

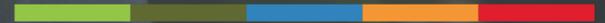


Company Results

HALF-YEAR 2018

23 February 2018

WOOLWORTHS GROUP



Woolworths Group Limited
ABN 88 000 014 675

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Brad Banducci

Key highlights

- Voice of Customer (VOC) scores continue to improve across the Woolworths Group with all businesses improving their customer experience
- Continued improvement in customer metrics driving sales growth with Group sales from continuing operations up 3.8%, with Australian Food sales +4.9% and Endeavour Drinks +4.8%
- Group EBIT from continuing operations up 9.9% with Australian Food EBIT up 11.1% despite continued investment during the half
- BIG W performing in line with the turnaround plan, but still a long way to go
- Pleasing progress on digital agenda with Pick up rolled out to over 1,000 Australian Food sites in the half and a material improvement in the online shopping and delivery experience

Woolworths Group FY18 priorities

Create competitive advantage across Woolworths Group



Create differentiated customer propositions



Engineer a lean operating model



Progress against our key priorities

Customer 1st team and culture



- Increasing VOC scores across the Group
- >1 million VOC feedback surveys completed
- Woolworths Group Purpose, Ways-of-Working and Core Values cascaded to the Group
- Strong VOT maintained and an increase in VOS scores
- '24 Days of Good Acts'- a series of customer-focused events across Australian and New Zealand Food
- More work to do to improve safety performance

Evolve our Endeavour Drinks business



- Strong sales growth from BWS and Dan Murphy's
- High double-digit online sales growth in BWS, Dan Murphy's and Langton's
- Over 300 BWS stores now offering express and scheduled delivery from store
- Steve Donohue appointed as MD, Endeavour Drinks
- More work to do to meet our customers increasing need for convenience

Connected, personalised & convenient shopping experiences



- Material improvements in woolworths.com.au site
- Pick up now live in over 1,000 Australian Food sites
- Successful 'Shop with Rewards' campaign over Christmas in Woolworths Supermarkets, BWS and BIG W
- Opened second Sydney CFC in January and first Melbourne CFC in February
- More to do to improve online and delivery experience and upgrade underlying IT platforms

Unlocking value in our Portfolio



- Continued momentum in sales and EBIT from ALH Hotels with increased focus on responsible gaming
- BIG W turnaround progressing in line with plan
- Robust trading performance from Petrol
- More work to do to deliver a more stable sales base and improve underlying stock flow process in BIG W and assess the most appropriate options for Petrol

Transform Australian and New Zealand Food



- In **Australian Food**, VOC scores improved across all key metrics
- 37 Renewals and 35 Upgrades during the half
- Customer 1st Ranging well progressed and Woolworths brand refresh almost complete
- Improved sales momentum in **New Zealand Food** with further investment planned for FY18
- More work to do to deliver a consistently good customer experience in all stores and days of the week

End-to-end processes - 'better for customers & simpler for stores'



- 1POS rolled out to over 580 Woolworths Supermarkets
- Key process improvements initiatives successfully landed during the half
- Significant improvement in on-shelf availability in December
- Improved store IT support with less than 60 second wait time on calls to IT hotline
- More work to do on making things 'simpler for stores'

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Brad Banducci



Financial Results

Results – Half-year 2018

	Continuing Operations		Total Group	
		Change		Change
Sales	29.8bn	3.8%	32.3bn	0.9%
EBIT	1,430m	9.9%	1,552m	23.4%
NPAT attributable to shareholders of Woolworths	902m	14.7%	969m	37.6%
Earnings per share	69.7¢	13.7%	74.9¢	32.4%
Dividend per share			43¢	26.5%
Return on average funds employed ⁱ	24.0%	323bps	28.1%	804bps
Return on average funds employed - lease adjusted ⁱ	13.8%	118bps	15.3%	317bps

ⁱ HY17 before significant items

Note: unless otherwise stated, all continuing operations results are compared to HY17 continuing operations before significant items

Total Group sales and EBIT includes sales and EBIT from continuing and discontinued operations

Group EBIT

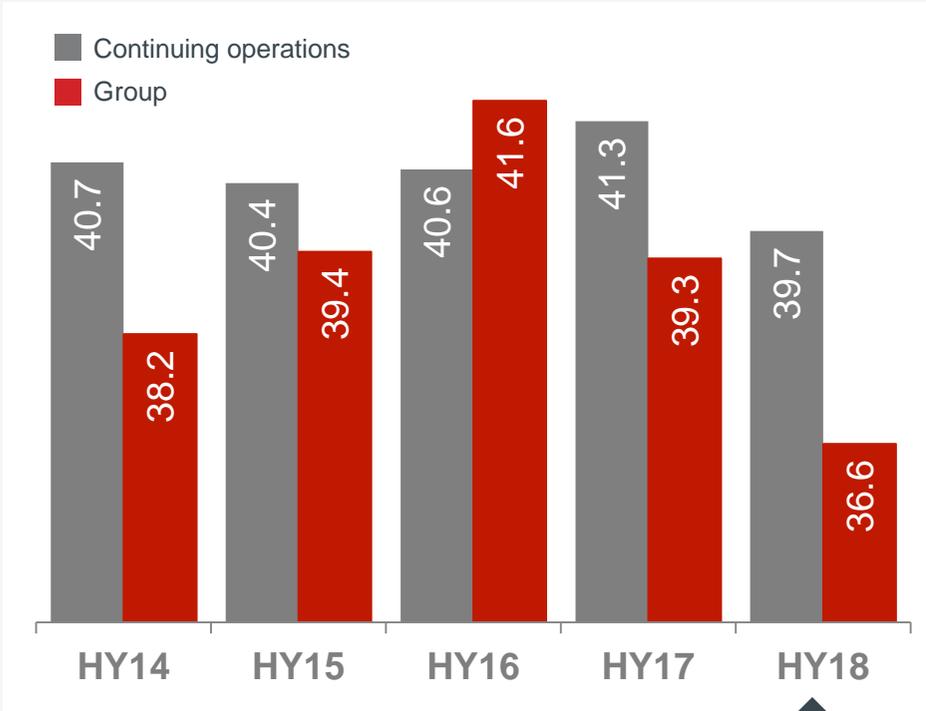
\$m	HY18	HY17	Change
Continuing operations			
Australian Food	901	812	11.1%
Endeavour Drinks	310	302	2.5%
New Zealand Food (AUD)	138	155	(11.1)%
<i>New Zealand Food (NZD)</i>	150	163	(7.7)%
BIG W	(10)	(27)	(64.4)%
Hotels	163	139	17.1%
Central overheads	(72)	(80)	(9.4)%
EBIT continuing operations	1,430	1,301	9.9%
Discontinued operations – Home Improvement	27	(118)	n.m.*
Discontinued operations – Petrol	95	74	27.9%
Group EBIT	1,552	1,257	23.4%

* n.m. not meaningful

Key balance sheet metrics continuing to improve

Average inventory days

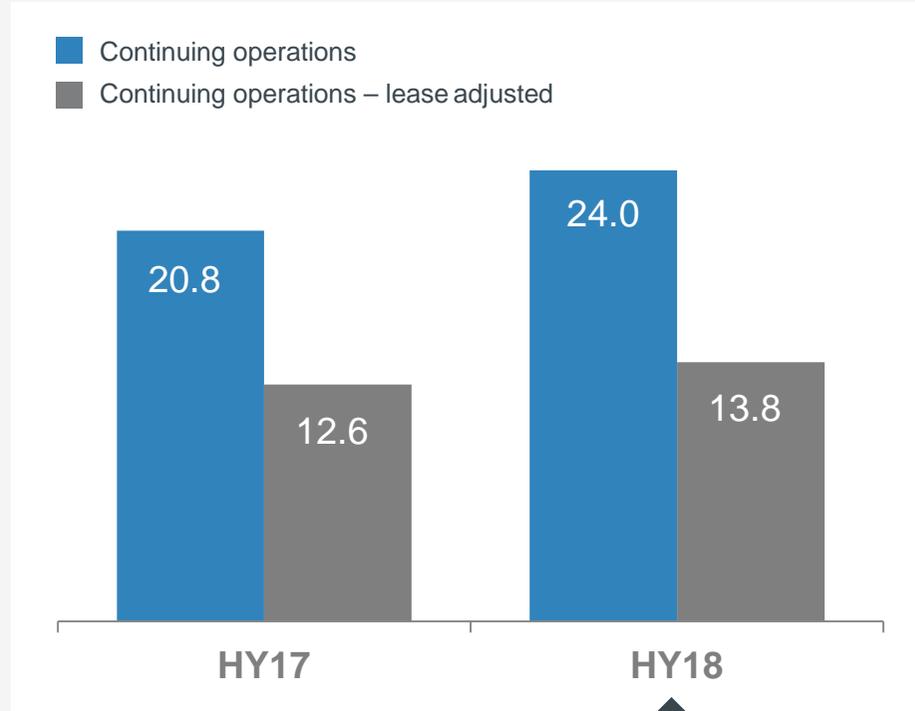
Days



Average inventory days from continuing operations declined by 1.6 days during the year predominately driven by Australian and NZ Food and Endeavour Drinks

ROFE

Percentage



3.2 pts improvement in ROFE (continuing ops) driven by higher EBIT and working capital improvements. Lease-adjusted ROFE (continuing ops) up 1.2 pts

Note: all numbers exclude significant items in FY16

Cash realisation and free cash flow remain strong

Cash flow summary

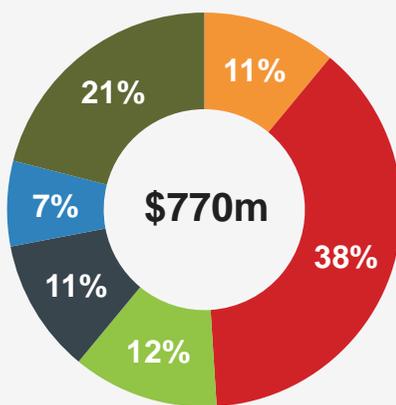
\$m	HY18	HY17	Change
Operating activities before interest and tax	2,406	2,758	(12.7)%
Interest and tax	(431)	(562)	(23.3)%
Operating activities	1,975	2,196	(10.1)%
Investing activities	(605)	(386)	56.9%
Free cash flow before dividends and share issues	1,370	1,810	(24.3)%
Share issues/other	-	56	n.c.*
Dividends	(416)	(271)	53.9%
Free cash flow after dividends and share issues	954	1,595	(40.2)%
Cash realisation ratio	125%	171%	

* n.c. not comparable

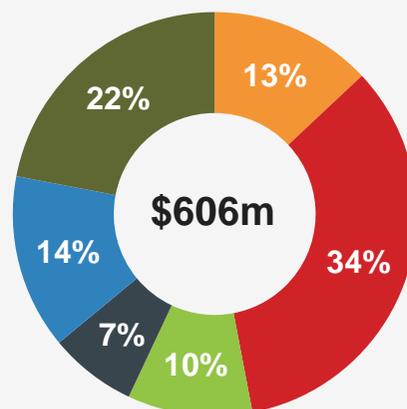
Higher operating capex driven by increased store renewals, IT and digital investment

\$m	HY18	HY17
Continuing operations		
Operating capex	770	606
Property development	107	107
Gross capex	877	713
Property sales	(24)	(162)
Net capex	853	551
Discontinued operations – Home Improvement*	(12)	(6)
Discontinued operations – Petrol	6	14
Group net capex	847	559

Operating capex – HY18



Operating capex – HY17

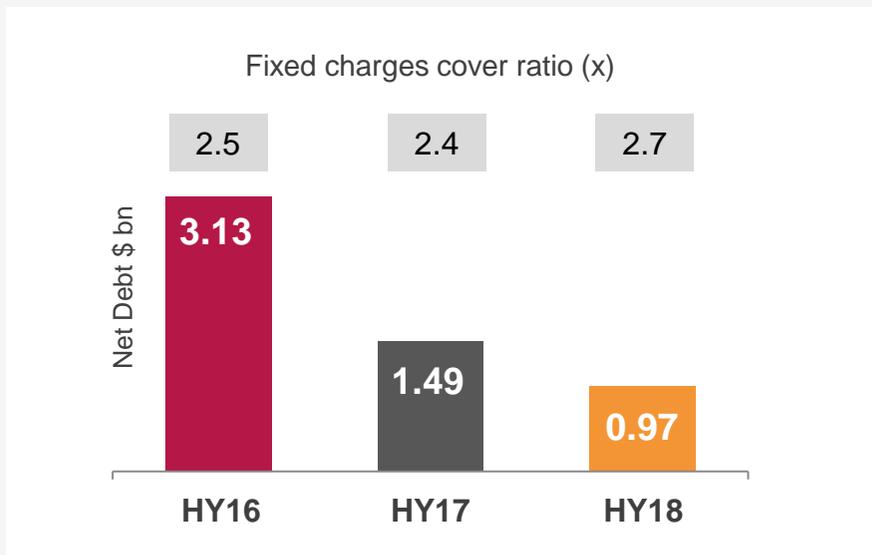
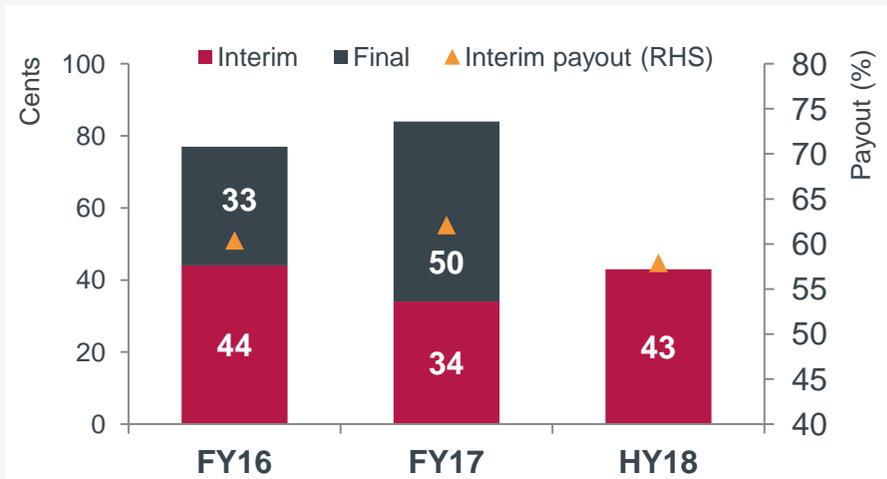


- New stores
- Renewals / Refurbs
- SIB / Other
- Growth
- Supply Chain
- IT

FY18 operating capex guidance of \$1.8bn remains unchanged

* HY18 Home Improvement net capex excludes the sale of 40 Masters freehold trading sites and 21 Masters freehold development sites. These were included in the sale of Hydrox Holdings Pty Ltd on 11 October 2017 for a headline sale price of \$525m

Capital management



Dividend and Dividend Reinvestment Plan

- Fully franked FY18 interim dividend of 43 cents per share – up 26% on prior year
- DRP discount of 1.5% retained for FY18 interim dividend, but will not apply to FY18 final dividend or for the foreseeable future

Debt and credit rating

- Committed to solid investment grade rating
- All credit metrics strengthened in line with higher EBIT

Funding & liquidity

- Sources of funding and liquidity remain strong in light of credit rating

Portfolio businesses

- ACCC decision on partnership with BP in relation to Petrol has no impact on credit rating, funding or liquidity

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Business Update

WOOLWORTHS GROUP





Woolworths
The fresh food people

Australian Food

	HY18	HY17	Change
Sales (\$m)	19,339	18,440	4.9%
EBITDA (\$m)	1,207	1,096	10.3%
EBIT (\$m)	901	812	11.1%
Gross margin (%)	28.8	28.3	55bps
Cost of doing business (%)	24.2	23.9	29bps
EBIT to sales (%)	4.7	4.4	26bps
Sales per square metre (\$)	16,259	15,715	3.5%
ROFE (%)	199	152	47pts

Our FY18 strategy: From turnaround to transformation

Scale-up the future



Extend core
customer offer



Excel on the basics



Progress highlights

Create the future

- Record customer satisfaction levels with Overall Customer Satisfaction (including Online) reaching 82% and December store-controllable VOC of 84%, up from 80% a year ago
- Opened net 10 new Woolworths Supermarkets and 3 Metro stores, 37 Renewals and 35 Upgrades
- Investment in digital and data capability delivered an improved online VOC and 28% online sales growth
- Renewal program continues to push boundaries with opening of Marrickville Metro
- Metro and online experiencing strong double digit growth rates
- Pick up now live in over 1,000 Australian Food sites with increasingly positive customer satisfaction
- Over 10.5m Rewards members and launched Apple Wallet to Rewards customers



Deliver on core customer offer

- We continue to lower shelf prices with over 4,200 SKUs on Dropped & Always program at the end of H1'18
- Over 5,700 SKUs rebranded to Woolworths and Essentials and delivering strong unit growth
- Significant improvement in Fruit & Vegetables VOC (+7 on last year) as we focus on quality and availability
- As part of our '24 Days of Good Acts' Woolworths paid for 2,000 families Christmas shopping
- 2 million meals for Australians in need distributed through our OzHarvest partnership



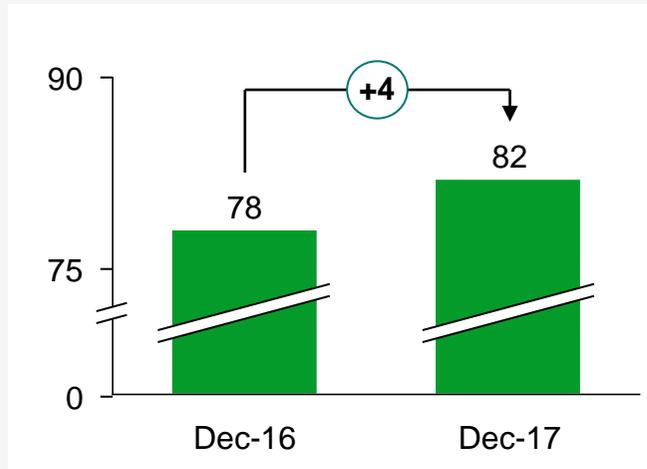
Fix the basics

- Continue to see improvements in stock loss
- 1POS rolled out to over 580 stores
- Voice of Supplier metrics continuing to improve with further opportunity
- Significant improvement in on-shelf availability in December
- Implemented Customer Led Rostering to support the team to roster hours more closely to when customers are shopping

Customer highlights

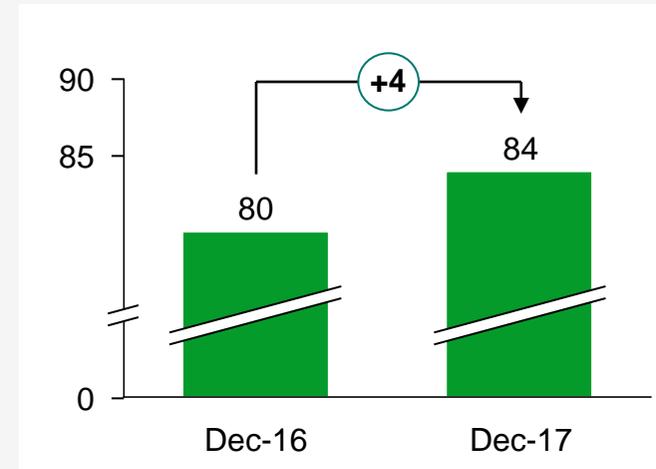
Overall Satisfaction – Store & Online

% customers satisfied, 6 or 7 out of 7

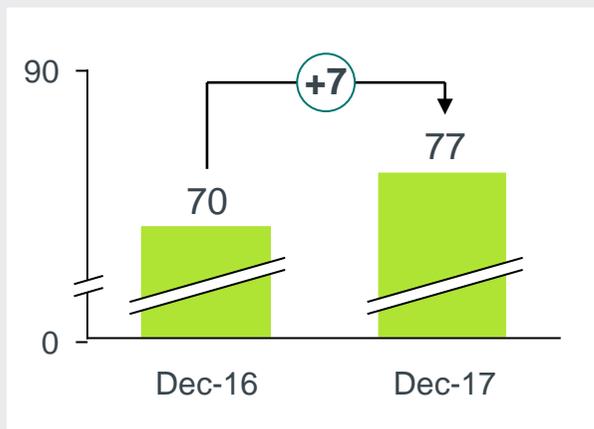


Store-Controllable VOC

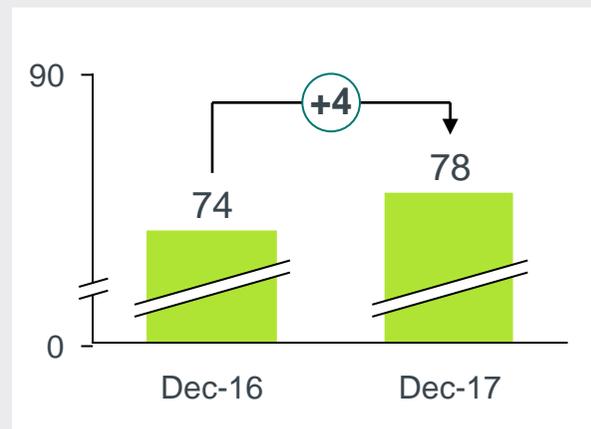
% customers satisfied, 6 or 7 out of 7



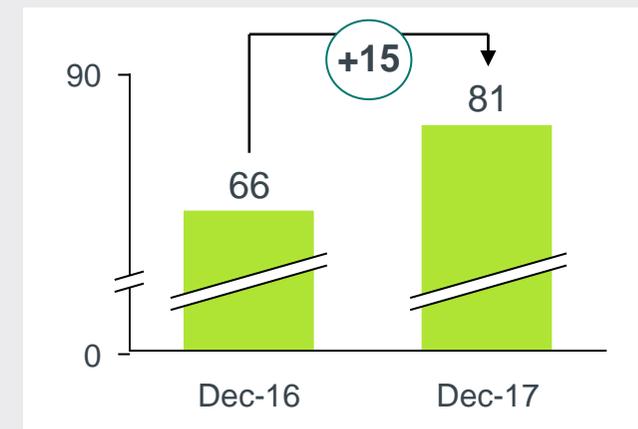
Fruit & Vegetables



Product Availability



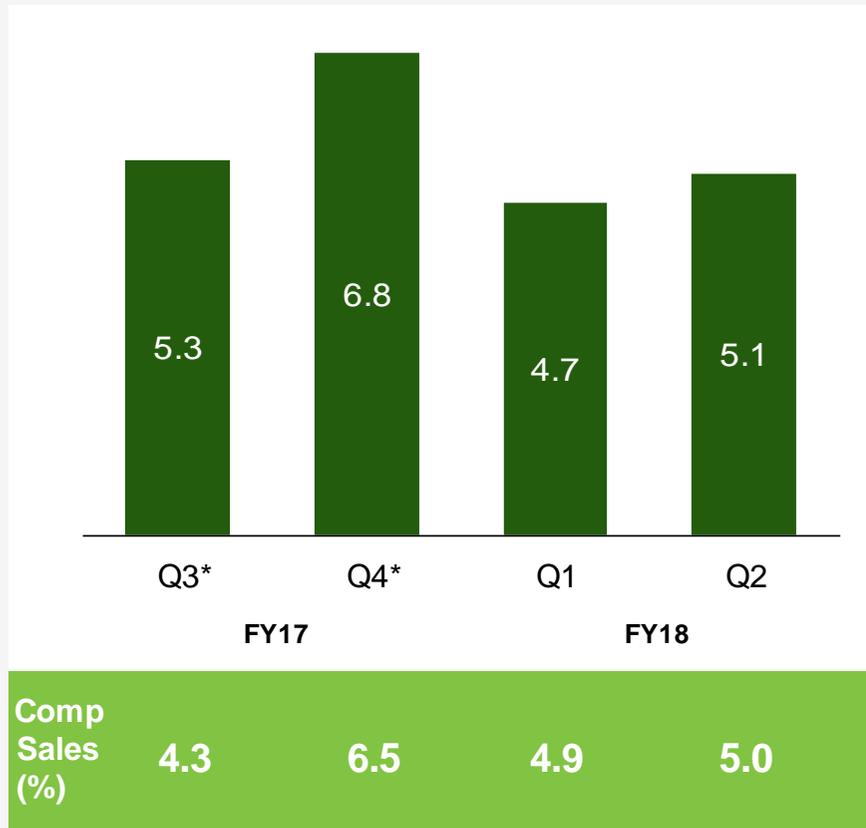
Ease of Collection (Pick Up)



Sales highlights

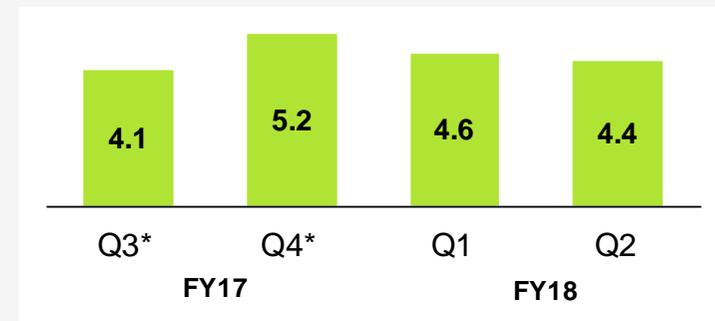
Australian Food sales

(% year on year)



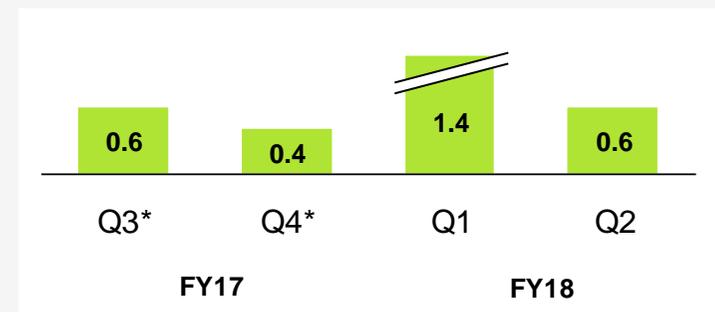
Comp transaction growth

(% year on year)



Comp items per basket growth

(% year on year)



* Adjusted for the timing of Easter which fell in Q4'17 (Q3'16LY)

Renewal highlights

Renewal progress

- We are in the second year of our five year plan with 29% of our fleet renewed in the first 18 months
 - 146 Renewals completed since program launch
 - 134 Upgrades completed since program launch
- Our proposition is resonating with Premium customers with an opportunity to dial up value in Budget stores
- Marrickville Metro and Plumpton represent the next step forward in our program. Both opened in December and trading well
- Most recently: 21 Drive up/Drive through Pick up sites landed

Key metrics

- Performing strongly on sales, in line with expectations
- Customer growth **+7%pts**
- Renewal Overall Customer Satisfaction **+8%pts**
- Resetting culture and engagement - Team advocacy **+6%pts**

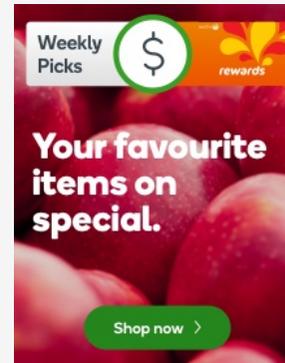


WooliesX highlights

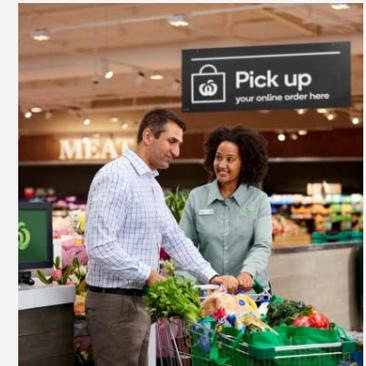
Building **internal digital and data capabilities** to deliver customer benefits faster and differentiate



Extended our **Rewards Personalisation Engine** into woolworths.com.au and BWS



Rolled-out **Pick up** to all 1000+ Australian Food sites with high VOC satisfaction



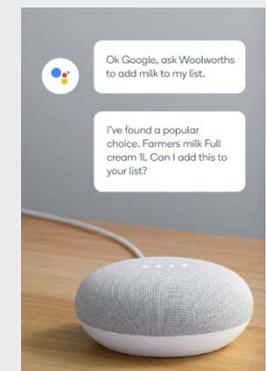
Three **Customer Fulfilment Centres** now operating and improved **online fulfilment experience**

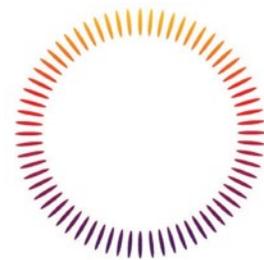


Launched **Rewards card in Apple Wallet** with strong customer uptake & engagement



Launched **Woolworths Voice Assistant** for Google Home to build shopping lists





ENDEAVOUR
DRINKS GROUP

	HY18	HY17	Change
Sales (\$m)	4,529	4,319	4.8%
EBITDA (\$m)	350	340	2.7%
EBIT (\$m)	310	302	2.5% ¹
Gross margin (%)	23.0	23.1	(13)bps
Cost of doing business (%)	16.1	16.1	3bps
EBIT to sales (%)	6.8	7.0	(16)bps ²
Sales per square metre (\$)	18,219	18,005	1.2%
ROFE (%)	17.6	16.7	98bps

¹ Normalised EBIT growth (excluding the gain on sale of STI in FY17): 5.5%

² Normalised EBIT % to sales change (excluding the gain on sale of STI in FY17): +5bps

Dan Murphy's highlights



H1'18 highlights



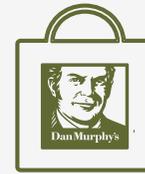
Six net new stores opened, bringing total fleet to 225 (refurbished 18)



Awarded '**Online Liquor Store of the Year**' by Liquor Stores Association NSW



2.8m My Dan Murphy's Members



Pick up

Launched **new drive through Pick up** model



Focus on **in-store experience**

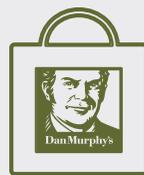


Record **VOC score**

H2'18 focus



Dan Murphy's **website replatform** – personalised content



Pick up

Continued improvements to **Pick up experience**



21 refurbishments planned



Season three At the Cellar with high profile sporting celebrity



Two new store openings*

* Excludes any replacement stores

BWS highlights

H1'18 highlights



17 net new store openings
taking BWS above 1,300 stores



Express and Scheduled Delivery from over 300 stores covering major Metro areas



Partnering with Australian Supermarkets and Woolworths Rewards



Successful brand refresh



Continued strength in Team Engagement



Record VOC score

H2'18 focus



Customer 1st Ranging



Strengthen Rewards participation



Expansion of Express delivery



Leverage technology to drive ultra convenient ways to shop



countdown 

New Zealand Food

	HY18	HY17	Change
Sales (\$m)	3,317	3,203	3.6%
EBITDA (\$m)	216	223	(3.1)%
EBIT (\$m)	150	163	(7.7)%
Gross margin (%)	24.0	24.0	6bps
Cost of doing business (%)	19.5	18.9	62bps
EBIT to sales (%)	4.5	5.1	(56)bps
Sales per square metre (\$)	15,228	14,960	1.8%
ROFE (%)	9.9	10.1	(19)bps

New Zealand Food highlights

H1'18 highlights

Core sales growth

+3.0%

H1 comparable sales growth

Customer perception

- ✓ Overall VOC
- ✓ Overall Customer Satisfaction
- ✓ Online NPS

Service investment

- Improved on-shelf product availability
- Improved service perceptions
 - ✓ Overall Service
 - ✓ Team Attitude
- Stock loss reductions

Driving online

- Pick up and delivery capacity expansion
- Lower Pick up and delivery fees
- Strong double-digit growth

H2'18 focus



Continue to deliver low prices every day



Further enhance customer service



Continue focus on fresh food including team knowledge and consistency of fresh



Drive further online and digital growth



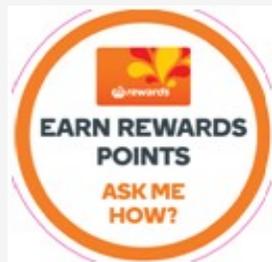
Continue Customer-led Ranging and focus capital on store renewal



	HY18	HY17	Change
Sales (\$m)	2,037	2,015	1.1%
EBITDA (\$m)	29	13	122.1%
LBIT (\$m)	(10)	(27)	(64.4)%
Gross margin (%)	31.8	32.1	(30)bps
Cost of doing business (%)	32.2	33.4	(117)bps
LBIT to sales (%)	(0.5)	(1.4)	88bps
Sales per square metre (\$)	3,366	3,413	(1.4)%
ROFE (%)	(30.6)	(21.7)	(9)pts

H1'18 highlights

- Turnaround on track – Customer 1st
- Making progress on our priorities:
Prices down across range
- Sales improved, transactions and units up
- Light store refresh in 121 stores
- Rejoined Woolworths Rewards
- Improved VOC scores



H2'18 focus

- Improve our VOC scores
- Keep investing in price for customer
- Grow digital offer – range, convenience
- Engage BIG W team members
- Complete store light refresh
- Customer 1st Ranging trials and rollout
- Improve stock flow



Start of the journey – a long way to go



	HY18	HY17	Change
Sales (\$m)	861	829	4.0%
EBIT (\$m)	163	139	17.1%
Gross margin (%)	84.3	82.5	178bps
Cost of doing business (%)	65.4	65.7	(34)bps
EBIT to sales (%)	18.9	16.8	212bps

- Sales growth in all key areas of the business driving strong EBIT improvement

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Outlook

- Focus on transforming our business will continue to be the emphasis for the H2'18 and FY19. Our goal is to deliver a consistently good experience for both our customers and team and leverage end-to-end process redesign and technology to improve underlying productivity
- Australian Food will begin to cycle the strong second half sales recovery in FY17 which may see a moderation in the sales growth rate for the second half. For the first seven weeks of H2'18, Australian Food comparable sales growth has been approximately 3.7%, impacted by the timing of New Year's Day
- We are pleased with the customer response in New Zealand Food to our investment which will continue in H2'18
- We will continue to focus on delivering against the BIG W turnaround plan and expect a better second half result than the prior year, with the FY18 loss before interest and tax currently expected to be \$80 - \$120 million. There remains much more to do with improving stock flow a particular area of focus for H2'18
- Delivering on our change agenda in the second half, especially our accelerated strategic investments in IT, digital and data is key to our transformation

Our Q3'18 sales release is currently scheduled for 2 May 2018

Woolworths Group Purpose





Thank you

WOOLWORTHS GROUP



Glossary

Cash realisation ratio	Operating cash flow as a percentage of group net profit after tax before depreciation and amortisation
Comparable sales	Measure of sales which excludes stores that have been opened or closed in the last 12 months and demonstrable impact on existing stores from store disruption as a result of store refurbishment or new store openings
Cost of doing business	Expenses which relate to the operation of the business
Fixed charges cover ratio	Group earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) divided by rent and interest costs. Rent and interest costs include capitalised interest but exclude foreign exchange gains/losses and dividend income
Free cash flow	Cash flow generated by the Woolworths Group after equity related financing activities including dividends
Funds employed	Net assets employed excluding net tax balances
Net assets employed	Net assets excluding net repayable debt and other financial liabilities
Net Promoter Score	A loyalty measure based on a single question where a customer rates a business on a scale of 1-10. The score is the net result of the percentage of customers providing a score of 9 or 10 (promoters) less the percentage of customers providing a score of 0-6 (detractors)
Net repayable debt	Borrowings less cash balances including debt hedging derivatives
Renewals	A total store transformation focused on the overall store environment, team, range and process efficiency (including digital)
ROFE	Return on Funds Employed (ROFE) is calculated as EBIT before significant items for the previous 12 months as a percentage of average funds employed. Lease adjusted ROFE adjusts funds employed for the present value of future lease obligations and EBIT for the implied interest on those obligations
Sales per square metre	Total sales for the previous 12 months by business divided by average trading space
Stock loss	The value of stock written-off, wasted, stolen, cleared, marked down or adjusted from all stores nationally (sometimes expressed as a percentage of sales)
Upgrades	A lighter upgrade typically involving a front-of-store upgrade and Produce/ Bakery enhancement
Voice of Customer	Externally facilitated survey of a sample of Woolworths Group customers where customers rate Woolworths Group businesses on a number of criteria. Expressed as the percentage of customers providing a rating of six or seven on a seven point scale
Voice of Supplier	Voice of Supplier (VOS) is a bimonthly survey (six times per year) of a broad spectrum of Australian Foods' suppliers facilitated by an external provider. The survey is used to provide an ongoing measure of the effectiveness of business relationships with the supplier community. VOS is the average of the suppliers' rating on a seven point scale across various attributes. The score is the percentage of suppliers that provided a rating of six or seven on a seven point scale
Voice of Team	The Voice of Team (VOT) survey measures sustainable engagement of our team members as well as their advocacy of Woolworths as a place to work and shop. The survey consists of nine sustainable engagement questions, three key driver questions and two advocacy questions

Glossary

Other non-IFRS measures used in describing the business performance include:

- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)
- Cash flow from operating activities before interest and tax
- Comparable sales
- Net assets employed
- Funds employed
- Significant items
- Fixed assets and investments
- Net investment in inventory
- Free cash flow after equity related financing activities
- Net assets held for sale
- Net tax balances
- Other financial assets and liabilities

Disclaimer

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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 Full Year Profit/(Loss) and Dividend Announcement for further details.

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