

3 May 2016

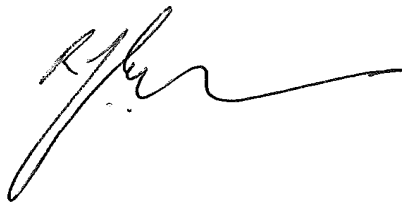
The Manager Companies
Australian Securities Exchange Limited
Company Announcements Office
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Woolworths Limited – ASX Code (WOW) – Third Quarter Sales results

We attach the Third Quarter Sales results for the 13 week period ended 3 April, 2016.

**For and on behalf of
WOOLWORTHS LIMITED**



RICHARD DAMMERY
Chief Legal Officer and Company Secretary

3 May 2016

THIRD QUARTER SALES RESULTS – FINANCIAL YEAR 2016 13 WEEKS TO 3 APRIL 2016

Major rebuilding and reinvestment in our business continuing

	2016 (13 weeks)	2015 (13 weeks)	Change	Easter Adjusted Change (%)
Third Quarter Sales (\$ million)				
Australian Food and Liquor	10,659	10,621	0.4%	0.4%
Petrol (dollars)	1,077	1,181	(8.8)%	(8.7)%
<i>Petrol (litres)</i>	967	977	(1.0)%	(0.8)%
Australian Food, Liquor and Petrol	11,736	11,802	(0.6)%	(0.5)%
New Zealand Supermarkets (AUD)	1,431	1,433	(0.1)%	(0.4)%
<i>New Zealand Supermarkets (NZD)</i>	1,557	1,500	3.8%	3.5%
Woolworths Food, Liquor and Petrol	13,167	13,235	(0.5)%	(0.5)%
General Merchandise	865	907	(4.6)%	(4.6)%
Hotels	368	359	2.5%	2.2%
Total Third Quarter Sales from Continuing Operations	14,400	14,501	(0.7)%	(0.7)%
Discontinued Operations				
Home Improvement	507	455	11.4%	11.9%
Total Group Third Quarter Sales	14,907	14,956	(0.3)%	(0.3)%
<i>Total Third Quarter Sales (excluding Petrol)</i>	13,830	13,775	0.4%	0.4%

KEY POINTS

- Australian Food and Liquor sales for the quarter were \$10.7 billion, an increase of 0.4% on the previous year. Easter adjusted comparable sales declined by 0.9% for the quarter
- New Zealand Supermarkets sales for the quarter were NZ\$1.6 billion, an increase of 3.8%² on the previous year (-0.1% in AUD). Easter adjusted comparable sales increased 0.6%² for the quarter
- General Merchandise sales were \$865 million, a decrease of 4.6% on the previous year. Easter adjusted comparable sales declined by 4.5%
- Hotel sales for the quarter were \$368 million, an increase of 2.5% on the previous year with Easter adjusted comparable sales increasing by 0.7%

KEY ACTIONS

- Solid progress in our journey in Food to get Customers to put us 1st, with ongoing investment in the shopping experience, prices, customer service and the quality of our fruit and vegetable offer
- In light of the continued competitive environment, we expect to invest an additional \$150 million in H2'16 on price, service and loyalty in Australian Supermarkets
- Commenced the implementation of a new Group operating model designed to reduce costs, increase business accountability and improve shared service delivery effectiveness
- A comprehensive review of General Merchandise is also underway under new CEO, Sally Macdonald. Following poor summer trading, we currently expect a small loss in General Merchandise in FY16 as we aggressively clear unproductive summer and current season winter stock
- Under the new Group CEO, a review of all aspects of our business is being undertaken

Woolworths Limited Group Chief Executive Officer, Brad Banducci, said: "Getting our customers to put us 1st is our priority and good progress has been made on delivering better prices and improved service to our customers. We are also embedding a customer and store team culture across our Group.

"The sales performance in Australian Supermarkets continues to be impacted by high levels of deflation, predominantly from our price investment. However, we are encouraged that customers are starting to notice the improvements we are making. It will be a three to five year journey to rebuild Woolworths Supermarkets, but we are confident we are on the right track.

"We have commenced a Group wide review across all aspects of our business. We are also adopting a new operating model designed to move accountability into the individual businesses as well as reviewing our corporate and shared service functions to ensure they are organised to best support these businesses."

BUSINESS RESULTS

AUSTRALIAN FOOD AND LIQUOR

Australian Food and Liquor sales for the quarter were \$10.7 billion, an increase of 0.4% on the previous year. Easter adjusted comparable sales for the quarter declined by 0.9%. Customer transactions continued to increase but have been more than offset by lower prices and items per basket. Our Voice of the Customer (VOC) score was stable over the quarter.

From H2'15 onwards, we have invested more than \$400 million in lowering prices for our customers. Compared to the same quarter last year, our average prices were down 2.4%¹ (Q2'16: -2.5%) driven predominantly by investment in grocery prices. Excluding tobacco, our average prices were down 3.5%.

Following aggressive competitor price activity, particularly in Fresh, we have increased our investment in April to ensure we are price competitive and have announced a number of Price Drops across our store with a focus on bakehouse and bread.

Since March, we have invested more team hours in store, particularly on weekends. This has been recognised by our customers with overall customer satisfaction and weekend VOC scores noticeably improving since making this investment.

We have also simplified the metrics against which our store teams are measured to the following five elements; VOC, Sales, Store Controllable Profit, Team Safety, and Stock Loss ('Faster Fresh'). Store teams will be eligible for a bonus based on the achievement of these metrics in H2'16.

Our new store openings during the quarter included one (net) Australian supermarket and a reduction of three (net) Thomas Dux stores bringing the totals to 977 and six respectively.

In Liquor, Dan Murphy's continued to perform strongly with a record high Net Promoter Score in March despite strong price competition in the market largely focused on wine. BWS continued to record positive comparable store growth.

We opened one (net) Dan Murphy's bringing the total to 205 and BWS reduced by two (net) stores bringing the total to 1,265 (including both standalone and supermarket attached BWS stores).

PETROL

Petrol sales for the quarter of \$1.1 billion were 8.8% below the prior year impacted by a 8.1% reduction in average fuel sell prices to 110.3 cpl (Q3'15: 120.0 cpl).

Comparable sales (dollars) decreased 10.9% (-10.8% Easter adjusted) and comparable volumes decreased 3.2%

(-2.9% Easter adjusted). Premium fuels and diesel continued to show strong growth offset by lower grade fuels and LPG. Comparable volumes have been impacted by a significant number of competitor canopy openings despite our very competitive pricing.

Merchandise sales slowed with sales growth of 3.6% and comparable merchandise sales of 1.1% as we cycled strong promotional activity in the prior year.

We opened two (net) petrol canopies during the quarter bringing the total to 523.

NEW ZEALAND SUPERMARKETS

New Zealand Supermarkets sales for the quarter were NZ\$1.6 billion, an increase of 3.8%² on the previous year or 3.5%² Easter adjusted (a decrease of 0.1% or -0.4% Easter adjusted in AUD).

Comparable sales grew 0.9%² or 0.6%² Easter adjusted for the quarter (Q3'15: 3.0%²). Sales growth remained robust despite deflation of 0.7% in the Countdown Supermarkets food price index. Price and service perception measures both improved over the quarter as we continued to lower the price of groceries through our 'Price Down' program and focused on customer service.

Total Countdown Supermarkets at the end of the quarter were 183 with total franchise stores remaining at 63.

GENERAL MERCHANDISE

General Merchandise sales of \$865 million for the quarter decreased 4.6% on the previous year (-4.6% Easter adjusted) with comparable sales decreasing 4.4%, or -4.5% Easter adjusted. Comparable sales in Q3'16 were primarily impacted by a disappointing customer response to our new season ranges reflecting poor merchandising decisions in 2015 with no improvement in customer transactions despite cycling systems implementation issues. Sales have also been impacted by ongoing clearance activity on summer ranges, slow sales of winter apparel impacted by warm weather and a highly promotional Easter period.

Deflation increased to 3.2% in the quarter driven by lower prices across most categories (Q2'16: deflation of 2.9%).

Inventory balances were higher than targeted levels at the end of the quarter with clearance activity to continue in Q4'16.

Total BIG W and EziBuy stores at the end of the quarter were 186 and five respectively.

HOTELS

Hotel sales for the quarter were \$368 million, an increase of 2.5% on the previous year (2.2% Easter adjusted) with comparable sales increasing 0.9% or 0.7% Easter adjusted.

Growth has been led by Bars and Food driven by refurbishment investments and strong promotions. Accommodation has also delivered strong growth with increases in both occupancy and average room rates.

Total Hotel venues at the end of the quarter were 331.

DISCONTINUED OPERATIONS

HOME IMPROVEMENT

Home Improvement sales for the quarter were \$507 million, an increase of 11.4% on the previous year or 11.9% Easter adjusted.

Masters sales for the quarter were \$282 million, up 30% on the previous year or 28.8% Easter adjusted.

Home Timber and Hardware sales for the quarter were \$225 million, down 5.5% on the previous year or -3.8% Easter adjusted.

Total Masters and Home Timber and Hardware store numbers remained unchanged at 63 and 43 respectively.

The previously announced exit of Home Improvement is being progressed in accordance with the mechanisms set out in the Hydrox joint venture agreement. Despite a delay in determining a value for Lowe's shares, Lowe's has indicated that it supports the sale of the businesses of Hydrox and will do all it reasonably can to facilitate such a sale.

GROUP UPDATE

We have taken the first steps towards a new operating model that recognises the critical importance of our Food and Liquor businesses, moves more accountability into our businesses, provides greater clarity and improves shared service delivery.

The key points of this new operating model are:

- A lean corporate centre responsible for Group structure, policies and procedures and external reporting
- Portfolio businesses, including BIG W, ALH, Home Improvement and Quantum will have separate governance and be overseen by separate subsidiary / joint venture boards
- A changed approach to shared services and cross-business transformation initiatives to ensure they are organised to best support our businesses

OUTLOOK

We are in the first year of a three to five year journey to restore sales momentum and will continue to invest where required to get our customers to put us 1st. In light of the continued competitive market conditions and targeted investment, we expect to invest a further \$150 million, predominantly in price, customer service and loyalty, in H2'16 above our expectations as provided at H1'16.

A comprehensive review of our General Merchandise business is underway. We are undertaking significant cost reductions to improve base profitability whilst restructuring the business to build up our direct sourcing and design capabilities to ensure that our new ranges resonate with our customers. As a result of the challenges described above, we expect a small loss in FY16 in General Merchandise as we aggressively clear unproductive summer and current season winter stock.

Under the new Group CEO, Brad Banducci, a review of all aspects of our business is being undertaken. As this review is currently in progress, it is too early to quantify the financial impact and we will provide an update at or before our full year 2016 results.

– Ends –

For further information contact:

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Appendix One: Quarterly Sales Summary

Total Sales Growth (%)	Q1'16	Q2'16	HY16	Q3'16	Q3'16 Easter Adj	Q3 YTD	Q3 YTD Easter Adj
Australian Food and Liquor	0.4	0.9	0.7	0.4	0.4	0.6	0.6
Petrol (dollars)	(27.9)	(18.7)	(23.8)	(8.8)	(8.7)	(19.9)	(19.8)
<i>Petrol (litres)</i>	<i>(20.3)</i>	<i>(10.0)</i>	<i>(15.6)</i>	<i>(1.0)</i>	<i>(0.8)</i>	<i>(11.3)</i>	<i>(11.3)</i>
Australian Food, Liquor and Petrol	(3.6)	(1.4)	(2.5)	(0.6)	(0.5)	(1.9)	(1.9)
NZ Supermarkets (AUD)	2.4	5.1	3.8	(0.1)	(0.4)	2.4	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>3.9</i>	<i>3.8</i>
General Merchandise	(7.9)	(0.8)	(3.9)	(4.6)	(4.6)	(4.1)	(4.1)
Hotels	3.3	1.8	2.6	2.5	2.2	2.5	2.5
Discontinued Operations							
Home Improvement	20.3	12.4	16.2	11.4	11.9	14.7	14.9
Total Group	(2.5)	(0.3)	(1.4)	(0.3)	(0.3)	(1.0)	(1.0)
Total Group (excluding Petrol)	0.8	1.6	1.2	0.4	0.4	0.9	0.9

Comparable Sales Growth (%)	Q1'16	Q2'16	HY16	Q3'16	Q3'16 Easter Adj	Q3 YTD	Q3 YTD Easter Adj
Australian Food and Liquor	(1.0)	(0.6)	(0.8)	(0.9)	(0.9)	(0.8)	(0.8)
Petrol (dollars)	(12.2)	(11.2)	(11.7)	(10.9)	(10.8)	(11.5)	(11.4)
<i>Petrol (litres)</i>	<i>(2.3)</i>	<i>(1.7)</i>	<i>(2.0)</i>	<i>(3.2)</i>	<i>(2.9)</i>	<i>(2.4)</i>	<i>(2.3)</i>
<i>NZ Supermarkets (NZD)</i>	<i>2.5</i>	<i>1.5</i>	<i>2.0</i>	<i>0.9</i>	<i>0.6</i>	<i>1.6</i>	<i>1.5</i>
General Merchandise	(8.1)	(1.7)	(4.5)	(4.4)	(4.5)	(4.5)	(4.5)
Hotels	2.0	0.8	1.4	0.9	0.7	1.3	1.2

Appendix Two: New Stores and Renewals/ Refurbishments

Third Quarter	Gross New Stores	Net New Stores	Refurbishments
Continuing Operations			
Australian Supermarkets	1	1	5
Thomas Dux	-	(3)	-
Liquor (including attached liquor stores)	8	(1)	3
New Zealand Supermarkets	-	-	-
Petrol	2	2	-
BIG W	-	-	-
EziBuy	-	-	-
Hotels	-	-	3
Total Continuing Operations	11	(1)	11
Discontinuing Operations			
Masters	-	-	3
Home Timber and Hardware Retail	-	-	-
Total Discontinuing Operations	-	-	3
Total Group	11	(1)	14

Appendix Three: Notes

¹ In Q1'16 we 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 widely-recognised Fischer 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	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Price change (% year on year)	1.3%	1.3%	0.4%	-1.2%	-1.8%	-2.5%

² Growth for New Zealand Supermarkets is quoted in New Zealand Dollars