



2 May 2017

ASX Market Announcements Office
Australian Securities Exchange
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THIRD QUARTER SALES RESULTS

Attached for release to the market are the Third Quarter Sales Results for the 13 week period to 2 April 2017.

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THIRD QUARTER SALES RESULTS – FINANCIAL YEAR 2017 13 WEEKS TO 2 April 2017

Further progress in restoring sustainable sales growth in Food

| | 2017 (13 weeks) | 2016 (13 weeks) | Change | Easter Adjusted |
|---|--------------------|--------------------|-------------|--------------------|
| Third Quarter Sales (\$ million) | | | | |
| Australian Food | 9,276 | 8,827 | 5.1% | 5.6% |
| Endeavour Drinks Group | 1,875 | 1,832 | 2.3% | 3.9% |
| New Zealand Food (AUD) | 1,492 | 1,431 | 4.3% | 4.4% |
| New Zealand Food (NZD) | 1,589 | 1,557 | 2.1% | 2.2% |
| BIG W | 757 | 828 | (8.6)% | (6.1)% |
| Hotels | 376 | 368 | 2.2% | 1.9% |
| EziBuy (Unallocated) | 35 | 37 | (5.4)% | (10.3)% |
| Total Third Quarter Sales from Continuing Operations | 13,811 | 13,323 | 3.7% | 4.4% |
| Discontinued Operations - Petrol | 1,228 | 1,077 | 14.0% | 13.8% |

PROGRESS ON OUR KEY PRIORITIES

- Strong sales momentum in Q3'17 with Australian Food sales up 5.1% to \$9.3 billion with comparable sales growth of 4.5% (Easter adjusted)
- All states now live on our new Customer-Led Rostering tool to better match team hours to customer shopping times
- Significant ramp-up in Supermarket renewals run-rate with 49 planned for second half
- Endeavour Drinks Group maintained momentum in a subdued market
- New BIG W team and turnaround plan in place with tactical initiatives already underway. However, this remains a multi-year turnaround
- Entering final stages of Home Improvement exit following recent arbitration

Woolworths Group Chief Executive Officer, Brad Banducci, said: "We are still in the early stages of our turnaround and are focused on the many opportunities we have to further improve our business for the benefit of our customers, team members, suppliers, community and shareholders."

"We are pleased with the progress we have made on our key priorities with the strong sales growth in Australian Food during the quarter a particular highlight. However, H2'17 will reflect the financial impact of higher investment in key areas, cost price increases (particularly in meat and produce) and our response to ongoing competition and promotional intensity."

"BIG W is a work in progress and its turnaround will be a multi-year journey. Due to the investment we are undertaking as part of our revised plan, we currently expect BIG W to report a loss before interest and tax of \$115-135 million for H2'17."

BUSINESS RESULTS

AUSTRALIAN FOOD

OPERATING METRICS

| | Q3'17 (13 weeks) | Q3'16 ¹ (13 weeks) |
|---|------------------------|----------------------------------|
| Year on year (%) | | |
| Customer Metrics (Voice of Customer) | | |
| Overall Customer Satisfaction | 77% | 68% |
| Store-Controllable Customer Satisfaction | 80% | 74% |
| Sales Productivity Metrics | Easter adjusted | |
| Total Sales | 5.6% | (0.3)% |
| Comparable Sales | 4.5% | (1.3)% |
| Volume Productivity Metrics | Easter adjusted | |
| Comparable Transaction growth (%) | 4.1% | 0.3% |
| Comparable Items Per Basket growth (%) | 0.6% | (1.9)% |
| Comparable Item growth (%) | 4.7% | (1.6)% |
| Change in Average Prices | | |
| Total | (2.5)% | (2.7)% |
| Total excluding Tobacco | (4.0)% | (4.0)% |

Australian Food sales increased by 5.1% to \$9.3 billion in the third quarter. Comparable sales increased by 3.9%. On an Easter adjusted basis, total sales increased by 5.6% and comparable sales grew by 4.5%.

Our Voice of Customer (VOC) scores improved significantly compared to the same quarter in the prior year. Overall Customer Satisfaction increased to 77% in the quarter and Store-Controllable VOC increased to 80%, broadly consistent with Q2'17. On-shelf availability and Fruit & Vegetables remain our biggest opportunities for further improvement.

Transaction growth remained the biggest driver of growth with comparable Easter adjusted transaction growth of 4.1%. Comparable Items Per Basket growth remained positive leading to comparable Easter adjusted item growth of 4.7%.

Average Prices declined by (2.5)% during the quarter, a similar rate of decline to Q2'17 (-2.6%). The decline was largely driven by General Merchandise and Grocery, with Fruit & Vegetable prices marginally inflationary. Fruit & Vegetable volume growth remained strong, while meat prices continued to decline relative to Q3'16 despite higher input cost prices.

Online sales grew strongly in the quarter increasing by approximately 20%.

We closed three Supermarkets and opened two, ending the quarter with 978 Australian Supermarkets and 23 Metro Food stores.

ENDEAVOUR DRINKS GROUP

OPERATING METRICS

| | Q3'17 (13 weeks) Easter adjusted | Q3'16 ¹ (13 weeks) |
|-----------------------------------|--|----------------------------------|
| Sales Productivity Metrics | | |
| Total Sales | 3.9% | 3.4% |
| Comparable Sales | 2.2% | 1.1% |

Endeavour Drinks Group sales increased by 2.3% to \$1.9 billion in Q3'17 compared to the prior year with comparable sales increasing by 0.8%. Easter adjusted total sales increased by 3.9% with Easter adjusted comparable sales increasing by 2.2%.

Despite subdued market growth in the quarter, our key retail businesses, BWS and Dan Murphy's, delivered positive Easter adjusted comparable growth in the quarter driven by strong execution around key events and a continued focus on competitive prices. As previously noted, the hot weather in January and early February positively impacted trading. However, very wet weather, particularly in NSW, resulted in weaker than expected sales growth in March.

We opened one Dan Murphy's store during the quarter bringing the total fleet to 216. We opened four BWS stores and closed one, ending the quarter at 1,295.

NEW ZEALAND FOOD

OPERATING METRICS

| | Q3'17 (13 weeks) Easter adjusted | Q3'16 ¹ (13 weeks) |
|--|--|----------------------------------|
| Sales Productivity Metrics | | |
| Total Sales | 2.2% ² | 3.8% ² |
| Comparable Sales | 2.1% ² | 0.9% ² |
| Countdown Supermarkets Food Price Index | 0.8% | (0.7)% |

New Zealand Food sales increased 2.1%² on the previous year to NZD1.6 billion. Comparable sales increased by 1.9%² for the quarter. Easter adjusted sales increased by 2.2%² with Easter adjusted comparable sales increasing by 2.1%². In AUD, sales increased by 4.3% due to the strengthening of the NZD against the AUD.

Sales growth has been driven by continued activity on price, service, and local ranging, as well as from the beneficial partnership between our Onecard loyalty program and AA Smartfuel launched in Q2'17.

The Countdown Supermarket Food Price Index increased by 0.8% driven by a combination of a return to inflation of dairy products, higher levels of inflation in fresh produce impacted by growing conditions and supply, and the later timing of Easter promotions.

We opened two Countdown supermarkets (one replacement store) and closed two, ending the quarter with 183 Countdown stores. We closed two Franchise stores ending the quarter with 63.

PORTFOLIO BUSINESSES

BIG W

OPERATING METRICS

| | Q3'17 (13 weeks) | Q3'16 ¹ (13 weeks) |
|-----------------------------------|------------------------|----------------------------------|
| Sales Productivity Metrics | Easter adjusted | |
| Total Sales | (6.1)% | (4.4)% |
| Comparable Sales | (5.7)% | (4.5)% |
| BIG W Price Inflation | (5.4)% | (3.2)% |

BIG W sales declined by (8.6%) in the third quarter with comparable sales declining by (8.2)%. On an Easter adjusted basis, total sales declined by (6.1)% and comparable sales declined by (5.7)% which was broadly in line with comparable sales growth in H1'17 (-6.3%).

Comparable sales were impacted by apparel clearance activities driving deflation as we cleared our summer inventory to make way for new season apparel. The Home category performed well on the back of our new designed product while Womenswear sales remained weak.

Deflation increased to (5.4)% in the quarter compared to Q3'16 primarily driven by clearance activity in apparel.

We completed a review of the BIG W strategic plan and customer value proposition during the quarter. While this will continue to be refined, we are now in the process of implementing this plan. We are working hard to restore price trust with our customers, the process of which has already begun. David Walker has been appointed to the position of Managing Director, BIG W after acting in this role since November. We have also made a number of other senior appointments to bolster the team with the BIG W senior leadership team now largely complete.

The total number of stores at the end of the quarter remained unchanged at 186.

HOTELS

Hotels sales for the quarter were \$376 million, an increase of 2.2% on the previous year or 1.9% Easter adjusted. Comparable sales increased by 2.4% or 1.9% Easter adjusted.

Sales continued to be driven by strong growth in Bars and Accommodation.

We opened one venue to end the quarter at 329 Hotels.

DISCONTINUED OPERATIONS

PETROL

Petrol sales for the quarter were \$1.2 billion, an increase of 14% on the prior year. Petrol volumes declined by (0.7)% or (2.1)% on a comparable basis. Easter adjusted comparable sales increased by 11.9% and Easter adjusted comparable volumes declined by (2.5)%.

Petrol sales benefitted from an increase in the average fuel selling price compared to the prior year (Q3'17: 128.1 cpl, Q3'16: 110.3 cpl).

**OUTLOOK**

We are pleased with the continued improvement in Australian Food sales in Q3'17, particularly the more stable and predictable nature of our daily and weekly sales. We are focused on making sure we continue our progress in rebuilding sustainable sales momentum for the remainder of FY17 and into FY18. As outlined at our H1'17 results, the second half of FY17 will continue to reflect the financial impact of higher costs in key areas such as team incentives, depreciation and team training. We expect to see further improvements in stockloss in the second half, however, this may be partially offset by the impact of continued input cost price increases (particularly in meat and produce) and our continued response to ongoing competition and promotional intensity.

BIG W is a work in progress and its turnaround will be a multi-year journey. At H1'17 results we indicated that we expected the loss before interest and tax for BIG W in H2'17 to be no better than H2'16 (-\$88 million before significant items). Due to the investment we are undertaking as part of our revised plan, we currently expect BIG W to report a loss before interest and tax of \$115-135 million for H2'17.

– Ends –

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Appendix One: New Stores and Renewals/ Refurbishments

| <u>Third Quarter</u> | Gross New Stores | Net New Stores | Renewals/ Refurbishments |
|---|-------------------------|-----------------------|---------------------------------|
| Continuing Operations | | | |
| Australian Supermarkets | 4 | 1 | 14 |
| Thomas Dux | - | - | - |
| Endeavour Drinks Group (including attached liquor stores) | 5 | 4 | 12 |
| New Zealand Supermarkets | 2 | - | - |
| BIG W | 1 | - | - |
| Hotels | 1 | 1 | - |
| Unallocated (EziBuy) | - | - | - |
| Total Continuing Operations | 13 | 6 | 26 |

Appendix Two: Notes

1 Q3'16 not Easter adjusted. Impact of Easter adjustment not material

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