COMPANY RESULTS

HALF YEAR ENDED 3 January 2016

WOOLWORTHS LIMITED

Rebuilding the business

Reshaping the Portfolio	Board and Leadership renewal	Disciplined Capital Management	Cultural Change
• Multi-year reset of Supermarkets business underway • Decision taken on future of Home Improvement • Confident in future potential of BIG W under new CEO	• Group CEO, Brad Banducci appointed • Sally Macdonald commenced in mid-January as BIG W CEO • Holly Kramer and Siobhan McKenna appointed to the Board	• Committed to strong investment grade credit rating • Board will continue to target 70% dividend payout ratio • 1.5% discount to DRP introduced • Capex discipline	• Move to 'listening culture' • 'Voice of the Customer' shopping experience measure • Supplier partnership • Team work • Greater transparency

Results — Half Year 2016

	Total Group		Total Group Before Significant Items[1]	
Sales	$32.0b	↓ 1.4%	$32.0b	↓ 1.4%
(Loss)/Earnings Before Interest and Tax	$(1,792.9)m	↓ 190.5%	$1,456.6m	↓ 31.6%
Net (Loss)/Profit After Tax attributable to shareholders of Woolworths	$(972.7)m	↓ 176.0%	$925.8m	↓ 33.1%
Earnings Per Share	(77.1)¢	↓ 175.6%	73.4¢	↓ 33.5%
Dividend Per Share	44¢	↓ 34.3%		
Return On Average Funds Employed			11.2%	↓ 327 bps[2]

1. Significant items in HY16 represent costs of $1,898.5m after tax attributable to shareholders of Woolworths relating to the impairment of assets and store exit costs in Home Improvement. Refer to 'Significant Items' slide for further detail
2. Before significant items and excluding Home Improvement, ROFE decreased 482 bps

Group EBIT/(LBIT)

$m	HY16	HY15	Change
Before Significant Items[1]			
Australian Food, Liquor and Petrol	1,294.7	1,895.6	(31.7)%
New Zealand Supermarkets (AUD)	151.3	154.3	(1.9)%
New Zealand Supermarkets (NZD)	*170.6*	*169.1*	*0.9%*
General Merchandise	67.3	109.7	(38.7)%
Hotels	135.1	144.6	(6.6)%
Central Overheads	(66.8)	(71.8)	(7.0)%
Group EBIT excl. Home Improvement (before Significant Items[1])	**1,581.6**	**2,232.4**	**(29.2)%**
Home Improvement	(125.0)	(103.2)	21.1%
Group EBIT (before Significant Items[1])	**1,456.6**	**2,129.2**	**(31.6)%**
Significant Items[1] (before tax)	(3,249.5)	(148.2)	n.c
Group (LBIT)/EBIT (after Significant Items[1])	**(1,792.9)**	**1,981.0**	**(190.5)%**

1. Significant items in HY16 represent costs of $1,898.5m after tax attributable to shareholders of Woolworths relating to the impairment of assets and store exit costs in Home Improvement. Refer to 'Significant Items' slide for further detail

Australian Food, Liquor and Petrol

Woolworths
The fresh food people

	HY16	HY15	Change
Sales ($m)			
Food & Liquor	22,347	22,200	0.7%
Petrol[1]	2,519	3,306	(23.8)%
Food, Liquor and Petrol (FLP)[1]	24,866	25,506	(2.5)%
EBIT FLP ($m)	1,294.7	1,895.6	(31.7)%
Gross Margin (%)	24.91	25.46	(55) bps
Cost of Doing Business (%)	19.70	18.03	167 bps
EBIT to Sales (%)	5.21	7.43	(222) bps
Funds Employed[2] ($m)	3,538.4	3,851.0	(8.1)%
Return on Average Funds Employed (ROFE)[2] (%)	35.96	50.99	(1,503) bps

Food & Liquor Trading Performance

- Australian Food and Liquor sales were $22.3bn, +0.7% on H1'15. Comparable sales decreased 0.8%
- Q2'16 comparable sales declined 0.6% (Q1'16: down 1.0%). We returned to positive comparable transaction growth of 0.5% during Q2'16, however are not yet seeing an improvement in items per basket
- We experienced a reduction in average prices of 2.1% in HY16 (Q2'16: -2.5%, Q1'16: -1.8%) as we continued to lower prices for our Australian Supermarkets' customers
- Gross margin decreased 55 bps due to price investment offset somewhat by a mix shift away from Petrol. Australian Food and Liquor gross margin declined by 162 bps
- FLP CODB (%) increased 167 bps driven by lower sales and investment in store labour, partly offset by cost savings

1. Petrol sales are not comparable with the prior half 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.
2. HY15 Funds Employed and Return on Average Funds Employed have been restated to reflect a change in the classification of accounts payable balances between the FLP and Unallocated segments. Prior to HY16, FLP accounts payable balances were transferred to the Unallocated segment balance sheet when they were processed for payment, and would remain on the Unallocated segment balance sheet until they were paid. During HY16, there was a change in process which has resulted in accounts payable balances remaining in the FLP segment balance sheet until they are paid, no longer resulting in a transfer of accounts payable balances to the Unallocated segment balance sheet. This change in process does not impact the Woolworths Group reported Funds Employed and Return on Average Funds employed results.

Progress against Australian Supermarkets plans

Progress against objectives

- Invested a further $150m in H1'16 to lower prices for our customers
- Improved customer service through investing in team hours, with ~100,000 hours added per week in H1'16 compared to H1'15
- Improved the quality of our fruit and vegetables through improved merchandising and freshness leading to growth in both comparable store transactions and items in Q2'16
- Improved our customers' in-store experience by improving our customer service, upgrading our trolley fleet, improving store signage and ease of access to our stores
- Completed 42 Supermarkets refurbishments during the half including landing our first new format store trial
- Began repositioning the Woolworths brand with the launch of 'Low Price Always' and relaunch Woolworths Rewards program
- Started to improve the value proposition of our own and exclusive brands through price investment, product redesign and brand refreshes

More to do

- Resolve systems and process issues impacting availability, stock loss and promotional effectiveness
- Improve the shape of our price investment with more investment allocated to EDLP and less to promotions
- Provide a consistently good customer experience
- Transition away from our traditional store refurbishment program to a scalable store renewal program by iterating and tailoring our new format
- Continue to improve the value proposition for our own and exclusive brands
- Urgently address the Woolworths Rewards in-store ticketing issues

Progress against Petrol and Convenience plans

petrol

Petrol Trading Performance

- Petrol sales[1] for the year were $2.5bn, down 23.8% on the H1'15 (volumes decreased by 15.6%)
- Sales were impacted by changes to the Woolworths–Caltex alliance[1] where sales from 131 Caltex operated sites are no longer recognised by Woolworths, and declining average fuel sell prices (unleaded HY16: 127.4 cpl; HY15: 142.0 cpl)
- We cycled the changes to the Woolworths–Caltex[1] alliance in December
- Comparable petrol sales (dollars) decreased 11.7% for HY16 due to the impacts of declining global oil prices and a decline in comparable volumes of 2.0%
- Growth in non-fuel categories continued with total merchandise sales for the half year increasing 8.5% and comparable merchandise sales increasing 5.7%

Progress against objectives

- Invested in forecourt improvements in 96 sites to improve the customer experience bringing the number of sites completed to date to 422
- Reduced the prices of core merchandise lines as we introduced 'Low Prices Always' across our key value lines
- Rolled-out the Metro brand across our urban food store network and continued to refine the format
- Increased our network by opening 5 (net) new Petrol sites during the half taking the total number of Woolworths owned sites to 521

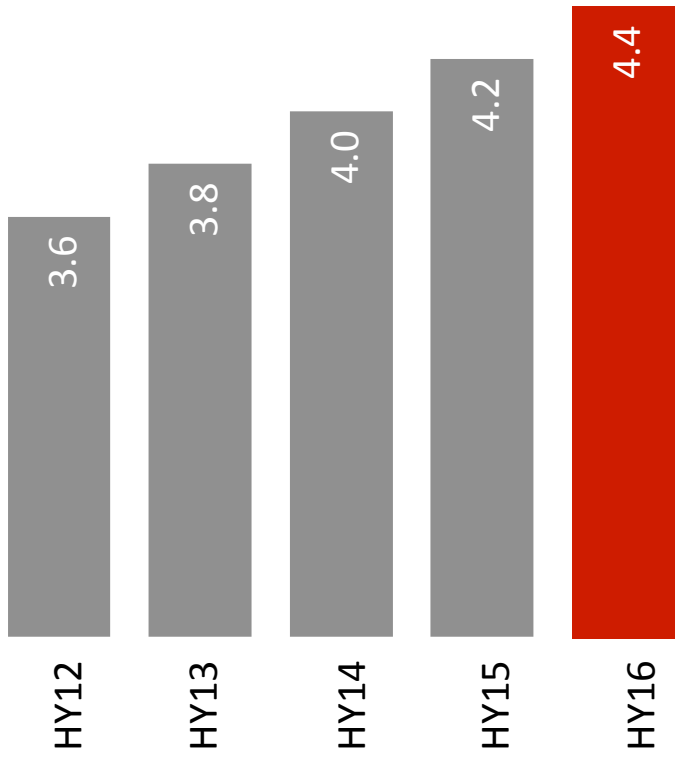
More to do

- Grow our network with a further 10 (net) new sites planned for H2'16
- Focus on new categories and promotional offers for our customers to drive merchandise sales growth
- Continue to refine our Metro business model

1. Petrol sales are not comparable with the prior half year given changes to the Woolworths-Caltex alliance that became effective during Q2'15. Given changes under the new arrangement with Caltex, Woolworths no longer recognises sales from Caltex operated sites in its financial result.

Progress against Woolworths Liquor Group plans

Sales $b



- Total Liquor sales for HY16 increased 4.9% on HY15 despite highly competitive trading conditions

Progress against objectives

- Strong growth in our retail divisions, Dan Murphy's (Destination) and BWS (Convenience)
- MyDanMurphy's loyalty program now has 1.3m members
- Dan Murphy's Online was awarded as the 'Multi-Channel Retailer of the Year' in 2015 by the Online Retailer Association
- Strong double digit growth from Dan Murphy's Online
- Strong sales results from the newly acquired Summergate/Pudao business in China

More to do

- Continued network growth with 5 (net) Dan Murphy's stores and 2 (net) BWS stores planned for H2'16
- Detailed CODB review to identify further opportunities for cost savings
- Roll out of 'Voice of the Customer' to improve our customer feedback in conjunction with Net Promoter Score

Note: includes ALH Group on premise liquor sales

New Zealand Supermarkets

countdown

NZD	HY16	HY15	Change
Sales ($m)	3,176	3,054	4.0%
EBIT ($m)	170.6	169.1	0.9%
Gross Margin (%)	23.51	23.19	32 bps
Cost of Doing Business (%)	18.14	17.65	49 bps
EBIT to Sales (%)	5.37	5.54	(17) bps
Funds Employed ($m)	3,179.9	3,173.9	0.2%
Return on Average Funds Employed (%)	5.45	5.43	2 bps

Trading Performance

- New Zealand Supermarkets' sales were NZ$3.2bn, +4.0% on H1'15 (3.8% increase in AUD). H1'16 sales were assisted by the bulk sales of gift cards – excluding the sales of these cards, sales growth was 2.8%. Comparable sales increased 2.0% as customers reacted positively to our lower prices
- Our food price index showed inflation of 0.2% driven by seasonal fruit & veg (Q2'16: deflation of 0.2%; Q1'16: inflation of 0.5%). We exceeded our targets for the number of lines on our Price Lockdown and Price Drop programs
- Comparable customer numbers and basket size has continued to grow over the last six months
- Gross margin increased 32 bps driven by better buying
- CODB (%) increased 49 bps largely due to the impact of higher employee incentive provisions. Cost control remained strong

Progress against New Zealand Supermarket plans

Progress to date

- Getting closer to our customers with increased feedback and improved reporting of their shopping experience. We now review customer feedback (fruit and vegetables, ease of shopping, availability and speed through the checkouts) on a weekly basis
- Substantially increased the number of product ranges on 'Price Lockdown' and 'Price Drop'. With sales of price down products continuing to outperform
- Enhanced our food offer by rolling out improved Better For You, Sushi and Produce offers in selected stores
- Making our product range more relevant to our customers' local store through tailored ranging improving availability, in-store processes and sales
- Retained our position as New Zealand's leading online grocery retailer with another double digit sales increase
- Expanded our Pharmacy business with 12 in-store sites now open and positive customer response driving comparable sales growth of 29%
- Continued to build the Countdown network with 6 (net) new stores and 2 refurbishments during H1'16

More to do

- Continue to extend our Price Down program
- Further improve the quality and freshness of our fruit and vegetables through a faster, fresher supply chain and introducing more modern display equipment
- Grow online shopping by extending home delivery windows and making Click & Collect available in all stores
- Grow Countdown network with 2 new stores and 2 replacement stores planned for H2'16 and ongoing store refurbishments

General Merchandise

	HY16	HY15	Change
Before Significant Items[1]			
Sales ($m)	2,272	2,365	(3.9)%
EBIT ($m)	67.3	109.7	(38.7)%
Gross Margin (%)	33.72	33.84	(12) bps
Cost of Doing Business (%)	30.76	29.20	156 bps
EBIT to Sales (%)	2.96	4.64	(168) bps
Funds Employed ($m)	1,015.5	968.8	4.8%
Return on Average Funds Employed (%)	6.44	9.98	(354) bps

Trading Performance

- Sales of $2.3 billion were -3.9% on H1'15 with comparable store sales -4.5%. Sales momentum improved over the second quarter with December comparable sales broadly flat
- This was driven by improving availability following a lesser impact from previously advised systems issues and a better performance in key destination categories like Toys and Apparel. Childrenswear and Menswear performed strongly within Apparel in Q2'16
- Entertainment continued to be challenging due to significantly lower tablet sales and an ongoing decline in DVDs offset somewhat by a strong performance in gaming
- Gross margin decline of 12 bps reflects mix, price investment in categories like Toys to drive sales growth offset by lower markdowns in Apparel
- CODB (%) increased 156 bps driven by a disappointing trading result limiting the ability to fractionalise costs and increased rental, labour and depreciation on new stores.
- CODB ($) was largely stable with 3 new store openings and the continued rollout of Party stores
- We completed the clearance of unproductive inventory in the half ahead of initial expectations
- ROFE decreased 354 bps impacted by lower EBIT, new store openings and higher inventory

1. Significant items recorded in HY15 represent the $148.2m before tax or $103.7m after tax provision raised for costs associated with the transformation of BIG W

Progress against General Merchandise plans

Progress to date

- Sally Macdonald commenced as new CEO of BIG W in mid-January with strong retail and local turnaround experience
- Improving sales trend through Q2'16 with December the strongest trading month of the period driven by an improvement in availability and clearance of unproductive inventory completed ahead of schedule
- Retained our position as Australia's largest bricks and mortar book and toy seller with strong positive comparable sales growth in both categories in Q2'16

More to do

- Significant cost reduction exercise underway to improve base profitability
- Back to basics focus in stores to simplify business and improve inventory flow and systems
- GM of Design and Marketing appointed in newly combined cross functional role - to increase direct designed product from factory and improve marketing effectiveness
- Transition marketing spend towards digital via social media, viral marketing and blogging
- Continue to back and grow departments that are a key part of BIG W's DNA such as Toys and Books
- Analysing new and strategic store opportunities in medium term

Hotels

	HY16	HY15	Change
Sales ($m)	802	782	2.6%
EBIT ($m)	135.1	144.6	(6.6)%
Gross Margin (%)	83.21	83.22	(1) bps
Cost of Doing Business (%)	66.37	64.73	164 bps
EBIT to Sales (%)	16.84	18.49	(165) bps

Trading Performance

- Sales for H1'16 were $802m, +2.6% on H1'15 with comparable sales increasing by 1.4%
- Sales were driven by a continued improvement in Bars with its best trading performance in over two years with Food sales also benefiting from strong execution around key events in December
- CODB (%) increased 164 bps, impacted mainly by additional rental expense of $11.8m following the sale and leaseback of 54 freehold hotel sites in October 2014
- Cost savings from improved efficiency across support functions and venue operations were offset by an increase in marketing and promotional spend
- Reported EBIT decreased 6.6%
- Excluding the impact of the additional rental expense following the sale of the hotel sites, EBIT increased marginally on the prior year

Progress against Hotels plans

Progress to date

- Completed the roll out of voluntary pre commitment functionality to our three major states (VIC, QLD and NSW)
- Acquired the Millers Inn hotel in VIC and 2 additional hotels in QLD bringing our total number of hotels to 331
- Implemented a centralised procurement system across the Food category to deliver greater purchasing efficiencies
- Implemented a revised children's program with new and improved menus, pricing, and promotional offers
- Refurbished 17 key venues during the half
- Bar sales have returned to growth underpinned by stronger and more targeted entertainment, sports, sponsorships and events

More to do

- Continue the refurbishment program with a further 18 venues to be completed by the end of FY16
- To facilitate growth in the retail liquor business, open another 2 Dan Murphy's venues on hotel sites by end of FY16 bringing the total number in our portfolio to 80
- Continued focus on driving bar and food sales growth

Home Improvement

Masters Home Improvement

HOME TIMBER & HARDWARE GROUP

	HY16	HY15	Change
Before Significant Items[1]			
Sales ($m)			
Masters	623	505	23.4%
Home Timber & Hardware	525	483	8.7%
Home Improvement	**1,148**	**988**	**16.2%**
(LBIT)/EBIT ($m)			
Masters	(137.9)	(112.2)	22.9%
Home Timber & Hardware	12.9	9.0	43.3%
Home Improvement	**(125.0)**	**(103.2)**	**21.1%**

Trading Performance

- Masters sales for the half year increased 23.4% to $623m
- Masters loss before interest, tax and significant items increased by 22.9% to $137.9m driven by the sales performance of the original format stores, the impact of clearance activity and category mix on gross margins and higher costs associated with new store openings
- Home Timber and Hardware (HTH) sales were $525m, +8.7% on the previous year, driven by the sales benefit of recent acquisitions and comparable growth in wholesale
- HTH reported strong growth in EBIT driven by higher sales and recent acquisitions

1. Significant items in HY16 represent costs of $1,898.5m after tax attributable to shareholders of Woolworths relating to the impairment of assets and store exit costs in Home Improvement. Refer to 'Significant Items' slide for further detail

Home Improvement Exit Update

- During the half, following Woolworths announcement on 18 January, that it intended to exit the Home Improvement business through an orderly prospective sale or wind-up of the business, it has recognised a provision for impairment of assets and store and other exit costs after tax of $1,898.5m attributable to the shareholders of Woolworths
- The valuation of the Lowe's shareholding is underway and will be determined by an independent expert process unless a negotiated outcome can be achieved.
- At H1'16 Woolworths has valued the put option at $nil
- Upon conclusion of the independent expert process, having exercised its call option, Woolworths will acquire Lowe's 33.3% interest in Home Improvement
- In the second half of FY16, additional estimated restructuring costs in the range of $70m to $80m are expected to be recognised
- The cash flow impact from a potential sale or wind-up of the business is expected to be broadly neutral to cash flow positive through to completion (excluding the impact from any potential cash consideration exchanged for Lowe's shareholding)
- Home Improvement will be presented as a discontinued operation in our FY16 results

Significant Items

$m	HY16	HY15[1]
Significant Items		
Impairment of property, plant and equipment	(1,464.3)	-
Impairment of inventories	(547.1)	(126.4)
Onerous lease expense, store and other exit costs	(1,238.1)	(21.8)
EBIT impact from Significant Items	**(3,249.5)**	**(148.2)**
Tax benefit	235.9	44.5
Non-controlling interests	1,115.1	-
Net loss after tax impact from Significant Items attributable to shareholders of Woolworths	**(1,898.5)**	**(103.7)**

Significant Items recognised in HY16 attributable to the shareholders of Woolworths were $1,898.5m and comprise the following items related to the Group's planned exit from Home Improvement:

- Impairment of property, plant and equipment primarily relating to property assets, distribution centres and store fitouts
- Impairment of inventories relating to the write-down of Home Improvement inventory to net realisable value
- Recognition of provisions for onerous leases, store and other exit costs relating to exiting leasehold sites and associated store and business exit costs
- Income tax benefits associated with the Home Improvement business exit costs net of the write-off of carried forward losses in the Home Improvement joint venture
- Non-controlling interests of $1,115.1m relates to Lowe's share of the Significant Items recognised by the Home Improvement joint venture

1. Significant items in HY15 represent the $148.2m before tax or $103.7m after tax provision raised for costs associated with the transformation of BIG W

Balance Sheet

$m	HY16	HY15	Change HY16/HY15	FY15
Inventory	4,923.1	4,835.2	1.8%	4,872.2
Trade Payables	(5,384.7)	(4,448.8)	21.0%	(5,040.0)
Net Investment in Inventory	**(461.6)**	**386.4**	**(219.5)%**	**(167.8)**
Receivables	1,071.1	1,059.0	1.1%	1,001.9
Other Creditors	(4,565.4)	(3,251.0)	40.4%	(3,102.9)
Working Capital	**(3,955.9)**	**(1,805.6)**	**119.1%**	**(2,268.8)**
Fixed Assets and Investments	9,201.9	10,193.8	(9.7)%	10,545.6
Intangible Assets	6,254.3	6,432.0	(2.8)%	6,244.5
Total Funds Employed	**11,500.3**	**14,820.2**	**(22.4)%**	**14,521.3**
Net Tax Balances	1,093.9	552.7	97.9%	654.1
Net Assets Employed	**12,594.2**	**15,372.9**	**(18.1)%**	**15,175.4**
Net Repayable Debt[1]	(3,125.2)	(3,211.2)	(2.7)%	(3,067.3)
Other Financial Liabilities	(60.4)	(975.5)	(93.8)%	(976.1)
Total Net Assets	**9,408.6**	**11,186.2**	**(15.9)%**	**11,132.0**

- **Net investment in inventory** excluding write downs relating to the exit from the Home Improvement business decreased $293.6m, impacted by differences in the timing of creditor payments relative to the reporting date (approximately $155m)
- **Other creditors** increased 40.4% or 6.7% excluding the impact of provisions relating to the exit from the Home Improvement business, impacted by increased accruals and provisions relating to employee, occupancy and other costs
- **Fixed assets and investments** decreased 9.7% or increased 4.6% after excluding the impairment of Home Improvement assets, reflecting ongoing investment in our store network with 109 (net) new stores and 171 refurbishments completed since HY15
- **Intangible assets** decreased 2.8% or 0.9% excluding write downs relating to the exit from the Home Improvement business, reflecting decreased intangible assets in our NZ Supermarkets business due to weakening of the NZ Dollar since HY15
- **Net tax balances** increased 97.9% largely due to Woolworths moving to a current tax receivable position from a current tax payable position and the net tax benefit recognised on exit costs from the Home Improvement business
- **Other financial liabilities** decrease primarily reflects the decrease in the carrying value of Lowe's put option in our Home Improvement business

1. Includes cash, borrowings, hedge assets and liabilities

Cash Flow

$m	HY16	HY15	Change
EBITDA before Significant Items[1]	2,019.4	2,664.2	(24.2)%
Significant Items[1] excluding items presented below EBITDA	(3,249.5)	(148.2)	
EBITDA – Total	(1,230.1)	2,516.0	(148.9)%
Net increase in inventory	(578.8)	(225.1)	
Net increase / (decrease) in trade payables	306.0	(220.8)	
Net change in other working capital and non-cash	275.6	60.1	
Net change in working capital and other non-cash relating to Significant Items[1]	3,249.5	148.2	
Cash from Operating Activities before interest and tax	2,022.2	2,278.4	(11.2)%
Net interest paid	(150.9)	(171.4)	
Tax paid	(618.6)	(598.8)	
Total cash provided by Operating Activities	1,252.7	1,508.2	(16.9)%
Proceeds from the sale of property, plant and equipment and businesses	273.4	673.0	
Payments for the purchase of businesses	(17.3)	(82.8)	
Payments for property, plant and equipment – property development	(291.5)	(341.8)	
Payments for property, plant and equipment – other	(540.9)	(557.7)	
Payments for intangible assets	(23.0)	(25.3)	
Payments for the purchase of investments and contingent consideration	(1.3)	(2.5)	
Dividends received	1.5	3.1	
Total cash used in Investing Activities	(599.1)	(334.0)	79.4%
Lowe's cash contributions (Home Improvement)	120.0	120.0	
Transactions with non-controlling interests	(12.1)	(13.5)	
Free Cash Flow before equity related Financing Activities	761.5	1,280.7	
Proceeds from share issues	-	6.5	
Dividends paid (including to non-controlling interests)	(818.6)	(797.6)	
Free Cash Flow after equity related Financing Activities	(57.1)	489.6	

- **Cash flow from operating activities before interest and tax** was $2,022.2m and was impacted by:
  - lower trading performance;
  - increase in inventories driven by growth in new stores and focus on improving on-shelf availability; and
  - increase in accounts payable as prior half year was adversely impacted by earlier purchase and payment of inventories in December 2014
- **Tax paid** increase was driven by a higher tax instalment rate in HY16
- **Proceeds from the sale of property, plant, equipment and businesses** decreased $399.6m on the prior half which included $603.0m proceeds from the sale of 54 Hotel property assets
- **Payments for the purchase of businesses** representing the acquisition of 3 Hotels decreased by $65.5m on the prior half
- **Payments for property development** decrease was driven by lower activity in the current period
- **Payments for property, plant and equipment** included continued investment in new stores and refurbishments, investment in our new point of sale system, and spend associated with our supply chain initiative Mercury2

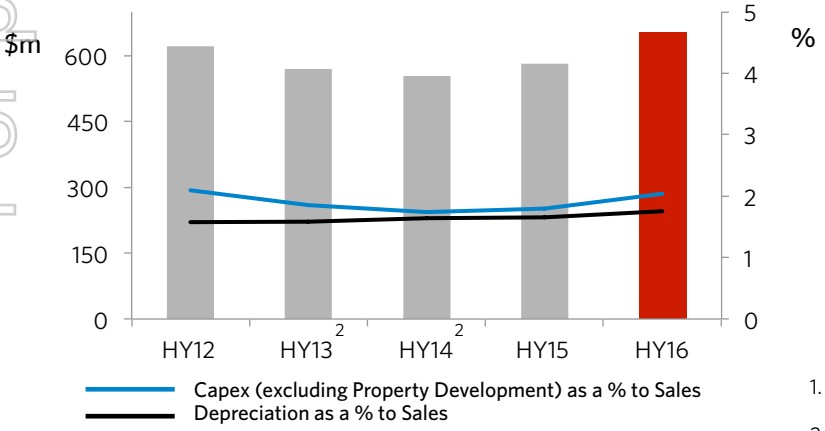
1. Significant items in HY16 represent costs of $1,898.5m after tax attributable to shareholders of Woolworths relating to the impairment of assets and store exit costs in Home Improvement. Refer to 'Significant Items' slide for further detail

Capital Expenditure

Half Year

$m	HY16 Actual	HY15 Actual
Group Capex excluding Home Improvement (HI)		
New Stores	127	102
Refurbishments	196	173
Supply Chain, IT, Multi-option and Stay in Business	287	278
Operating Capex – excl. HI and Property Development	**610**	**553**
Property Development (net of sales)[1]	(16)	128
Net Capex – excl HI[1]	**594**	**681**
Home Improvement		
New Stores and Refurbishments	35	18
Supply Chain, IT, Multi-option and Stay in Business	8	11
Property Developments (net of sales)	60	149
Net Capex	**103**	**178**
Group Net Capex[1]	**697**	**859**

Capex (excluding Property Development)



- We expect FY16 Operating Capex to be between $1.4-$1.5b (excluding Home Improvement and Property) and Group Net Capex including Home Improvement to be between $1.2b-$1.4b, subject to timing of property disposals

1. HY15 excludes the $603.0m proceeds received in relation to the disposal of 54 freehold Hotel sites
2. Excludes proceeds received in relation to the SCA Property Group transaction

Capital Management

- Woolworths is committed to a solid investment grade credit rating and a number of actions can be undertaken to support the credit profile including the sale of non-core assets, accelerating working capital initiatives and adjusting its growth capital expenditure and property leasing profile
- The Board continues to target an after tax dividend payout ratio of 70% for the full year. In the absence of accelerated store refurbishments, this payout ratio is supported by cash flow and achieves a balance between shareholder reward and reinvestment in the business
- We have introduced a 1.5% discount on the DRP and removed the participation limit, in the shorter term, to allow for accelerated investment in our store renewal program

Upcoming refinancing

- Woolworths has approximately $700m of debt maturing in the second half of FY16 and a further $400m maturing in November 2016. These refinancing requirements have been pre-funded by additional undrawn bilateral bank facilities totalling $1.2 billion with tenors of two and three years, established in November 2015
- The five year non-call period for the $700 million Woolworths Notes II ends on 24 November 2016. Pursuant to a replacement capital covenant, the Notes may be refinanced by a hybrid containing similar characteristics (50% S&P equity credit) or a combination of debt and equity in equal proportions

Home Improvement exit

- The cash flow impact from a potential sale or wind-up of the business is expected to be broadly neutral to cash flow positive through to completion (excluding the impact from the potential cash consideration exchanged for Lowe's shareholding)
- Any short term cash requirements for restructuring Home Improvement is provided for under Woolworths existing undrawn debt facilities

Outlook

- Despite the financial performance, we are making progress in the rebuilding of Woolworths. We have significantly invested in price, service and customer experience in Australian Supermarkets, appointed a new Group and BIG W CEO and announced our exit of the Home Improvement business
- We are not anticipating a significant improvement in comparable sales in Australian Supermarkets in the second half with the market likely to remain competitive and price deflation likely to continue. We currently expect an EBIT margin in FY16 in Australian Food, Liquor and Petrol of approximately 5% reflecting a seasonally lower margin in H2'16, continued deleverage as we continue on the journey to restore sales momentum and an incentive plan for our staff aligned to transformation of the business

APPENDICES

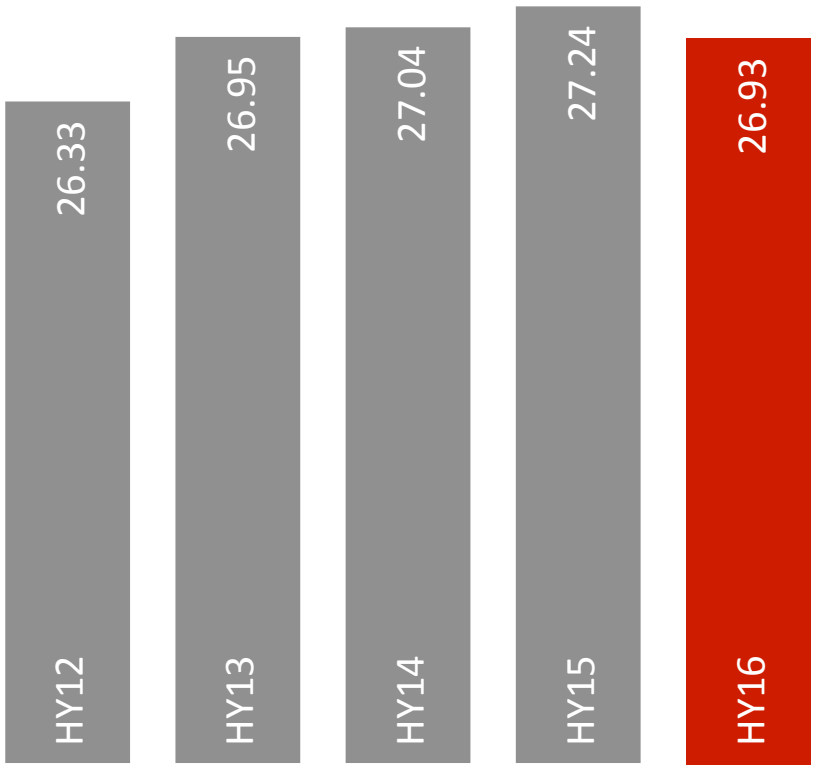
Group Sales

$m	HY16	HY15	Change
Australian Food and Liquor	22,347	22,200	0.7%
Petrol[1]	2,519	3,306	(23.8)%
Australian Food, Liquor and Petrol[1]	24,866	25,506	(2.5)%
New Zealand Supermarkets (AUD)	2,895	2,790	3.8%
New Zealand Supermarkets (NZD)	*3,176*	*3,054*	*4.0%*
General Merchandise	2,272	2,365	(3.9)%
Hotels	802	782	2.6%
Group Sales (excluding Home Improvement)	**30,835**	**31,443**	**(1.9)%**
Masters	623	505	23.4%
Home Timber and Hardware	525	483	8.7%
Home Improvement	1,148	988	16.2%
Group Sales	**31,983**	**32,431**	**(1.4)%**
Group Sales (excluding Petrol)	***29,464***	***29,125***	***1.2%***

1. Petrol sales are not comparable with the prior half year given changes to the Woolworths-Caltex alliance that became effective during Q2'15

Gross Profit Margin From Continuing Operations Before Significant Items[1]

Percentage



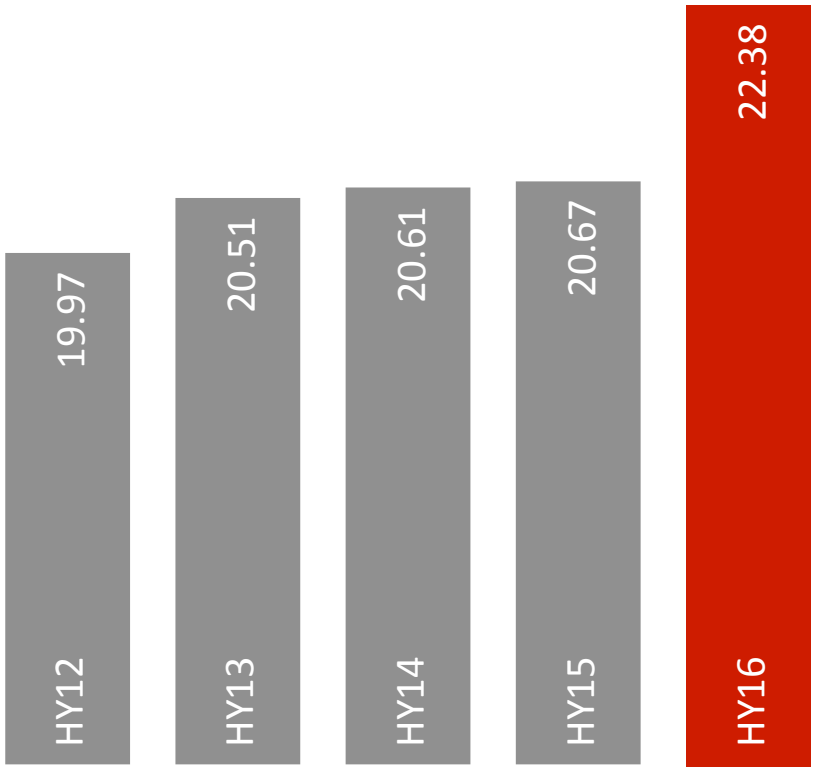
Comments

- Gross profit (before significant items[1]) as a percentage of sales decreased 31 bps impacted by:
  - Continued price investment in Australian Supermarkets
- Partially offset by:
  - Changes in sales mix from Petrol to our higher margin businesses

1. Significant items in HY16 represent costs of $1,898.5m after tax attributable to shareholders of Woolworths relating to the impairment of assets and store exit costs in Home Improvement. Refer to 'Significant Items' slide for further detail

CODB / Sales From Continuing Operations Before Significant Items[1]

Percentage



Comments

- CODB (before significant items[1]) as a percentage of sales increased 171 bps impacted by:
  - Subdued sales growth limiting the ability to fractionalise costs; and
  - Changes to the Woolworths-Caltex alliance

  Partially offset by:
  - Cost savings through improved efficiency across non-trade procurement and support functions

1. Significant items in HY16 represent costs of $1,898.5m after tax attributable to shareholders of Woolworths relating to the impairment of assets and store exit costs in Home Improvement. Refer to 'Significant Items' slide for further detail

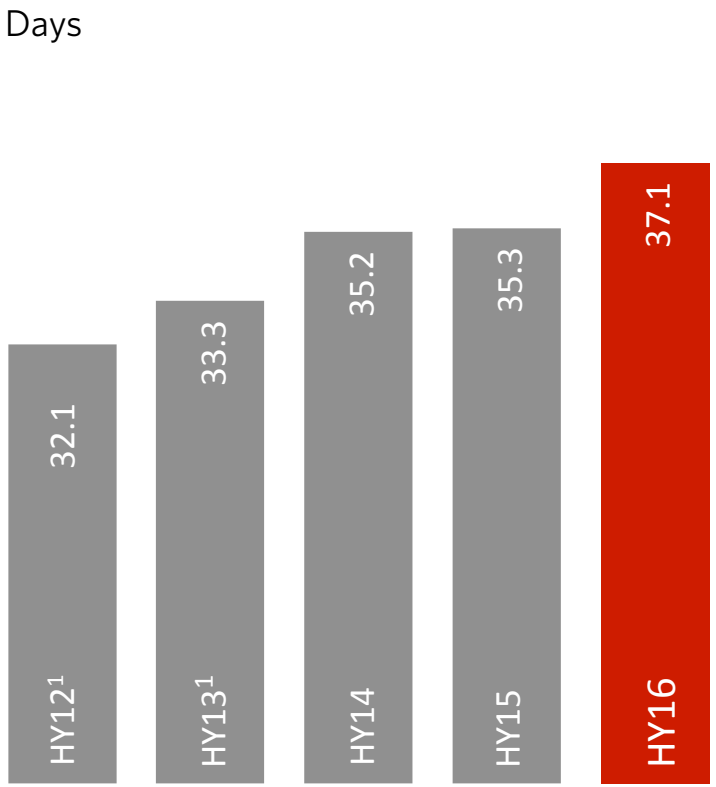
Fuel for Growth Update

- We previously announced that we expected to deliver at least $500m of cost-savings by the end of FY16 primarily across Non-Trade Procurement, Support Functions, Mercury2 and Supermarket Operations
- At the end of HY'16 we had delivered approximately $260m of cumulative cost savings (including savings in H2'15), as detailed below
- These savings have been used to fund our significant investment in areas such as price, service and customer experience
- In addition, whilst we have made some progress in better buying, this has been fully offset by unprecedented levels of COGS inflation including significant increases in livestock prices ($150m compared to H1'15) and other unforseen cost inflation

Area	Savings to date	Examples of progress
Support Functions	$40m	• Reducing complexity and simplifying the organisational structure • Projects include IT contract reviews, simplifying IT apps and various support function efficiencies
Non-Trade Procurement	$190m	• Leveraging scale across businesses, managing demand and improving controls • Projects include: review of media agency contract, Enlighten - LED lighting, refrigeration & AirCon and reduction of external legal costs
Mercury2	$28m	• Implementing lean processes and leveraging technology • Projects include: Secondary Freight pallet optimisation

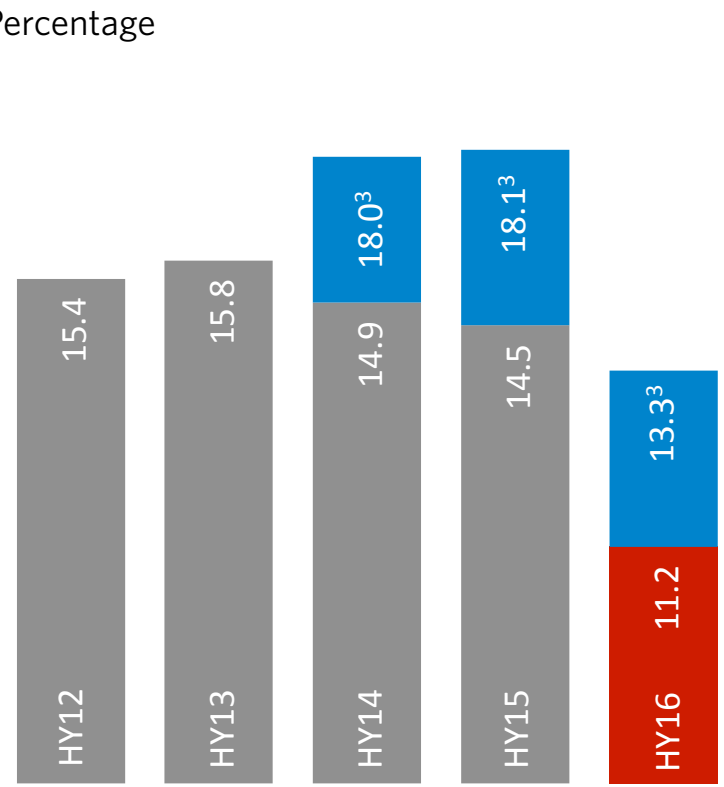
Key Balance Sheet Metrics

Average Inventory Days (excluding Home Improvement)



Average inventory increased 1.8 days on HY15 excluding Home Improvement

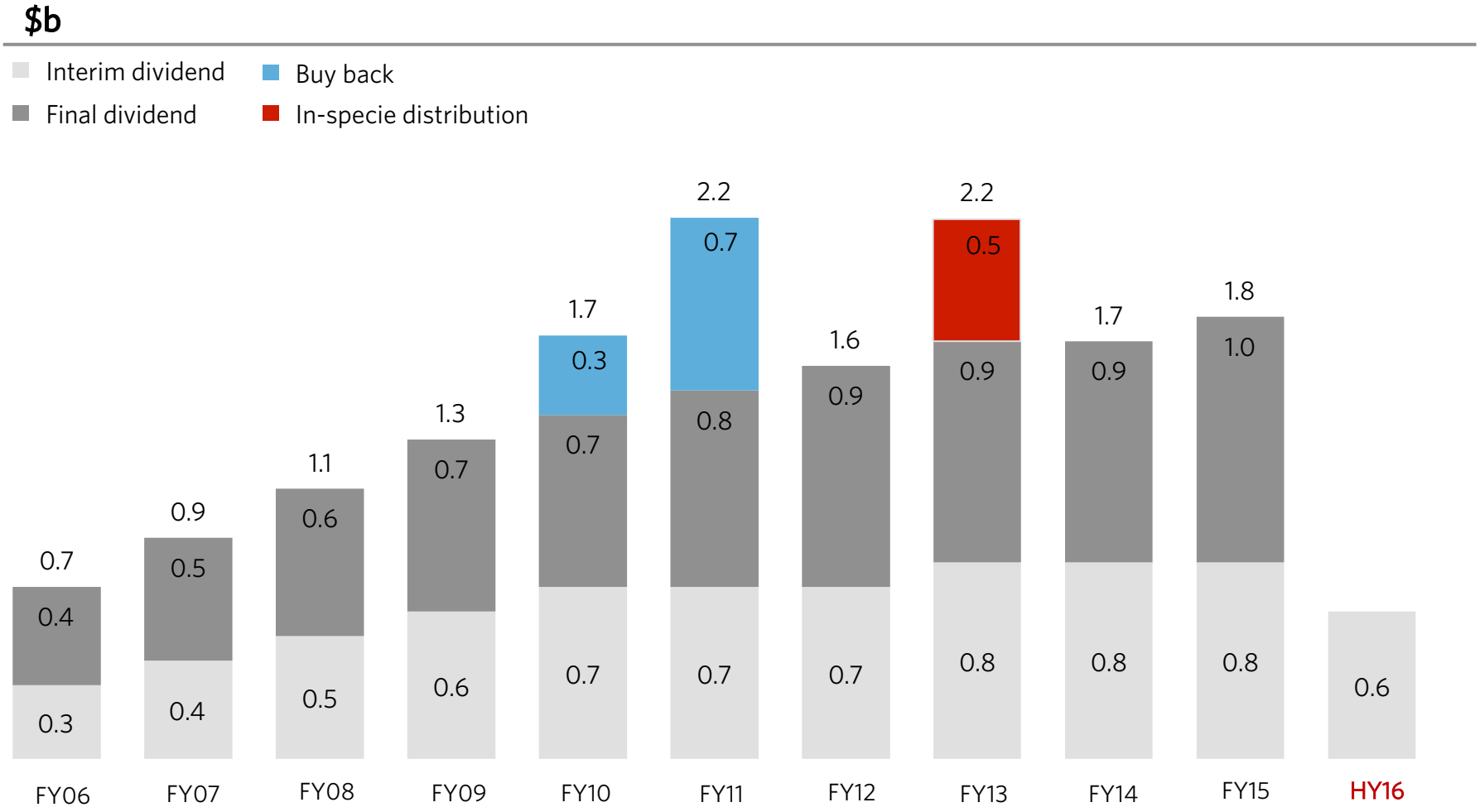
Return On Average Funds Employed From Continuing Operations Before Significant Items[2]



ROFE before significant items[2] was 11.2%, a decrease of 327 bps on HY15 or a decrease of 482 bps after excluding investment in Home Improvement

1. Excludes discontinued operations
2. Significant items in HY16 represent costs of $1,898.5m after tax attributable to shareholders of Woolworths relating to the impairment of assets and store exit costs in Home Improvement. Refer to 'Significant Items' slide for further detail
3. Excludes Home Improvement

HY16 payout ratio (before Significant Items) in line with prior years



Disclaimer

This presentation contains summary information about Woolworths Limited (Woolworths) and its activities current as at the date of this presentation. It should be read in conjunction with Woolworths' other periodic and continuous disclosure announcements filed with the Australian Securities Exchange, available at www.asx.com.au.

This presentation has not been audited in accordance with Australian Auditing Standards.

This presentation contains certain non-IFRS measures that Woolworths believes are relevant and appropriate to understanding its business. Refer to the Half Year Profit/(Loss) and Dividend Announcement for further details.

This presentation is for information purposes only and is not a prospectus or product disclosure statement, financial product or investment advice or a recommendation to acquire Woolworths shares or other securities. It has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal and taxation advice appropriate to their jurisdiction. Past performance is no guarantee of future performance.

No representation or warranty, expressed or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of Woolworths and its related bodies corporate, or their respective directors, employees or agents, nor any other person accepts liability for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it, including, without limitation, any liability from fault or negligence.

This presentation may contain forward-looking statements including statements regarding our intent, belief or current expectations with respect to Woolworths' business and operations, market conditions, results of operations and financial condition, specific provisions and risk management practices. When used in this presentation, the words 'plan', 'will', 'anticipate', 'expect', 'may', 'should' and similar expressions, as they relate to Woolworths and its management, are intended to identify forward-looking statements. Forward looking statements involve known and unknown risks, uncertainties and assumptions and other important factors that could cause the actual results, performances or achievements of Woolworths to be materially different from future results, performances or achievements expressed or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date thereof.