

31 October 2017

FIRST QUARTER SALES RESULTS - FINANCIAL YEAR 2018 14 WEEKS TO 1 OCTOBER 2017

Customer focus driving comparable sales growth

FIRST QUARTER SALES

\$ MILLION	2018 (14 WEEKS)	2017 (14 WEEKS)	CHANGE	COMPARABLE GROWTH
Australian Food	9,634	9,202 ¹	4.7%	4.9%
Endeavour Drinks	2,047	1,972	3.8%	3.3%
New Zealand Food (AUD)	1,508	1,502 ¹	0.4%	
New Zealand Food (NZD)	1,627	1,577 ¹	3.2%	2.7%
BIG W	890	868 ¹	2.5%	2.9%
Hotels	441	424	4.1%	4.1%
Total first quarter sales from continuing operations	14,520	14,007	3.7%	
Discontinued operation - Petrol	1,226	1,172 ¹	4.6%	3.0%

PROGRESS AGAINST KEY PRIORITIES

- New highs in Voice of Customer scores in September with Store-Controllable VOC of 83% in **Woolworths Supermarkets**
- Continued growth in customer transactions driving **Australian Food** comparable sales growth for the quarter of 4.9% despite a material increase in deflation driven by fruit and vegetables
- Strong double-digit online sales growth in both **Australian and New Zealand Food** assisted by the rollout of Pick up to all Woolworths and Countdown supermarkets
- 1POS (next generation store point of sale) in 285 Woolworths and 32 Countdown supermarkets at the end of the quarter
- Solid sales growth in **Endeavour Drinks**, with the sales performance of BWS a particular highlight
- Positive customer response to investment in service in **New Zealand Food**
- Improved sales performance from **BIG W** driven by a positive customer response (transactions and items per basket) to price investment. However, it is very early in the multi-year journey to turnaround BIG W
- Strong sales growth from **Hotels**, with Bars a highlight
- Exit from **Home Improvement** business completed on 11 October

Woolworths Group CEO, Brad Banducci, said: "We have continued the good sales momentum from the second half of FY17 and made pleasing progress against our key priorities over the quarter. We are focused on working together to create better customer and team experiences across the Group.

"We are also conscious of the changing needs of our customers who are looking for increasing levels of convenience and we are working hard to meet this need, with Pick up one of the many initiatives we have underway.

"While we are pleased with the progress during the quarter, there remains much more to do with our focus now firmly on the important Christmas trading period."

AUSTRALIAN FOOD

OPERATING METRICS

YEAR ON YEAR (%)	Q1'18 (14 WEEKS)	Q1'17 (14 WEEKS)
Customer metrics		
Overall customer satisfaction (store and online)*	79%	76%
Store-controllable VOC	83%	79%
Sales productivity metrics		
Total sales	4.7%	1.7% ¹
Comparable sales	4.9%	0.7%
Volume productivity metrics		
Comparable transaction growth (%)	4.6%	2.5%
Comparable items per basket (%)	1.4%	(2.0)%
Comparable item growth (%)	6.0%	0.5%
Change in average prices		
Total	(2.4)%	(2.1)%
Total excluding Tobacco	(4.0)%	(3.3)%

Australian Food sales increased by 4.7% to \$9.6 billion for the 14 weeks of the first quarter of FY18 compared to the previous year. Comparable sales increased by 4.9%. Comparable sales growth was driven by continued improvement in comparable transactions (+4.6%) and comparable item growth per basket of 1.4% resulting in volume growth of 6.0%, despite higher levels of deflation during the quarter. Fresh and Long Life both grew strongly. Our focus on improving our digital customer experience resulted in strong double-digit online sales growth.

Total sales were impacted by approximately 30bps due to a change in commercial arrangements for newspapers and magazines to pay-on-scan which was implemented progressively through H2'17. As a result, sales in the same quarter last year included the gross value of newspapers and magazines. In Q1'18, only the net margin on sales of newspapers and magazines attributable to Woolworths is included in sales. Certain other agency sales arrangements have also been restated as detailed in appendix two.

Our Voice of Customer (VOC) scores improved significantly over the same quarter in the prior year and have improved further on Q4'17. Overall customer satisfaction now includes store and online and increased to 79% (Q4'17: 77%) in the quarter and store-controllable VOC has increased to 83% (Q4'17: 81%). Record scores were achieved in Fruit and Vegetables, Time in Queue, Team Attitude and Availability. The success of our Earn and Learn customer program in August and September has led to our highest ever community brand scores.

Average prices declined by (2.4)% due to material price reductions in fruit and vegetables compared to the same quarter last year. Excluding fruit and vegetables, average prices declined by (1.2)%. Major price reductions occurred in key lines such as tomatoes, lettuce and berries due to favourable growing conditions. We added approximately 290 products to our 'Price Dropped' and 'Always' programs since year end taking the total to around 3,800. Price perception has continued to improve but remains an opportunity.

We ended the quarter with 1,003 supermarkets and Metro stores. We opened five supermarkets and converted the three remaining Thomas Dux stores to Metro during the quarter with 28 stores now branded Metro. We also completed 7 Renewals and 11 Upgrades during the quarter.

* Overall customer satisfaction is now calculated using a blend of store (75%) and online (25%) satisfaction

ENDEAVOUR DRINKS

OPERATING METRICS

YEAR ON YEAR (%)	Q1'18 (14 WEEKS)	Q1'17 (14 WEEKS)
Sales productivity metrics		
Total sales	3.8%	3.8%
Comparable sales	3.3%	1.8%

Endeavour Drinks sales increased by 3.8% to \$2.0 billion in Q1'18 with comparable sales increasing by 3.3%. Our retail businesses, BWS and Dan Murphy's, delivered positive comparable growth in the quarter driven by strong promotional campaigns with both banners continuing to outpace market growth. The liquor market remains competitive, however, key sporting events drove an improvement in market growth over the quarter.

During the quarter, we launched Express Delivery in BWS following a successful trial to supplement our 1-hr Pick up service. Customers can now request home delivery seven days a week up to 9pm across all major cities in Australia. Deliveries can be scheduled at a time to suit the customer or delivered as soon as possible with average delivery time to date of just under 1 hour. Dan Murphy's Online continued to deliver double-digit growth.

We opened two Dan Murphy's stores during the quarter, bringing the total fleet size to 221. We opened eight BWS and closed two, ending the quarter with 1,304 stores.

NEW ZEALAND FOOD

OPERATING METRICS

YEAR ON YEAR (%)	Q1'18 (14 WEEKS)	Q1'17 (14 WEEKS)
Sales productivity metrics		
Total sales ²	3.2%	2.6% ¹
Comparable sales ²	2.7%	(0.7)%
Volume productivity metrics		
Comparable transaction growth (%)	1.5%	1.3%
Comparable items per basket (%)	(1.0)%	(1.0)%
Comparable item growth (%)	0.5%	0.3%
Countdown Food Price Index	1.6%	(0.5)%

New Zealand Food sales for the quarter were NZ\$1.6 billion, an increase of 3.2%² on the previous year. In AUD, the sales increase of 0.4% was impacted by a strengthening Australian dollar against the New Zealand dollar during the quarter.

Comparable sales increased 2.7%² for the quarter as customers responded positively to our investment in service despite a number of competitor promotions during the period. We are making good progress in our customer-led segmentation strategy with 52 stores now offering product ranges tailored for the particular demographic of the store.

The Countdown Supermarkets Food Price Index increased by 1.6% driven by a combination of continued New Zealand dairy price inflation and higher levels of inflation in fresh produce impacted by growing conditions and supply. We opened one Countdown supermarket and closed one ending the quarter with 184 Countdown stores. Franchise stores ended at 66, with one new store opened during the quarter.

PORTFOLIO BUSINESSES

BIG W

OPERATING METRICS

YEAR ON YEAR (%)	Q1'18 (14 WEEKS)	Q1'17 (14 WEEKS)
Sales productivity metrics		
Total sales	2.5%	(5.1)% ¹
Comparable sales	2.9%	(5.7)%
Volume productivity metrics		
Comparable transaction growth (%)	1.7%	(5.5)%
Comparable items per basket (%)	5.1%	(2.6)%
Comparable item growth (%)	6.8%	(8.1)%

BIG W sales of \$890 million for the quarter increased 2.5% on the previous year with comparable sales increasing by 2.9%. Adjusted for the timing of the Annual Toy Sale, comparable sales increased by 2.1%.

While it is still early days in our turnaround journey, the first key element in our plan was to regain price trust with our customers. Our relaunched Image Line program, which offers basic items at great prices, has been well received by our customers and has positively impacted our customer metrics resulting in comparable sales growth for the first time in a number of quarters. Consistent with our expectations, growth has been led by an improvement in customer transactions and items per basket driven by price investment and clearance activity.

We are continuing to improve the quality of our customer feedback and analytics with a significant increase in the number of customers participating in our VOC surveys over the last quarter and traffic counters now installed in 184 stores.

Within BIG W's customer universes, Kids, Home and Leisure delivered the strongest sales growth with Toys, Small Appliances, Towels and Manchester the best performing categories.

We opened one BIG W store in Palmerston (NT) due to a pre-existing obligation, ending the quarter at 186 stores.

HOTELS

Hotels sales for the quarter were \$441 million, an increase of 4.1% on the previous year. Comparable sales increased by 4.1%.

Bar sales were the highlight assisted by key sporting events, promotional activity and the strong performance of recently refurbished venues.

We closed one hotel during the quarter to end at 328.



DISCONTINUED OPERATION

Petrol

Petrol sales for the quarter of \$1.2 billion were 4.6%¹ higher than the prior year, impacted by a 7.0% increase in average fuel sell prices to 121.1cpl (Q1'17: 113.2cpl).

Comparable sales (dollars) increased 3.0% and comparable volumes decreased (2.6)%. Comparable volumes continue to be impacted by the number of competitor canopy openings.

Merchandise sales decreased by (0.7)% in the quarter.

We opened one petrol canopy during the quarter, ending with 532.

OUTLOOK

Our focus for the remainder of FY18 is to build on the progress we made in the first quarter. As we move into the Christmas trading period, our team is energised and excited about creating a positive festive season shopping experience for all our customers, across all our businesses and all of our stores and I would like to thank them for their ongoing commitment to putting our customers 1st.

-ends-

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APPENDIX ONE: NEW STORES AND RENEWALS/ REFURBISHMENTS

FIRST QUARTER	GROSS NEW STORES (INCL. ACQUISITIONS)	NET NEW STORES (INCL. ACQUISITIONS)	RENEWALS/ REFURBISHMENTS
Continuing operations			
Australian Supermarkets (including Metro)	8	8	7
Thomas Dux	-	(3)	-
Endeavour Drinks Group (including attached)	10	8	6
New Zealand Food	1	-	2
BIG W	1	1	-
Hotels	-	(1)	11
Total continuing operations	20	13	26

APPENDIX TWO: NOTES

¹Due to the commencement of new commercial supplier agency arrangements, combined with the progression of the AASB15 *Revenue* impact assessment, the Group has realigned the sales for certain legal form agency arrangements (including gift cards and telephone recharges) that have historically been presented on a gross basis. The restatement does not have any impact on profit or loss. Where necessary, comparative information has been restated to conform to changes in presentation in the current year. The impact on comparable sales growth is not material.

FY17 quarterly sales after agency restatement

\$ MILLION	Q1'17	Q2'17	Q3'17	Q4'17
Australian Food	9,202	9,238	9,144	8,252
New Zealand Food (AUD)	1,502	1,543	1,482	1,316
<i>New Zealand Food (NZD)</i>	<i>1,577</i>	<i>1,626</i>	<i>1,579</i>	<i>1,406</i>
BIG W	868	1,147	747	780
Petrol	1,172	1,167	1,218	1,083

FY17 quarterly sales before agency restatement (previously reported)

\$ MILLION	Q1'17	Q2'17	Q3'17	Q4'17
Australian Food	9,321	9,392	9,276	8,382
New Zealand Food (AUD)	1,513	1,556	1,492	1,326
<i>New Zealand Food (NZD)</i>	<i>1,588</i>	<i>1,639</i>	<i>1,589</i>	<i>1,416</i>
BIG W	880	1,170	757	791
Petrol	1,184	1,178	1,228	1,092

² Growth for New Zealand Food is quoted in New Zealand Dollars.