

## Chairman's Report

**We as a Board and management team are united in our vision of a company that puts the customer at the centre of everything that we do.**



At last year's Annual General Meeting I said that Woolworths' financial performance was unacceptable and that the Board and senior executive team took responsibility for the poor results.

Since then we have been busy. Our first task was to facilitate renewal of the Board. We wanted to bolster our expertise in three areas: retailing, private equity capital allocation, and international. We accomplished all three, and in addition were able to create a Board with 50% gender diversity. We are delighted to welcome Holly, Siobhan and Kathee to our Board. Our most recent Board performance evaluation indicates that we are performing well.

We also wanted to reinvigorate leadership of the company. After a global search lasting

six months, we were delighted to appoint Brad Banducci as CEO. His outstanding track record at Woolies, in private equity and as a management consultant made him the standout choice. He has hit the ground running! This appointment was accompanied by Sally Macdonald taking over as MD of BIGW, Paul Graham as Chief Supply Chain Officer and Colin Storrie's move to Group Portfolio Director. This progress will continue with further key appointments which we expect to announce imminently.

We are confident that this new leadership team under Brad can transform the culture of Woolies. To enable this process we approved a new incentive scheme for Food and Drinks, which focuses on the key drivers of the business, both in the short and long-term, and provides significant

upside for outperformance. These same key performance indicators will translate down to store management level, thus ensuring alignment.

As a Board we also made some decisive changes to the operating model. We introduced a structure that enabled focus on the core Food and Drinks businesses. In January we announced our exit from Home Improvement, and in August we announced three transactions to facilitate this exit. We took decisive action on General Merchandise with EziBuy and BIGW separated, and we are exploring options for the sale of EziBuy. And finally as part of the operating model review, we announced that we would exit 30 underperforming stores (excluding BIGW), and impair the leases on another 34. We pivoted our capital spending by slowing the new store roll out program, and increasing the number of refurbishments to 80 in the coming year. This will see the average age of our stores reduce over time.

Whilst this has been a year of significant progress, there is much to do, and we remain determined. We as a Board and management team are united in our vision of a company that puts the customer at the centre of everything that we do.

We appreciate, and do not take for granted, your support.

## Managing Director's Report



**We are seeing early signs of improvement as we work to restore our competitiveness and improve our culture in Australian Food.**

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, sales and transaction growth demonstrating our customers are recognising our investment in lower prices, better service, high quality fresh fruit and vegetables and improved store experience.

Our improving team engagement scores show we are also changing our culture for the better. Sales improved over the year in Australian Food with comparable sales in the fourth quarter the strongest for the year. We are committed to strengthening our leading position in Drinks.

We have a great team of dedicated people who have worked incredibly hard on your behalf. I thank them and thank you for your support and I look forward to reporting on further progress throughout FY17.

## Progress across five key priorities

There are five priorities which have guided our transformation over the last six months and we have made good progress against each of them:

<h1>1</h1> <p><b>CUSTOMER AND STORE-LED CULTURE AND TEAM</b></p> <ul style="list-style-type: none"> <li>Customer and store KPIs in incentive plans</li> <li>New operating model</li> <li>'Woolies Welcome'</li> <li>Key new hires</li> <li>New store feedback loops</li> </ul>	<h1>2</h1> <p><b>GENERATING SUSTAINABLE SALES MOMENTUM IN FOOD</b></p> <ul style="list-style-type: none"> <li>Record VOC in June</li> <li>Transaction and item momentum</li> <li>Lower prices across the store</li> <li>Investment in team hours, particularly on the weekend</li> <li>Own Brand progress</li> </ul>	<h1>3</h1> <p><b>EVOLVING OUR DRINKS BUSINESS</b></p> <ul style="list-style-type: none"> <li>11 new Dan Murphy's stores</li> <li>Dan Murphy's model continuing to evolve</li> <li>Strong online growth</li> <li>BWS local store empowerment</li> </ul>	<h1>4</h1> <p><b>EMPOWERING OUR PORTFOLIO BUSINESSES</b></p> <ul style="list-style-type: none"> <li>New Group Portfolio Director appointed</li> <li>Group functions integrated back into businesses</li> <li>Exploring options for the sale of EziBuy</li> <li>Home Improvement exit</li> </ul>	<h1>5</h1> <p><b>BECOMING A LEAN RETAILER</b></p> <ul style="list-style-type: none"> <li>Merchandising platform now stable</li> <li>Human Capital Management system now live</li> <li>End-to-end process improvement underway</li> <li>&gt;500 roles to be removed</li> </ul>
--	--	--	---	---

## Financial Highlights

<p>NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF WOOLWORTHS FROM CONTINUING OPERATIONS BEFORE SIGNIFICANT ITEMS<sup>1</sup></p> <p><b>\$1,558M</b></p> <p>↓ 39.2% from 2015</p>	<p>EARNINGS BEFORE INTEREST AND TAX FROM CONTINUING OPERATIONS BEFORE SIGNIFICANT ITEMS<sup>1</sup></p> <p><b>\$2,564M</b></p> <p>↓ 35.5% from 2015</p>	<p>ORDINARY EARNINGS PER SHARE FROM CONTINUING OPERATIONS BEFORE SIGNIFICANT ITEMS<sup>1</sup></p> <p><b>123.3¢</b></p> <p>↓ 39.5% from 2015</p>	<p>OPERATING CAPITAL EXPENDITURE</p> <p><b>\$1,484M</b></p> <p>↑ 2.8% from 2015</p>	<p>FULL YEAR FULLY FRANKED DIVIDEND PER SHARE</p> <p><b>77¢</b></p> <p>↓ 44.6% from 2015</p>
--	---	--	---	--

## Shareholder Calendar<sup>2</sup>

2016	2017
<p><b>8 September</b> Ex date for Final Dividend</p> <p><b>9 September</b> Record date for Final Dividend</p>	<p><b>24 February</b> Announcement of Half Year Results</p> <p><b>2 March</b> Ex date for Interim Dividend</p> <p><b>3 March</b> Record date for Interim Dividend</p>
<p><b>7 October</b> Payment date for Final Dividend</p> <p><b>28 October</b> Announcement of First Quarter Sales Results</p> <p><b>24 November</b> Annual General Meeting - Sydney</p>	<p><b>7 April</b> Payment date for Interim Dividend</p> <p><b>28 April</b> Announcement of Third Quarter Sales Results</p> <p><b>25 August</b> Announcement of Full Year Results</p>
	<p><b>7 September</b> Ex date for Final Dividend</p> <p><b>8 September</b> Record date for Final Dividend</p> <p><b>6 October</b> Payment date for Final Dividend</p> <p><b>23 November</b> Annual General Meeting</p>

<sup>1</sup> 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. Where noted, profit and loss items have been adjusted to reflect these significant items.

<sup>2</sup> Dates are indicative and could be subject to change.