

WOOLWORTHS LIMITED

30 April 2014

Third Quarter Sales Results – Financial Year 2014 13 weeks to 6 April 2014

- Sales from continuing operations increased 5.3% or 5.9% Easter adjusted¹
- Pleasing momentum continues in Australian Food and Liquor demonstrating our ongoing leadership in price and range
- Online sales increased more than 50% as we build on our platform as the leading domestic online retailer

	2013 (13 weeks)	2014 (13 weeks)	Increase (%)	Easter Adjusted ¹ Increase (%)
<u>Third Quarter Sales (\$ million)</u>				
<u>Continuing Operations</u>				
Australian Food and Liquor	9,945	10,382	4.4%	5.1%
Petrol (dollars)	1,727	1,822	5.5%	5.1%
<i>Petrol (litres)</i>	1,250	1,234	(1.3)%	(1.4)%
Australian Food, Liquor and Petrol	11,672	12,204	4.6%	5.1%
New Zealand Supermarkets (AUD)	1,145	1,331	16.2%	16.0%
<i>New Zealand Supermarkets (NZD)</i>	1,427	1,429	0.1%	-%
General Merchandise²	963	926	(3.8)%	(1.1)%
Hotels	353	357	1.1%	0.6%
Masters	128	179	39.8%	40.9%
Home Timber and Hardware ²	162	195	20.4%	19.6%
Home Improvement	290	374	29.0%	29.0%
Third Quarter Sales – Continuing Operations	14,423	15,192	5.3%	5.9%
<i>Third Quarter Sales – Continuing Operations (excl. Petrol)</i>	12,696	13,370	5.3%	6.0%
Third Quarter Sales – Discontinued Operations	-	-	n.c. ³	
Total Group Third Quarter Sales	14,423	15,192	5.3%	

Media Release

Woolworths Limited today announced third quarter FY14 sales from continuing operations of \$15.2 billion, an increase of 5.3% on the previous year or 5.9% after adjusting for the impact of Easter¹. Easter falling into Q4 this year has created significant timing and trading differences when compared to Q3 last year.

CEO Grant O'Brien said: "Trading patterns and momentum for the third quarter were similar to the first half of FY14 and continue to reflect our ongoing focus on the four Strategic Priorities that are transforming our business for the future.

"Ongoing momentum was evident in our Australian Food, Liquor and Petrol business, with sales increasing 4.6% on the previous year or 5.1% Easter adjusted¹. This is evidenced through market share growth and demonstrates the success of the work undertaken to deliver our first Strategic Priority 'to extend our leadership in Food and Liquor', with Fresh sales and market share growing faster than Grocery.

"Customer insights are enabling tailored offers and loyalty rewards based on individual shopping preferences. We continue to provide the most compelling offer to our customers by delivering unbeatable value and a shopping experience which increasingly caters for individual needs.

"The 'More Savings Every Day' program continues to reinforce our value proposition as customers benefit from lower average prices, as evidenced by price deflation of 2.9% when the effects of promotions and volumes are included.

"Petrol volumes decreased on last year, reflecting changes in the level of promotional activity. Sales increased 5.5% on the previous year or 5.1% Easter adjusted¹, with forecourt improvements and an enhanced merchandise offer continuing to deliver positive results.

"New Zealand Supermarkets' sales increased 0.1%⁴ on the previous year (16.2% in AUD), reflecting subdued grocery market conditions, a highly competitive marketplace and price deflation across a number of categories.

"As anticipated, General Merchandise sales continue to be impacted by the business transformation of BIG W as well as challenging trading conditions, ongoing price deflation and continued promotional activity.

"We recently announced the appointment of Alistair McGeorge as the new Managing Director of BIG W. Alistair brings 20 years of senior management experience in General Merchandise and Apparel retailing and is well placed to take BIG W through its transformation process. Alistair will commence in June 2014.

"Hotel sales increased 1.1% on the previous year or 0.6% Easter adjusted¹. Trading conditions varied by geography with Victoria and Queensland continuing to be challenging.

“With respect to our new growth businesses, Home Improvement sales increased 29.0% on the previous year, with 45 Masters stores now trading. We opened seven stores during the quarter and remain on track to open 18 stores this financial year.

“Online sales increased by more than 50%, reinforcing our multi-option leadership in Australian Food and Liquor. Click & Collect sales across the Group increased by more than 100% as we build stronger platforms to give customers additional choice in how they choose to shop with us.

“We expanded our network, adding an additional 29 sites across our portfolio during the quarter and are on target to meet our projection of creating almost 7,000 new jobs in FY14.

“We are very focused on the final quarter of the financial year and continuing the momentum generated in our business through successful execution of our Strategic Priorities.”

AUSTRALIAN FOOD, LIQUOR AND PETROL

Australian Food and Liquor

Australian Food and Liquor sales for the third quarter were \$10.4 billion, an increase of 4.4% on the previous year or 5.1% Easter adjusted¹.

Comparable store sales for the third quarter increased 2.9% or 3.5% Easter adjusted¹, continuing the trend of improving quarterly comparable sales growth into the third quarter (Q1'14: 2.5%, Q2'14: 3.4%).

During the quarter, we increased customer numbers, basket size and items sold as well as market share, which showed growth each month when compared to the prior year. We served on average 21.5 million customers per week, an increase of 3.9% on the previous year.

Through our 'More Savings Every Day' program, our customers continue to benefit from lower average prices, as evidenced by price deflation of 2.9% when the effects of promotions and volumes are included (Q2'14: deflation of 3.8%).

The standard shelf price movement index⁵ which excludes investment in promotional activity increased 3.1% for the quarter (Q2'14: 2.1%), reflecting the increase in tobacco excise and produce inflation resulting from tightened supply conditions. Excluding tobacco and produce, the standard shelf price movement index for the quarter increased 1.0% (Q2'14: 0.4%).

Tjeerd Jegen, Managing Director Australian Supermarkets and Petrol said: "We continue to provide the most compelling offer to our customers through an ongoing focus on delivering unbeatable value. In line with our strategy, our Fresh sales and market share grew faster than Grocery, demonstrating the relevance of our fresh food offer.

"We remain focused on our online offer to provide customers with more flexibility in the way they shop. Increasing loyalty from repeat shoppers and pleasing new customer numbers, assisted by the use of customer insights and targeted offers, have led to another quarter of strong online sales growth.

"As a proud Australian company, our ongoing commitment to sourcing Australian made and grown products continues. Following our recent announcement of a five year extension to our own brand canned fruit contract with SPC Ardmona, we have also announced new Select milk contracts, many of which are for significantly longer periods, enabling dairy farmers and milk processors to invest and innovate."

Australian Food and Liquor (continued)

Brad Banducci, Director of Liquor said: “The Woolworths Liquor Group has reinforced its market leading position during the quarter, delivering positive sales growth across all three channels – Dan Murphy’s (Destination), BWS (Convenience) and The Wine Quarter (Online).

“The result was pleasing in light of the highly competitive trading environment and was assisted by successful marketing and promotional campaigns, including the BWS ‘Today’s Special’ campaign and the Dan Murphy’s ‘Here’s Proof’ campaign which reinforced its ‘Lowest Liquor Price Guarantee’.

“It was a busy period for The Wine Quarter with continuous enhancements to the Dan Murphy’s website and a comprehensive rebuild of the Langton’s website in anticipation of the launch of the sixth Classification of Australian Wine in May.”

We opened four (net) Australian Supermarkets during the quarter bringing the total to 924. Total Dan Murphy’s stores remained at 181. We plan to open a further nine (net) Supermarkets and five Dan Murphy’s in the final quarter of the 2014 financial year.

Petrol

Petrol sales for the third quarter, including Woolworths/Caltex alliance sites, were \$1.8 billion, an increase of 5.5% on the previous year or 5.1% Easter adjusted¹. Comparable sales (dollars) increased 2.3% for the quarter or 1.2% Easter adjusted¹. Average unleaded fuel sell prices for the third quarter were 153.0 cpl (Q3’13: 145.3 cpl).

Petrol volumes decreased 1.3% for the quarter or 1.4% Easter adjusted¹. Comparable volumes decreased 4.0% for the quarter or 4.8% Easter adjusted¹.

Strong growth in non-fuel categories continued with total merchandise sales increasing 10.9% for the quarter or 12.2% Easter adjusted¹. Comparable merchandise sales increased 7.7% for the quarter or 8.5% Easter adjusted¹, despite lower fuel volumes.

Martyn Roberts, General Manager Petrol said: “Volumes have been impacted by the cycling of increased fuel discount activity in the prior year. Woolworths’ customers continue to be rewarded through discounts at our Petrol sites as well as enhanced Supermarket offers.

“Our new merchandise offer with improved ranging and more effective promotional activity combined with ongoing forecourt improvements to increase access to all fuel grades and provide faster flowing pumps continues to improve the customer experience.”

We opened four petrol canopies during the quarter bringing the total to 631, including 131 Woolworths/Caltex alliance sites. We plan to open a further two (net) sites in the final quarter of the 2014 financial year.

NEW ZEALAND SUPERMARKETS

New Zealand Supermarkets' sales for the third quarter were NZ\$1.4 billion, an increase of 0.1%⁴ on the previous year (16.2% increase in AUD). On an Easter adjusted basis¹, sales were in line with the prior year (16.0% increase in AUD). Comparable sales for the third quarter decreased 1.0%⁴.

Dave Chambers, Managing Director of New Zealand Supermarkets said: "Trading for the quarter was impacted by subdued grocery market conditions, a highly competitive marketplace and price deflation across a number of categories.

"During the quarter, we continued to provide lower prices and increased value to customers through our 'Price Lockdown' and 'Price Drop' campaigns which have been well received by customers and are delivering pleasing sales results."

The Countdown Supermarkets food price index showed inflation for the third quarter of 1.2% (Q2'14: 0.3%). Inflation continues to be low as a result of deflation across a number of key categories. The increase during the quarter was driven by the return to marginally positive inflation in the grocery category and higher dairy prices, both cycling prior year deflation.

We closed one Countdown Supermarket during the quarter, bringing the total to 167. Franchise stores remained at 56. We plan to open a further four (net) Countdown Supermarkets and three franchise stores in the final quarter of the 2014 financial year.

GENERAL MERCHANDISE²

Sales for the third quarter were \$0.9 billion, a decrease of 3.8% on the previous year or 1.1% Easter adjusted¹.

Comparable store sales for the third quarter decreased 8.5% or 5.9% Easter adjusted¹ and as anticipated, continue to be impacted by the business transformation of BIG W. Excluding categories which are being rationalised as part of the business transformation, comparable sales for the third quarter decreased 2.6% on an Easter adjusted basis¹. First stage changes of the transformation were implemented across 83 stores during the quarter.

Karen Bozic, Acting Director of BIG W said: "In addition to the expected impact of the business transformation, sales also continue to be affected by strong competition, ongoing price deflation, estimated at 3.4% for the quarter (Q2'14: deflation of 3.9%) and continued promotional activity.

"Whilst the business transformation continues to impact short term results, we remain confident that it will provide higher levels of profitable growth over the medium to long term.

"Highlights for the quarter included the positive customer response to our new approach to marketing, including our 'Lowest Price Guarantee' and the successful launch of the Lee Cooper exclusive fashion brand which drove pleasing results across Menswear, Childrenswear and Womenswear. Our 'Back to School' activity also delivered positive results for the quarter."

We were pleased to recently announce the appointment of Alistair McGeorge as the new Managing Director of BIG W. Alistair brings to BIG W 20 years of senior management experience in General Merchandise and Apparel retailing and is well placed to take BIG W through its transformation process. He will commence in June 2014.

Total BIG W stores remain at 181 at the end of the quarter with one additional store opened in April. No further openings are scheduled for the final quarter of the 2014 financial year.

HOTELS

Hotel sales for the third quarter were \$357 million, an increase of 1.1% on the previous year or 0.6% Easter adjusted¹. Comparable sales for the third quarter increased 0.8% or 0.3% Easter adjusted¹.

Bruce Mathieson Jnr, Chief Executive Officer ALH Group said: “Trading conditions varied by geography with Victoria and Queensland continuing to be challenging. Results for the quarter were also impacted by a change in legislation which limited ATM withdrawals in gaming venues nationally. This legislation became effective on 1 February 2014, however, was repealed on 31 March 2014.”

During the quarter, two hotels were acquired, bringing the total number of venues to 329.

HOME IMPROVEMENT

Home Improvement sales for the third quarter were \$374 million, an increase of 29.0% on the previous year.

Masters sales for the third quarter were \$179 million, up 39.8% on the previous year. We opened seven new stores, giving us 45 stores trading at the end of the quarter. We remain on track to open 18 stores this financial year. Sales in our Planting, Timber and Kitchen departments were particularly pleasing with part of the range featuring in the ‘That’s why we’re Australia’s fastest growing hardware store’ campaign.

Commencing at the end of April, Masters will again sponsor Channel Seven’s successful ‘House Rules’ TV program, providing significant national exposure for the brand.

Home Timber and Hardware² sales for the third quarter were \$195 million, up 20.4% on the previous year with strong growth in trade and building supply categories. Our recently refurbished Company stores are continuing to deliver strong growth.

Matt Tyson, Managing Director Home Improvement said: “Since joining the company three months ago, I have been impressed with the offer and the commitment of the team to continue to roll out stores ahead of schedule whilst also managing the challenges of operating a new business.

“Our business remains in its development phase and as previously advised, will take time to mature. The rationale for entering the \$42 billion Australian Home Improvement market remains compelling with substantial opportunity for growth. We have a great offer which we will continue to evolve and develop, and I am confident that we will be able to build this business into a long term profit contributor for the Group.”

FUTURE SALES REPORTING

Please note we will continue to provide separate sales updates for the first and third quarters. Quarter two and quarter four updates will be included within our scheduled profit releases.

– Ends –

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Appendix One: Year To Date Sales

	2013 (40 weeks)	2014 (40 weeks)	Increase (%)	Easter Adjusted ¹ Increase (%)
<u>Year to Date Sales (\$ million)</u>				
<u>Continuing Operations</u>				
Australian Food and Liquor	30,433	31,859	4.7%	4.9%
Petrol (dollars)	5,120	5,487	7.2%	7.0%
<i>Petrol (litres)</i>	3,782	3,781	-%	(0.1)%
Australian Food, Liquor and Petrol	35,553	37,346	5.0%	5.2%
New Zealand Supermarkets (AUD)	3,458	3,996	15.6%	15.5%
<i>New Zealand Supermarkets (NZD)</i>	4,371	4,449	1.8%	1.7%
General Merchandise²	3,410	3,378	(0.9)%	(0.1)%
Hotels	1,112	1,145	3.0%	2.8%
Masters	391	572	46.3%	46.7%
Home Timber and Hardware ²	536	598	11.6%	11.4%
Home Improvement	927	1,170	26.2%	26.2%
Year to Date Sales – Continuing Operations	44,460	47,035	5.8%	6.0%
<i>Year to Date Sales – Continuing Operations (excl. Petrol)</i>	39,340	41,548	5.6%	5.8%
Year to Date Sales – Discontinued Operations	642	-	n.c³	
Total Group Year to Date Sales	45,102	47,035	4.3%	
<u>Period (\$ million)</u>	2013	2014	Increase (%)	Easter Adjusted¹ Increase (%)
Continuing Operations				
Quarter One (14 weeks)	14,778	15,680	6.1%	n/a
Quarter Two (13 weeks)	15,259	16,163	5.9%	n/a
Quarter Three (13 weeks)	14,423	15,192	5.3%	5.9%
Continuing Operations Year to Date Sales (40 weeks)	44,460	47,035	5.8%	6.0%

Appendix Two: Third Quarter New Stores and Refurbishments

	Gross New Stores (incl acquisitions)	Net New Stores (incl acquisitions)	Refurbishments
Continuing Operations			
Australian Supermarkets	6	4	3
Thomas Dux	-	-	-
Liquor	9	5	2
New Zealand Supermarkets	-	(1)	-
Petrol	4	4	3
BIG W	-	-	-
EziBuy	-	-	-
Hotels	2	2	7
Masters	7	7	-
Home Timber and Hardware Retail ²	1	1	4
Total Continuing Operations	29	22	19

Appendix Three: Notes

n.c – not comparable

¹ In FY13, the first week of Easter was included in Q3 whereas in FY14, Easter falls into Q4. The impact of Easter is an approximation only and has been estimated by adjusting FY13 sales to reflect the timing of Easter in FY14.

² General Merchandise includes BIG W and EziBuy. Home Timber and Hardware was formerly known as Danks.

³ Represents sales from the Consumer Electronics businesses in Australia, New Zealand and India. These businesses were divested during the second quarter of FY13.

⁴ Sales growth for New Zealand Supermarkets is quoted in New Zealand Dollars.

⁵ The standard shelf price movement index is calculated by comparing the number of comparable products sold in the current year using the current year prices to the number of comparable products sold in the current year using the prior year prices. The price used for this comparison is the standard shelf price. Products on promotion are excluded from the calculation (i.e. the volume of these items sold is removed from both years' sales). The calculation removes the impact of any changes in volumes and the distortion of promotional activity.