WOOLWORTHS LIMITED



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PRESENTATION OUTLINE

Presenter	Item
Grant O'Brien	Group Performance and Strategic Priorities
Tjeerd Jegen	Australian Supermarkets and Petrol
Brad Banducci	Woolworths Liquor Group
Dave Chambers	New Zealand Supermarkets
Karen Bozic	General Merchandise
Matt Tyson	Home Improvement
David Marr	Group Financial Performance
Grant O'Brien	Outlook

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RESULTS — HALF YEAR 2014

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	Total Group		Continuing Operations Before Significant Items[1]	
Sales	$31.8b	↑ 3.8%	$31.8b	↑ 6.0%
EBIT	$2,048.0m	↑ 11.3%	$2,048.0m	↑ 5.9%
NPAT	$1,321.7m	↑ 14.5%	$1,321.7m	↑ 6.0%
EPS	106.1¢	↑ 13.4%	106.1¢	↑ 4.9%
DPS	65¢	↑ 4.8%		
ROFE			14.9%	↓ 87 bps[2]

1. There were no significant items in HY14. Significant items in HY13 included
   - One off loss on the SCA Property Group transaction of $32.8m (before tax) and $28.5m (after tax)
   - Net loss on disposal of Consumer Electronics businesses of $63.7m (before tax) and $65.7m (after tax)
2. Excluding the impact of differences in the timing of creditor payments relative to the reporting dates and the continuing investment in our Home Improvement business, ROFE increased 33 bps

GROUP EBIT FROM CONTINUING OPERATIONS BEFORE SIGNIFICANT ITEMS UP 5.9%

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$ million	HY13	HY14	Change
Australian Food and Liquor	1,583.9	1,692.1	6.8%
Petrol	71.0	74.0	4.2%
Australian Food, Liquor and Petrol	**1,654.9**	**1,766.1**	**6.7%**
New Zealand Supermarkets (NZD)	*162.3*	*164.4*	*1.3%*
New Zealand Supermarkets	**124.7**	**136.8**	**9.7%**
General Merchandise	**129.5**	**120.5**	**(6.9)%**
Hotels	**140.8**	**163.9**	**16.4%**
Masters	(69.1)	(71.9)	4.1%
Home Timber and Hardware	10.6	7.5	(29.2)%
Home Improvement	**(58.5)**	**(64.4)**	**10.1%**
Central Overheads	**(56.7)**	**(74.9)**	**32.1%**
Group EBIT – Continuing Operations	**1,934.7**	**2,048.0**	**5.9%**
Consumer Electronics – Australia, New Zealand and India	2.5	-	n.c[2]
Group EBIT – Discontinued Operations	**2.5**	**-**	**n.c[2]**
Total Group EBIT (before significant items)	**1,937.2**	**2,048.0**	**5.7%**
Significant Items (before tax)			
One-off loss on SCA Property Group transaction	(32.8)	-	n.c
Net loss on disposal of Consumer Electronics businesses	(63.7)[1]	-	n.c
Total Group EBIT (after significant items)	**1,840.7**	**2,048.0**	**11.3%**

1. After reflecting additional sale proceeds in the second half of FY13, the net gain on disposal of the Consumer Electronics businesses in FY13 was $9.9m (before tax)
2. Not comparable given the sale of these businesses during HY13

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STRATEGIC PRIORITY NO. 1

EXTEND LEADERSHIP IN FOOD AND LIQUOR

STRATEGIC PRIORITY NO. 2

ACT ON OUR PORTFOLIO TO MAXIMISE SHAREHOLDER VALUE

STRATEGIC PRIORITY NO. 3

MAINTAIN OUR TRACK RECORD OF BUILDING NEW GROWTH BUSINESSES

STRATEGIC PRIORITY NO. 4

PUT IN PLACE THE ENABLERS FOR A NEW ERA OF GROWTH

EXTEND LEADERSHIP IN FOOD AND LIQUOR

Well Underway

MOMENTUM IN FOOD AND LIQUOR

- Improving comparable sales performance and EBIT growth
- Increased market share underpinned by strong volume, customer numbers and space growth
- We attracted 3.9% more customers than the prior year, serving on average 21m customers per week

UNBEATABLE VALUE

- Improved communication of our value credentials
- 'More Savings Every Day' delivered savings to customers of over $400m
- Reinforcing price leadership among full range supermarkets
- Average price deflation of 4.1% for the half year

FIRST CHOICE FOR FRESH FOOD

- Fresh market share growing faster than Grocery
- New Jamie Oliver partnership focusing on affordable fresh food
- Strong growth in organic and free range meat and poultry

LEADING LIQUOR DESTINATION, IN-STORE AND ONLINE

- Increased access to our market leading bricks & mortar offer
- Delivered best practice portfolio of segmented online offers
- Pinnacle delivering high quality, exclusive product ranges

IMPROVING NEW ZEALAND COMPARABLE SALES GROWTH

- Early stages of transforming our Countdown business
- Q2 result the strongest comparable sales growth recorded in 18 months
- Underpinned by successful promotions, strong Fresh growth, new offers and Online

More To Do

- New range of fresh food initiatives to emphasise our Fresh leadership
- Embed our price leadership through the 'More Savings Every Day' vehicle
- Maximise our use of data to attract and reward customers
- Extend our leadership in multi-option Food and Liquor through innovation and stand-out execution
- Continue to reduce prices in New Zealand for the benefit of our customers

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ACT ON OUR PORTFOLIO TO MAXIMISE SHAREHOLDER VALUE

Well Underway

BIG W BUSINESS TRANSFORMATION

- Commenced the transformation of our customer offer
- Reprioritising categories of greatest importance to customers, impacting sales and profit in the short term but delivering profitable growth over the medium to long-term
- Enhancing replenishment systems and supply chain capabilities
- Ambition to become Australasia's leading multi-option discretionary retailer

AUSTRALIA'S BEST AND MOST RESPONSIBLE HOTELS

- Industry leading hotel and gaming charter reinforcing our commitment to responsible service of gaming and liquor
- Commencement of gaming machine voluntary pre-commitment functionality roll out
- Maximising performance of the hotels acquired through the Laundy transaction

ENHANCING OUR PETROL OFFER

- Expanding availability of diesel, premium fuels and fast flow pumps
- Maximising our merchandise offer (non-fuel) through new and expanded ranges

More To Do

General Merchandise

- Roll out next wave of space and layout reconfiguration across the BIG W store network
- Develop and implement new supply chain and replenishment systems to transform our speed and efficiency to market
- Leverage EziBuy to drive multi-option ambitions

Hotels

- Further development of our bar, food and entertainment offer
- Implement voluntary pre-commitment functionality prior to legislative requirements
- Further targeted hotel acquisitions to provide a pipeline for Dan Murphy's and BWS store openings

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MAINTAIN OUR TRACK RECORD OF BUILDING NEW GROWTH BUSINESSES

Well Underway

GROWING OUR LEADERSHIP AS AUSTRALASIA'S LARGEST DOMESTIC ONLINE RETAILER

- Online sales exceeded $1b for the 2013 calendar year, ahead of our FY14 target
- Market leading online food offers in Australia and New Zealand
- Online sales from continuing operations increased by 40% during the half
- Liquor is the most developed example of our multi-option ambitions
- Transactional mobile sites in place for all of our brands

AUSTRALIA'S FASTEST GROWING HOME IMPROVEMENT OFFER

- 38 Masters stores trading at the end of the half
- On track to have 49 stores trading by year end
- Refreshed Home Timber and Hardware company stores delivering pleasing sales growth
- Home Timber and Hardware was recently awarded 'Hardware Store of the Year' at the Roy Morgan Customer Satisfaction Awards
- Matt Tyson appointed as Managing Director, Home Improvement bringing extensive international and business development experience

More To Do

- Platform and operational enhancements to drive an increase in online traffic
- Completing rapid roll out of Click & Collect in all divisions
- Continue our consideration of domestic and international growth opportunities
- Drive 'Learn and Improve' approach in Masters stores
- Continue recruitment of important Home Timber and Hardware customers

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PUT IN PLACE THE ENABLERS FOR A NEW ERA OF GROWTH

Well Underway

BUILDING ON OUR WORLD CLASS SUPPLY CHAIN

- Detailed planning has commenced for our next generation supply chain capability
- New systems and processes maximising on-shelf availability whilst optimising stock levels

DRIVING EFFICIENCIES IN STORES

- Delivering on our 'cost out' ambitions across our businesses
- Our permanent Operations Development team continue to drive benefits in Supermarkets, which are then leveraged across the rest of the Group

CUSTOMER INSIGHTS TRANSFORMING OUR BUSINESS

- Everyday Rewards loyalty membership up to 7.5m and Onecard members up to 1.8m
- We are leveraging Quantium to better understand our customers' needs in
  - Pricing and promotion
  - Ranging
  - Store layout
- We are working closely with suppliers to develop joint long-term category plans using insights

ASSEMBLING A WORLD CLASS RETAIL TEAM

- Continued focus on blending the best local and international talent at all levels of the organisation
- We have made a number of senior appointments across the business including
  - Matt Tyson, MD Home Improvement
  - Clive Whincup, CIO
  - James Aylen, GM Home Timber and Hardware
  - Martyn Roberts, GM Petrol

More To Do

- Move to a new phase of business transformation through our 'end to end' supply chain and replenishment projects
- Continue to leverage customer data to drive sales growth and loyalty across the business
- Productivity improvement programs to continue relentless focus on costs
- Continue to make new appointments to complement our team, sourced internally, domestically and internationally as appropriate

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AUSTRALIAN SUPERMARKETS

TJEERD JEGEN

MANAGING DIRECTOR AUSTRALIAN SUPERMARKETS & PETROL

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AUSTRALIAN FOOD, LIQUOR & PETROL

Increasing momentum in sales and profit

	HY13	HY14	CHANGE
Sales – Food & Liquor ($m)	20,488	21,477	4.8%
– Petrol ($m)	3,393	3,665	8.0%
– Total ($m)	23,881	25,142	5.3%
EBIT – Food & Liquor ($m)	1,583.9	1,692.1	6.8%
– Petrol ($m)	71.0	74.0	4.2%
– Total ($m)	1,654.9	1,766.1	6.7%
Funds Employed ($m)	4,122.0	4,312.8	4.6%
Gross margin (%)	25.14	25.17	3 bps
CODB (%)	18.21	18.15	(6) bps
EBIT to sales (%)	6.93	7.02	9 bps
ROFE (%)	40.65	40.89	24 bps

Trading Performance

- Food & Liquor HY14 comparable sales growth was 3.0% with increased momentum in Q2 delivering comparable sales growth of 3.4%
- Successful Christmas trading period driven by our leading positions in price and range
- Increases in market share, customer numbers, basket size, items sold and sales per square metre
- Continued to deliver exceptional value – with average price deflation of 4.1% for the half year (including the effects of promotions and volumes)
- Gross margin increase reflects improvements in buying, more effective promotions and growth in our exclusive brands, including Liquor. Much of the benefit from these initiatives was reinvested into price
- Food & Liquor (excluding Petrol) CODB % was flat - a good result given the large number of new stores yet to reach mature trading levels and ongoing investment in our multi-option business
- 23 Australian Supermarkets (net) opened during the half year, bringing the total to 920, employing an additional 2,000 people. 13 refurbishments completed

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PROGRESS AGAINST OBJECTIVES

Extending our Fresh food leadership

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1. First choice for fresh food

- Continued to improve the quality of our Fresh offer, with enhancements to our supply chain
- In line with our strategy to be first choice for fresh food, our Fresh market share is growing faster than Grocery
- Jamie Oliver partnership focusing on affordable fresh food and encouraging a healthier Australia
- Sushi bars and bakeries roll out continued with a further 40 sushi bars and 49 bakeries added to our store network. We now have bakeries in 86% of our stores
- Customers continue to ask for more organic and free range meat and poultry, leading to strong growth in these categories





PROGRESS AGAINST OBJECTIVES

Reinforcing our price leadership

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2. Unbeatable value

- Improved the communication of our value credentials through 'More Savings Every Day'
- As our key value platform, 'More Savings Every Day' delivered savings of $400m+ to customers over the half, through 3 clear and simple ways
- Reinforced our price leadership among full range supermarkets with deflation in average prices of 4.1% for the half
- Our drive to offer affordable fresh food continued with further price reductions in meat



PROGRESS AGAINST OBJECTIVES

Customer insights at the heart of our planning

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3. Customer insights transforming our business

- Increase in Everyday Rewards members to 7.5m (up 11% on HY13) with strong growth in card scan rates
- Together with Quantium, we are working closely with suppliers to leverage our Everyday Rewards data to deliver insights and better decisions across pricing, ranging, promotions and store layout
- We are sending an average of 2.2m emails and direct mails to customers each week with targeted Supermarket offers



PROGRESS AGAINST OBJECTIVES

Complementing our existing core offer across the store

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4. Innovative new offers

- A permanent 'Gold' range now launched setting a new high standard for own brand products in quality, innovation and taste
- Roll out of new in-store offers including
  - 'Healthy Lunchbox' (104 stores)
  - 'Food to Go' sandwiches and salads (127 stores)
  - Fresh barista coffee (now in 11 stores)
  - Bulk foods (5 stores)
- Successful trial of 'Farmers' Own' milk produced in the Manning Valley (NSW) will be extended to 105 stores
- Announced new own brand Australian sourcing deals with SPC Ardmona for Select canned deciduous fruit and Simplot for Select frozen vegetables



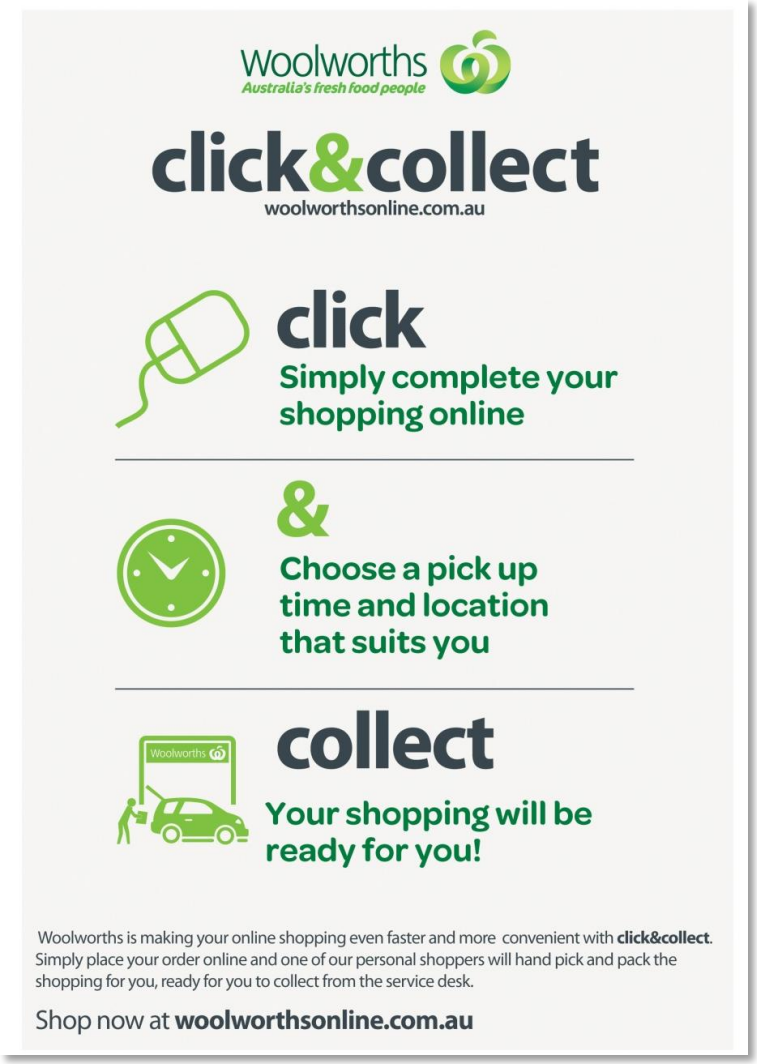
PROGRESS AGAINST OBJECTIVES

Growing our leadership position in online

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5. Multi-option offering customers more flexibility

- The number of unique visitors to our online site has more than doubled during the half
- We deliver 3m+ items to customers each week, with home delivery now available to more than 95% of Australian households
- Expanded Click & Collect network to 188 stores at HY14, including 15 drive-thrus, now offering same day collection service
- Targeted and personalised offers improved customer conversion and shopping frequency



PETROL

Expanded network and convenience offer



Trading Performance

- Sales increased by 8.0% driven by higher average fuel sell prices and pleasing growth in merchandise sales
- Competitor activity focused on increased fuel discounts which impacted our fuel volumes
- EBIT increased 4.2% to $74.0m through
  - The continuing shift towards premium unleaded and diesel fuels
  - Stronger merchandise sales
- CODB as a percentage of sales decreased on the prior year despite costs associated with new petrol canopies

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PROGRESS AGAINST OBJECTIVES

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1. Provide customers with a compelling fuel offer

- Continued investment in forecourt improvements, providing customers with better access to diesel, premium fuels and fast flow pumps
- During the half, signage at 32 sites were rebranded and 52 canopies and forecourts refreshed



2. Accelerate merchandise sales

- New categories and products are adding incremental sales as part of our strong focus on improving our convenience offer



3. Increase our network profile

- Opened 14 (net) sites during HY14
- Total Caltex / Woolworths network 627, including 496 Woolworths owned sites
- Plan to open a further 5 sites (net) in FY14



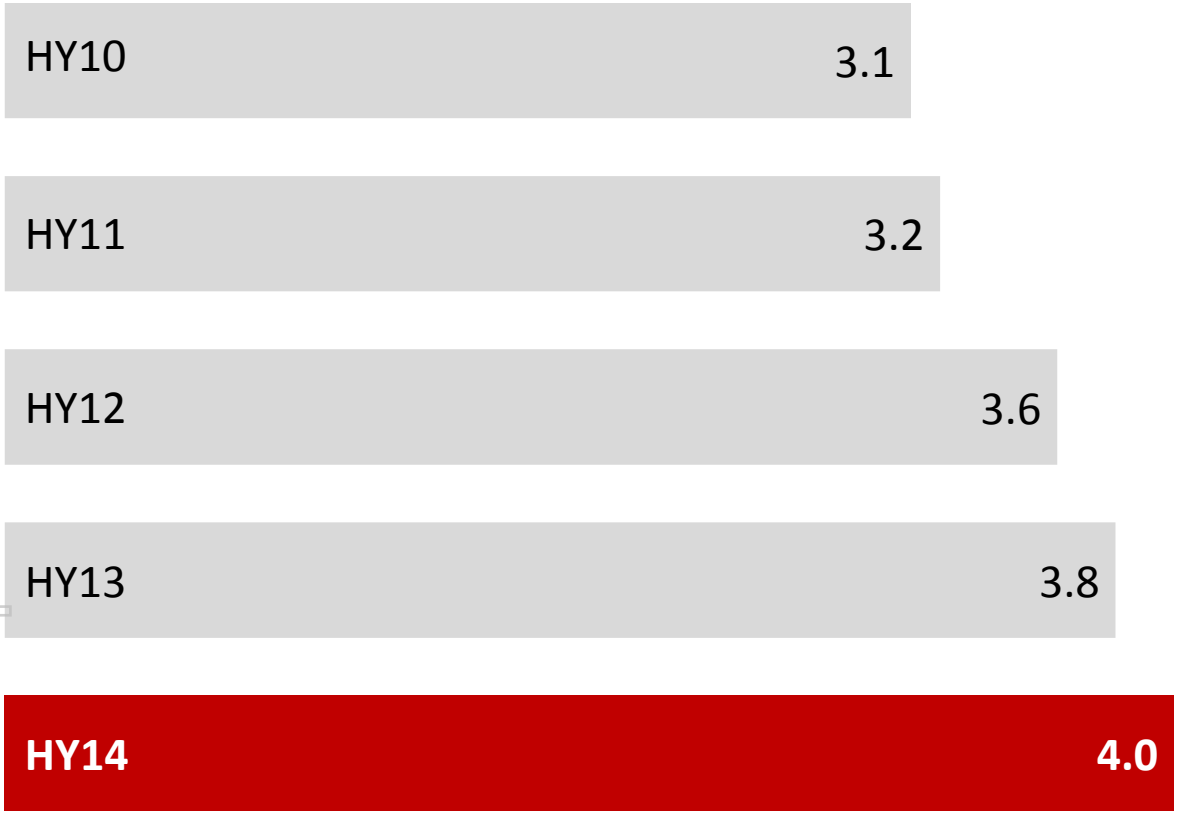
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WOOLWORTHS LIQUOR GROUP SALES

Leading liquor retailer in Australia

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$ billion



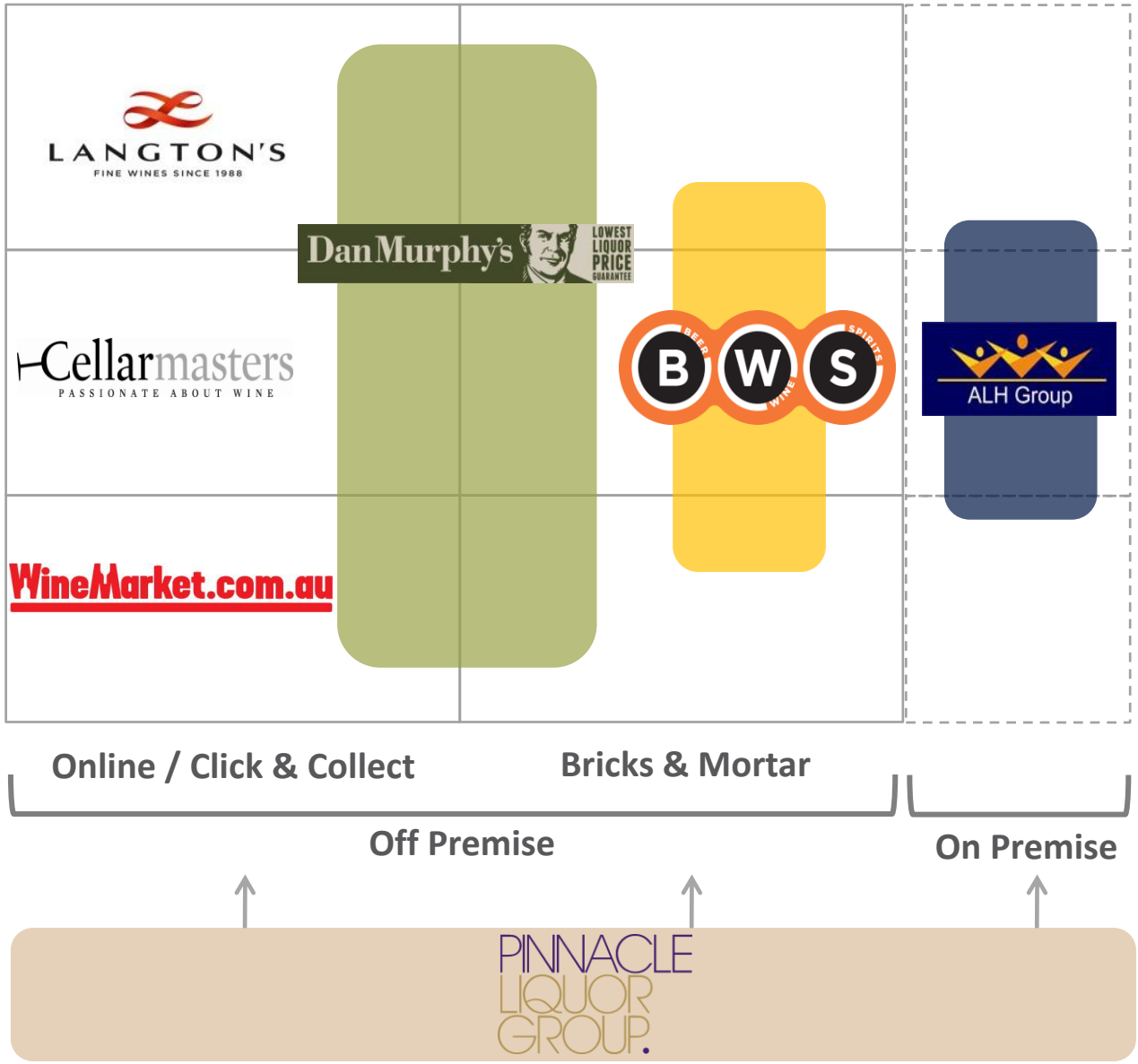
Comments

- Strong result for the half year with good sales growth across all three channels – Dan Murphy's (Destination), BWS (Convenience) and The Wine Quarter (Online) highlighting the relevance of each of our offerings
- Growth in the Wine category was a key highlight for the half year

Note: includes ALH Group on premise liquor sales

WOOLWORTHS LIQUOR GROUP

A unique business model



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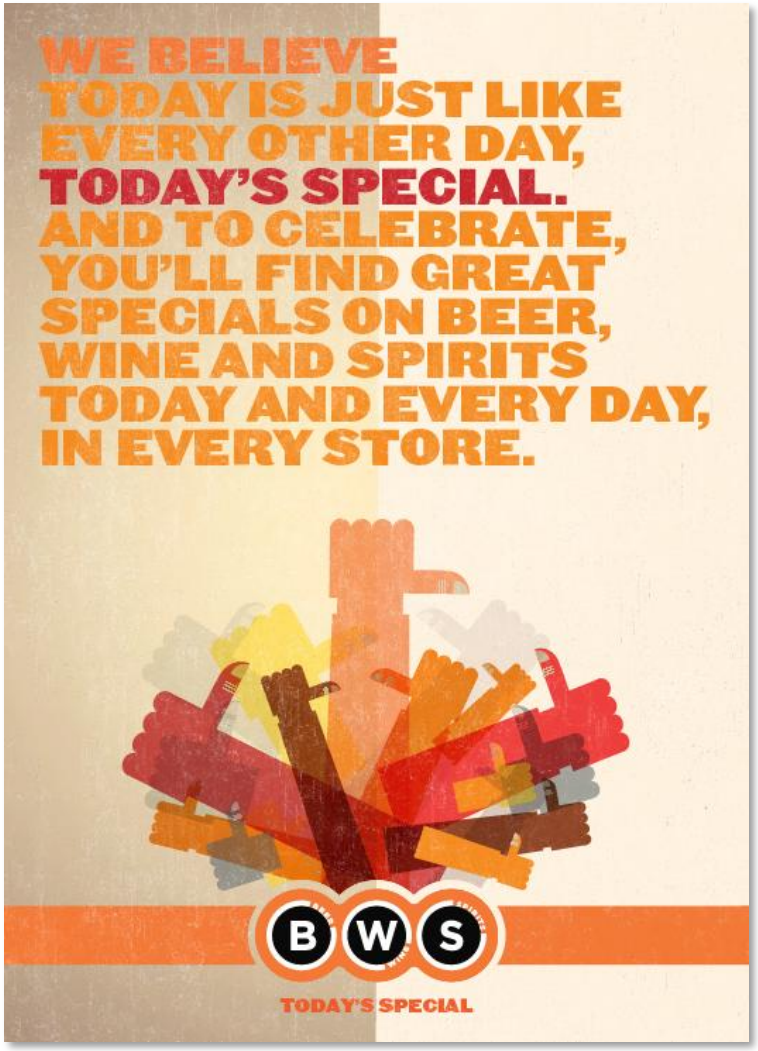
PROGRESS AGAINST OBJECTIVES

1. Continue to evolve Dan Murphy's

- Australia's premier liquor destination continues to grow, opening 6 stores in HY14, with total stores now 181
- Extended our multi-option leadership through
  - Launch of Australia's favourite liquor App, with photo recognition technology
  - Extra delivery options - 'Same Day', 'Next Day' and 'Pick a Day' delivery
- First major Australian retailer to launch Click & Collect nationwide, with sales more than doubling in Q2
- Introduced a new store operating model with more customer facing staff

2. Develop the BWS brand and convenience offer

- Rebranding of Woolworths Liquor to BWS in FY13 created Australia's most accessible liquor brand, now with 1,200 stores
- Continued to strengthen the brand with sponsorship of 'The Ashes' and 'Summer of Cricket' and the launch of 'Today's Special' brand marketing campaign
- Continued progress in tailoring our ranges around shopper occasions



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PROGRESS AGAINST OBJECTIVES

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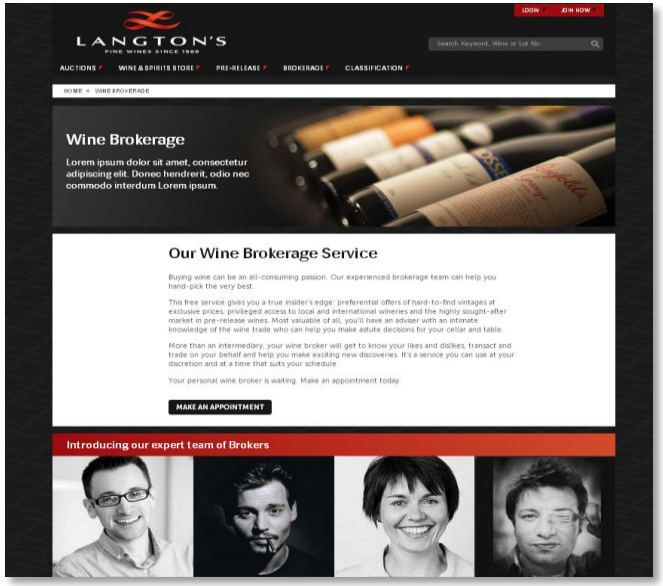
3. Increase own and exclusive brand penetration through Pinnacle Liquor

- Pinnacle Liquor continues to grow as our own and exclusive product and brand marketing arm
- New and innovative products launched during the half with a pleasing customer response



4. Leadership in Digital and Direct via The Wine Quarter

- Established a digital and direct business centre of excellence, employing approximately 650 people, leveraging Cellarmasters' direct marketing capabilities
- Langton's continues to deliver strong sales growth, reinforcing its position as Australia's leading ultra-fine wine business



HOTELS

A key enabler of our Liquor strategy

	HY13	HY14	CHANGE
Sales ($m)	759	**788**	3.8%
EBIT ($m)	140.8	**163.9**	16.4%
Gross margin (%)	82.29	**82.75**	46 bps
CODB (%)	63.74	**61.95**	(179) bps
EBIT to sales (%)	18.55	**20.80**	225 bps

Trading Performance

- Trading conditions are a challenge at present, especially in Bars and Gaming. Our Food offer remains a focus and we are seeing solid results as we concentrate on providing value meals in a family friendly setting
- Gross margin increase was assisted by the Victorian gaming regulatory changes which cycled in August
- CODB decrease attributable to strategic initiatives to improve efficiency in venues and the cycling of business acquisition costs in the prior year
- EBIT increased 16.4% on the previous half year to $163.9m
- Pleasing results from the hotels acquired as part of the Laundy transaction in the prior year

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PROGRESS AGAINST OBJECTIVES

ALH Group

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1. To be Australia's most responsible operator of local pubs

- Commenced the introduction of voluntary pre-commitment functionality on all gaming machines ahead of any planned state legislation, allowing customers to monitor their play and set time or spend limits
- Industry leading hotel and gaming charter underpinning our commitment to responsible service


Federal Hotel, Mt Gambier

2. Grow our network

- Targeted acquisitions will continue
- 1 hotel opened during HY14, total venues 327 with 4 additional venues currently planned for FY14, which will support an additional 9 BWS and 4 Dan Murphy's


Carlyle Hotel, Derwent Park

3. To evolve in meeting customer needs

- Continued investment in family friendly food offers
- Expanded the depth of our bar ranges to cater for more premium products and selectively adding branded food operations
- Improvements to our online presence across the business including new mobile enabled venue websites


Sail and Anchor, Fremantle

NZ SUPERMARKETS

DAVE CHAMBERS
MANAGING DIRECTOR



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NEW ZEALAND SUPERMARKETS

Successful promotional activity and strong Fresh sales delivering results

countdown

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NZD	HY13	HY14	CHANGE[2]
Before Significant Items[1]			
Sales ($m)	2,944	3,020	2.6%
EBIT ($m)	162.3	164.4	1.3%
Funds Employed ($m)	3,056.0	3,137.7	2.7%
Gross margin (%)	23.28	23.25	(3) bps
CODB (%)	17.77	17.81	4 bps
EBIT to sales (%)	5.51	5.44	(7) bps
ROFE (%)	5.17	5.17	- bps

1. Significant items include the one-off loss associated with SCA Property Group transaction in HY13
2. In NZD

Trading Performance

- HY14 comparable sales 0.7%[2], with the Q2 result the strongest sales growth seen in 18 months
- Continued growth in market share, customer numbers and items sold reflecting the relevance of our offer and success of promotional activity
- Gross margin decrease impacted by a higher level of promotional activity, particularly in Longlife
- Continued to increase our competitiveness in the market and have lowered shelf prices on a range of products, including through our 'Price Lockdown' program which delivers customers long-term price reductions on a range of their favourite groceries
- CODB result reflects strong cost management across the business through improved productivity in DCs and support offices
- Excluding the additional rental expense (net of depreciation) following the divestment of the SCA Property Group in FY13 and before significant items[1]
  - CODB decreased 22 bps[2]
  - EBIT increased 6.0%[2]
  - EBIT margin was up 19 bps[2]

PROGRESS AGAINST OBJECTIVES

countdown

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1. Customer value and innovative offers

- Customers have responded well to the launch of 'Price Lockdown', supported by strong in-store communication
- Produce sales growth outperformed overall growth with our focused grower program, supported by strong in-store execution, maximising seasonal sales opportunities

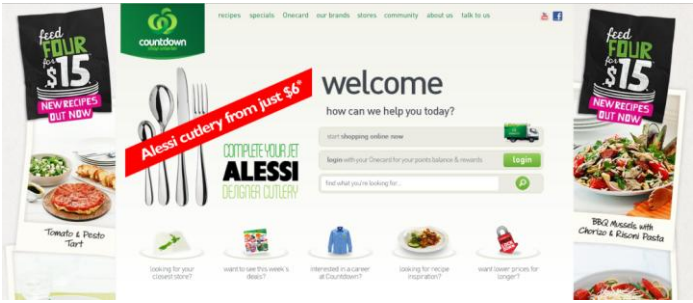


2. Leverage local sourcing

- Our preference in New Zealand is to source locally as it is important to our customers and supports the local communities in which we operate
- 96% of sales are sourced from suppliers that are owned or have a base in New Zealand, with 70% of own brand sales from locally sourced products
- Working with 1,200 New Zealand suppliers, including hundreds of local farmers and growers

3. Multi-option

- Sales from countdown.co.nz, New Zealand's leading online food site, delivered double digit sales growth for the half year
- Serving 99% of New Zealand through 52 fulfilment stores



PROGRESS AGAINST OBJECTIVES

countdown

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4. Supply chain

- Efficiencies continue from the reconfigured national and regional DC operations structure, with costs as a percentage of sales (in NZD) decreasing by 6 bps in HY14
- In-store product availability remained strong during the half

5. Grow Countdown and franchise network

- 2 Countdown stores opened, with the network now 168 stores
- 3 additional (net) Countdown stores due to open in FY14
- Total franchise stores now 56 with 3 additional stores to open in FY14
- Our franchisees are continuing to invest in their stores with 29% of the franchise network now trading in the new formats (16% in prior year)





GENERAL MERCHANDISE

KAREN BOZIC

ACTING DIRECTOR OF BIG W



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GENERAL MERCHANDISE

Transformation delivering profitable growth in the future

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	HY13	HY14	CHANGE
Sales ($m)	2,447	2,452	0.2%
EBIT ($m)	129.5	120.5	(6.9)%
Funds Employed ($m)	709.8	1,092.7	53.9%
Gross margin (%)	31.47	32.90	143 bps
CODB (%)	26.18	27.99	181 bps
EBIT to sales (%)	5.29	4.91	(38) bps
ROFE (%)	16.11	11.56	(455) bps

Trading Performance

- Sales growth was 0.2% for HY14, impacted by the timing of the Toy Sale and the business transformation as anticipated
- Trading conditions continue to be challenging with strong competition, ongoing price deflation (HY14 4.1%) and increased promotional activity
- Gross margin improvement reflects better buying, shifts in sales mix and the acquisition of EziBuy. This was achieved despite higher levels of clearance activity in categories being rationalised
- CODB increase reflects new stores yet to reach maturity, the EziBuy acquisition and lower sales growth
- Funds employed increased 53.9%, which was impacted by the timing of creditor payments relative to the reporting dates and includes the acquisition of EziBuy as well as the continued roll out and refurbishment of BIG W stores

PROGRESS AGAINST OBJECTIVES

BIG W

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1. Transforming our business for the future

- Commenced our transformation of BIG W, focusing on categories of high customer importance which will provide medium to long-term profitable growth
- Hardgoods transformation will encompass significant change as we rationalise and make way for new and expanded categories
- First stage changes are being implemented across our store network (50 stores in HY14, 82 planned in the second half) to expand our core offer in categories such as Toys and Footwear
- Focused on enhancing BIG W replenishment systems and supply chain capabilities
- Implemented a new store management structure to improve the alignment of in-store leadership





PROGRESS AGAINST OBJECTIVES

BIG W

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2. Strong growth in brands that win on value everyday

- Pleasing growth in Apparel with strong results delivered through exclusive brands such as 'Peter Morrissey' and the 'Michelle Bridges' and 'Guy Leech' active wear ranges
- Our new 'Lee Cooper' range is showing pleasing early results
- Home department also performed well, particularly Kitchenware and Home Storage, with customers enjoying the benefits of our exclusive and branded product ranges



3. Realising our multi-option ambition

- Leveraging EziBuy's world-class distribution capabilities and expertise in direct-to-consumer retailing to enhance our multi-option offer
- eBooks offer launched in September with 40,000+ titles downloaded in HY14
- Implemented Click & Collect across our entire network in November



HOME IMPROVEMENT

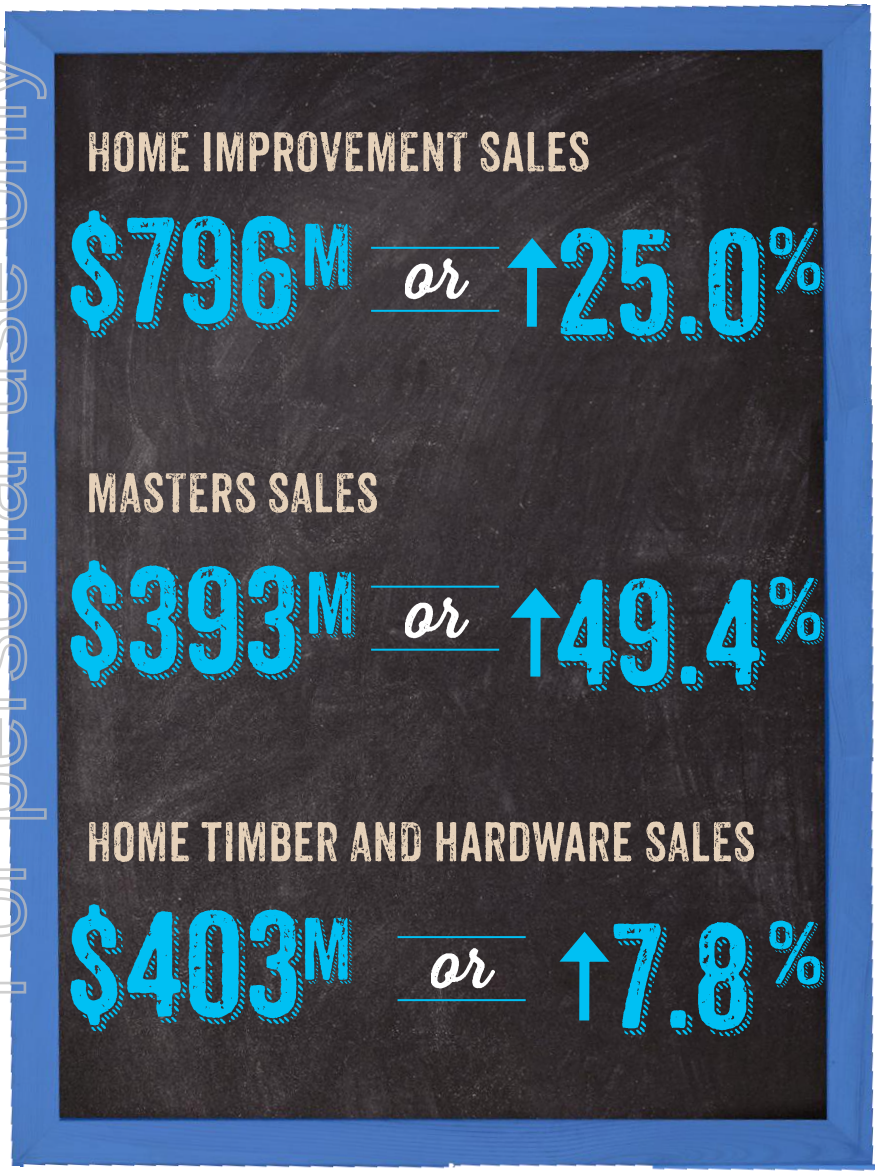
MATT TYSON
MANAGING DIRECTOR



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HOME IMPROVEMENT

Australia's fastest growing Home Improvement business



Trading Performance

- Our **Masters** network continues to grow strongly, with 38 stores trading at HY14
- Masters sales up 49.4%, with stores now having traded on average, for 15 months
- Masters EBIT loss of $71.9m for the half year
- We remain focused on executing our plan to achieve breakeven in Masters during FY16 by
  - Increasing sales per store
  - Improving gross margin
  - Driving efficiencies in store
  - Increasing fractionalisation of costs in the distribution and support network
- **Home Timber and Hardware** sales up 7.8%, with recently refurbished company stores achieving pleasing growth, with more planned in FY14
- The relationship with our Joint Venture partner Lowe's remains strong. They have again extended the date for opening their put option exercise period

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PROGRESS AGAINST OBJECTIVES

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1. Improve sales performance

- Frequency of return customer visits increased through tailored offers
- Strong trading in Kitchens, Appliances and Gardening demonstrates the appeal of our differentiated offer
- Australia's Best New Online Retailer at the 2013 ORIAs
- Focus on trade and serious DIY customers at Home Timber and Hardware with the 'Go Where the Tradies Go' brand campaign driving an increase in store visitations and trade sales
- Home Timber and Hardware was recently awarded 'Hardware Store of the Year' at the Roy Morgan Customer Satisfaction Awards



2. Enhance in-store offer

- Our 'Masters Best Price Guarantee' continues to resonate well with customers. We will beat all prices on identical items by 10%, both in-store or online
- Expanded our range of exclusive brands available in Masters
- Working in partnership with strategic vendors to introduce innovative products into the Australian market





PROGRESS AGAINST OBJECTIVES

3. Continue to drive cost efficiencies

- Significant progress in reducing days stock on hand in Masters through supply chain improvements and inventory management
- Pleasing results from cost saving initiatives in stores
- Commenced the expansion of our Home Timber and Hardware DC in NSW which will deliver cost savings

4. Successfully roll out new Masters stores

- 7 stores opened – 3 ahead of our plan for the half
- Remain on track to open 18 stores in FY14

5. Continue to build the team

- Announced the appointment of Matt Tyson as Managing Director
- Continued investment in training for employees, enhancing our reputation for superior customer service





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BALANCE SHEET

$ million	FY13	HY13	HY14	Change HY14/HY13
CONTINUING OPERATIONS				
Inventory	4,205.4	4,498.9	4,779.8	6.2%
Trade Payables	(4,080.0)	(5,363.0)	(4,809.7)	(10.3)%
Net Investment in Inventory	125.4	(864.1)	**(29.9)**	**(96.5)%**
Receivables	985.2	1,032.0	990.4	(4.0)%
Other Creditors	(3,086.1)	(3,090.3)	(3,191.2)	3.3%
Working Capital	(1,975.5)	(2,922.4)	**(2,230.7)**	**(23.7)%**
Fixed Assets and Investments	9,564.8	9,020.2	9,991.0	10.8%
Intangible Assets	5,784.3	5,637.6	6,280.4	11.4%
Total Funds Employed	13,373.6	11,735.4	**14,040.7**	**19.6%**
Net Tax Balances	425.2	406.1	386.6	(4.8)%
Net Assets Employed	13,798.8	12,141.5	**14,427.3**	**18.8%**
Net Repayable Debt[1]	(3,746.9)	(2,874.7)	**(3,532.9)**	**22.9%**
Other Financial Liabilities[2]	(751.4)	(663.5)	(796.3)	20.0%
Net Assets – Continuing Operations	9,300.5	8,603.3	**10,098.1**	**17.4%**
Net Assets – Discontinued Operations	-	-	-	-
Total Net Assets	9,300.5	8,603.3	**10,098.1**	**17.4%**
Shareholders' Equity	9,028.4	8,333.5	9,827.8	17.9%
Non-controlling Interests	272.1	269.8	270.3	0.2%
Total Equity	9,300.5	8,603.3	**10,098.1**	**17.4%**

- **Inventory** increase was primarily driven by new store openings, in particular 33 Australian Supermarkets (net) and 13 Masters stores since HY13 and increased direct global sourcing
- **Working Capital** was impacted by differences in the timing of creditor payments relative to the reporting dates (impact approximately $700m). Adjusting for this, working capital was in line with the prior half year
- **Fixed Assets and Investments** increase reflects ongoing property development and capital expenditure, with 139 new stores and 96 refurbishments since HY13, offset by ongoing depreciation
- **Intangible Assets** increase reflects the acquisition of EziBuy and increased intangibles in our New Zealand Supermarkets business attributable to the stronger New Zealand dollar
- **Net Repayable Debt** was impacted by differences in the timing of creditor payments relative to the reporting dates and the acquisition of EziBuy
- **Other Financial Liabilities** increase largely reflects an increase in the Lowe's put option in our Home Improvement business to $675.4m
- **Shareholders' Equity** increase reflects profits generated by the Group offset by the payment of dividends

1. Includes cash, borrowings, hedge assets and liabilities
2. Primarily represents the Lowe's put option and the ALH gaming entitlement liability resulting from the FY13 changes to the Victorian gaming regulations

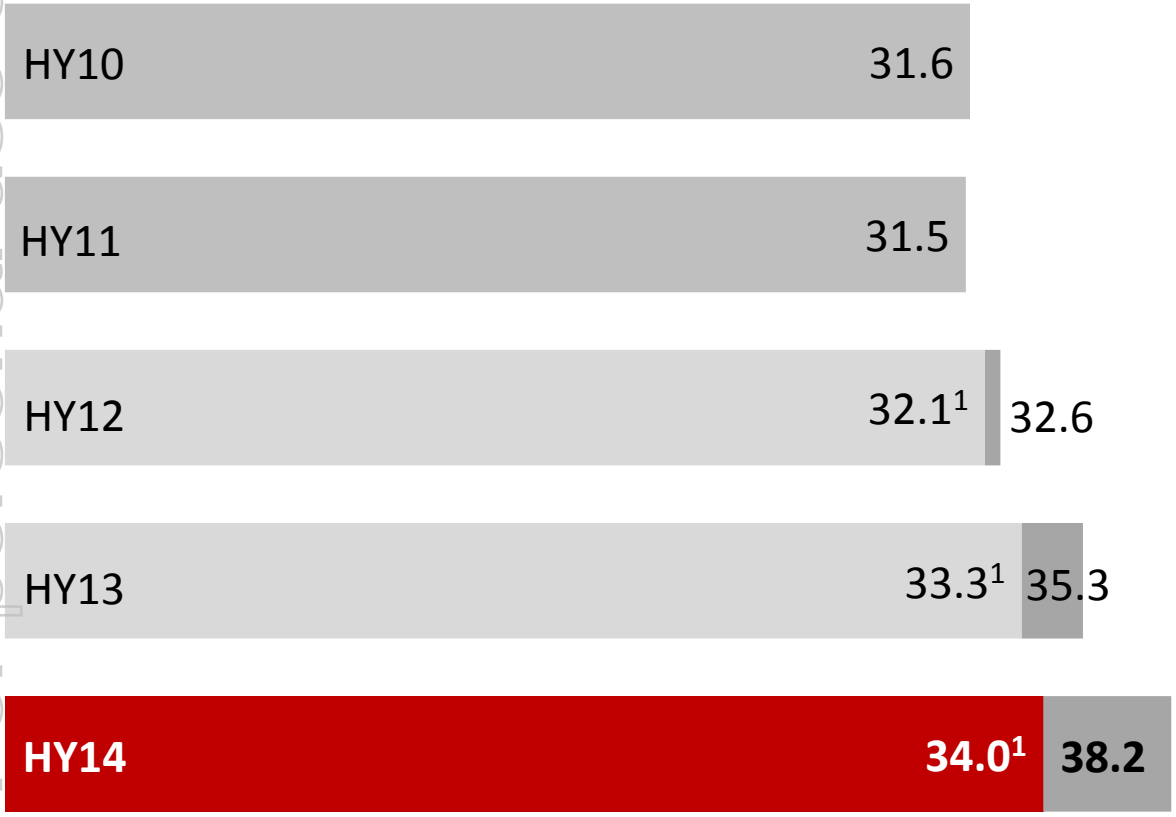
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AVERAGE INVENTORY DAYS FOR CONTINUING OPERATIONS

Inventory levels were well controlled during the period

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Number of Days



Comments

- **Average inventory** increased by 2.9 days driven by
  - Masters store roll out
  - Increased bulk wine holdings in our Liquor business
  - Increased direct global sourcing
- Excluding Home Improvement and incremental global sourced inventory, **average inventory** increased 0.7 days
- **Closing inventory** days were up 0.1 days on HY13

1. Excludes Home Improvement and in HY14 also excludes incremental global sourced inventory
Note: Average inventory based on 13 months rolling average

CASH FLOW

$ million	HY13	HY14	Change
EBITDA – Total	**2,328.5**	**2,570.8**	**10.4%**
Net (increase) in inventory	(890.6)	(511.2)	
Net increase in accounts payable	1,387.5	669.0	
Net change in other working capital and non-cash	74.6	51.9	
Cash from Operating Activities before Interest and Tax	**2,900.0**	**2,780.5**	**(4.1)%**
Net interest paid	(190.4)	(172.0)	
Tax paid	(507.8)	(564.8)	
Total cash provided by Operating Activities	**2,201.8**	**2,043.7**	**(7.2)%**
Payments for the purchase of businesses	(201.6)	(337.7)	
Payments for intangibles assets	(41.0)	(20.6)	
Payments for property, plant and equipment – property development	(387.1)	(324.6)	
Payments for property, plant and equipment – other	(522.3)	(506.8)	
Proceeds from the sale of subsidiaries and property, plant and equipment	62.3	73.1	
Proceeds from the sale of property to the SCA Property Group	764.0	12.2	
(Advances) / repayments of property related receivables and dividends received	(17.9)	28.2	
Total cash used in Investing Activities	**(343.6)**	**(1,076.2)**	**213.2%**
Lowe's cash contributions (Home Improvement)	116.0	60.0	
Free Cash Flow	**1,974.2**	**1,027.5**	
Proceeds from share issues / other	182.1	33.7	
Dividends paid (including to non-controlling interests)	(729.8)	(792.5)	
Free Cash Flow after equity related Financing Activities	**1,426.5**	**268.7**	

- **Cash from Operating Activities before Interest and Tax** decreased 4.1% on the prior half year, impacted by the timing of creditor payments relative to the reporting dates. Excluding this, the increase was approximately 8.8%
- **Net Interest Paid** decreased due to a reduction in long term debt following the sale of properties to SCA in the 2013 financial year
- **Tax Paid** increased due to higher tax instalments across the Group. Tax refunds on lodged FY13 tax returns of more than $84m will be received in the second half of FY14
- **Payments for the Purchase of Businesses** primarily related to the EziBuy acquisition
- **Payments for Property Development** were lower in HY14 given a decrease in the level of development activity
- **Payments for Property, Plant and Equipment** were lower in HY14 and included our continued investment in new stores and refurbishments as well as investments in our multi-option and data analytics capabilities
- **Lowe's Cash Contributions** decreased compared to the prior year
- **Proceeds from Share Issues** were lower as a result of fewer employee options exercised under long term incentive plans given the transition to the use of performance rights
- **Free Cash Flow** of $268.7m reflects the ability of our business to generate strong cash flows whilst continuing to expand and improve our store network

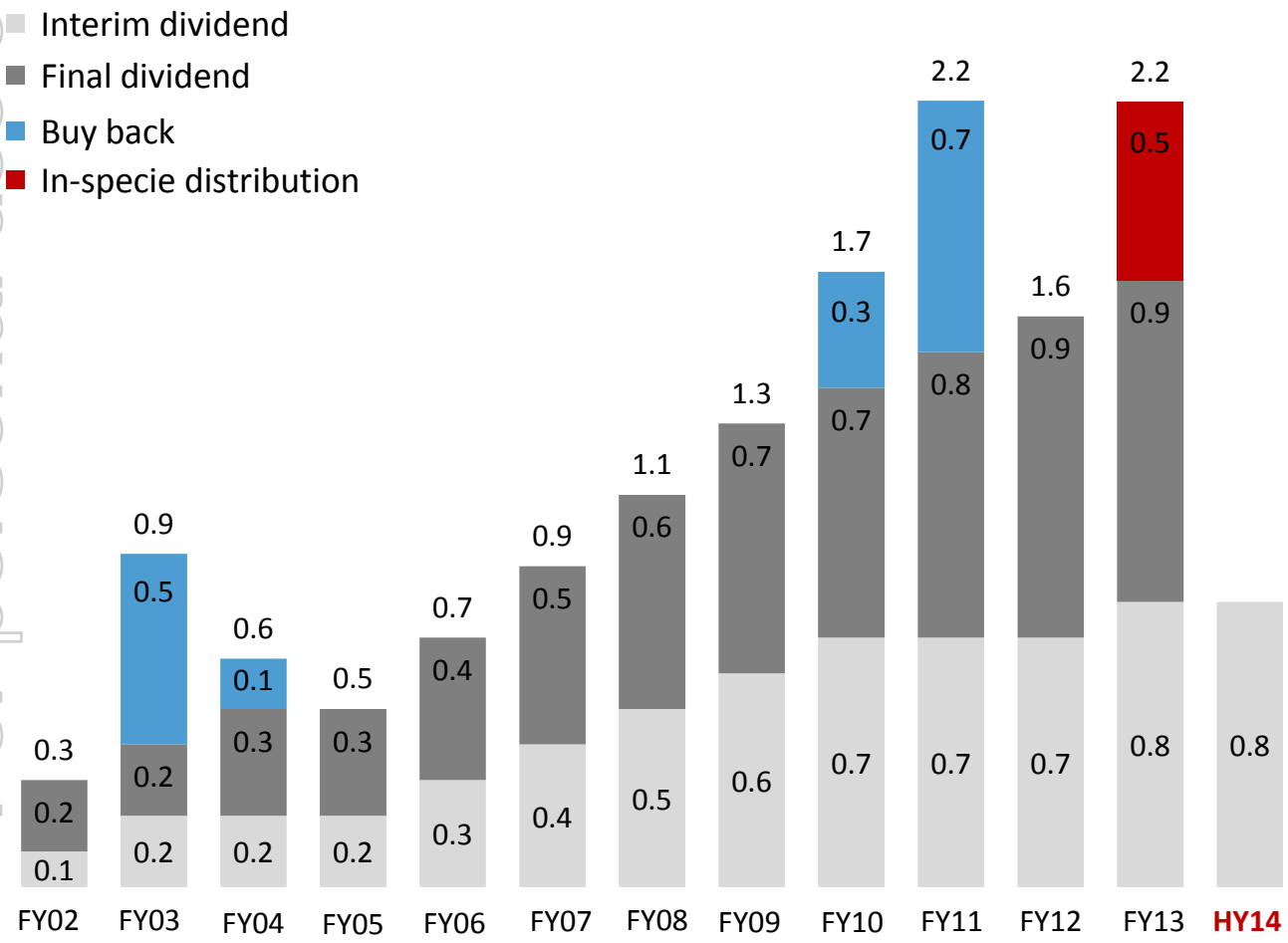
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SHAREHOLDER PAYOUTS

Consistent growth in dividends

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$ billion



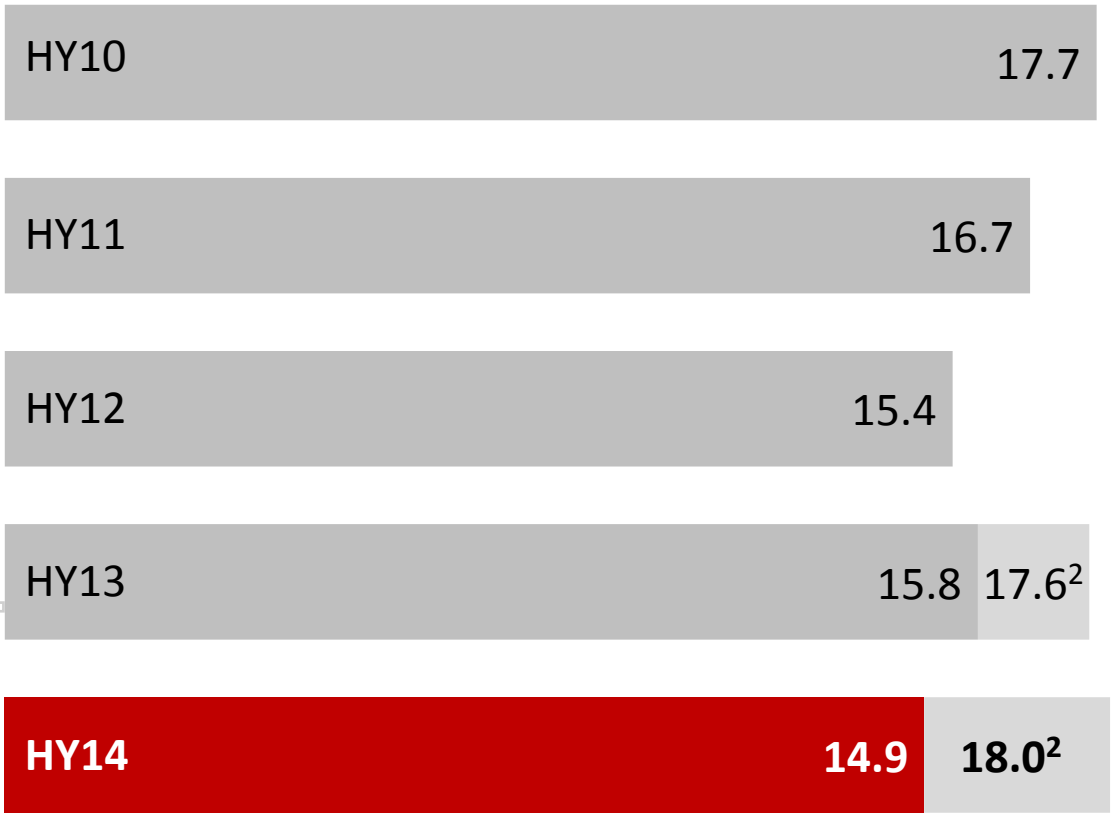
Comments

- In HY14, we have continued to grow dividend payments to shareholders
- Payout ratio in line with HY13
- No share buy back activity anticipated in the second half of FY14

RETURN ON FUNDS EMPLOYED[1] FROM CONTINUING OPERATIONS BEFORE SIGNIFICANT ITEMS

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Percentage



Comments

- ROFE from continuing operations before significant items decreased 87 bps to 14.9% driven by
  - The impact of differences in the timing of creditor payments relative to the reporting dates
  - The continuing investment in our Home Improvement business
- ROFE from our mature businesses increased 33 bps excluding differences in the timing of creditor payments

1. Based on average of opening and closing funds employed
2. Excluding the impact of differences in the timing of creditor payments relative to the reporting dates and the continuing investment in our Home Improvement business

OUTLOOK

- Woolworths remains well positioned in its market segments and has a strong and sustainable business model
- We previously provided guidance for FY14 net profit after tax from continuing operations to grow in the range of 4% - 7% (on a normalised 52 week basis excluding significant items)
- Whilst some of our businesses continue to experience challenging trading conditions, we have seen good progress against our Strategic Priorities which have delivered sustainable profit growth for HY14
- We have revised our previous guidance and now expect net profit after tax from continuing operations to grow in the range of 5% - 7% (on a normalised 52 week basis excluding significant items), subject to no significant deterioration in trading conditions

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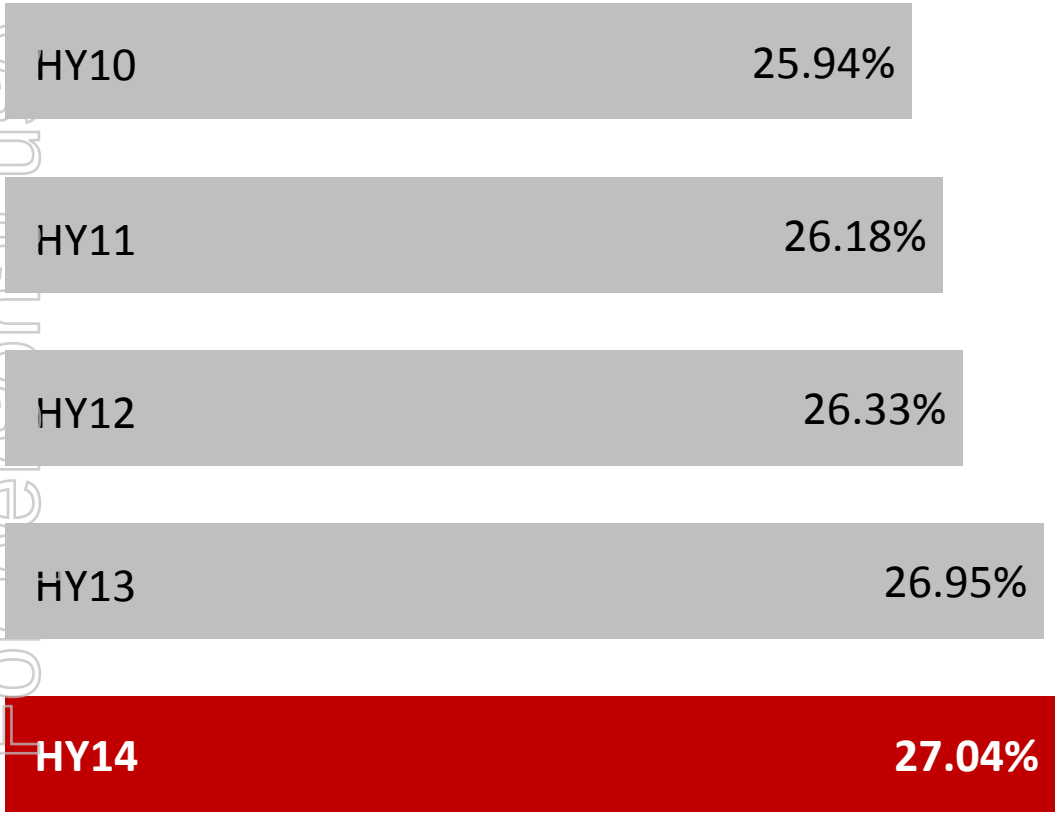


GROSS PROFIT MARGIN FROM CONTINUING OPERATIONS

Continued to invest in lower prices delivering greater value to customers

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Percentage



Comments

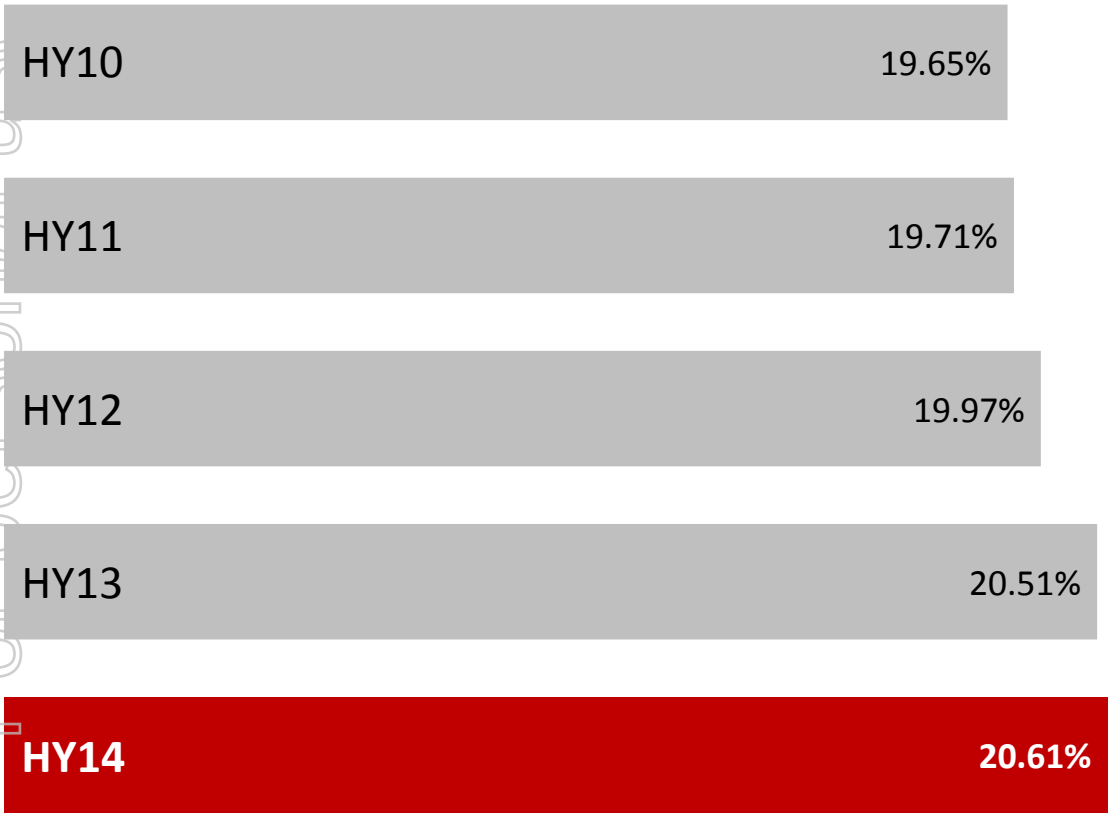
- Gross profit as a percentage of sales from continuing operations increased 9 bps on the prior year reflecting
  - Improvements in buying
  - More effective promotional activity
  - Growth in exclusive brand ranges
  - Positive changes in sales mix
- We have continued to reinvest in lower prices, delivering greater value to customers as evidenced by continued average price deflation in Australian Food and Liquor and BIG W as well as low inflation in New Zealand Supermarkets

CODB / SALES FROM CONTINUING OPERATIONS BEFORE SIGNIFICANT ITEMS

A strong result given ongoing cost pressures

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Percentage



Comments

- CODB as a percentage of sales from continuing operations before significant items increased 10 bps on the prior half year, to 20.61%
- Excluding non-comparable additional net costs following the SCA transaction and the Home Improvement business which remains in start up phase, CODB as a percentage of sales for continuing operations before significant items **decreased 5 bps**, a strong result in light of a large number of new stores

CAPITAL EXPENDITURE — HALF YEAR

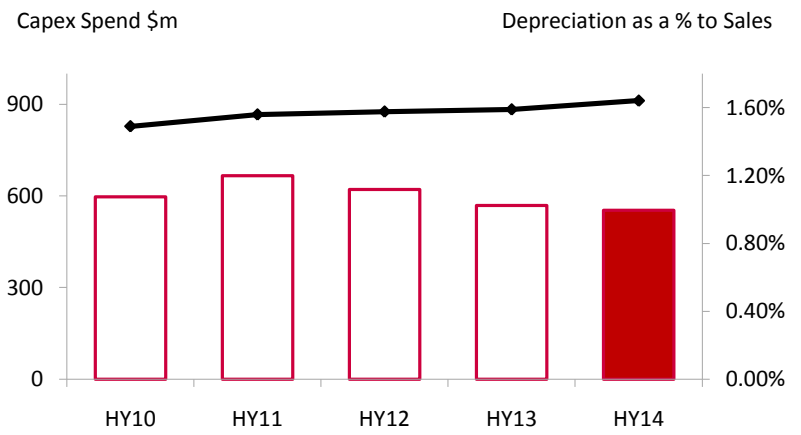
$ million	HY13 Actual	HY14 Actual
New Stores	140	104
Refurbishments	236[1]	179
Growth Capex	**376**	**283**
Supply Chain, IT, Multi-option and Stay in Business	128	214
Home Improvement	65	56
Normal and Ongoing Capex	**569**	**553**
Property Developments (net of sales) – excluding Home Improvement	224	174
Property Developments (net of sales) – Home Improvement	134	152
Net Capex before SCA Property Group transaction	**927**	**879**

1. Includes 106 minor refurbishments in Australian Supermarkets

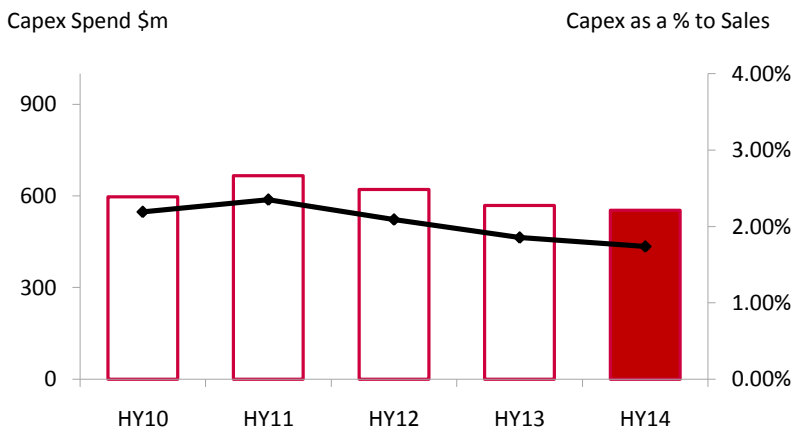
	New Stores[1]		Refurbs	
Store numbers	**HY13**	**HY14**	**HY13**	**HY14**
Australian Supermarkets	17	**26**	4[2]	**13**
Liquor	41	**22**	23	**24**
NZ Supermarkets	4	**2**	2	**1**
Petrol	8	**15**	5	**7**
BIG W	4	**3**	2	**1**
EziBuy	-	**4**	-	**-**
Hotels	32	**1**	5	**8**
Home Timber and Hardware	-	**-**	-	**1**
Masters	10	**7**	-	**-**
Group	**116**	**80**	**41**	**55**

1. Gross store openings (including acquisitions)
2. Excludes 106 minor refurbishments in Australian Supermarkets

Normal and Ongoing Capex $m, Depreciation % to Sales



Normal and Ongoing Capex $m, Capex % to Sales



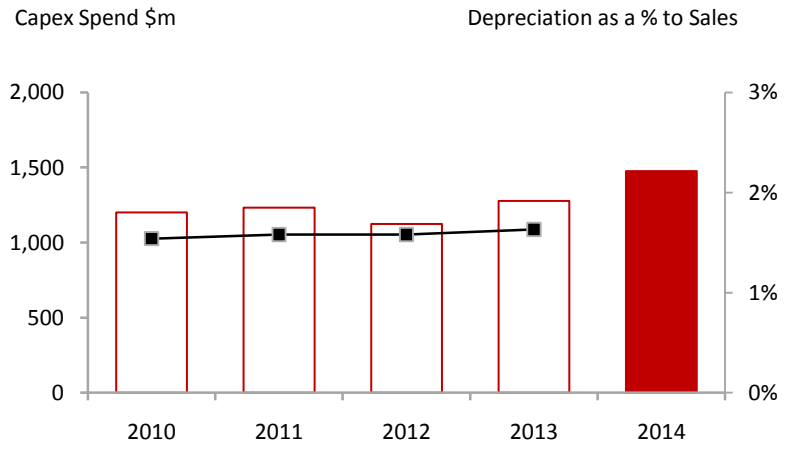
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CAPITAL EXPENDITURE — FULL YEAR

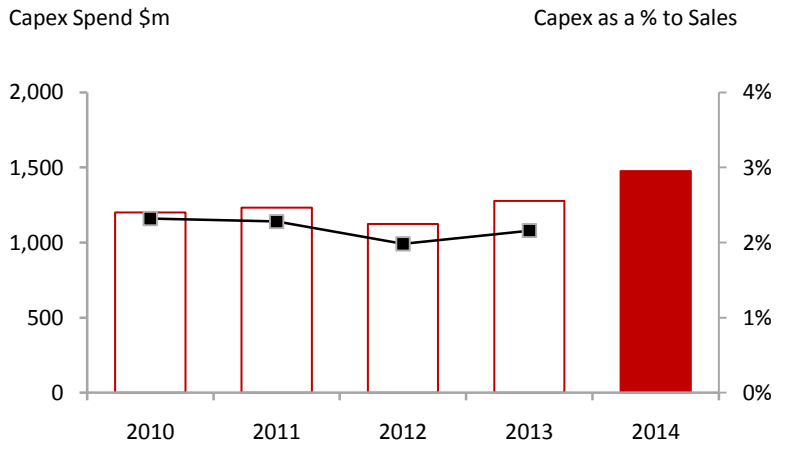
$ million – 2014	Previous Fcst	Current Fcst	Var
New Stores	250	276	26
Refurbishments	472	427	(45)
Growth Capex	**722**	**703**	**(19)**
Supply Chain, IT, Multi-option and Stay in Business	603	644	41
Home Improvement	140	129	(11)
Normal and Ongoing Capex	**1,465**	**1,476**	**11**
Property Developments (net of sales) – excluding Home Improvement	461	210	(251)
Property Developments (net of sales) – Home Improvement	420	312	(108)
Net Capex before SCA Property Group transaction	**2,346**	**1,998**	**(348)**

$ million – Full Year	2012 Actual	2013 Actual	2014 Fcst
New Stores	346	300	276
Refurbishments	268	478	427
Growth Capex	**614**	**778**	**703**
Supply Chain, IT, Multi-option and Stay in Business	373	390	644
Home Improvement	137	110	129
Normal and Ongoing Capex	**1,124**	**1,278**	**1,476**
Property Developments (net of sales) – excluding Home Improvement	552	343	210
Property Developments (net of sales) – Home Improvement	374	296	312
Net Capex before SCA Property Group transaction	**2,050**	**1,917**	**1,998**

Normal and Ongoing Capex $m, Depreciation % to Sales



Normal and Ongoing Capex $m, Capex % to Sales



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