

COMPANY RESULTS

FULL YEAR 2016
25 August 2016

Woolworths Limited
ABN 88 000 014 675



Agenda

Key highlights

Brad Banducci

Progress on our five key priorities

- Building a customer and store-led culture and team
- Generating sustainable sales momentum in Food
- Evolving our Drinks business to provide even more value and convenience to customers
- Empowering our portfolio businesses to pursue strategies to deliver shareholder value
- Becoming a lean retailer through end-to-end process and systems excellence

Financial Results

David Marr

Business Update

Business Leaders

Outlook

Brad Banducci

Key highlights

- **Significant investment in Australian Food to get Customers to put us 1st** - Customers are noticing and starting to act on the changes
- **New Woolworths Group operating model implemented to drive further accountability into the business**
 - 500 roles will be permanently removed from Support Office and Supply Chain
 - 1,000 roles moved closer to stores and customers
 - BIGW has increased control over the key levers critical to its turnaround
- Implemented revised **Short Term and Long Term performance measures** aligned with driving business transformation
 - Short term measures focussed on customers, team, sales, EBIT and working capital
 - Long term measures focussed on Sales per square metre, ROFE and Relative TSR
- Commitment to greater transparency with **Endeavour Drinks Group** now separately disclosed
- Progress on exit of **Home Improvement** business

Progress on our five key priorities

1

CUSTOMER AND STORE-LED CULTURE AND TEAM

- Customer and store KPI's in incentive plans
- New operating model
- "Woolies Welcome"
- Key new hires
- New store feedback loops



2

GENERATING SUSTAINABLE SALES MOMENTUM IN FOOD

- Record VOC in June
- Transaction and item momentum
- Lower prices across the store
- Investment in team hours particularly on the weekend
- Own brand progress

3

EVOLVING OUR DRINKS BUSINESS

- 11 new Dan Murphy's stores
- Dan Murphy's model continuing to evolve
- Strong online growth
- BWS local store empowerment



4

EMPOWERING OUR PORTFOLIO BUSINESSES

- New Group Portfolio Director appointed
- Group functions integrated back into businesses
- Exploring options for the sale of EziBuy
- Home Improvement exit



5

BECOMING A LEAN RETAILER

- Merchandising platform now stable
- Human Capital Management system now live
- End-to-end process improvement underway
- >500 roles to be removed



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Financial Results

David Marr

- Results – Full Year 2016
- Group EBIT
- Significant Items recognised in FY16
- Key Balance Sheet metrics
- Cash Flow Summary
- Capital Expenditure
- Capital Management

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FINANCIAL RESULTS



Results - Full Year 2016

	Continuing Operations Before Significant Items ¹		Total Group Before Significant Items ¹		Total Group	
Sales	\$58.1 bn	(1.2)%	\$60.2 bn	(0.8)%	\$60.2 bn	(0.8)%
Earnings Before Interest and Tax	\$2,563.8 m	(35.5)%	\$2,345.0 m	(37.4)%	\$(1,668.7) m	(150.2)%
Net Profit After Tax attributable to shareholders of Woolworths	\$1,558.2 m	(39.2)%	\$1,393.0 m	(43.2)%	\$(1,234.8) m	(157.5)%
Earnings/(Loss) Per Share	123.3¢	(39.5)%	110.2¢	(43.5)%	(97.7)¢	(157.2)%
Dividend Per Share			77¢	(44.6)%		
Return On Average Funds Employed	22.2%	(1,040) bps	18.5%	(724) bps		

Group EBIT

\$m	FY16	FY15	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 Supermarkets (AUD)	284.4	303.2	(6.2)%
<i>New Zealand Supermarkets (NZD)</i>	313.9	326.0	(3.7)%
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)%
Discontinued Operations - Home Improvement	(218.8)	(224.7)	(2.6)%
Group EBIT (Before Significant Items¹)	2,345.0	3,748.4	(37.4)%

Significant Items¹ recognised in FY16

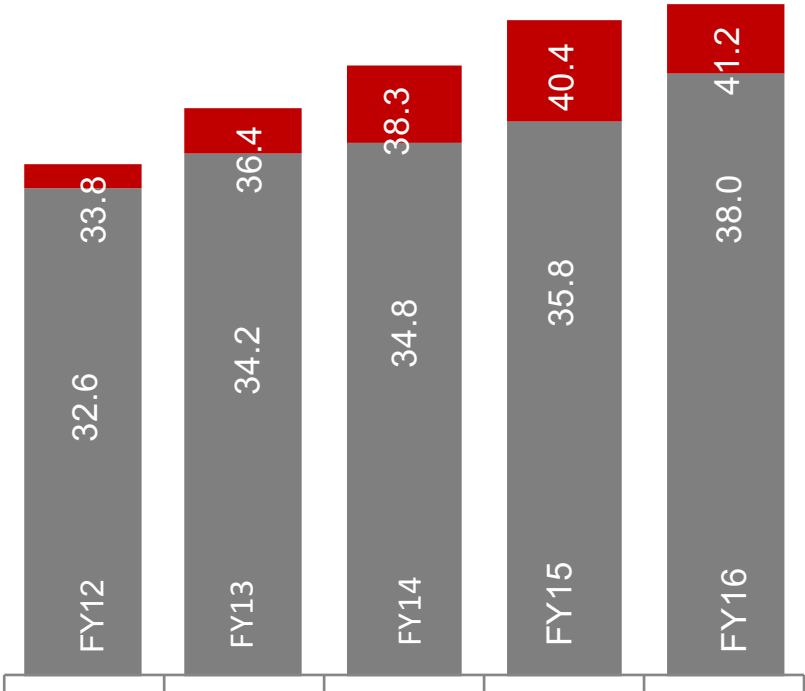
Continuing Operations	\$m
Operating model and strategic changes	(155)
Store network optimisation and property rationalisation	(344)
General Merchandise impairment	(460)
EBIT impact	(959)
NPAT impact attributable to shareholders of Woolworths	(755)
Discontinued Operations – Home Improvement	
EBIT impact	(3,055)
NPAT impact attributable to shareholders of Woolworths	(1,873)

Key Balance Sheet metrics

Average Inventory days Before Significant Items¹

Days

- Excluding Home Improvement
- Group

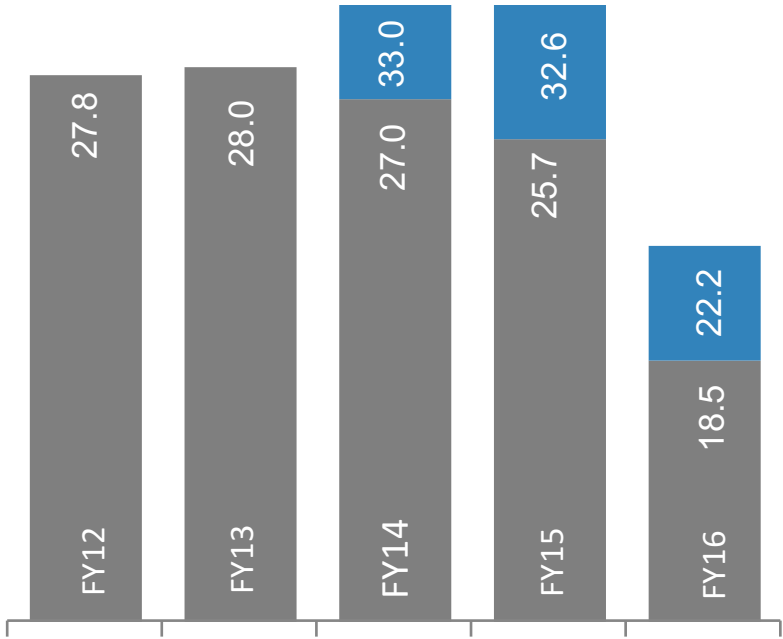


Increase driven by 94 net new stores across the Group and lower than expected sales in BIGW

ROFE Before Significant Items¹

Percentage

- Excluding Home Improvement
- Group



Decline due to lower EBIT in Australian Food and BIGW partly offset by lower Funds Employed due to Significant Items

Cash Flow summary

\$m	FY16	FY15	Change
Cash Flow			
Operating Activities before interest and tax	3,495.3	4,711.1	(25.8)%
Operating Activities	2,357.5	3,345.1	(29.5)%
Investing Activities	(1,266.7)	(1,333.9)	(5.0)%
Financing Activities	107.9	162.5	(33.6)%
Free cash flow before dividends and share issues	1,198.7	2,173.7	(44.9)%
Dividends	(1,217.2)	(1,567.4)	(22.3)%
Free cash flow after dividends and share issues	(18.5)	606.3	(103.1)%

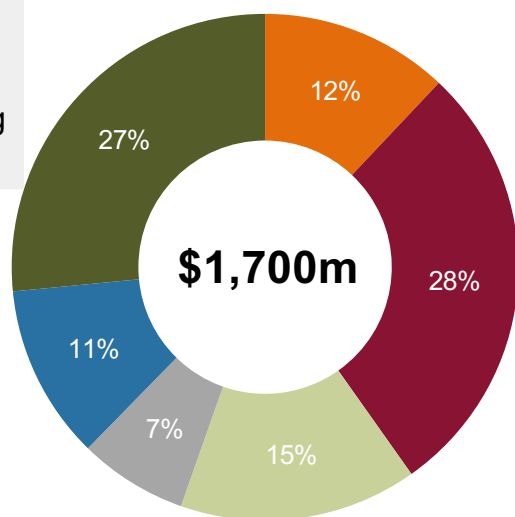
Despite significant reduction in EBITDA, Free Cash Flow after dividends broadly neutral for the year

Capital Expenditure

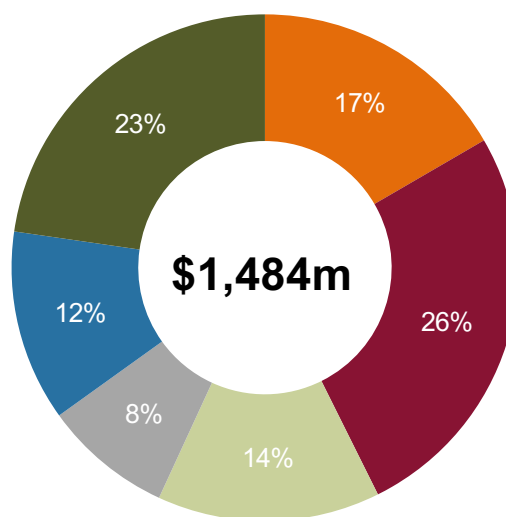
\$m	FY16	FY15
Continuing Operations^a		
Operating Capex	1,484	1,443
Property Development	414	429
Gross Capex	1,898	1,872
Property Sales	(678)	(200)
Net Capex	1,220	1,672
Discontinued Operations - Home Improvement	106	292
Group Net Capex^a	1,326	1,964

We expect FY17 Operating Capex to be ~\$1.7bn and Gross Capex from Continuing Operations of ~\$2bn

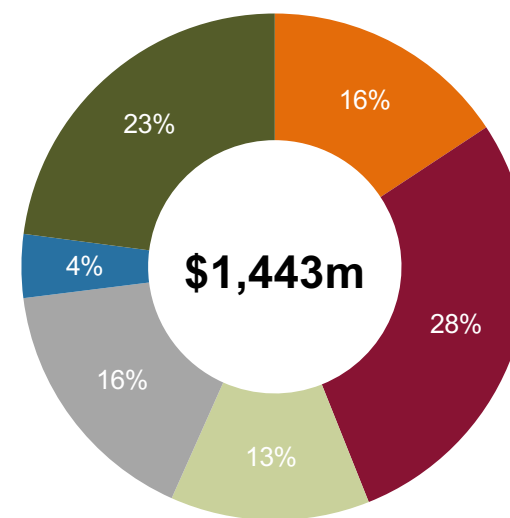
Operating Capex – FY17E



Operating Capex – FY16



Operating Capex – FY15



a. FY15 excludes the \$603.0m proceeds received in relation to the disposal of 54 freehold hotel sites.

■ New stores ■ Renewals/Refurbs ■ SIB/Other
■ Growth ■ Supply Chain ■ IT

Capital Management

Dividend and DRP

- Full year dividend of 77 cents per share representing payout ratio of 70% of Group NPAT before Significant Items¹
- Intention to underwrite DRP to 50% primarily to fund the upcoming refinancing of Woolworths Notes II

Debt and credit rating

- Remain committed to solid investment grade credit rating
- Net Repayable Debt of \$3bn in line with FY15
- Undiscounted future operating lease commitments of \$24bn excluding Home Improvement
- FCCR of 2.3x before Significant Items¹ in FY16

Portfolio businesses

- Progress on exit of Home Improvement business
- Continuing to pursue value accretive strategies for Portfolio Businesses

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Business Leaders

- Australian Food
- Endeavour Drinks Group
- Countdown
- BIGW
- Capital Management

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BUSINESS UPDATE





Woolworths

Australian Food and Petrol



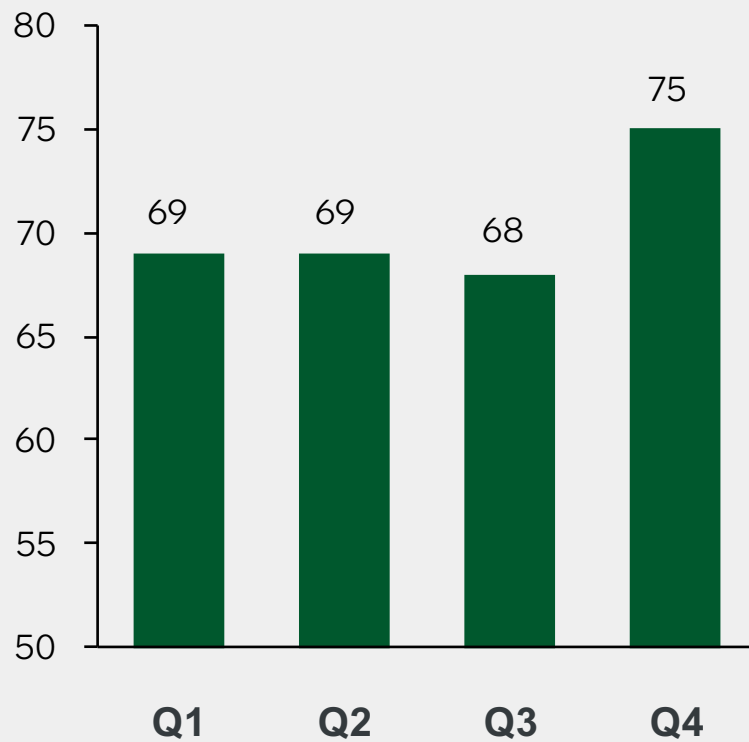
	FY16	FY15	Change
Before Significant Items¹			
Sales (\$m)			
Food	34,798	34,881	(0.2)%
Petrol ²	4,612	5,632	(18.1)%
Food and Petrol	39,410	40,513	(2.7)%
EBIT (\$m)	1,759.8	2,970.2	(40.8)%
Gross Margin (%)	25.37	26.19	(82) bps
Cost of Doing Business (%)	20.90	18.86	204 bps
EBIT to Sales (%)	4.47	7.33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

Customers are beginning to respond to our improving offer



Overall Customer Satisfaction

% customers satisfied, 6 or 7 out of 7



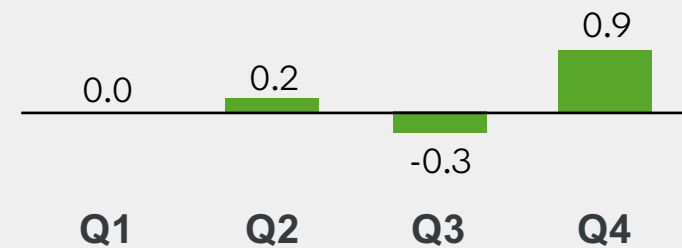
Transactions growth

% year on year

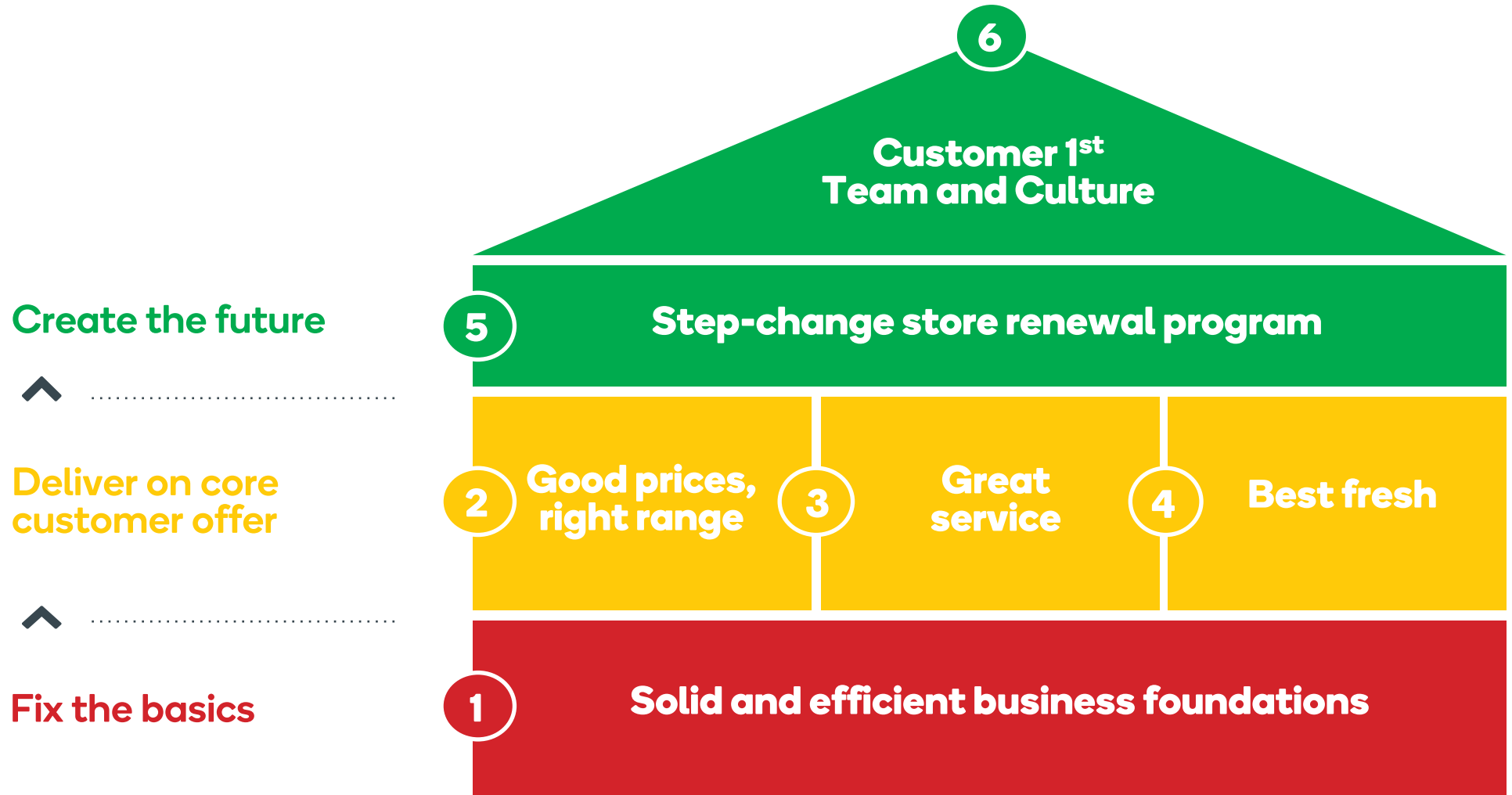


Items growth

% year on year



Our strategy is focused on having customers put us 1st



Progress highlights



Create the future

- Customer 1st culture brought to life in store through the Voice of the Customer program
- 'Woolies Welcome' store-induction for all new support team members
- New performance scorecards issued to all stores
- 6 Renewal stores opened in June, with strong customer response – particularly in Fresh
- Positive customer response to new Metro format and continued growth online



Deliver on core customer offer

- Competitive on pricing through \$500m investment in prices, 1,500+ SKUs with lower shelf prices
- Rebranding of own brand products as Essentials and Woolworths (10% complete)
- Step-change in service metrics through \$100m investment in team hours with focus on weekends, and service training rolled out to first 100 stores
- Focus on improved quality fresh especially fruit and veg, with more frequent replenishment in-store and faster feedback loops to buyers and suppliers
- 'That's why I pick Woolies' brand platform, highlighting fresh seasonal fruit, affordable meat, service, value and community, including Free Fruit for Kids

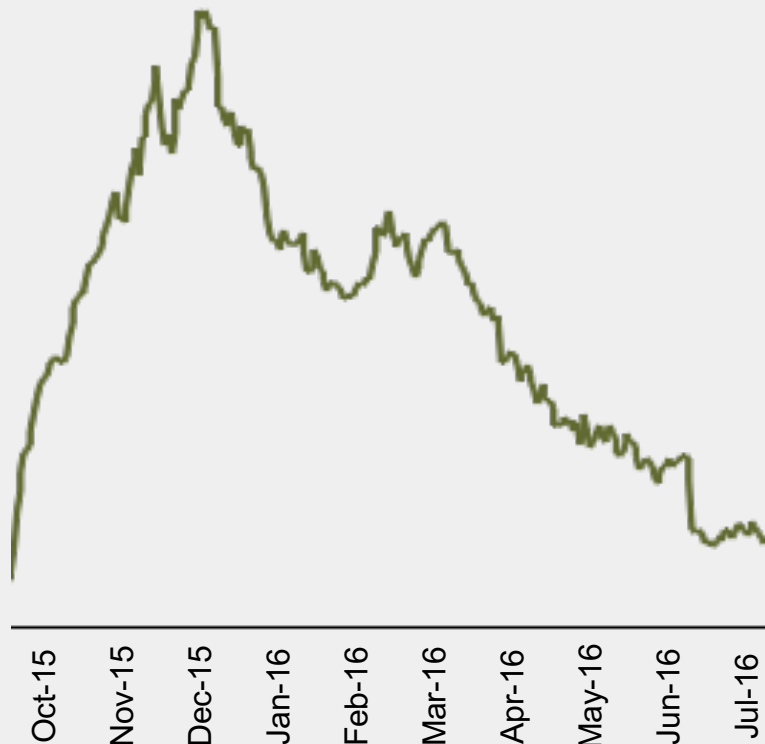


Fix the basics

- Simple, clear tickets in-store that are easier for store teams to execute
- Hygiene upgrade of stores largely complete – 146 signage upgrades since 2015 (87 in 2016), 314 entry gates removed, 309 trolley fleet upgrades
- Material stock loss improvement from Q2 to June, through Faster Fresher Food initiative
- SAP stabilised with no unplanned outages in last 3 months
- Woolworths Rewards relaunched based on customer feedback

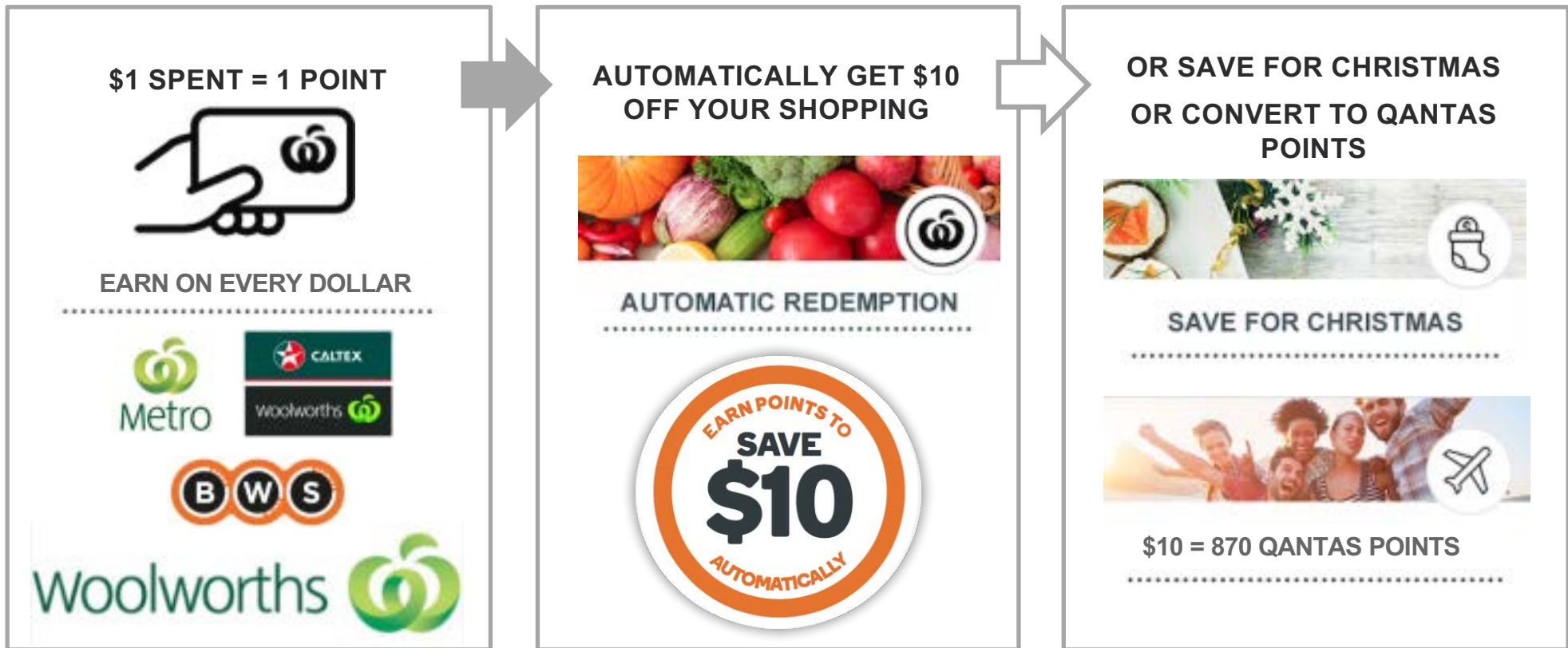
We are still working on fixing IT basics

Store Hardware Support:
open store hardware failures
(open incident count)



- **Stabilised SAP implementation** with positive momentum
- **Improved IT support to stores:** upgraded RF guns and printers; more responsive support desk for stores
- **IT foundation program commenced** to catch up on under investment in IT infrastructure, focused on SCOs and POS upgrade
- **Pilot commenced** on 1 store new Store POS and operational software (NCR Retalix software)
- **Reduced open store hardware incidents**

We have listened to our customers and evolved our Rewards program

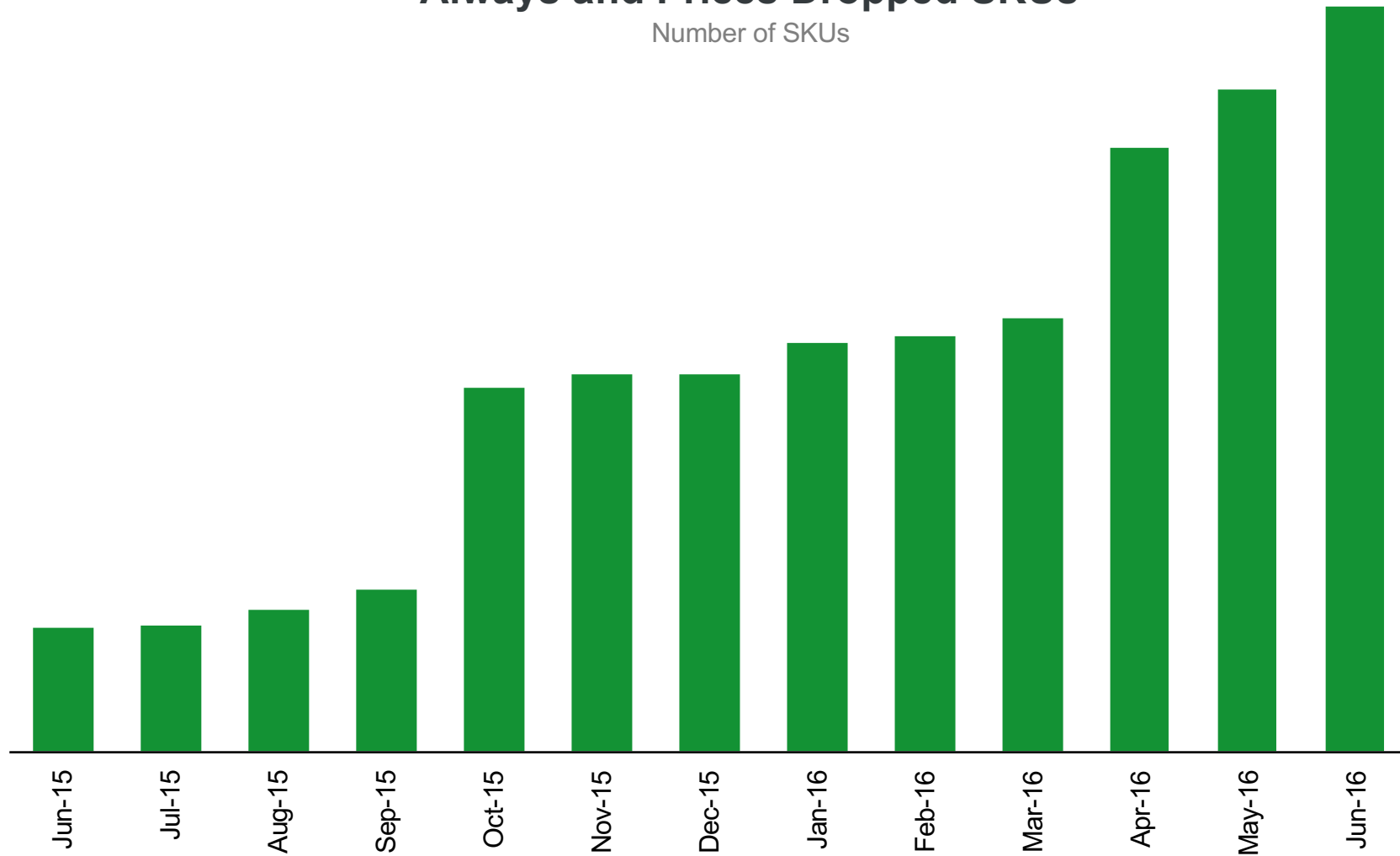


We are delivering lower shelf prices for our customers



Always and Prices Dropped SKUs

Number of SKUs



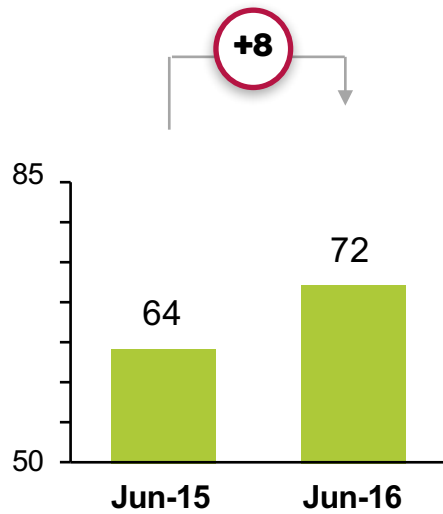
Customers tell us our biggest improvement is in service



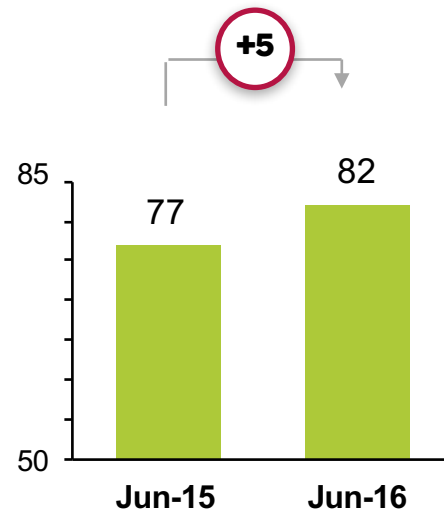
Woolworths Supermarkets Voice of the Customer

% of customers satisfied, 6 or 7 out of 7

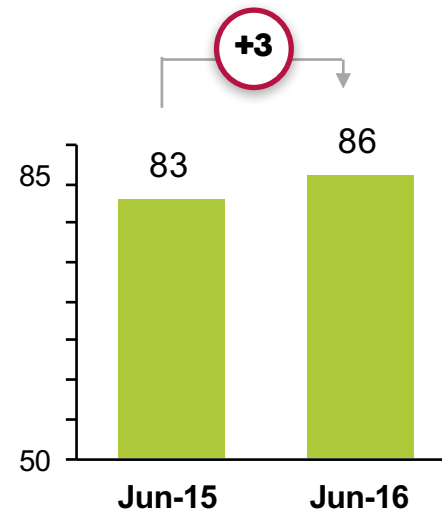
Queue wait times



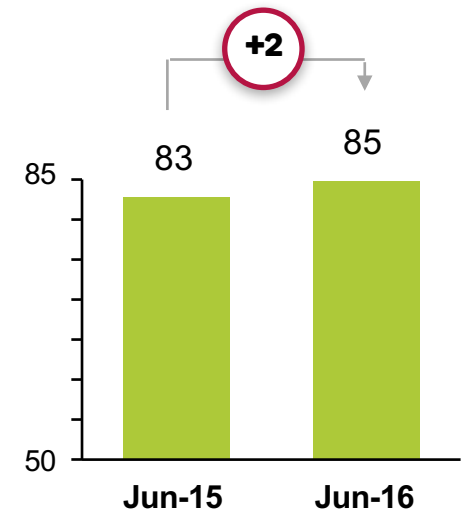
Self Checkout Ease of Use



Trolleys/Baskets



★ Team attitude ★



Our new Own Brand offer is resonating with customers



CORE CUSTOMER OFFER



Strong customer response to latest 6 renewal stores

“What I meant is wow what an improvement – love artisan bread in bakery, well signed, wide aisles, cool sushi take away and cafe – great addition for shoppers”

“The staff seem to be trained much better at being friendly and giving better service to their customers.”

“Loved the new look. Love, love, love the free fruit for kids!!”

Strong customer response to the new format
Overall Satisfaction VOC +14 %pts
Transactions +9% YOY



Our FY17 business priorities



Create the future

Create a winning proposition by listening to our customers and transforming out business store-by-store



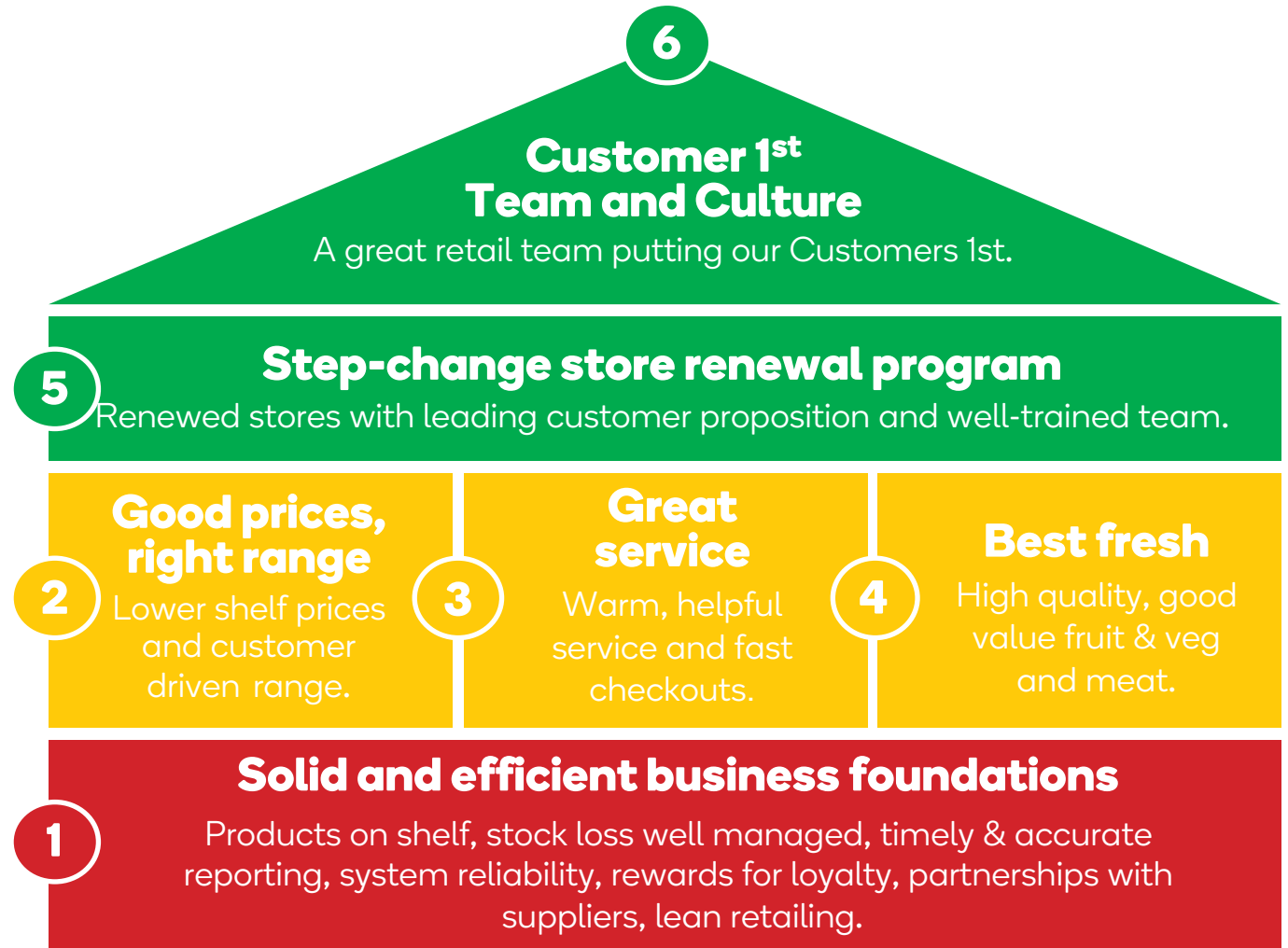
Deliver on core customer offer

Create reasons for customers to choose us for more of their shopping



Fix the basics

E2E process excellence



FY17 initiatives



Create the future

- Ongoing focus on building our Customer 1st Team and Culture
- Our purpose: 'We bring a little good to everyone every day'
- Material investment in training our store and buying teams
- All support team members working in stores
- 80+ renewal stores and 50+ stores with full Front of Store upgrades



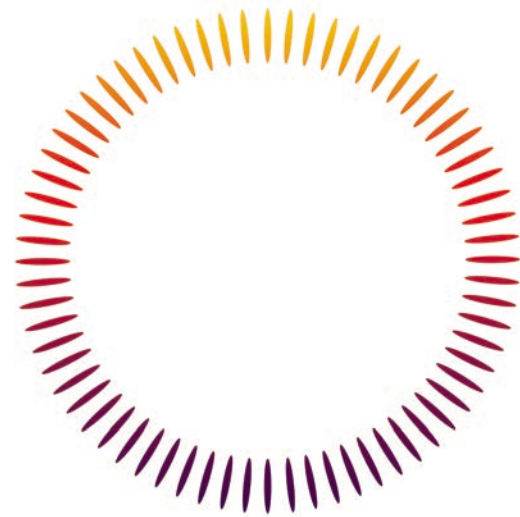
Deliver on core customer offer

- Lower shelf prices with fewer meaningful promotions
- Simplified range that is right for local customers of every store
- Service training rolled out to next 150 stores before Christmas
- Rollout of Customer-led planning tool to better match team hours to times when our customers are shopping
- Ongoing focus in fruit and veg & meat on value, quality (end to end) and range



Fix the basics

- Faster Fresher Food at scale with significant reduction in stock loss
- End to end availability focus – in-store execution, upstream focus on outbound service levels from DC
- Front of Store infrastructure and software update – to enable faster checkouts
- Stronger partnerships with suppliers to deliver on customer priorities
- Further Rewards program enhancements, responding to customer feedback



ENDEAVOUR
DRINKS GROUP

	FY16	FY15	Change
Before Significant Items¹			
Sales (\$m)	7,589	7,251	4.7%
EBIT (\$m)	483.8	469.6	3.0%
Gross Margin (%)	23.41	22.98	43 bps
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%

Endeavour Drinks delivered strong sales growth in a highly competitive market



FY16 Highlights

- Strong growth at +4.7% outpacing market growth
- Beer and Spirits outgrew Wine
- 43 (net) new stores opened throughout Australia (32 BWS and 11 Dan Murphy's)
- Strong double digit headline growth of Dan Murphy's online increased
- Established Langton's East Asia
- My Dan Murphy's reached 1.7m customers
- Dan Murphy's awarded Catalogue Retailer, Multichannel & Mobile Retailer of the year
- Pinnacle awarded 1 platinum, 3 gold and 2 silver awards at the Spirits International Prestige Awards.
- Summergate awarded Best Importer in China



1,486 Stores



FY17 Focus

- Continued focus on driving growth
- Focus on continued investment in customer experience across all banners
- Continued to grow wholesale channels in East Asia through major brand deals
- Launch of BWS Online
- 33 new stores: 10 Dan Murphy's and 23 BWS stores

Dan Murphy's maintained its leadership through new stores and digital expansion



FY16 Highlights

11 new stores opened in FY16



Digital penetration continued to grow



My Dan Murphy's members reached 1.7m members



Catalogue Retailer and Mobile Retailer of the Year



Strong NPS result of +50

FY17 Focus

Enhanced customer experience



Network investment through refurbishments



"Lowest Liquor Price Guarantee"



Continue investment in strong team and culture



Investment in value and customer service for stronger differentiation



FY16 Highlights

Improved value perception through launch of Super Savers



Achieved strong NPS and Voice of Customer Rating



FY17 Focus

Continued focus on delivering value via simplified mechanics



Continued network and format investment



Trained all 9,000 team members on customer service



Team engagement increased to global retail high performance benchmark

84

Digital enablement including



Tailored ranging to satisfy local customer needs





countdown

New Zealand Food



NZD	FY16	FY15	Change
Before Significant Items¹			
Sales (\$m)	6,101	5,878	3.8%
EBIT (\$m)	313.9	326.0	(3.7)%
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
Funds Employed (\$m)	2,906.4	3,080.7	(5.7)%
ROFE (%)	10.48	10.63	(15) bps
Sales Per Square Metre (\$)	14,863	14,999	(0.9)%

New Zealand Food FY16 Highlights and FY17 Focus



FY16 Highlights

Continued to lower prices



~ 3,000 products at low prices every day

Network expansion



8 new 2 replacement

FY17 Focus

Deliver better prices:



Continue to extend our Price Down program

Demonstrate love for food:



Further improve freshness of our fruit & vegetables

Engagement and satisfaction

Store Team Engagement + 4

NPS + 5

Improved customer service



~ 15,000 hrs added per week

Make things easy:



Maintain strengthened service
Enhance loyalty benefits
Drive further online growth

Be more active locally:



Increase tailored ranging
Network growth and refurb



	FY16	FY15	Change
Before Significant Items¹			
Sales (\$m)	3,820	3,929	(2.8)%
EBIT (\$m)	(14.9)	111.7	(113.3)%
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
Funds Employed (\$m)	555.2	752.3	(26.2)%
ROFE (%)	(2.28)	13.54	(1,582) bps

Our vision is clear

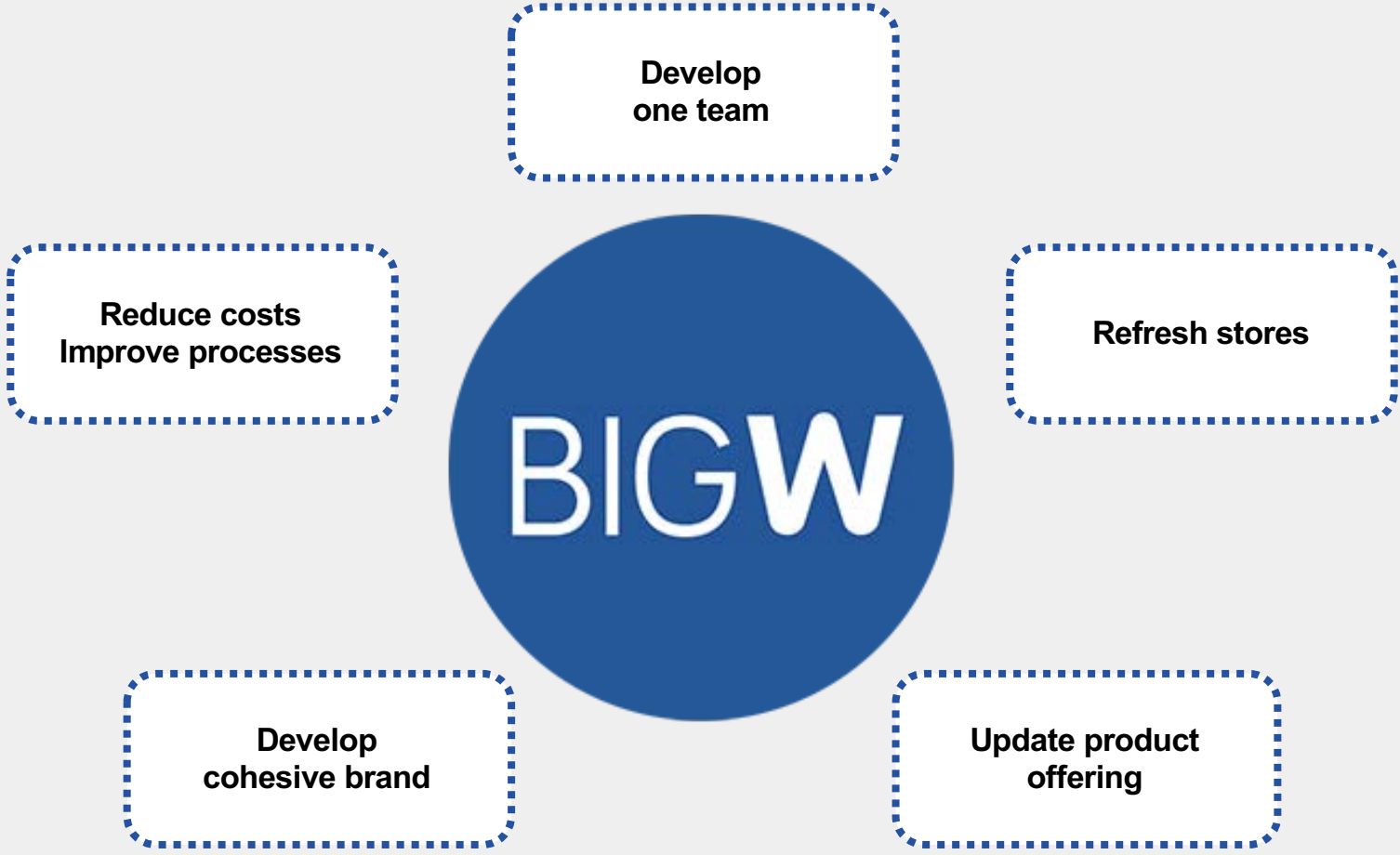


**LIVE BIG
FOR LESS**

Helping all Australians LIVE BIG FOR LESS

- Strong value heritage with customers since 1964
- **First steps**
 - Consistent and profitable growth to deliver the plan
 - End to end control of the business
- **A distinctive and defensible customer position**
 - Widest range of quality brands and products at everyday low prices
- **Strong digital focus**
- **An innovative, commercial and energised retailer**

Our strategy is simple



Develop one team



- Bring in house all functions under BIGW
- Simplify reporting lines and integrate fresh talent with existing team
- Introduce incentives to drive accountability
- Maintain highest safety results in industry
- Make design team central to product development process – to ensure original and low cost design
- Drive team focus on customer and in-store experience



Refresh stores

BIGW

- De-clutter stores for easier navigation
- Refresh VM in stores for more consistent and modernised BIGW
- Trial of a variety of refurbishment ideas in subset of stores to understand capital return and customer response
- Detail improvement plans for relatively small number of loss-making stores
- Overhaul store stock and workflow process to improve productivity
- Once test & learn refurbishment phase proven seek ~10 new stores over next 5 years where no brand presence yet – opportunities remain in Australia's largest malls



Update product offering

BIGW

- Reduce range from >70,000 SKUs today but still retain widest choice and best brands
- Consolidate >40 Own Brands today to fewer, stronger brands
- Recruit new design and buying leadership
- Simplify pricing in store for easier customer navigation
- Increase focus on factory relationships – bulk sourcing of fabric, long term relationships for faster fashion cycle
- Maintain value position and build on EDLP program
- Maintain leadership in toys, books, party and quality basics



Develop cohesive brand



- Bring in house all marketing agency work to build cohesive BIGW voice and internal team skill and speed
- Increase digital marketing mix and online sales
- Drive BIGW email database
- Revamp catalogues
- Integrate marketing, online and design functions with clear accountabilities
- Refresh and grow online store



Reduce costs, Improve processes

- Remove layer of senior management and unnecessary costs via direct control of all functions
- Set productivity targets based on detailed mapping of all core processes in store and support office
- Shifting service level to peak times when customers shop



First Six Months



Develop One Team

- Refreshed executive team
- Recruited new buying, design and online leadership
- Brought into BIGW from Group: 3 x DCs, 3 x Asian sourcing offices (consolidated to 2 offices), property, legal, online, procurement, store maintenance and customer service functions

Refresh Stores

- Reviewed all stores and fixed asset register and detailed plans to improve loss making stores
- Testing a diverse range of refurbishment ideas in several stores currently

Update Product

- Identified brands and range tail to be consolidated or refreshed
- Integrated sourcing and design teams and reduced local agents

Develop Cohesive Brand

- Removed all marketing agencies to ensure consistent brand experience for our customers
- Doubled social media engagement so far – much work still to do
- Refreshed catalogues and reduced frequency whilst shifting marketing mix to digital

Reduce costs, Improve Processes

- Removed senior management layers to get closer to business
- Centralised product and contractual sign offs now in place
- Re-engineered all key retail and merchandising processes and financial dashboards



FY17 represents an exciting year for BIGW with much change

- H1 focused on clearing inventory, reducing product range and completing restructure of business for end to end control
- From H2 – New product/brand consolidation flowing through business
- Continue good momentum and market leadership in toys, books and party sales at value prices
- Test range of store refresh ideas – pending results – update BIGW stores look and feel with moderate capital investment
- Grow online sales mix

Agenda

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Progress on our five key priorities

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- Home Improvement exit update
- Outlook

OUTLOOK



Home Improvement exit update

- 3 transactions to sell Home Improvement for estimated gross cash proceeds of ~\$1.5 billion and ~\$500 million after wind-down costs (prior to Lowe's share of proceeds)
- Masters will cease trading on or before 11 December 2016
 - We are committed to do the right thing by employees, customers and suppliers
- Woolworths has terminated the Joint Venture agreement with Lowe's
- Metcash has purchased Home, Timber and Hardware for \$165 million with the business continuing to trade
 - Transaction approved by both shareholders
- GA Australia will underwrite and manage the sell down of Masters inventory expected to deliver gross proceeds of ~\$500 million
- Home Consortium proposal to buy Masters properties through acquisition of 100% of shares in Hydrox
 - Woolworths will acquire 3 Masters freehold sites and takes assignment of 12 leases
 - Transaction subject to Lowe's approval

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



Thank you

Notes

1. Significant Items in FY16 represent costs of \$4,013.7m (before tax) or 2,627.8m (after tax and non controlling interests) resulting from the write down of the Home Improvement business and certain significant expenses incurred outside the ordinary course of our trading operations resulting from a Group wide review. Refer to significant items breakdown on slide 9.
2. Petrol sales are not comparable with the prior year given changes to the Woolworths-Caltex alliance that became effective during Q2'15. Given operational changes under the new arrangement with Caltex, Woolworths no longer recognises sales from Caltex operated sites in its financial result

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