by a decrease in the net interest rate on lower debt.

NPAT attributable to shareholders of Woolworths from Continuing Operations (before significant items¹) decreased 39.2% on the prior year to \$1,558.2 million, with corresponding EPS (before significant items¹) down 39.5% to 123.3 cents.

On a statutory basis, after reflecting the impact of significant items¹, the NLAT attributable to shareholders of Woolworths was \$1,234.8 million compared to a NPAT of \$2,146.0 million in FY15. The corresponding Loss Per Share (LPS) was 97.7 cents compared to EPS of 170.8 cents in FY15.


AUSTRALIAN FOOD AND PETROL

	FY16 (52 weeks)	FY15 (52 weeks)	Change
Before Significant Items¹			
Sales			
Food	34,798	34,881	(0.2)%
Petrol ²	4,612	5,632	(18.1)%
Food and Petrol² (\$ million)	39,410	40,513	(2.7)%
EBIT			
Food and Petrol (\$ million)	1,759.8	2,970.2	(40.8)%
Gross Margin (%)	25.37	26.19	(82) bps
Cost of Doing Business (%)	20.90	18.86	204 bps
EBIT to Sales (%)	4.47	7.33	(286) bps
Sales Per Square Metre - Food (\$)	16,000	16,615	(3.7)%

AUSTRALIAN FOOD OPERATING METRICS

	Q1'16 (14 weeks)	Q2'16 (13 weeks)	Q3'16 (13 weeks)	Q4'16 (12 weeks)
Year on year (%)				
Change in average prices				
Total including Liquor	(1.8)%	(2.5)%	(2.4)%	(2.7)%
Total excluding Tobacco	(3.0)%	(3.6)%	(3.5)%	(3.8)%
Sales Productivity Metrics				
Total Sales	(0.5)%	(0.1)%	(0.3)%	0.0%
Comparable Sales	(1.6)%	(1.2)%	(1.3)%	(1.1)%
Volume Productivity Metrics				
Comparable transaction growth (%)	(1.2)%	0.6%	0.3%	1.5%
Items Per Basket (%)	(0.5)%	(2.0)%	(2.4)%	(2.3)%
Comparable item growth (%)	(1.0)%	(1.0)%	(1.6)%	(0.5)%
Customer Metrics				
Overall Customer Satisfaction	69%	69%	68%	75%
Store controllable Customer Satisfaction	75%	75%	74%	77%

AUSTRALIAN FOOD, PETROL & ENDEAVOUR DRINKS GROUP

	FY16	FY15	Change
Funds Employed ³ (\$ million)	3,575.2	3,662.5	(2.4)%
Return on Average Funds Employed (ROFE) ³ (%)	62.00	94.93	(3,293) bps



TRADING PERFORMANCE

Australian Food sales for the year were \$34.8 billion, a decrease of 0.2% on the previous year. Comparable sales declined by 1.3% in FY16 primarily driven by significant price investment. Despite an increase in average price deflation⁴, comparable sales in Q4'16 showed the smallest decline for the year at (1.1)%. Sales per square metre declined by 3.7% compared to FY15 due to a reduction in comparable sales primarily due to price investment to restore our competitive position and an increase in overall trading space.

We returned to positive comparable transaction growth in Q2'16 with transaction growth of 2.6% in H2'16. Comparable items showed an improving trend over the second half turning positive in June. Stabilising the trend in items per basket remains a key focus area.

Customers are noticing the improvements we are making with our overall Voice of the Customer (VOC) satisfaction score improving significantly over the financial year to finish the year at record levels of 75%. The improvement was consistent with our store controllable VOC which also improved over the year with a score of 77% in June. Pleasingly, Team Attitude remains one of our highest scores with Time in Queue showing the biggest improvement following our investment in team hours and service focus. Availability and Fruit & Veg have seen some recent improvements but remain the biggest opportunities.

We continued to lower prices for our customers with a reduction in average prices⁴ of 2.3% for FY16 and a 2.7% reduction in prices in Q4'16. Excluding tobacco, average prices⁴ declined by 3.8% in the fourth quarter. In FY16, we invested over \$500 million in lowering prices or not passing through cost price increases to our customers compared to FY15 despite the significant price investment that had already taken place in H2'15. We continue to reduce our reliance on promotions in favour of lower shelf prices with 1,580 products on our Price Dropped program by the end of the year.

Comparable sales for the eight weeks ended 21 August 2016 increased by 0.3%.

Our team is focused on improving sales productivity in our business and sales per square metre will be a key metric in our long-term incentive plan. Central to improving our sales productivity is our shift in focus away from expanding space to renewing our existing store fleet. We opened six renewal stores in June, and customers are responding to our improved store-experience with a 14% improvement in VOC and a 9% growth in transactions in these stores.

Petrol sales were \$4.6 billion, a decrease of 18.1% on the previous year (volumes decreased by 9.1%). Sales were impacted by changes to the Woolworths – Caltex alliance² in FY15 where sales from 131 Caltex operated sites were no longer recognised by Woolworths, and declining average fuel sell prices (unleaded FY16: 120.5 cpl; FY15: 134.4 cpl). We cycled the changes to the Woolworths – Caltex alliance² in December.

Comparable petrol sales (dollars) decreased 11.8% for the year due to the impacts of declining global oil prices and a decline in comparable volumes of 2.4%.

Merchandise sales for the year increased 6.4% and comparable merchandise sales increased 3.7%.



Australian Food and Petrol (AUFPP) gross margin decreased 82 bps due to price investment offset somewhat by lower Petrol sales which drove a change in sales mix to the higher margin in the Food business. The impact of price investment was even more pronounced in our Australian Food business where gross margin declined by 178 bps.

AUFPP CODB as a percentage of sales increased 204 bps on the prior year driven by lower sales (including the impact of the changes to the Caltex-Woolworths alliance²), investment in team hours and higher team performance-based bonuses compared to the prior year where no bonuses were paid. This was partly offset by cost savings generated through improved efficiency across store operations and support functions.

AUFPP EBIT of \$1,759.8 million decreased 40.8% on the previous year, with the EBIT margin decreasing 286 bps.



ENDEAVOUR DRINKS GROUP

	FY16 (52 weeks)	FY15 (52 weeks)	Change
Before Significant Items¹			
Sales (\$ million)	7,589	7,251	4.7%
EBIT (\$ million)	483.8	469.6	3.0%
Gross Margin (%)	23.41	22.98	43bps
Cost of Doing Business (%)	17.03	16.50	53 bps
EBIT to Sales (%)	6.38	6.48	(10) bps
Sales Per Square Metre (\$)	17,943	17,827	0.7%

OPERATING METRICS

	Q1'16 (14 weeks)	Q2'16 (13 weeks)	Q3'16 (13 weeks)	Q4'16 (12 weeks)
Sales Productivity Metrics				
Total Sales	5.4%	5.0%	3.4%	4.7%
Comparable Sales	2.4%	2.1%	1.1%	2.3%

TRADING PERFORMANCE

Endeavour Drinks Group (EDG) sales increased by 4.7% to \$7,589 million in FY16 driven by an increase in comparable sales of 2.0% in FY16 resulting in an increase in market share. Our retail businesses (Dan Murphy's and BWS) both recorded positive comparable growth for the year. Dan Murphy's retained its market leading Net Promoter Score (NPS) with BWS also showing a strong improvement over the year. Sales per square metre increased by 0.7% driven by the increase in comparable sales.

Dan Murphy's delivered another year of strong total and comparable sales growth with 11 net new stores opened during the year. Our execution around key events was strong and Dan Murphy's online continued to deliver strong double digit sales growth. My Dan Murphy's continued to grow and evolve with 1.7 million members by the end of the year.

BWS also reported positive comparable sales growth with an improving trend in the second half as we renewed our focus on value. We opened 56 new BWS stores in FY16 and closed 24 stores.

Gross margin increased by 43bps to 23.41% due to better buying facilitated by strong volume growth despite price deflation during the year and negative category mix with beer and spirits outgrowing wine.

CODB as a percentage of sales increased by 53bps reflecting the impact of costs associated with higher store numbers as well as an increase in team performance-based bonuses as we rebuild our team incentives. Excluding the increase in bonuses, CODB was well controlled.

EBIT increased 3.0% to \$483.8 million in FY16.



NEW ZEALAND FOOD

\$NZD	FY16 (52 weeks)	FY15 (52 weeks)	Change ⁵
Before Significant Items¹			
Sales (\$ million)	6,101	5,878	3.8%
EBIT (\$ million)	313.9	326.0	(3.7) %
Funds Employed (\$ million)	2,906.4	3,080.7	(5.7) %
Gross Margin (%)	23.58	23.50	8 bps
Cost of Doing Business (%)	18.44	17.95	49 bps
EBIT to Sales (%)	5.14	5.55	(41) bps
Sales Per Square Metre (\$ million)	14,863	14,999	(0.9)%
ROFE (%)	10.48	10.63	(15) bps

OPERATING METRICS

	Q1'16 (14 weeks)	Q2'16 (13 weeks)	Q3'16 (13 weeks)	Q4'16 (12 weeks)
Countdown Supermarkets Food Price Index⁵	0.5%	(0.2)%	(0.7)%	(0.7)%
Sales Productivity Metrics				
Total Sales ⁵	3.9%	4.1%	3.8%	3.3%
Comparable Sales ⁵	2.5%	1.5%	0.9%	0.3%

TRADING PERFORMANCE

New Zealand Food' sales for the year were NZ\$6.1 billion, an increase of 3.8%⁵ on the previous year (2.3% increase in AUD). Sales in the first half were assisted by the bulk sales of gift cards and excluding the sales of these cards, full year sales growth was 3.1%⁵. Easter adjusted sales for Q3 and Q4 were 3.5%⁵ and 3.6%⁵ respectively.

Comparable sales increased 1.3%⁵ for the year as customers reacted positively to our lower prices and improved service and fresh food offer. Sales per square metre declined by 0.9% with comparable sales growth more than offset by an increase in year-end trading space of 5.1%.

The Countdown Supermarkets food price index showed full year deflation of 0.3%, with lower prices across most categories. Deflation was offset by positive comparable customer growth strengthening in the second half. We exceeded our targets for the number of lines on our Price Down program with approximately 3,000 products now at a low price every day.

Gross margin increased 8 bps⁵ on the previous year largely due to a reduction in fuel discount promotions.

CODB as a percentage of sales increased 49 bps⁵ on the previous year largely due to higher team performance-based bonuses compared to FY15, new store costs and investment in store labour to improve the customer experience.

EBIT decreased 3.7%⁵ but was flat when normalised for team performance-based bonuses compared to the prior year.

ROFE was 15 bps⁵ lower than the prior year due to lower EBIT despite a 5.7% reduction in Funds Employed.



PORTFOLIO BUSINESSES

BIGW

	FY16 (52 weeks)	FY15 (52 weeks)	Change
Before Significant Items¹			
Sales (\$ million)	3,820	3,929	(2.8)%
(LBIT)/EBIT (\$ million)	(14.9)	111.7	(113.3)%
Funds Employed (\$ million)	555.2	752.3	(26.2)%
Gross Margin (%)	31.69	33.79	(210) bps
Cost of Doing Business (%)	32.08	30.95	113 bps
EBIT to Sales (%)	(0.39)	2.84	(323) bps
ROFE (%)	(2.28)	13.54	(1,582) bps

OPERATING METRICS

	Q1'16 (14 weeks)	Q2'16 (13 weeks)	Q3'16 (13 weeks)	Q4'16 (12 weeks)
BIGW Price Inflation	(3.1)%	(2.6)%	(3.2)%	(6.2)%
Sales Productivity Metrics				
Total Sales	(8.0)%	(0.4)%	(4.4)%	1.9%
Comparable Sales	(8.0)%	(1.3)%	(4.5)%	1.0%

TRADING PERFORMANCE

Sales for the year were \$3.8 billion, a decrease of 2.8% on the previous year with comparable sales decreasing 3.3%. After a disappointing Q3'16 sales performance, comparable sales turned positive in Q4'16 as we cycled weaker sales in the prior year. Our focus in the second half was on retail execution, clearing excess inventory and implementing our new operating model for the business.

The best performing categories in the second half were Children's Books, Toys, Party and Menswear. Apparel sales continued to be challenging due to clearance activity and a winter fashion range that did not resonate with our customers.

The 210 bps gross margin decline reflects the impact of clearance activity, particularly in the second half and the impact of an extra week of Toy Sale in FY16 compared to the prior year where sales are at a lower margin.

CODB as a percentage of sales increased 113 bps on the prior year, driven by lower sales limiting the ability to fractionalise costs. While support office costs were well controlled, increases in store running costs on lower gross profit dollars resulted in a loss of \$14.9 million for the year.

Funds Employed declined by 26.2% to \$555.2 million reflecting the balance sheet impact of significant items¹ and a strong focus on inventory.

HOTELS

	FY16 (52 weeks)	FY15 (52 weeks)	Change
Before Significant Items¹			
Sales (\$ million)	1,512	1,475	2.5%
EBIT (\$ million)	208.5	234.5	(11.1)%
Gross Margin (%)	82.85	83.11	(26) bps
Cost of Doing Business (%)	69.06	67.21	185 bps
EBIT to Sales (%)	13.79	15.90	(211) bps

TRADING PERFORMANCE

Sales for the year were \$1.5 billion, an increase of 2.5% on the previous year with comparable sales increasing by 1.2%. Sales growth was driven by a strong result in Bars, Food and Accommodation with newly refurbished venues delivering an improved performance despite a subdued Victorian market.

Hotels gross margin declined by 26 bps due to a change in mix towards lower margin Bar and Food sales and the impact of higher food input costs which were not fully recovered through higher prices.

CODB as a percentage of sales increased 185 bps on the prior year, impacted by additional rental expense of \$12.1 million following the sale and leaseback of 54 freehold hotel sites in Q2'15. CODB was also impacted by increased spending on promotional activities to drive increased hotel patronage.

Reported EBIT decreased 11.1% on the previous year to \$208.5 million. Excluding the impact of the additional rental expense following the sale of the hotel sites, EBIT declined 5.9% on the prior year.



DISCONTINUED OPERATIONS - HOME IMPROVEMENT

\$ million	FY16 (52 weeks)	FY15 (52 weeks)	Change
Before Significant Items¹			
Sales			
Masters	1,133	930	21.8%
Home Timber and Hardware	967	937	3.2%
Home Improvement	2,100	1,867	12.5%
(LBIT)/EBIT			
Masters	(233.5)	(245.6)	(4.9)%
Home Timber and Hardware	14.7	20.9	(29.7)%
Home Improvement	(218.8)	(224.7)	(2.6)%

TRADING PERFORMANCE

Masters sales for the year were \$1.1 billion, an increase of 21.8% on the prior year.

Masters loss before interest and tax (before significant items¹) decreased by 4.9% to \$233.5 million driven by the strong sales performance in FY16 offset somewhat by the impact of clearance activity.

Home Timber and Hardware sales for the year were \$967 million, an increase of 3.2% 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 a 29.7% reduction in EBIT (before significant items¹) driven by price investment in a highly competitive market environment.

UPDATE ON EXIT OF HOME IMPROVEMENT

As announced on 24 August 2016, Woolworths has agreed three separate contracts to facilitate its exit from Home Improvement for estimated gross proceeds of \$1.5 billion to Hydrox Holdings Pty Ltd (Hydrox). Estimated net proceeds of approximately \$500 million are expected after wind-down costs and prior to any shareholder payments.

Masters will cease trading at all stores on or before 11 December 2016 and Woolworths will work hard to find Masters employees jobs within the Group, or will pay full redundancy where suitable roles are not available. Woolworths will honour all customer gift cards, product warranties, returns, lay-bys and contracted home improvement projects and will work constructively with all suppliers.

Metcash will acquire Home Timber & Hardware Group (HTHG) for a headline purchase price of \$165 million, with the business continuing to trade. Woolworths will take assignment of three residual HTHG leases. This transaction has been approved by both shareholders in Hydrox, the joint venture company owned by Woolworths and WDR Delaware Corporation (WDR), a subsidiary of Lowe's Companies, Inc. (Lowe's)

GA Australia has provided an underwritten recovery for the value of Masters inventory and has been appointed to manage the sell-down of the inventory. The underwritten recovery is subject to certain adjustments and is estimated to deliver gross proceeds of approximately \$500 million. The sell-down of the inventory will be conducted over the coming months.



Subject to Lowe's consent, Home Consortium (Aurrum Group, Spotlight Group and Chemist Warehouse) has proposed to purchase the Masters properties through acquisition of 100% of the shares in Hydrox. Woolworths has granted an exclusive call option over its two-third share in Hydrox to Home Consortium on economic terms consistent with Home Consortium's proposal. The transaction will include 40 Masters freehold trading sites, 21 Masters freehold development sites and 21 Masters leasehold sites. Home Consortium plans to repurpose the former Masters sites into multi-tenant large format centres. Woolworths will acquire three Masters freehold sites and take assignment of 12 leases to facilitate a complete exit of Hydrox. Please refer to the 'Woolworths Update on Home Improvement Exit' ASX release for further detail.

OVERHEADS, CASH FLOW AND BALANCE SHEET

CENTRAL OVERHEADS INCLUDING EZIBUY

Central Overheads before significant items¹ including EziBuy were \$157.8 million for the year. Excluding EziBuy, Central Overheads were \$142.6 million and increased \$24 million on the prior year partly driven by higher team performance-based bonuses. The loss before interest and tax for EziBuy before significant items¹ was \$15.2 million compared to EBIT of \$2.6 million in the prior year.

BALANCE SHEET

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

- **Closing inventory** of \$4,558.5 million decreased \$314 million with \$354 million of the decrease attributable to the impact of significant items¹ recognised in FY16 and the reclassification of Home Timber and Hardware ('HTH') inventory within 'net assets held for sale'. Excluding the impact of the above items, inventory increased \$40 million driven by the investment in inventory in 98 (net) new stores partially offset by a number of initiatives aimed at reducing inventory holdings. Closing inventory days excluding Home Improvement increased 0.7 days to 35.6 days.
- **Net investment in inventory** was (\$250.6) million or (\$521) million excluding Home Improvement and significant items¹, remaining broadly flat year on year with no material differences in the timing of creditor payments (FY15: (\$524) million excluding Home Improvement).
- **Other creditors** of \$1,751.5 million increased \$328 million driven by an increase in accruals for short term team performance-based bonuses and other trading accruals.
- **Provisions** of \$3,255.9 million increased \$1,577 million driven by the recognition of onerous lease and other store exit cost provisions relating to significant items¹ recognised in FY16 of \$1,494 million, of which \$1,150 million relates to Home Improvement. Excluding significant items¹, provisions increased \$83 million due to an increase in provisions for employee entitlements.
- **Fixed assets and investments** of \$8,371.3 million decreased \$1,793 million driven by significant item¹ impairment charges of \$1,633 million relating to the impairment of Home Improvement assets of \$1,432 million and impairments resulting from the FY16 Group wide review of \$201 million, as well as the transfer of Home Improvement and other Group property assets to 'net assets held for sale' of \$843 million. Excluding the impact of the above items, fixed assets and investments increased by \$683 million driven by net capital expenditure of \$1,713 million relating to new stores, store refurbishments and support assets offset by depreciation charges and asset disposals and retirements in the ordinary course of business.
- **Net assets held for sale** of \$897.9 million represents assets and liabilities relating to HTH, property, plant and equipment relating to Masters and other Group properties held for sale.
- **Intangible assets** of \$5,978.3 million decreased \$266 million driven by impairment charges of \$439 million primarily relating to the impairment of goodwill and other intangible assets in EziBuy and Home Improvement. Excluding these impairments, intangible assets increased \$173 million primarily reflecting increased intangible assets in our New Zealand Food business attributable to the stronger New Zealand dollar.
- **Total funds employed** decreased \$3,682 million, primarily impacted by the impairment charges and provisions recognised during the period for significant items¹.
- **Net tax balances** of \$1,070.5 million increased \$416 million primarily due to \$260 million in net tax benefits associated with significant item expenses and a decrease in current tax payable driven by a higher tax instalment rate applying to tax payment in the first half of FY16 on lower profits.
- **Other financial liabilities** of \$41.8 million decreased \$934 million, primarily due to the \$887 million movement in the valuation of Lowe's put option in our Home Improvement business.

- **Shareholders' equity** decreased \$2,637 million to \$8,470.6 million primarily reflecting losses from discontinued operations attributable to the shareholders of Woolworths of \$2,038.3 million and dividend payments of \$1,471.2 million, offset by the increase in issued share capital of \$282.1 million reflecting shares issued under the dividend reinvestment plan and profits generated from continuing operations attributable to the shareholders of Woolworths of \$803.5 million.
- **ROFE before significant items¹** was 18.49%, a decrease of 724 bps or excluding Home Improvement was 22.2%, a decrease of 1,040 bps.

CASH FLOW

Cash flow from operating activities before interest and tax decreased \$1,215.8 million to \$3,495.3 million and was primarily impacted by the lower trading performance and the impact of the timing of creditor payments relative to the reporting period date (approximately \$155m). Significant items¹ recognised during the year did not have a material impact on cash flows from operating activities before interest and tax.

Excluding the impact of creditor timing and significant items¹, the decrease in cash flow from operating activities before interest and tax was broadly in line with the decrease in EBITDA before significant items¹ for the Group.

Cash realisation ratio⁶ before significant items¹ was 95.0%, impacted by the Home Improvement business. Excluding Home Improvement, our cash realisation ratio for continuing operations before significant items¹ was 103.6% (FY15: 102.7%).

Net interest paid of \$289.3 million decreased \$21.0 million driven by lower average net debt funded by proceeds received from the sale of property assets.

Tax payments decreased to \$848.5 million for the year (FY15: \$1,055.7 million) predominately due to the Woolworths Limited tax instalments being varied to nil from March 2016 in response to the lower FY16 trading result.

Cash used in investing activities was \$1,266.7 million, a decrease of \$67.2 million on the prior year. During FY16, cash proceeds of \$737.0 million were received from the sale of property, plant and equipment, a decrease of \$188.4 million on the prior year which included proceeds from the sale of 54 Hotel property assets and proceeds from the sale of shares in The Warehouse Group. Payments for the purchase of businesses, primarily representing five Hotels in FY16, decreased by \$66.0 million on the prior year.

Expenditure on property development of \$473.3 million decreased \$122.4 million (FY15: \$595.7 million) driven by lower activity in the current period.

Investment in property, plant and equipment of \$1,465.0 million included continued investment in new stores and store refurbishments and spend associated with supply chain and IT asset initiatives.

Cash contributions from Lowe's in relation to our Home Improvement business were \$120.0 million and relates to H1'16.

There were no proceeds from share issues during the year 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 ratio⁷** before significant items¹ is 2.3 times.



CAPITAL MANAGEMENT

Woolworths introduced a 1.5% discount on the DRP in April and removed the participation limit. This resulted in an increase in the participation rate to 31% for the interim dividend. Woolworths will retain a 1.5% discount on the final dividend with no participation limit. Woolworths also intends to partially underwrite the final dividend to 50% with the proceeds to be used predominantly to replace Woolworths Notes II and the balance to allow for accelerated investment in its store renewal program.

Woolworths is committed to a solid investment grade credit rating⁸ 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. We are actively considering all options to enhance shareholder value in our portfolio businesses.

Dividends

The Board continues to target an after tax dividend payout ratio of 70%, subject to trading performance.

The Board has approved a final dividend per share of 33c, a decrease of 54.2% on the prior year.

The payment of the April 2016 and October 2016 dividends will return \$1.0 billion and \$0.4 billion in franking credits to shareholders. Woolworths expects that after these events, there will be approximately \$2.3 billion of franking credits available for future distribution.

Upcoming refinancing

Woolworths has approximately AUD 381 million equivalent of US144A debt maturing in the second half of FY17. This refinancing requirement has been pre-funded by additional bank facilities totalling \$2.0 billion with tenors of 3 and 5.5 years, established in April 2016. This was partially utilised to repay other debt which matured during FY16.

The five year non-call period for the AUD 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. As described above, the equity component of the Notes will be satisfied by the shares issued under the DRP.



NEW STORE ROLLOUT PLANS FROM CONTINUING OPERATIONS

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

	FY16 Net Store Openings (incl. acquisitions)	Medium Term Target (Net)
Australian Supermarkets	31	- 10 – 20 new full range supermarkets per annum
New Zealand Food Countdown	7	- 3 – 4 new supermarkets per annum
Franchise Stores	4	
Dan Murphy's	11	- 8 – 10 new stores per annum
BWS (including attached)	32	- 6 – 10 new stores per annum (standalone)
Petrol	14	- Grow as appropriate to support the Supermarket new store strategy
BIGW	2	- As appropriate opportunities arise
Hotels (ALH Group)	1	- Acquire as appropriate opportunities arise

OUTLOOK

The focus of the Woolworths Group in FY17 will continue to be on our five key priorities. We expect the market environment to remain competitive in the year ahead but also expect to see continued progress in our turnaround following a year of significant investment in FY16. Given the lack of visibility on our FY17 financial performance at this stage of the year, and consistent with our previous announcements, we will not provide full year profit guidance.

Our Q1'17 sales release is currently scheduled for 28 October 2016.

-ends-

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SALES SUMMARY – FY16 AND Q4'16

Group Sales – Full Year

\$ million	FY16 (52 weeks)	FY15 (52 weeks)	Change
Continuing Operations			
Australian Food	34,798	34,881	(0.2)%
Petrol (dollars) ²	4,612	5,632	(18.1)%
<i>Petrol (litres)²</i>	3,843	4,229	(9.1)%
Australian Food and Petrol ²	39,410	40,513	(2.7)%
Endeavour Drinks Group	7,589	7,251	4.7%
Australian Food, Petrol and Endeavour Drinks Group	46,999	47,764	(1.6)%
New Zealand Food (AUD)	5,592	5,467	2.3%
<i>New Zealand Food (NZD)</i>	6,101	5,878	3.8%
BIGW	3,820	3,929	(2.8)%
Hotels	1,512	1,475	2.5%
Ezibuy (Unallocated)	163	177	(7.9)%
Sales from Continuing Operations	58,086	58,812	(1.2)%
Sales from Continuing Operations (excluding Petrol)	53,474	53,180	0.6%
Discontinued Operations (Home Improvement)	2,100	1,867	12.5%
Group Sales	60,186	60,679	(0.8)%
Group Sales (excluding Petrol)	55,574	55,047	1.0%

Group Sales – Fourth Quarter

\$ million	Q4'16 (12 weeks)	Q4'15 (12 weeks)	Change
Continuing Operations			
Australian Food	7,776	7,778	0.0%
Petrol (dollars)	1,016	1,145	(11.3)%
<i>Petrol (litres)</i>	873	879	(0.7)%
Australian Food and Petrol	8,792	8,923	(1.5)%
Endeavour Drinks Group	1,605	1,533	4.7%
Australian Food, Petrol and Endeavour Drinks Group	10,397	10,456	(0.6)%
New Zealand Food (AUD)	1,266	1,244	1.8%
<i>New Zealand Food (NZD)</i>	1,368	1,324	3.3%
BIGW	805	790	1.9%
Hotels	342	334	2.4%
EziBuy (Unallocated)	41	44	(6.8)%
Sales from Continuing Operations	12,851	12,868	(0.1)%
Sales from Continuing Operations (excluding Petrol)	11,835	11,723	1.0%
Discontinued Operations (Home Improvement)	445	424	5.0%
Group Sales	13,296	13,292	0.0%
Group Sales (excluding Petrol)	12,280	12,147	1.1%



Group Profit and Loss for the 52 weeks ended 26 June 2016

\$ million	FY16 (52 weeks)	FY15 (52 weeks)	Change
Continuing Operations - Before Significant Items¹			
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	5,620.1	6,899.2	(18.5)%
Rent	(2,033.9)	(1,951.3)	4.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3,586.2	4,947.9	(27.5)%
Depreciation and amortisation ⁱ	(1,022.4)	(974.8)	4.9%
EBIT	2,563.8	3,973.1	(35.5)%
Net financial expenses	(245.6)	(253.3)	(3.0)%
Income tax expense	(712.6)	(1,112.8)	(36.0)%
NPAT	1,605.6	2,607.0	(38.4)%
Non-controlling interests	(47.4)	(45.6)	(3.9)%
NPAT from Continuing Operations attributable to shareholders of Woolworths (before Significant Items¹)	1,558.2	2,561.4	(39.2)%
NLAT from Discontinued Operations attributable to shareholders of Woolworths (before Significant Items ¹)	(165.2)	(108.1)	52.8%
Significant Items ¹ after tax attributable to shareholders of Woolworths from:			
Continuing Operations	(754.7)	(306.0)	n.c
Discontinued Operations	(1,873.1)	(1.3)	n.c
(NLAT)/NPAT attributable to shareholders of Woolworths	(1,234.8)	2,146.0	(157.5)%
MARGINS – Continuing Operations before Significant Items¹			
Gross Profit (%)	26.92	27.57	(65) bps
Cost of Doing Business (%)	22.51	20.82	169 bps
EBIT (%)	4.41	6.75	(234) bps
EARNINGS PER SHARE (EPS) AND DIVIDENDS			
Weighted average ordinary shares on issue (million)	1,263.5	1,256.6	0.6%
Ordinary EPS (cents) – from Continuing Operations:			
Before Significant Items ¹	123.3	203.9	(39.5)%
After Significant Items ¹	63.6	179.5	(64.6)%
Diluted EPS (cents) – from Continuing Operations:			
Before Significant Items ¹	123.3	203.3	(39.4)%
After Significant Items ¹	63.6	179.0	(64.5)%
Interim dividend per share (cents)	44	67	(34.3)%
Final dividend per share (cents) ⁱⁱ	33	72	(54.2)%
Total dividend per share (cents)	77	139	(44.6)%

ⁱ Excludes \$88.7 million of accelerated depreciation relating to significant items recognised in FY15

ⁱⁱ Final 2016 dividend payable on 7 October 2016 will be fully franked



Group Balance Sheet as at 26 June 2016

\$ million	FY16 26 June 2016	FY15 28 June 2015	Change
Inventory	4,558.5	4,872.2	(6.4)%
Trade payables	(4,809.1)	(5,040.0)	(4.6)%
Net Investment in Inventory	(250.6)	(167.8)	49.3%
Receivables	849.8	1,001.9	(15.2)%
Other creditors	(1,751.5)	(1,423.6)	23.0%
Provisions	(3,255.9)	(1,679.3)	93.9%
Fixed assets and Investments	8,371.3	10,164.0	(17.6)%
Net assets held for sale	897.9	381.6	135.3%
Intangible Assets	5,978.3	6,244.5	(4.3)%
Total Funds Employed	10,839.3	14,521.3	(25.4)%
Net tax balances	1,070.5	654.1	63.7%
Net Assets Employed	11,909.8	15,175.4	(21.5)%
Net repayable debt	(3,086.1)	(3,067.3)	0.6%
Other financial liabilities ⁱ	(41.8)	(976.1)	(95.7)%
Net Assets	8,781.9	11,132.0	(21.1)%
Non-controlling Interests	311.3	297.8	4.5%
Shareholders' Equity	8,470.6	10,834.2	(21.8)%
Total Equity	8,781.9	11,132.0	(21.1)%
KEY RATIOS – Excluding Home Improvement			
Closing Inventory Days (based on COGS)	35.6	34.9	0.7 days
Closing Trade Payable Days (based on sales)	29.5	29.2	0.3 days
Return on Average Funds Employed (before Significant Items ¹)	22.20 %	32.60 %	(1,040) bps

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



Group Cash Flow for the 52 weeks ended 26 June 2016

\$ million	FY16 (52 weeks)	FY15 (52 weeks)	Change
EBITDA before Significant Items ¹ – Continuing Operations	3,586.2	4,947.9	
EBITDA before Significant Items ¹ – Discontinued Operations	(165.3)	(145.8)	
EBITDA before Significant Items¹	3,420.9	4,802.1	(28.8)%
Significant Items ¹	(4,013.7)	(337.2)	
EBITDA	(592.8)	4,464.9	
Impairment recognised as Significant Items ¹	2,118.9	-	
Net decrease/(increase) in inventory	204.1	(161.0)	
Net (decrease)/increase in trade payables	(171.8)	406.8	
Net increase in provisions	1,655.9	112.9	
Net change in other working capital and non-cash	281.0	(112.5)	
Cash from Operating Activities before interest and tax	3,495.3	4,711.1	(25.8)%
Net interest paid	(289.3)	(310.3)	
Tax paid	(848.5)	(1,055.7)	
Total cash provided by Operating Activities	2,357.5	3,345.1	(29.5)%
Proceeds from the sale of property, plant and equipment and businesses	737.0	925.4	
Payments for the purchase of property, plant and equipment, property development, intangible assets, investments and contingent consideration	(2,006.9)	(2,263.9)	
Dividends received	3.2	4.6	
Total cash used in Investing Activities	(1,266.7)	(1,333.9)	(5.0)%
Lowe's cash contributions (Home Improvement)	120.0	170.0	
Transactions with non-controlling interests	(12.1)	(13.5)	
Proceeds from share issues/other	-	6.0	
Dividends paid (including to non-controlling interests)	(1,217.2)	(1,567.4)	
Free Cash Flow after equity related Financing Activities	(18.5)	606.3	



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 Full Year Profit/(Loss) and Dividend Announcement ('Profit Announcement') for the 52 weeks ended 26 June 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 after equity related financing activities
- Cash realisation ratio

The above non-IFRS measures may also be referred to before significant items¹.

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/(NLAT) and EPS/(LPS) before significant items¹ to the statutory statement of profit or loss.

\$ million	FY16 (52 weeks)	FY15 (52 weeks)	Change
EBIT			
EBIT from continuing operations – before Significant Items¹	2,563.8	3,973.1	(35.5)%
<i>Other items included in statutory EBIT:</i>			
Significant Items ¹ from continuing operations (before tax)	(958.6)	(423.2)	
Statutory EBIT	1,605.2	3,549.9	(54.8)%
NPAT			
Profit from continuing operations after income tax attributable to the shareholders of Woolworths – before Significant Items¹	1,558.2	2,561.4	(39.2)%
<i>Other items included in statutory NPAT:</i>			
Significant Items ¹ from continuing operations after tax attributable to shareholders of Woolworths	(754.7)	(306.0)	
Statutory profit attributable to the shareholders of Woolworths	803.5	2,255.4	(64.4)%
Loss from discontinued operations after income tax attributable to the shareholders of Woolworths – before Significant Items ¹	(165.2)	(108.1)	52.8%
<i>Other items included in statutory NPAT:</i>			
Significant Items ¹ from discontinued operations after tax attributable to shareholders of Woolworths	(1,873.1)	(1.3)	
Statutory (loss)/profit attributable to the shareholders of Woolworths	(1,234.8)	2,146.0	(157.5)%
Ordinary EPS			
Profit from continuing operations after income tax attributable to the shareholders of Woolworths – before Significant Items¹ (as above)	1,558.2	2,561.4	(39.2)%
<i>Weighted average ordinary shares on issue</i>	<i>1,263.5</i>	<i>1,256.6</i>	
Ordinary EPS (cents) – before Significant Items¹	123.3	203.9	(39.5)%
Statutory (loss)/profit attributable to the shareholders of Woolworths (as above)	(1,234.8)	2,146.0	(157.5)%
<i>Weighted average ordinary shares on issue</i>	<i>1,263.5</i>	<i>1,256.6</i>	
Ordinary (LPS)/EPS (cents)	(97.7)	170.8	(157.2)%
Diluted EPS			
Profit after income from continuing operations attributable to the shareholders of Woolworths – before Significant Items¹ (as above)	1,558.2	2,561.4	(39.2)%
<i>Weighted average ordinary shares on issue</i>	<i>1,263.9</i>	<i>1,260.2</i>	
Diluted EPS (cents) – before Significant Items¹	123.3	203.3	(39.4)%
Statutory (loss)/profit attributable to the shareholders of Woolworths (as above)	(1,234.8)	2,146.0	(157.5)%
<i>Weighted average ordinary shares on issue</i>	<i>1,263.9</i>	<i>1,260.2</i>	
Diluted (LPS)/EPS (cents)	(97.7)	170.3	(157.4)%



Appendix Two: Significant Items

The following table provides a breakdown of the significant items recognised.

\$ million	Reported at FY16	Reported at FY15
Continuing Operations		
Operating model and strategic changes ⁱ	(154.9)	(239.4)
Store network optimisation and property rationalisation ⁱⁱ	(344.2)	(35.6)
General Merchandise impairments ⁱⁱⁱ	(459.5)	(148.2)
EBIT impact from Significant Items	(958.6)	(423.2)
Tax benefit	193.1	117.0
Net loss after tax impact from Significant Items before non-controlling interests	(765.5)	(306.2)
Non-controlling interests	10.8	0.2
Net loss after tax impact from Significant Items attributable to shareholders of Woolworths	(754.7)	(306.0)
Discontinued Operations		
Impairment of property, plant and equipment	(1,478.2)	-
Impairment of inventories	(189.7)	-
Onerous lease expense, store and other exit costs	(1,387.2)	-
Business transformation costs	-	(2.7)
EBIT impact from Significant Items	(3,055.1)	(2.7)
Tax benefit	66.9	0.8
Net loss from continuing operations after tax impact from Significant Items before non-controlling interests	(2,988.2)	(1.9)
Non-controlling interests	1,115.1	0.6
Net loss from discontinued operations after tax impact from Significant Items attributable to shareholders of Woolworths	(1,873.1)	(1.3)
Total Group		
EBIT impact from Significant Items	(4,013.7)	(425.9)
Tax benefit	260.0	117.8
Net loss after tax impact from Significant Items before non-controlling interests	(3,753.7)	(308.1)
Non-controlling interests	1,125.9	0.8
Net loss after tax impact from Significant Items attributable to shareholders of Woolworths	(2,627.8)	(307.3)

ⁱ FY15 significant items reported as business transformation costs and redundancy costs have been reported as 'operating model and strategic changes' in the table above

ⁱⁱ FY15 significant items reported as property portfolio review have been reported as 'store network optimisation and property rationalisation' in the table above

ⁱⁱⁱ FY15 significant items reported as General Merchandise transformation provision has been reported as 'General Merchandise Impairments' in the table above

2016

Continuing Operations

Included in the 2016 profit or loss are certain significant expenses incurred outside the ordinary course of our trading operations resulting from a Group-wide review. In particular, these items relate to:

- **Operating model and strategic changes** of \$154.9 million before tax primarily relating to the impairment of IT and related assets, impairment of supply chain assets and related projects, redundancy costs and consultancy and other third party costs;
- **Store network optimisation and property rationalisation** of \$344.2 million before tax primarily relating to store asset impairments, onerous leases and store exit costs and other property related impairments and provisions associated with planned store closures of underperforming and non strategic stores as well as the deferral of non-core property development assets; and
- **General Merchandise impairment** of \$459.5 million before tax primarily relating to the impairment of intangible assets, including goodwill in EziBuy following the strategic direction to separate BIGW and EziBuy and the significant deterioration in the trading performance of the business, the write down of inventory in BIGW relating to product range simplification and consolidation and redundancy and IT asset impairment.

Discontinued Operations

On 18 January 2016, the Company announced that it intended to exercise its call option over the 33.3% interest in Hydrox Holdings Pty Ltd following Lowe's notice to exercise its put option under the Joint Venture Agreement and that the Company intended to pursue an orderly prospective exit of the Home Improvement business.

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 of the Home Improvement business were assessed as at the end of FY16 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, as follows:

- **Impairment of property, plant and equipment** of \$1,478.2 million relates to impairments of properties, store assets and distribution centres pertaining to the Home Improvement business;
- **Impairment of inventories** of \$189.7 million relates to the write-down of Home Improvement inventory to net realisable value. Management has assessed the value of inventory that is likely to be sold below cost using judgement based on the likely recovery rates in an orderly exit scenario and has recognised a provision for impairment for this amount;
- **Onerous lease expense, store and other exit costs** of \$1,387.2 million relating to provisions for store closures, onerous leases and other exit costs based on the present value of management's best estimate of the expenditure required to settle the present obligation. The provision for store closures and onerous leases is based on the lower of the estimated unavoidable costs of meeting all leases and other obligations under the stores and associated contracts; 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; and
- **Income tax benefit** of \$66.9 million representing deferred tax assets recognised by the Woolworths Group with respect to the expected deductibility of certain costs associated with the exit from the Home Improvement business.

The loss attributable to non-controlling interests does not approximate Lowe's 33.3% share of the 'impairment of Home Improvement assets and store exit costs, net of tax', as disclosed in Note 27 of the FY16 Preliminary Final Report, due to tax benefits and other exits costs that are recognised only by Woolworths.



2015

In FY15, significant items from continuing operations of \$425.9 million before tax (\$306.0 million after tax and non controlling interests) were recognised, including:

- **General Merchandise transformation provision** of \$148.2 million before tax primarily related to inventory and associated expenses of facilitating the alignment of inventory to our customer strategy;
- **Business transformation costs** of \$196.4 million before tax primarily representing resourcing and professional services costs associated with business transformation programs, accelerated depreciation of assets no longer in use and inventory provisioning in the Australian Food, Liquor and Petrol division due to changes in strategy;
- **Redundancy costs** of \$43.0 million before tax primarily associated with restructuring initiatives across corporate-wide support functions, supply chain and non customer store facing positions (including those relating to the new distribution centre and meat processing facility announced in June 2015); and
- **Property portfolio impact** of \$35.6 million before tax primarily associated with accelerating the disposal of certain non-core property sites unlikely to be developed within the next five years.

In addition, \$2.7m of business transformation costs were recognised relating to discontinued operations.



Appendix Three: Quarterly Sales Summary

Total Sales Growth %	Q1'16	Q2'16	HY16	Q3'16	Q3'16 Easter Adj	Q4'16	Q4'16 Easter Adj	H2'16	FY16
Australian Food	(0.5)	(0.1)	(0.3)	(0.3)	(0.2)	0.0	0.0	(0.1)	(0.2)
Petrol (dollars) ²	(27.9)	(18.7)	(23.8)	(8.8)	(8.7)	(11.3)	(11.4)	(10.0)	(18.1)
<i>Petrol (litres)²</i>	<i>(20.3)</i>	<i>(10.0)</i>	<i>(15.6)</i>	<i>(1.0)</i>	<i>(0.8)</i>	<i>(0.7)</i>	<i>(0.8)</i>	<i>(0.9)</i>	<i>(9.1)</i>
Australian Food and Petrol	(5.1)	(2.7)	(3.9)	(1.3)	(1.2)	(1.5)	(1.5)	(1.4)	(2.7)
Endeavour Drinks Group	5.4	5.0	5.2	3.4	3.8	4.7	4.3	4.0	4.7
Australian Food, Petrol and Endeavour Drinks Group	(3.6)	(1.4)	(2.5)	(0.6)	(0.5)	(0.6)	(0.6)	(0.6)	(1.6)
NZ Supermarkets (AUD)	2.4	5.1	3.8	(0.1)	(0.4)	1.8	2.1	0.7	2.3
<i>NZ Supermarkets (NZD)</i>	<i>3.9</i>	<i>4.1</i>	<i>4.0</i>	<i>3.8</i>	<i>3.5</i>	<i>3.3</i>	<i>3.6</i>	<i>3.6</i>	<i>3.8</i>
BIGW	(8.0)	(0.4)	(3.8)	(4.4)	(4.4)	1.9	2.0	(1.4)	(2.8)
Hotels	3.3	1.8	2.6	2.5	2.2	2.4	3.0	2.5	2.5
Continuing Operations	(3.2)	(0.7)	(1.9)	(0.7)	(0.7)	(0.1)	(0.2)	(0.4)	(1.2)
Continuing Operations (excluding Petrol)	0.1	1.2	0.6	0.0	0.0	1.0	0.9	0.5	0.6
Discontinued Operations (Home Improvement)	20.3	12.4	16.2	11.4	11.9	5.0	4.4	8.3	12.5
Total Group	(2.5)	(0.3)	(1.4)	(0.3)	(0.3)	0.0	0.0	(0.2)	(0.8)
Total Group (excluding Petrol)	0.8	1.6	1.2	0.4	0.4	1.1	1.1	0.7	1.0

Comparable Sales Growth %	Q1'16	Q2'16	HY16	Q3'16	Q3'16 Easter Adj	Q4'16	Q4'16 Easter Adj	H2'16	FY16
Australian Food	(1.6)	(1.2)	(1.4)	(1.3)	(1.3)	(1.1)	(1.1)	(1.3)	(1.3)
Petrol (dollars) ²	(12.2)	(11.2)	(11.7)	(10.9)	(10.8)	(13.0)	(13.2)	(12.0)	(11.8)
<i>Petrol (litres)²</i>	<i>(2.3)</i>	<i>(1.7)</i>	<i>(2.0)</i>	<i>(3.2)</i>	<i>(2.9)</i>	<i>(2.5)</i>	<i>(2.7)</i>	<i>(2.8)</i>	<i>(2.4)</i>
Endeavour Drinks Group	2.4	2.1	2.2	1.1	1.5	2.3	1.8	1.8	2.0
NZ Supermarkets (NZD)	2.5	1.5	2.0	0.9	0.6	0.3	0.6	0.6	1.3
BIGW	(8.0)	(1.3)	(4.3)	(4.5)	(4.6)	1.0	1.2	(1.8)	(3.3)
Hotels	2.0	0.8	1.4	0.9	0.7	0.8	1.0	0.9	1.2



Appendix Four: Five Year Store and Trading Area Analysis

Full Year Ended 26 June 2016 STORES (number)	2016 FULL YEAR	2015 FULL YEAR	2014 FULL YEAR	2013 FULL YEAR	2012 FULL YEAR
Continuing Operations					
NSW & ACT	303	292	282	271	262
QLD	237	230	225	209	203
VIC	242	234	224	221	214
SA & NT	84	82	80	78	78
WA	94	92	89	88	85
TAS	32	31	31	30	30
Australian Supermarkets ⁱ	992	961	931	897	872
New Zealand Food ⁱⁱ	184	177	171	166	161
Total Supermarkets	1,176	1,138	1,102	1,063	1,033
Thomas Dux	5	9	11	11	11
Freestanding Liquor (incl. Dan Murphy's)	373	359	349	339	329
Attached Liquor	544	527	509	490	477
ALH Retail Liquor Outlets	569	557	544	526	507
Summergate	2	2	-	-	-
Woolworths Petrol	530	516	502	482	467
Caltex/Woolworths Petrol	-	-	131	131	132
Total Food, Petrol & Endeavour Drinks Group	3,199	3,108	3,148	3,042	2,956
BIGW	186	184	182	178	172
Hotels (includes clubs)	331	330	329	326	294
EziBuy (Unallocated)	5	5	4	-	-
Home Timber and Hardware (retail)	-	-	28	26	21
Masters	-	-	49	31	15
Total Continuing Operations	3,721	3,627	3,740	3,603	3,458
Discontinued Operations					
Discontinued Operations (Home Improvement)	106	102	-	-	-
Discontinued Operations (Dick Smith and Tandy)	-	-	-	-	348
Total Group	3,827	3,729	3,740	3,603	3,806
Wholesale customer stores (continuing operations)					
Super Value and Fresh Choice	64	60	59	55	54
Consumer Electronics India	-	-	-	-	77
Home Timber & Hardware wholesale	-	-	475	490	518
Statewide Independent Wholesale	220	220	220	220	220
Total continuing operations	284	280	754	765	869
Discontinued Operations (Home Timber and Hardware wholesale)	349	452	-	-	-
Total wholesale customer stores	633	732	754	765	869
Trading Area (sqm)ⁱⁱⁱ					
Australian Food	2,229,714	2,143,082	-	-	-
Endeavour Drinks Group	430,691	413,409	-	-	-
New Zealand Supermarkets	417,966	397,889	-	-	-
BIGW	1,061,413	1,051,159	-	-	-

Store Movements July 15 – June 16

New Stores – incremental

Closures – permanent

Net New Stores
ⁱ Australian Supermarkets

36

(5)

31
ⁱⁱ New Zealand Food

10

(3)

7

ⁱⁱⁱ As a result of separating the trading performance of Australian Food & Petrol and Endeavour Drinks Group, we are now disclosing separate trading area for Australian Food and Endeavour Drinks Group. FY15 trading area has been restated on the same basis and is no longer comparable to previously reported data.

Appendix Five: New Stores and Refurbishments
Full Year

	Gross New Stores (incl. acquisitions)	Net New Stores (incl. acquisitions)	Refurbishments
<i>Continuing Operations</i>			
Australian Supermarkets	36	31	63
Thomas Dux	-	(4)	-
Endeavour Drinks (including attached)	67	43	37
New Zealand Food	10	7	4
Petrol	16	14	7
BIGW	2	2	6
Hotels	4	1	27
EziBuy (Unallocated)	-	-	-
Total Continuing Operations	135	94	144
Discontinued operations (Masters and Home Time and Hardware (retail))	5	4	4
Total	140	98	148

Fourth Quarter

	Gross New Stores (incl. acquisitions)	Net New Stores (incl. acquisitions)	Refurbishments
<i>Continuing Operations</i>			
Australian Supermarkets	17	15	16
Thomas Dux	-	(1)	-
Endeavour Drinks (including attached)	19	16	11
New Zealand Food	3	1	2
Petrol	8	7	-
BIGW	-	-	4
Hotels	1	-	7
EziBuy (Unallocated)	-	-	-
Total Continuing Operations	48	38	40
Discontinued operations (Masters and Home Time and Hardware (retail))	-	-	-
Total	48	38	40



Endnotes

n.c Not comparable

¹ In FY16, total significant items of \$4,013.7 million before tax (\$2,627.8 million after tax attributable to shareholders of Woolworths) were recognised. In FY15, total significant items of \$425.9 million before tax (\$307.3 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 FY15 Funds Employed for Australian Food, Petrol and Endeavour Drinks Group ('FPE') has been restated to reflect a change in the classification of accounts payable balances between the FPE and Unallocated segments. Prior to the current period, FPE 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 FY16, there was a change in process which has resulted in accounts payable balances remaining in the FPE balance sheet until they are paid, no longer resulting in a transfer of accounts payable balances from FPE's balance sheet to the Unallocated segment balance sheet. Previously reported FY15 FPE Funds Employed of \$4,756.4 million and Return on Average Funds Employed of 73.71% have been restated to be consistent with FY16. 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	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Price change (% year on year)	(1.2)%	(1.8)%	(2.5)%	(2.4)%	(2.7)%

⁵ Growth for New Zealand Food 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.