

## **ASX RELEASE**

26 February 2016

### **HALF YEAR FINANCIAL REPORT OF WOOLWORTHS LIMITED (ASX: WOW) FOR THE HALF YEAR ENDED 3 JANUARY 2016**

This Half Year Financial Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3 and should be read in conjunction with the 2015 Annual Financial Report and any announcements made to the market during the period.

Current Reporting Period: Half year ended 3 January 2016 (27 weeks)

Previous Corresponding Period: Half year ended 4 January 2015 (27 weeks)

# HALF YEAR FINANCIAL REPORT OF WOOLWORTHS LIMITED FOR THE HALF YEAR ENDED 3 JANUARY 2016

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF YEAR ENDED 3 JANUARY 2016

### Revenue and Net Loss

		Percentage Change %		Amount \$m
Revenue from ordinary activities	down	1.4	to	32,219.1
Loss from ordinary activities after tax attributable to members	down	176.0	to	(972.7)
Net loss attributable to members	down	176.0	to	(972.7)

### Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

Refer to Press Release – Half Year Profit/(Loss) and Dividend Announcement for the 27 weeks ended 3 January 2016.

### Details Relating to Dividends (Distributions)

2016 Financial Year	Amount per security	Franked amount per security
Interim dividend	44¢	44¢
Record date for determining entitlement to the interim dividend:	4 March 2016	

		Date dividend payable/paid	Amount per security ¢
Interim dividend	2016	8 April 2016	44
	2015	24 April 2015	67

### Interim dividend (distribution) per security

	3-Jan-16 ¢ per share	4-Jan-15 ¢ per share
Ordinary securities (fully franked at 30% tax rate)	44	67

### Interim dividend (distribution) on all securities

	3-Jan-16 \$m	4-Jan-15 \$m
Ordinary securities	559.2 <sup>1</sup>	846.3

<sup>1</sup> Represents the anticipated dividend based on the shares on issue as at the date of this report. This value will change if shares are issued between the date of this report and the ex-dividend date.

## RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF YEAR ENDED 3 JANUARY 2016

### Details Relating to Dividends (Distributions) (continued)

Other disclosures in relation to dividends (distributions):

On 26 February 2016, the Board of Directors declared an interim dividend of 44 cents per share. The amount that is expected to be paid on 8 April 2016 will be approximately \$559.2 million. No provision has been made in the Half Year Financial Report in line with the requirements of AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

### Dividend Reinvestment Plans

The Dividend Reinvestment Plan shown below is in operation.

#### Dividend Reinvestment Plan (DRP)

Under the terms and conditions of the DRP, eligible shareholders may elect to participate in the DRP in respect of all or part of their shareholding, subject to any maximum and/or minimum number of shares to participate in the DRP that the directors may specify. There is currently no minimum or maximum number of shares which a shareholder may designate as participating in the DRP.

In accordance with the DRP rules, the Directors have determined that a 1.5% discount will apply to the 2016 interim dividend. Therefore, shares allocated under the DRP for the 2016 interim dividend will be allocated at an amount equal to 98.5% of the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of 10 trading days commencing on Tuesday 8 March 2016.

The last date for receipt of election notices for the Dividend Reinvestment Plan

7 March 2016

### Net Tangible Assets Per Security

	3-Jan-16 ¢ per share	4-Jan-15 ¢ per share
Net tangible assets per security	223.0	352.4
Add:		
Brand names, liquor and gaming licences, customer relationships, distribution rights and property development rights per security	188.8	193.8
Net tangible assets per security adjusted for brand names, liquor and gaming licences, customer relationships, distribution rights and property development rights	<b>411.8</b>	<b>546.2</b>

## RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF YEAR ENDED 3 JANUARY 2016

### Details of Entities Over Which Control Has Been Gained or Lost

Control was not gained or lost over entities (or group of entities) during the 27 week period ended 3 January 2016.

### Details of Associates

Name of Entity	Ownership Interest	
	3-Jan-16	4-Jan-15
<b>Associates</b>		
Gage Roads Brewing Co Limited	23.5%	25%
The Quantum Group Holdings Pty Limited	50%	50%

### Information on Audit or Review

This Half Year Financial Report is based on accounts to which one of the following applies.

- ☐ The accounts have been audited.
 ☒ The accounts have been subject to review.
- ☐ The accounts are in the process of being audited or subject to review.
 ☐ The accounts have not yet been audited or reviewed.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

Not applicable.

Description of dispute or qualification if the accounts have been audited or subjected to review.

Not applicable.

## DIRECTORS' REPORT

The directors of Woolworths Limited submit herewith the Half Year Financial Report of Woolworths Limited and its subsidiaries (the "Group" or "Consolidated Entity") for the half year ended 3 January 2016. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### DIRECTORS

Set out below are the names of the Woolworths Limited directors holding office at any time during the half year ended 3 January 2016 and up to the date of this Report:

#### Non-Executive Directors

G M Cairns	Chairman (appointed 1 September 2015)
R G Waters	Chairman (retired 1 September 2015)
J R Broadbent	
C Cross	(retired 23 November 2015)
C J Hrdlicka	(retired 8 February 2016)
H S Kramer	(appointed 8 February 2016)
A D D Mackay	(retired 23 October 2015)
S L McKenna	(appointed 8 February 2016)
S R Perkins	
M J Ullmer	

#### Executive Directors

G O'Brien	Managing Director and Chief Executive Officer
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Mr O'Brien is retiring by mutual agreement with the Company, pursuant to a Transition and Separation Deed. In order to facilitate the transition to a new Managing Director and Chief Executive Officer, Mr O'Brien has agreed to continue in his current role as long as is required by the Board.

### REVIEW AND RESULTS OF OPERATIONS

Refer to Press Release – Half Year Profit/(Loss) and Dividend Announcement for the 27 weeks ended 3 January 2016.

### ROUNDING OF AMOUNTS

The Company is of the kind referred to in Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998 pursuant to s.341(1) of the *Corporations Act 2001*, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. In accordance with that Class Order, amounts in the Directors' Report and Half Year Financial Report have been rounded off to the nearest tenth of a million dollars, unless otherwise indicated.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under s.307C of the *Corporations Act 2001* is set out on page 7.

This Report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.



#### GORDON CAIRNS

Chairman  
Sydney, 26 February 2016



#### GRANT O'BRIEN

Managing Director and Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION



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The Board of Directors  
Woolworths Limited  
1 Woolworths Way  
Bella Vista  
NSW 2153

26 February 2016

Dear Board Members

**Auditor's Independence Declaration to Woolworths Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Woolworths Limited.

As lead audit partner for the review of the financial statements of Woolworths Limited for the half year ended 3 January 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that reads "G. Couttas".

G Couttas  
Partner  
Chartered Accountants

## INDEPENDENT AUDITOR'S REVIEW REPORT



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## Independent Auditor's Review Report to the Members of Woolworths Limited

We have reviewed the accompanying half year financial report of Woolworths Limited, which comprises the condensed consolidated statement of financial position as at 3 January 2016, the condensed consolidated statement of profit or loss, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 10 to 25.

### *Directors' Responsibility for the Half Year Financial Report*

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 3 January 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Woolworths Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



## INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

**Deloitte.**

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

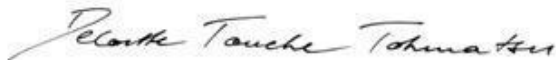
*Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Woolworths Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.


*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Woolworths Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 3 January 2016 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



G Couttas  
Partner  
Chartered Accountants  
Sydney, 26 February 2016

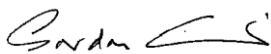
## DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors



**GORDON CAIRNS**

Chairman



**GRANT O'BRIEN**

Managing Director and Chief Executive Officer

Sydney, 26 February 2016

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF YEAR ENDED 3 JANUARY 2016

		3-Jan-16 \$m	4-Jan-15 \$m
	<b>Note</b>		
Revenue from the sale of goods		31,982.8	32,431.2
Other operating revenue		102.8	108.3
<b>Total revenue</b>		<b>32,085.6</b>	<b>32,539.5</b>
Cost of sales	4(b)	(23,472.9)	(23,831.7)
<b>Gross profit</b>		<b>8,612.7</b>	<b>8,707.8</b>
Other revenue		133.5	140.9
Branch expenses	4(b)	(5,659.2)	(5,350.7)
Administration expenses		(1,630.4)	(1,517.0)
Impairment of Home Improvement assets and store exit costs	4(a)	(3,249.5)	-
<b>(Loss)/Earnings before interest and tax</b>		<b>(1,792.9)</b>	<b>1,981.0</b>
Financial expense		(140.1)	(154.0)
Financial income		6.5	10.1
<b>Net financing costs</b>		<b>(133.6)</b>	<b>(143.9)</b>
<b>(Loss)/Profit before income tax</b>		<b>(1,926.5)</b>	<b>1,837.1</b>
Income tax expense		(161.0)	(553.0)
<b>(Loss)/Profit for the period</b>		<b>(2,087.5)</b>	<b>1,284.1</b>
<b>(Loss)/Profit attributable to:</b>			
Equity holders of the parent entity		(972.7)	1,280.4
Non-controlling interests		(1,114.8)	3.7
<b>(Loss)/Profit for the period</b>		<b>(2,087.5)</b>	<b>1,284.1</b>
<b>Earnings Per Share (EPS)</b>			
Basic EPS (cents per share)		(77.1)	102.0
Diluted EPS (cents per share)		(77.1)	101.8
Weighted average number of shares used in the calculation of Basic EPS (million)		1,261.8	1,254.9

The condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes to the condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 3 JANUARY 2016

	3-Jan-16 \$m	4-Jan-15 \$m
<b>(Loss)/Profit for the period</b>	<b>(2,087.5)</b>	<b>1,284.1</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to profit or loss</i>		
<i>Hedging reserve</i>		
Movement in the fair value of cash flow hedges	72.6	441.5
Income tax effect	(21.8)	(132.5)
Transfer cash flow hedges to the statement of profit or loss	(72.1)	(407.4)
Income tax effect	20.7	122.2
<i>Foreign currency translation reserve</i>		
Movement in translation of foreign operations taken to equity	157.2	91.0
Income tax effect	(20.1)	(10.3)
<i>Items that will not be reclassified to profit or loss</i>		
<i>Equity instrument reserve</i>		
Movement in the fair value of investments in equity securities	2.4	9.5
<b>Other comprehensive income (net of tax)</b>	<b>138.9</b>	<b>114.0</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(1,948.6)</b>	<b>1,398.1</b>
<b>Total comprehensive (loss)/income attributable to:</b>		
Equity holders of the parent entity	(833.8)	1,394.1
Non-controlling interests	(1,114.8)	4.0
<b>Total comprehensive (loss)/income for the period</b>	<b>(1,948.6)</b>	<b>1,398.1</b>

The condensed consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes to the condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 3 JANUARY 2016

	Note	3-Jan-16 \$m	28-Jun-15 \$m	4-Jan-15 \$m
<b>Current assets</b>				
Cash and cash equivalents		1,002.4	1,333.4	1,550.3
Trade and other receivables		1,022.0	885.2	940.1
Current tax assets		69.4	-	-
Inventories		4,923.1	4,872.2	4,835.2
Other financial assets		131.0	188.5	90.9
		<b>7,147.9</b>	<b>7,279.3</b>	<b>7,416.5</b>
Assets held for sale		359.5	381.6	287.4
<b>Total current assets</b>		<b>7,507.4</b>	<b>7,660.9</b>	<b>7,703.9</b>
<b>Non-current assets</b>				
Trade and other receivables		49.1	116.7	118.9
Other financial assets		607.9	497.6	564.6
Property, plant and equipment		8,739.7	10,062.1	9,721.0
Intangible assets		6,254.3	6,244.5	6,432.0
Deferred tax assets		1,024.5	755.0	740.0
<b>Total non-current assets</b>		<b>16,675.5</b>	<b>17,675.9</b>	<b>17,576.5</b>
<b>Total assets</b>		<b>24,182.9</b>	<b>25,336.8</b>	<b>25,280.4</b>
<b>Current liabilities</b>				
Trade and other payables		6,837.3	6,181.2	5,795.7
Borrowings		1,112.4	1,645.4	1,147.9
Current tax liabilities		-	100.9	187.3
Other financial liabilities		132.8	161.2	192.1
Provisions		1,579.7	1,079.9	1,028.4
<b>Total current liabilities</b>		<b>9,662.2</b>	<b>9,168.6</b>	<b>8,351.4</b>
<b>Non-current liabilities</b>				
Borrowings		3,412.2	3,079.3	3,752.0
Other financial liabilities		166.8	1,075.1	1,115.1
Provisions		1,243.2	599.4	594.1
Other		289.9	282.4	281.6
<b>Total non-current liabilities</b>		<b>5,112.1</b>	<b>5,036.2</b>	<b>5,742.8</b>
<b>Total liabilities</b>		<b>14,774.3</b>	<b>14,204.8</b>	<b>14,094.2</b>
<b>Net assets</b>		<b>9,408.6</b>	<b>11,132.0</b>	<b>11,186.2</b>
<b>Equity</b>				
Issued capital	8	5,171.8	5,064.9	4,964.0
Shares held in trust	8	(98.0)	(155.9)	(159.4)
Reserves		65.8	95.1	278.7
Retained earnings		3,948.5	5,830.1	5,799.9
<b>Equity attributable to equity holders of the parent entity</b>		<b>9,088.1</b>	<b>10,834.2</b>	<b>10,883.2</b>
Non-controlling interests		320.5	297.8	303.0
<b>Total equity</b>		<b>9,408.6</b>	<b>11,132.0</b>	<b>11,186.2</b>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes to the condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 3 JANUARY 2016

For the half year ended 3 January 2016

	Issued Capital	Shares Held In Trust	Hedging Reserve	Foreign Currency Translation Reserve	Remuneration Reserve	Asset Revaluation Reserve	Equity Instrument Reserve	General Reserve	Retained Earnings	Equity Attributable to Members of Woolworths Limited	Non- Controlling Interests	Total Equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 29 June 2015	5,064.9	(155.9)	(66.1)	(37.2)	266.8	16.5	9.3	(94.2)	5,830.1	10,834.2	297.8	11,132.0
Loss after income tax expense	-	-	-	-	-	-	-	-	(972.7)	(972.7)	(1,114.8)	(2,087.5)
Other comprehensive (loss)/income for the period (net of tax)	-	-	(0.6)	137.1	-	-	2.4	-	-	138.9	-	138.9
<b>Total comprehensive (loss)/income for the period (net of tax)</b>	-	-	(0.6)	137.1	-	-	2.4	-	(972.7)	(833.8)	(1,114.8)	(1,948.6)
Dividends paid	-	-	-	-	-	-	-	-	(912.0)	(912.0)	(16.5)	(928.5)
Dividends paid - treasury shares	-	-	-	-	-	-	-	-	3.1	3.1	-	3.1
Issue of shares as a result of the dividend reinvestment plan	106.9	-	-	-	-	-	-	-	-	106.9	-	106.9
Issue of shares under the employee share plan and long term incentive plans	-	57.9	-	-	(57.9)	-	-	-	-	-	-	-
Issue of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	120.0	120.0
Equity settled share based payments expense	-	-	-	-	38.2	-	-	-	-	38.2	-	38.2
Reclassification of non-controlling interests for recognition of financial liability	-	-	-	-	-	-	-	-	-	-	886.5	886.5
Transactions with non controlling interests	-	-	-	-	-	-	-	(148.3)	-	(148.3)	148.3	-
Other	-	-	(0.2)	-	-	-	-	-	-	(0.2)	(0.8)	(1.0)
<b>Balance at 3 January 2016</b>	<b>5,171.8</b>	<b>(98.0)</b>	<b>(66.9)</b>	<b>99.9</b>	<b>247.1</b>	<b>16.5</b>	<b>11.7</b>	<b>(242.5)</b>	<b>3,948.5</b>	<b>9,088.1</b>	<b>320.5</b>	<b>9,408.6</b>

For the half year ended 4 January 2015

	Issued Capital	Shares Held In Trust	Hedging Reserve	Foreign Currency Translation Reserve	Remuneration Reserve	Asset Revaluation Reserve	Equity Instrument Reserve	General Reserve	Retained Earnings	Equity Attributable to Members of Woolworths Limited	Non- Controlling Interests	Total Equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 30 June 2014	4,850.1	(218.9)	(100.3)	67.7	303.1	16.4	(88.7)	-	5,423.1	10,252.5	272.9	10,525.4
Profit after income tax expense	-	-	-	-	-	-	-	-	1,280.4	1,280.4	3.7	1,284.1
Other comprehensive income for the period (net of tax)	-	-	23.6	80.6	-	-	9.5	-	-	113.7	0.3	114.0
<b>Total comprehensive income for the period (net of tax)</b>	-	-	23.6	80.6	-	-	9.5	-	1,280.4	1,394.1	4.0	1,398.1
Dividends paid	-	-	-	-	-	-	-	-	(907.1)	(907.1)	(1.3)	(908.4)
Dividends paid - treasury shares	-	-	-	-	-	-	-	-	3.5	3.5	-	3.5
Issue of shares as a result of options exercised under employee long term incentive plans	6.5	-	-	-	-	-	-	-	-	6.5	-	6.5
Issue of shares as a result of the dividend reinvestment plan	107.4	-	-	-	-	-	-	-	-	107.4	-	107.4
Issue of shares under the employee share plan and long term incentive plans	-	59.5	-	-	(59.5)	-	-	-	-	-	-	-
Issue of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	120.0	120.0
Equity settled share based payments expense	-	-	-	-	29.2	-	-	-	-	29.2	-	29.2
Reclassification of non-controlling interests for recognition of financial liability	-	-	-	-	-	-	-	-	-	-	(95.8)	(95.8)
Transaction with non-controlling interests	-	-	-	-	-	-	-	(3.2)	-	(3.2)	3.2	-
Other	-	-	0.3	-	-	-	-	-	-	0.3	-	0.3
<b>Balance at 4 January 2015</b>	<b>4,964.0</b>	<b>(159.4)</b>	<b>(76.4)</b>	<b>148.3</b>	<b>272.8</b>	<b>16.4</b>	<b>(79.2)</b>	<b>(3.2)</b>	<b>5,799.9</b>	<b>10,883.2</b>	<b>303.0</b>	<b>11,186.2</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 3 JANUARY 2016**

	Note	3-Jan-16 \$m	4-Jan-15 \$m
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		34,716.5	35,218.3
Payments to suppliers and employees		(32,694.3)	(32,939.9)
Net financing costs paid		(150.9)	(171.4)
Income tax paid		(618.6)	(598.8)
<b>Net cash provided by operating activities</b>		<b>1,252.7</b>	<b>1,508.2</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from the sale of property, plant and equipment, assets held for sale and other businesses		273.4	673.0
Payments for property, plant and equipment - property development		(291.5)	(341.8)
Payments for property, plant and equipment - excluding property development		(540.9)	(557.7)
Payments for intangible assets		(23.0)	(25.3)
Payments for the purchase of businesses, net of cash acquired	5	(17.3)	(82.8)
Payments for the purchase of investments and contingent consideration		(1.3)	(2.5)
Dividends received		1.5	3.1
<b>Net cash used in investing activities</b>		<b>(599.1)</b>	<b>(334.0)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from the issue of equity securities	8	-	6.5
Proceeds from the issue of equity securities in subsidiary to non-controlling interest		120.0	120.0
Transactions with non-controlling interests		(12.1)	(13.5)
Proceeds from borrowings		5,237.3	4,658.1
Repayment of borrowings		(5,519.0)	(4,533.1)
Dividends paid		(802.1)	(796.3)
Dividends paid to non-controlling interests		(16.5)	(1.3)
<b>Net cash used in financing activities</b>		<b>(992.4)</b>	<b>(559.6)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(338.8)</b>	<b>614.6</b>
Effect of exchange rate changes on foreign currency held		7.8	13.1
Cash and cash equivalents at the beginning of the period		1,333.4	922.6
<b>Cash and cash equivalents at the end of the period</b>		<b>1,002.4</b>	<b>1,550.3</b>

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes to the condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

### 1. Reporting Entity

Woolworths Limited (the "Company") is a for-profit company incorporated and domiciled in Australia. The half year financial report for the 27 weeks ended 3 January 2016 ("Half Year Financial Report") comprises the Company and its subsidiaries (together referred to as the "Group" or "Consolidated Entity").

### 2. Statement of Compliance

The Half Year Financial Report of the Group is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The Half Year Financial Report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the 52 weeks ended 28 June 2015 and any public announcements by Woolworths Limited and its subsidiaries during the half year in accordance with continuous disclosure obligations under the *Corporations Act 2001*.

The Half Year Financial Report was approved by the Board of Directors on 26 February 2016.

### 3. Basis of Preparation

The condensed consolidated financial statements have been prepared on the historical cost basis except for derivative financial assets at fair value through other comprehensive income and certain financial liabilities which have been measured at fair value.

All amounts are presented in Australian Dollars, unless otherwise stated.

The Company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest tenth of a million dollars, unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the Half Year Financial Report are consistent with those adopted in the Company's annual financial report for the 52 weeks ended 28 June 2015. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Certain comparative amounts have been reclassified to conform with the current period's presentation to better reflect the economic nature of the financial position and performance of the Group.

#### New and amended standards adopted by the Group

None of the new standards or amendments to standards that are mandatory for the first time for the half year beginning 29 June 2015 materially affected any of the amounts recognised in the current period or any prior period and are not likely to significantly affect future periods.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

### 4. Individually Significant Items

#### 2016 Half year

##### (a) Impairment of Home Improvement assets and store exit costs

As a result of the Group's planned exit from the Home Improvement market (refer to Note 12), the recoverable amount of assets and recognition and measurement of liabilities of the Home Improvement business have been assessed as at the end of the reporting period based on management's best estimate of the expected net proceeds to be realised or payments to be incurred upon an orderly exit of the Home Improvement business. This has resulted in the following individually significant items being recognised and included within 'Impairment of Home Improvement assets and store exit costs' in the condensed consolidated statement of profit or loss:

	3-Jan-16 Impact on Profit for the period \$m
Impairment of property, plant and equipment	(1,464.3)
Impairment of inventories	(547.1)
Onerous lease expense, store and other exit costs	(1,238.1)
<b>Impairment of Home Improvement assets and store exit costs, before income tax</b>	<b>(3,249.5)</b>
Income tax benefit	235.9
<b>Impairment of Home Improvement assets and store exit costs, net of tax</b>	<b>(3,013.6)</b>
Loss attributable to equity holders of the parent entity	(1,898.5)
Loss attributable to non-controlling interests	(1,115.1)

The loss attributable to non-controlling interests does not approximate Lowe's 33.3% share of the 'Impairment of Home Improvement assets and store exit costs, net of tax' due to tax benefits and other exit costs that are only recognised by the parent entity.

#### Critical accounting estimates and judgements

The estimates and judgements applied with respect to the recognition of impairment of Home Improvement assets and associated costs which involve a high degree of complexity and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within subsequent periods are described below. Any changes to carrying values in subsequent periods due to revisions to estimates or assumptions will be recognised in the Group's profit or loss as part of discontinued operations.

##### Impairment of property, plant and equipment

Impairment of property, plant and equipment primarily relates to asset impairments of stores, distribution centres and property assets pertaining to the Home Improvement business. Of the total expense recognised:

- \$142.2 million relates to impairment of development properties;
- \$898.6 million relates to impairment of freehold land, warehouse, retail and other properties;
- \$50.4 million relates to impairment of leasehold improvements;
- \$340.6 million relates to impairment of plant and equipment; and
- \$32.5 million relates to impairment of property, plant and equipment classified as held for sale.

Valuations of property assets have been determined with regard to the Group's asset disposal strategy and investment yields reflective of the characteristics and location of the individual properties.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

### 4. Individually Significant Items (continued)

#### Impairment of inventories

Impairment of inventories relates to the write-down of Home Improvement inventory to net realisable value during the period. Management has assessed the value of inventory that is likely to be sold below cost using past experience and judgement on the likely sell through rates of inventory and recognised a provision for impairment for this amount.

#### Onerous lease expense, store and other exit costs

The Group has recognised a provision for store closures, onerous leases and other exit costs in accordance with AASB 137 *'Provisions, Contingent Liabilities and Contingent Assets'* based on the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The Group has recognised a provision for store closures and onerous leases based on the lower of:

- the estimated unavoidable costs of meeting all leases and other obligations under the stores and associated contracts; and
- management's best estimate of the compensation expected to be payable to landlords and other third parties as a result of early termination of contracts.

Estimates differ depending on the rent, location, the respective lease exit terms, and management's assessment of the timing and likely termination costs.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### Income tax benefit

Income tax benefit primarily represents the deferred tax asset recognised by the Woolworths Group with respect to the impairment of inventories and store exit costs, partially reduced by the reversal of a deferred tax asset primarily in relation to carry forward losses attributable to Hydrox Holdings Pty Ltd which has been derecognised due to uncertainty associated with the future utilisation of these losses. A tax benefit has not been recognised in relation to the expected capital losses on disposal of property assets.

### 2015 Half year

#### ***(b) General Merchandise transformation provision***

At HY15, a provision of \$148.2 million before tax (\$103.7 million after tax) was raised for costs associated with the transformation of the General Merchandise business. The provision represented transformation costs primarily pertaining to inventory and associated expenses of facilitating the alignment of inventory to our customer strategy. Of the total expense recognised, \$126.4 million is included within 'Cost of sales' and \$21.8 million is included within 'Branch expenses' in the condensed consolidated statement of profit or loss.

#### ***(c) Sale of freehold properties***

In October 2014, in line with Woolworths' strategy of divesting property assets as appropriate market opportunities arise, Woolworths completed the sale and leaseback of a portfolio of 54 freehold properties for consideration of \$603 million. The assets disposed of were classified as held-for-sale as at 29 June 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

### 5. Business Acquisitions

Over the course of the half year, the Group acquired various hotel venues and other businesses (HY15 included Summergate Fine Wines and Spirits and Hudson Building Supplies). Each acquisition was for 100% of the respective enterprise. Details of the businesses acquired as at the date of acquisition were as follows:

	3-Jan-16 \$m	4-Jan-15 \$m
Receivables	-	34.2
Inventories	0.8	33.6
Brand names, customer relationships and other intangibles	10.8	25.4
Property, plant and equipment	1.5	16.9
Cash	0.3	2.5
Other liabilities	(0.4)	(49.7)
<b>Net assets acquired</b>	<b>13.0</b>	<b>62.9</b>
Goodwill on acquisition	4.6	40.7
<b>Total consideration</b>	<b>17.6</b>	<b>103.6</b>
Contingent consideration	-	(18.3)
Less: cash balances acquired	(0.3)	(2.5)
<b>Cash consideration paid, net of cash acquired</b>	<b>17.3</b>	<b>82.8</b>

The fair values of assets and liabilities acquired have been determined on a provisional basis as at the end of the reporting period.

### 6. Segment Information

Reportable segments are identified on the basis of internal reports on the business units of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and assess its performance.

As at the end of the reporting period, the Group had five reportable segments. These business units offer different products and services and are managed separately because they require different technology and marketing strategies. The Group's reportable segments are as follows:

- **Australian Food, Liquor and Petrol** – procurement of food, liquor and petroleum products for resale to customers in Australia
- **New Zealand Supermarkets** – procurement of food and liquor products for resale to customers in New Zealand
- **General Merchandise** – procurement of discount general merchandise products for resale to customers predominantly in Australia
- **Hotels** – provision of leisure and hospitality services including food and alcohol, accommodation, entertainment and gaming in Australia
- **Home Improvement** – procurement of home improvement products for resale to customers in Australia. On 18 January 2016, the Group made a formal announcement to exit the Home Improvement business (refer to Note 12) and consequently this segment will be presented as a discontinued operation in the Company's consolidated annual report for the 52 weeks ended 26 June 2016.

The Unallocated group consists of the Group's other operating segments that are not separately reportable as well as various support functions including property and head office costs.

The financial performance of the Group, in particular General Merchandise, is affected by seasonality whereby earnings are typically greater in the first half of the financial year due to the Christmas trading period.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 3 JANUARY 2016**

**6. Segment Information (continued)**

Operating Segments	Australian Food, Liquor and Petrol		New Zealand Supermarkets		General Merchandise		Hotels		Home Improvement		Unallocated		Consolidated	
	HY16 \$A m	HY15 \$A m	HY16 \$A m	HY15 \$A m	HY16 \$A m	HY15 \$A m	HY16 \$A m	HY15 \$A m	HY16 \$A m	HY15 \$A m	HY16 \$A m	HY15 \$A m	HY16 \$A m	HY15 \$A m
Revenue from the sale of goods	24,865.9	25,506.2	2,894.6	2,789.6	2,271.5	2,364.9	802.4	782.4	1,148.4	988.1	-	-	31,982.8	32,431.2
Other operating revenue	97.2	102.4	5.2	5.5	0.4	0.4	-	-	-	-	-	-	102.8	108.3
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	623.4	490.3	623.4	490.3
<b>Segment revenue</b>	<b>24,963.1</b>	<b>25,608.6</b>	<b>2,899.8</b>	<b>2,795.1</b>	<b>2,271.9</b>	<b>2,365.3</b>	<b>802.4</b>	<b>782.4</b>	<b>1,148.4</b>	<b>988.1</b>	<b>623.4</b>	<b>490.3</b>	<b>32,709.0</b>	<b>33,029.8</b>
Eliminations	-	-	-	-	-	-	-	-	-	-	(623.4)	(490.3)	(623.4)	(490.3)
Unallocated revenue <sup>(1)</sup>											133.5	140.9	133.5	140.9
<b>Total revenue</b>	<b>24,963.1</b>	<b>25,608.6</b>	<b>2,899.8</b>	<b>2,795.1</b>	<b>2,271.9</b>	<b>2,365.3</b>	<b>802.4</b>	<b>782.4</b>	<b>1,148.4</b>	<b>988.1</b>	<b>133.5</b>	<b>140.9</b>	<b>32,219.1</b>	<b>32,680.4</b>
<b>Segment earnings before interest, tax and significant items</b>	<b>1,294.7</b>	<b>1,895.6</b>	<b>151.3</b>	<b>154.3</b>	<b>67.3</b>	<b>109.7</b>	<b>135.1</b>	<b>144.6</b>	<b>(125.0)</b>	<b>(103.2)</b>	<b>(66.8)</b>	<b>(71.8)</b>	<b>1,456.6</b>	<b>2,129.2</b>
<b>Significant Items</b>														
Impairment of Home Improvement assets and store exit costs													(3,249.5)	-
General Merchandise transformation provision													-	(148.2)
<b>(Loss)/Earnings before interest and tax</b>													<b>(1,792.9)</b>	<b>1,981.0</b>
Financing costs													(133.6)	(143.9)
<b>(Loss)/Profit before income tax</b>													<b>(1,926.5)</b>	<b>1,837.1</b>
<b>Income tax expense</b>													<b>(161.0)</b>	<b>(553.0)</b>
<b>(Loss)/Profit for the period</b>													<b>(2,087.5)</b>	<b>1,284.1</b>
Depreciation and amortisation	320.7	311.8	52.3	48.9	46.9	47.4	52.9	49.6	49.3	38.1	40.7	39.2	562.8	535.0
Capital expenditure <sup>(2)</sup>	336.8	337.3	88.0	71.9	31.6	25.0	65.1	99.1	119.0	202.6	300.0	279.9	940.5	1,015.8

(1) Unallocated revenue is comprised of rent and other revenue from operating activities across the Group.

(2) Capital expenditure is comprised of property, plant and equipment and intangible asset additions.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

### 7. Dividends Paid

	3-Jan-16 \$m	28-Jun-15 \$m	4-Jan-15 \$m
Final dividend in respect of 2015 year of 72 cents (2014: 72 cents) per fully paid ordinary share 100% franked at 30% tax rate (2014: 100%)	912.0	-	907.1
Interim dividend in respect of 2015 year of 67 cents (2014: 65 cents) per fully paid ordinary share 100% franked at 30% tax rate (2014: 100%)	-	846.3	-

### 8. Issued Capital

#### Share capital

1,270,937,202 fully paid ordinary shares (28 June 2015: 1,266,615,199)

Fully paid ordinary shares carry one vote per share and the right to dividends

	Half Year to 3-Jan-16		Year to 28-Jun-15	
	\$m	No. (m)	\$m	No. (m)
<b>Reconciliation of fully paid share capital</b>				
Balance at start of period	5,064.9	1,266.6	4,850.1	1,259.8
Issue of shares as a result of options exercised under employee long term incentive plans	-	-	6.5	0.3
Issue of shares as a result of the dividend reinvestment plan	106.9	4.3	208.3	6.5
<b>Balance at end of period</b>	<b>5,171.8</b>	<b>1,270.9</b>	<b>5,064.9</b>	<b>1,266.6</b>
<b>Reconciliation of shares held in trust</b>				
Balance at start of period	(155.9)	4.6	(218.9)	6.6
Issue of shares under the employee share plan and long term incentive plans	57.9	(1.8)	63.0	(2.0)
<b>Balance at end of period</b>	<b>(98.0)</b>	<b>2.8</b>	<b>(155.9)</b>	<b>4.6</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

### 9. Financial Instruments

#### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined. They are grouped into levels 1 to 3 based on the degree to which the fair value measurement inputs are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	3-Jan-16	28-Jun-15				
Listed equity securities	Assets \$66.1m	Assets \$64.0m	Level 1	Quoted last sale prices in an active market	n/a	n/a
Forward exchange contracts and foreign currency options	Assets \$19.2m Liabilities \$21.6m	Assets \$22.7m Liabilities \$4.6m	Level 2	Discounted cash flow Future cash flows are estimated based on market forward exchange rates as at the end of the reporting period and the contract forward rate, discounted by the observable yield curves of the respective currency	n/a	n/a
Interest rate and cross currency swaps	Assets \$617.0m Liabilities \$217.6m	Assets \$561.5m Liabilities \$255.6m	Level 2	Discounted cash flow Future cash flows are estimated based on market forward rates as at the end of the reporting period and the contract rates, discounted at a rate that reflects the credit risk of the various respective counterparties	n/a	n/a

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 3 JANUARY 2016**

**9. Financial Instruments (continued)**

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	3-Jan-16	28-Jun-15				
Put options over non-controlling interests	Liabilities -	Liabilities \$898.2m	Level 3	Discounted cash flow basis and merger market basis	Free cash flow forecasts over the valuation period	The higher the free cash flow forecasts, the higher the fair value
					Discount rate	The higher the discount rate, the lower the fair value
Contingent consideration payable	Liabilities \$21.5m	Liabilities \$20.4m	Level 3	Discounted cash flow	Probability-adjusted cash flows of the acquired business	The higher the probability-adjusted cash flows, the higher the contingent consideration payable
					Discount rate	The higher the discount rate, the lower the contingent consideration payable

There were no transfers between Level 1 and Level 2 during the period.

**Reconciliation of Level 3 fair value measurements**

	Half Year to 3-Jan-16 \$m	Year to 28-Jun-15 \$m
Balance at start of period	(918.6)	(800.6)
Change in fair value of put options over non-controlling interests	886.5	(111.1)
Foreign exchange losses recognised in other comprehensive income	(1.5)	(2.0)
Acquisition of non-controlling interest	12.1	13.5
Contingent consideration payable arising from acquisition of business	-	(18.4)
<b>Balance at end of the period</b>	<b>(21.5)</b>	<b>(918.6)</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

### 9. Financial Instruments (continued)

#### Put option over non-controlling interest in Hydrox Holdings Pty Ltd ('Hydrox')

As at 3 January 2016, the Company owned 66.7% of Hydrox with the remaining 33.3% held by a subsidiary of Lowe's Companies, Inc. ("Lowe's"). As part of the terms of the Joint Venture Agreement ("Agreement") between the parties, Lowe's holds a put option, which became exercisable after 20 October 2015. On 16 January 2016, Lowe's issued a notice setting an exercise date for the option triggering a 13 month notice period after which the option can be exercised. On 16 February 2016, the Company provided Lowe's with a notice of exercise of its call option over Lowe's 33.3% interest in Hydrox (refer to Note 12).

Following the completion of the put and call options process, the Company will acquire Lowe's non-controlling interest shareholding of 33.3% in Hydrox at an amount which is representative of fair value determined as at the put option notice date. The process set out in the Agreement for determining the actual option consideration involves a negotiation with Lowe's and an independent expert valuation process which will apply the following:

- valuing the shares on the basis of an arm's length sale between a willing vendor and a willing purchaser on a discounted cash flow basis and a merger market basis;
- if Hydrox is carrying on business as a going concern, on the assumption that it is to continue to do so;
- taking into account any information as the independent expert reasonably thinks fit; and
- taking into account the stamp duty (if any) payable with respect to the transfer of the shares.

As at the date of this report, the option valuation process as prescribed in the Agreement has not yet been completed. As a result, the fair value of the put option in Hydrox has been determined as at the end of the reporting period based on the interim valuation provided to the Company by the Independent Expert it has appointed in accordance with the process outlined in the Agreement.

The change in valuation of the put option liability during the period has been recognised directly in equity. The actual option consideration as determined upon completion of the independent expert valuation process may not agree to the Group's estimate of the put option liability as at 3 January 2016. To the extent that the actual option consideration differs to the Group's estimate, a further adjustment will be recognised directly in equity in accordance with the Group's accounting policy.

An alternative accounting policy which the Group has not adopted is that from inception of the put option, changes in the fair value of the put option liability are credited or charged to the consolidated statement of profit or loss.

#### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying value of cash and cash equivalents, financial assets, bank and other loans and non-interest bearing monetary financial liabilities of the Group approximates their fair value.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 3 JANUARY 2016

### 10. Contingent Liabilities

	3-Jan-16 \$m	28-Jun-15 \$m
Bank guarantees <sup>1</sup>	56.6	55.2
Workers' compensation self-insurance guarantees <sup>2</sup>	734.5	702.1
Other	12.5	31.6
	<b>803.6</b>	<b>788.9</b>

<sup>1</sup> This item mainly comprises guarantees relating to conditions set out in development applications and for the sale of properties in the normal course of business.

<sup>2</sup> State WorkCover authorities require guarantees against workers' compensation self-insurance liabilities. The guarantee is based on independent actuarial advice of the outstanding liability.

### 11. Capital Expenditure Commitments

	3-Jan-16 \$m	28-Jun-15 \$m
Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable:		
Not later than one year	595.1	547.5
Later than one year, not later than two years	121.2	2.5
Later than two years, not later than five years	35.6	-
	<b>751.9</b>	<b>550.0</b>

### 12. Subsequent Events

On 18 January 2016, the Company announced that it intended to exercise its call option over the 33.3% interest in Hydrox following Lowe's notice to exercise its put option under the Joint Venture Agreement. On 16 February 2016, the Company provided Lowe's with a notice of exercise of its call option. The completion of the put and call options process is expected to take a number of months to finalise after which the Group will legally acquire Lowe's non-controlling interest shareholding of 33.3% in Hydrox in exchange for cash consideration at an amount which is representative of fair value determined as at the put option notice date. Following the acquisition of Lowe's 33.3% interest shareholding, the Group intends to pursue an orderly prospective sale or wind-up of the Home Improvement business.

As a result of the Group's planned exit from the Home Improvement market, an impairment charge and associated provisions before tax of \$3,249.5 million (post-tax of \$3,013.6 million) has been recognised during the period (refer to Note 4). Additional estimated restructuring costs in the range of \$70 million to \$80 million are expected to be incurred in the second half of FY16, resulting in total estimated impairment, restructuring costs and associated provisions before tax of between \$3,319.5 million and \$3,329.5 million. The Home Improvement segment will be presented as a discontinued operation in the Company's consolidated annual report for the 52 weeks ended 26 June 2016.

Refer to Note 4 and Note 9 for additional information.

There have been no other events subsequent to the balance date which would have a material impact on the Company's Half Year Financial Report at 3 January 2016.

# WOOLWORTHS LIMITED

26 February 2016

## HALF YEAR PROFIT/(LOSS) AND DIVIDEND ANNOUNCEMENT FOR THE 27 WEEKS ENDED 3 JANUARY 2016

### Rebuilding the business

- **New Group CEO appointed**
- **HY16 NPAT before Significant Items<sup>1</sup> within guidance**
- **Progress in multi-year journey in Australian Supermarkets**
- **Decision taken on Home Improvement and BIG W CEO in place**
- **Board renewal well progressed**

Net Profit After Tax attributable to shareholders of Woolworths Before  
Significant Items<sup>1</sup>, down 33.1%

Net Loss After Tax attributable to shareholders of Woolworths, down  
176.0%

### *FY16 Half Year Key Financial Highlights*

#### *Before Significant Items<sup>1</sup>*

- **Sales** of \$32.0 billion, down 1.4% or up 1.2% excluding Petrol<sup>2</sup>
- **Earnings Before Interest and Tax** of \$1,456.6 million, down 31.6%
- **Net Profit After Tax attributable to shareholders of Woolworths** of \$925.8 million,  
down 33.1%
- **Earnings Per Share** of 73.4 cents, down 33.5%
- **Fully franked HY16 dividends** of 44 Cents Per Share, down 34.3%

#### *After Significant Items<sup>1</sup>*

- **Net Loss After Tax attributable to shareholders of Woolworths** of \$972.7 million,  
down 176.0%

*Note: This announcement contains certain non-IFRS measures that Woolworths believes are relevant and appropriate to understanding its business. Refer to Appendix One for further information.*

Woolworths Limited (Woolworths) today reported net profit after tax (NPAT) attributable to shareholders of Woolworths of \$925.8 million before significant items<sup>1</sup> for HY16 which was within the guidance range provided at the Q1'16 sales update in October.

Chairman, Gordon Cairns, said: "We are rebuilding the Woolworths business. While we have made progress, it will be a three to five year journey and there is much to do.

"When I joined the Board as Chairman in September last year I said the most pressing issue was to appoint a new CEO. We have today announced the appointment of Brad Banducci as CEO and Managing Director of Woolworths Limited.

"The Board undertook a rigorous international search process to find the best person to rebuild Woolworths and return it to sustainable growth. Brad has had 25 years in retail, including 15 years consulting to some of the world's leading retailers. He has successful private equity experience with Cellarmasters. Brad has been at Woolworths for five years during which time he led Dan Murphy's to become one of Australia's great retailers. For the last 12 months he has been leading the turnaround of our Supermarkets business.

"Grant O'Brien leaves Woolworths today and the Board thanks him for his service and wishes him the best for the future.

"At the AGM I outlined clear business priorities to rebuild Woolworths, with a particular focus on our Supermarkets business to ensure we are competing vigorously. This is underway with significant investment in improving the customer experience.

"Our second priority is to optimise our portfolio. The decision to exit Home Improvement will allow Woolworths to focus its energy and resources on strengthening and executing its plans in its core businesses. Sally Macdonald's appointment will allow Woolworths to benefit from the potential upside we see in BIG W.

"The third priority is leadership. We have announced a new CEO for the Group and for BIG W.

"The fourth priority was board renewal. We recently welcomed two new Independent Directors. Holly Kramer's background in retail and Siobhan McKenna's private equity and media expertise complement and strengthen the Board's existing skills.

"The final priority is to embrace a listening culture. This transformation is fundamental and will ensure that the strategies and programs we implement will enhance value for our shareholders.

"An additional priority to those identified at the AGM is disciplined capital management. The Board is committed to a solid investment grade credit rating. We need to prioritise from growth capex to stay-in-business capex as we seek to accelerate the renewal of our store network. To provide some funding flexibility we have introduced a 1.5% discount on the Dividend Reinvestment Plan. Finally, given the importance of dividends to many of our shareholders we have decided to maintain our 70% payout ratio.

"There is a lot of hard work ahead of us but we are very clear on our priorities and are confident we have the leadership team to get us there," Mr Cairns said.

Woolworths CEO, Brad Banducci, said: “Woolworths is going through a period of significant change. This result reflects the impact of those changes, most notably the considerable investment in price, service and customer experience across Australian Supermarkets. The reported earnings result is also heavily impacted by the decision taken to exit the Home Improvement business and the subsequent provision for the impairment of assets, lease liabilities and other exit costs.

“Australian Food, Liquor and Petrol reported a decrease in earnings before interest and tax of 31.7% on the prior year reflecting subdued sales growth driven primarily by deflation from significant investment in better prices for our customers. Sales momentum improved slightly during Q2’16 with December our best trading month of the half. Importantly, we delivered a materially improved Christmas for our customers on last year. However, trading remains volatile and there remains a lot more to do.

“Liquor continued to perform strongly and gain market share with all formats (Dan Murphy’s, BWS and Online) delivering an improved sales performance. Monthly sales in our retail liquor businesses exceeded \$1 billion for the first time in December.

“Countdown Supermarkets delivered EBIT in New Zealand Dollars slightly above the prior year in a competitive market driven by a strong focus on costs.

“General Merchandise delivered an improved sales result during the second quarter with comparable sales growth of -1.7%. However, comparable sales for the half were still negative resulting in a lower profit than the prior year.

“Hotels delivered an improved sales performance during the half. Earnings were impacted by non-comparable costs on the prior year disposal of 54 freehold properties. Excluding these items, EBIT was up marginally on the prior year.

“Today Woolworths announced a provision for the impairment of assets, lease liabilities and other exit costs reflecting its announcement on 18 January that we intend to exit Home Improvement. The valuation process of Lowe’s shareholding is underway and will be determined by an independent expert process unless a negotiated outcome can be reached. The sale process of Masters and Home Timber and Hardware has commenced and is expected to continue into FY17.

“Looking forward, we expect trading conditions to remain competitive as we continue on the journey of rebuilding Woolworths,” Mr Banducci said.

“The Board has announced an interim dividend of 44 cents per share, a 34.3% decrease on the prior half year but in line with the historical payout ratio,” Mr Cairns said.

## PROGRESS AGAINST BUSINESS UNIT PLANS

### 1. Woolworths Food Group

#### Australian Supermarkets

- **Invested over \$350 million in price since H1'15 to lower prices for our customers** with average price deflation of 2.1% in H1'16
- **Improved customer service through investing in team hours with ~100,000 hours added per week** in H1'16 compared to H1'15 as we employed a record number of team members ahead of our key Christmas trading period
- **Improved the quality of our fruit and vegetable offer** through merchandising and freshness leading to growth in both comparable store transactions and items in the second quarter
- **Improved our customers' in-store experience** investing in customer service, upgrading our trolley fleet, improving store signage and ease of access to our stores
- **Completed 42 Supermarket refurbishments during the half** including landing our first new format store. The second half of FY16 will be focused on transitioning away from our traditional store refurbishment program to a scalable store renewal program by iterating and tailoring the new format
- **Began repositioning the Woolworths brand** with the launch of 'Low Price Always' and the relaunch of our Woolworths Rewards program
- **Started to improve the value proposition of our own and exclusive brands** through a combination of price investment, product redesign and brand refreshes

#### Countdown New Zealand

- **Continued to lower prices for our customers** by substantially increasing the number of products on Price Lockdown and Price Drop
- **Expanded the Countdown network** with six (net) new stores and two refurbishments completed in H1'16
- **Retained our position as New Zealand's leading online grocery retailer** with another double digit sales increase

#### Petrol and Convenience

- **Invested in forecourt improvements** in 96 sites, bringing the number of sites completed to date to 422
- **Reduced the prices of core merchandise lines** as we introduced 'Low Prices Always' across key value lines including gas, water and ice
- **Rolled-out the Metro brand** across our urban food store network and continued to refine the format, with recent changes delivering strong comparable store sales growth

### 2. Woolworths Liquor Group

- **Continued growth and market share gains in a highly competitive market** with Liquor sales of \$4.4 billion, an increase of 4.9% on the prior year
- **Strong growth in our retail formats** with Dan Murphy's (Destination) and BWS (Convenience) enjoying strong trading
- **Richer engagement with our customers through MyDanMurphy's loyalty program** now with over 1.3 million members and growing
- **Dan Murphy's retained its position as Australia's leading online business** being recognised as the 'Multi-Channel Retailer of the Year' in 2015 by the Online Retailer Association

### 3. General Merchandise

- **Sally Macdonald commenced in mid-January as new CEO of BIG W** 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 ahead of schedule
- **Retained our position as Australia's leading bricks and mortar book and toy seller** with strong positive comparable sales growth in both categories in Q2'16

### 4. Hotels

- **Rollout of voluntary pre-commitment functionality was completed in key trading states** supporting our commitment to be Australia's most responsible gaming operator
- **Refurbished 17 key venues** during the half delivering a strong improvement in sales
- **A focus on improving bar sales** has delivered a return to growth underpinned by the recent investment in refurbishments as well as stronger and more targeted entertainment, sports, sponsorships and events

## BUSINESS PERFORMANCE

### (Loss)/Earnings Before Interest and Tax (LBIT/EBIT)

\$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
<b>Before Significant Items<sup>1</sup></b>			
Australian Food, Liquor and Petrol	1,294.7	1,895.6	(31.7)%
New Zealand Supermarkets	151.3	154.3	(1.9)%
<i>New Zealand Supermarkets (NZD)</i>	<i>170.6</i>	<i>169.1</i>	<i>0.9%</i>
General Merchandise	67.3	109.7	(38.7)%
Hotels	135.1	144.6	(6.6)%
Central Overheads	(66.8)	(71.8)	(7.0)%
<b>Group EBIT excluding Home Improvement (before Significant Items<sup>1</sup>)</b>	<b>1,581.6</b>	<b>2,232.4</b>	<b>(29.2)%</b>
Home Improvement	(125.0)	(103.2)	21.1%
<b>Group EBIT (before Significant Items<sup>1</sup>)</b>	<b>1,456.6</b>	<b>2,129.2</b>	<b>(31.6)%</b>
Significant Items <sup>1</sup> (before tax)*	(3,249.5)	(148.2)	n.c
<b>Group (LBIT)/EBIT (after Significant Items<sup>1</sup>)</b>	<b>(1,792.9)</b>	<b>1,981.0</b>	<b>(190.5)%</b>

### Net (Loss)/Profit After Tax Attributable to Shareholders of Woolworths

\$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
<b>Group EBIT (before Significant Items<sup>1</sup>)</b>	<b>1,456.6</b>	<b>2,129.2</b>	<b>(31.6)%</b>
Net financing costs	(133.6)	(143.9)	(7.2)%
Tax expense	(396.9)	(597.5)	(33.6)%
Non-controlling interests	(0.3)	(3.7)	(91.9)%
<b>Group net profit after income tax attributable to shareholders of Woolworths (before Significant Items<sup>1</sup>)</b>	<b>925.8</b>	<b>1,384.1</b>	<b>(33.1)%</b>
Significant Items <sup>1</sup> (after tax and non-controlling interests)*	(1,898.5)	(103.7)	n.c
<b>Group net (loss)/profit after income tax attributable to shareholders of Woolworths (after Significant Items<sup>1</sup>)</b>	<b>(972.7)</b>	<b>1,280.4</b>	<b>(176.0)%</b>

\*Refer to Appendix Two for further detail on significant items<sup>1</sup> recognised in HY16

## GROUP INCOME STATEMENT PERFORMANCE\*

**Sales** were \$32.0 billion, a decrease of 1.4% driven by a lower trading result in Australian Food and General Merchandise as well as the impact of cycling the exit from 131 Woolworths-Caltex operated sites<sup>2</sup>. Excluding Petrol, sales increased 1.2% on the prior half year. Details of HY16 sales by quarter are provided in Appendix Three.

**Gross profit** (before significant items<sup>1</sup>) as a percentage of sales decreased 31 bps on the prior year to 26.9% driven primarily by the significant price investment in Australian Supermarkets over the half offset somewhat by the change in sales mix from Petrol to our higher margin businesses.

**Cost of doing business (CODB)** (before significant items<sup>1</sup>) as a percentage of sales increased 171 bps on the prior half year to 22.4% due to subdued sales growth, primarily in Australian Supermarkets, limiting the ability to fractionalise costs as well as the incremental investment in store labour. This was partially offset by cost savings primarily generated through improved efficiency across non-trade procurement and support functions.

**Earnings before interest and tax** (before significant items<sup>1</sup>) decreased 31.6% on the prior half year to \$1,456.6 million.

**Net financing costs** decreased 7.2% on the prior half year, primarily driven by interest savings on lower debt.

**Net profit after tax attributable to shareholders of Woolworths** (before significant items<sup>1</sup>) decreased 33.1% on the prior half year to \$925.8 million, with corresponding earnings per share (EPS) (before significant items<sup>1</sup>) down 33.5% to 73.4 cents.

On a statutory basis, after reflecting the impact of significant items<sup>1</sup>, Net Loss After Tax decreased 176.0% to \$972.7 million with corresponding EPS down 175.6% to -77.1 cents.

All **Significant items**<sup>1</sup> in HY16 relate to the provision for impairment of assets and store and other exit costs of the Home Improvement business. Refer to Appendix Two for further detail.

## AUSTRALIAN FOOD, LIQUOR AND PETROL

	HY16 (27 weeks)	HY15 (27 weeks)	Change
<b>Sales</b>			
Food and Liquor (\$ million)	22,347	22,200	0.7%
Petrol (\$ million)	2,519	3,306	(23.8)%
<b>Food, Liquor and Petrol (\$ million)</b>	<b>24,866</b>	<b>25,506</b>	<b>(2.5)%</b>
<b>EBIT</b>			
<b>Food, Liquor and Petrol (\$ million)</b>	<b>1,294.7</b>	<b>1,895.6</b>	<b>(31.7)%</b>
Funds Employed <sup>3</sup> (\$ million)	3,538.4	3,851.0	(8.1)%
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
Return on Average Funds Employed <sup>3</sup> (%)	35.96	50.99	(1,503) bps

### Trading Performance

**Australian Food and Liquor** sales for the half year were \$22.3 billion, an increase of 0.7% on the previous half. Significant price investment led to a comparable sales decline of 0.8% in HY16. Sales momentum improved over the half, with December delivering the strongest rate of growth.

We returned to positive comparable transaction growth of 0.5% during Q2'16, however, we are not yet seeing an improvement in items per basket. Fruit and Vegetables delivered both positive comparable transaction and item growth in the second quarter.

Customers are telling us that their shopping experience is improving with our Voice of the Customer (VOC) shopping measure improving from 72% in April to 75% in December with the half year peak in our VOC in the week leading up to Christmas. VOC provides the business with real-time customer feedback at a store level across seven areas that we believe matter the most to our customers. The area with the biggest improvement was service speed up 11 points since December 2014 to 71%. On shelf availability, while improving, remains the biggest opportunity. Team attitude continues to be our highest score at 84%.

We experienced a reduction in average prices<sup>4</sup> of 2.1% in HY16 (Q2'16: down 2.5%, Q1'16: down 1.8%) as we continued to lower prices for our Australian Supermarkets' customers with over \$350 million invested in price since H1'15 (incremental price investment over the half of \$150 million) and finished the year at better than parity to our major competitor across more than 17,000 products we check at least weekly.

By category, groceries, bakery and fruit and vegetables experienced the biggest reductions in price. Red meat and tobacco experienced the biggest increases on the back of dramatically higher beef and lamb livestock costs and tobacco excise increases.

Despite a stronger December, comparable Food and Liquor sales for the seven week period ended 21 February declined 0.9%, highlighting the ongoing volatility in sales.

**Liquor** continued to perform well across Dan Murphy's (Destination), BWS (Convenience) and The Wine Quarter (Direct & Digital) despite aggressive competitor pricing activity. By category, Spirits was the standout. Total Liquor sales for the year (including ALH Group on premise liquor sales) of \$4.4 billion represent an increase of 4.9% on the previous half year.



## Australian Food, Liquor and Petrol (continued)

**Petrol** sales were \$2.5 billion, a decrease of 23.8% on the previous half year (volumes decreased by 15.6%). Sales were impacted by changes to the Woolworths – Caltex alliance<sup>2</sup> 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 alliance<sup>2</sup> in December.

Comparable petrol sales (dollars) decreased 11.7% for the half year 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%.

**Australian Food, Liquor and Petrol (FLP)** gross margin decreased 55 bps due to price investment offset somewhat by lower Petrol sales which drove a change in sales mix to the higher margin Food and Liquor businesses. The impact of the price investment was even more pronounced in our Australian Food and Liquor business where gross margin declined by 162 bps.

FLP CODB as a percentage of sales increased 167 bps on the prior year driven by lower sales (including the impact of the changes to the Caltex-Woolworths alliance<sup>2</sup>) and investment in store labour to improve the customer experience. This was partly offset by cost savings generated through improved efficiency across store operations and support functions.

FLP EBIT of \$1,294.7 million decreased 31.7% on the previous half year, with the EBIT margin decreasing 222 bps.

Woolworths Food Group Managing Director, Brad Banducci said: “Our investment across all aspects of the customer experience during the half resulted in increased customer numbers, improved Voice of the Customer shopping scores and comparable store transaction growth. While our investment has resulted in lower profit, it has improved our competitive position as we put our customers 1<sup>st</sup> and continue the work to reset Australian Supermarkets for sustainable profit growth.

“In May last year we outlined our Customer 1<sup>st</sup> Strategy. Since then we have been delivering on our commitment to lower prices and deliver a better shopping experience for our customers. We are doing this through investment in price, more team hours in store and shopping experience improvements such as new shopping trolleys, improved signage and ease of access into our stores. We also made progress in improving the quality of our fruit and vegetable offer and repositioning the Woolworths brand through the launch of ‘Low Prices Always’ and relaunch of Woolworths Rewards.

“However, trading remains competitive and there is much to do. The implementation of our new retail merchandising system has proven challenging and our underlying IT infrastructure and core business processes are a key focus for the second half,” Mr Banducci said

## NEW ZEALAND SUPERMARKETS

\$NZD	HY16 (27 weeks)	HY15 (27 weeks)	Change <sup>5</sup>
Sales (\$ million)	3,176	3,054	4.0%
EBIT (\$ million)	170.6	169.1	0.9%
Funds Employed (\$ million)	3,179.9	3,173.9	0.2%
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
Return on Average Funds Employed (%)	5.45	5.43	2 bps

### Trading Performance

New Zealand Supermarkets' sales for the half year were NZ\$3.2 billion, an increase of 4.0%<sup>5</sup> on the previous half year (3.8% increase in AUD). H1'16 sales were assisted by the bulk sales of gift cards and excluding the sales of these cards, sales growth was 2.8%. Comparable sales increased 2.0%<sup>5</sup> as customers reacted positively to our lower prices despite cycling a strong promotional period in the prior year.

The Countdown Supermarkets food price index showed inflation of 0.2% driven by seasonal fruit and vegetables (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 with 750 products now on the price down programs. Comparable customer numbers and basket size has continued to grow over the last six months.

Gross margin increased 32 bps<sup>5</sup> on the previous half year driven by better buying largely in Grocery due to the benefit of our price down programs, somewhat offset by the reinvestment in price.

CODB as a percentage of sales increased 49 bps<sup>5</sup> on the previous half year largely due to the impact of higher employee incentive provisions compared to HY15. Cost control remained strong.

EBIT increased 0.9%<sup>5</sup> on the previous half year to NZ\$170.6 million.

ROFE was 2 bps<sup>5</sup> higher than the prior half year.

## GENERAL MERCHANDISE\*

	HY16 (27 weeks)	HY15 (27 weeks)	Change
<b><i>Before Significant Items<sup>1</sup></i></b>			
Sales (\$ million)	2,272	2,365	(3.9)%
EBIT (\$ million)	67.3	109.7	(38.7)%
Funds Employed (\$ million)	1,015.5	968.8	4.8%
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
Return on Average Funds Employed (%)	6.44	9.98	(354) bps

### Trading Performance

Sales for the half year were \$2.3 billion, a decrease of 3.9% on the previous half year with comparable sales decreasing 4.5%. The sales performance improved over the second quarter with December comparable sales broadly flat.

The improving sales trend was driven by an improvement in availability and a strong performance in key destination categories like Toys and Apparel. In Toys, sales were boosted by Star Wars merchandise as well as Lego and strong promotional activity on bikes. Childrenswear and Menswear were the strongest performers in apparel in the second quarter. 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.

The 12 bps gross margin decline reflects mix, price investment in certain categories like Toys to drive sales growth offset by lower markdowns in Apparel.

CODB as a percentage of sales increased 156 bps on the prior year, driven by a disappointing trading result limiting the ability to fractionalise costs and increased rental, labour and depreciation on new stores. Excluding the impact of three new store openings since the prior half and the continued rollout of Party stores into our existing stores which have a higher service model, dollar CODB was largely stable.

We completed the clearance of unproductive inventory in the half ahead of initial expectations.

EBIT of \$67.3 million decreased 38.7% on the previous half year.

ROFE decreased 354 bps impacted by lower EBIT, new store openings and higher inventory.

*\*Unless otherwise stated, growth percentages represent continuing operations before significant items<sup>1</sup>*

## HOTELS

	HY16 (27 weeks)	HY15 (27 weeks)	Change
Sales (\$ million)	802	782	2.6%
EBIT (\$ million)	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 the half year were \$802 million, an increase of 2.6% on the previous half year with comparable sales increasing by 1.4%. The sales performance was driven by a continued improvement in Bars which reflected its best trading performance in over two years with Food sales also benefiting from strong execution around key events in December.

CODB as a percentage of sales increased 164 bps on the prior year, impacted mainly by additional rental expense of \$11.8 million following the sale and leaseback of 54 freehold hotel sites in October 2014. An increase in promotional spend was offset by improved efficiency across venue operations and support functions.

Reported EBIT decreased 6.6% on the previous half year to \$135.1 million.

Excluding the impact of the additional rental expense following the sale of the hotel sites, EBIT increased marginally on the prior half year.

## HOME IMPROVEMENT\*

\$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
<b>Before Significant Items<sup>1</sup></b>			
<b>Sales</b>			
Masters	623	505	23.4%
Home Timber and Hardware	525	483	8.7%
<b>Home Improvement</b>	<b>1,148</b>	<b>988</b>	<b>16.2%</b>
<b>(LBIT)/EBIT</b>			
Masters	(137.9)	(112.2)	22.9%
Home Timber and Hardware	12.9	9.0	43.3%
<b>Home Improvement</b>	<b>(125.0)</b>	<b>(103.2)</b>	<b>21.1%</b>

### Trading Performance

**Masters** sales for the half year were \$623 million, an increase of 23.4%.

Masters loss before interest and tax (before significant items<sup>1</sup>) increased by 22.9% to \$137.9 million 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** sales for the half year were \$525 million, an increase of 8.7% on the previous year, driven by the sales benefit of recent acquisitions as well as comparable growth in our wholesale operations.

Home Timber and Hardware reported strong growth in EBIT (before significant items<sup>1</sup>) driven by higher sales and recent acquisitions.

### Update on process for exit of Home Improvement business

On 18 January, Woolworths announced that it intended to exit the Home Improvement market through an orderly prospective sale or wind-up of the business. The valuation of Lowe's shareholding as detailed in the Annexure to the announcement made to the market on 18 January 2016 is underway. At HY16 Woolworths has valued the put option at \$nil. Upon conclusion of this process, having exercised its call option, Woolworths will acquire Lowe's 33.3% interest in Home Improvement.

The sale process of Masters and Home Timber and Hardware has commenced and is expected to continue into FY17.

As a result of the Group's planned exit from the Home Improvement market, a provision for impairment and store exit costs after tax of \$1,898.5 million attributable to shareholders of Woolworths has been recognised during the period. A detailed breakdown of the provision is included in Appendix Two.

In addition to the provisions recognised at HY16, additional estimated restructuring costs in the range of \$70 million to \$80 million are expected to be recognised in the second half of FY16.

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).

Woolworths will consolidate 100% of the results of the Home Improvement business from 18 January 2016 as Lowe's is not required to contribute capital past this date, and has no ongoing economic exposure to the ongoing trading of the Home Improvement business.

*\*Unless otherwise stated, growth percentages represent continuing operations before significant items<sup>1</sup>. On 18 January 2016, the Group made a formal announcement to exit the Home Improvement business and consequently this segment will be presented as a discontinued operation in Woolworths Limited's consolidated annual report for the 52 weeks ended 26 June 2016.*

## OVERHEADS, CASH FLOW AND BALANCE SHEET

### Central Overheads

Central Overheads before significant items<sup>1</sup> were \$66.8 million for the half year, a decrease of \$5.0 million on the prior half year due to minor gains on the disposal of property and benefits in the timing of Central Overheads. Central Overheads are expected to be approximately \$150 million in FY16.

### Fuel for Growth

We previously announced that we expected to deliver at least \$500 million of cost-savings by the end of FY16 primarily across Non-Trade Procurement, Support Functions, Mercury2 and Supermarkets Operations.

At the end of HY16 we had delivered approximately \$260 million of cumulative cost savings (including savings in H2'15). These savings have been predominantly delivered across Non-trade Procurement (\$190 million), Mercury2 (\$28 million) and Support Functions (\$40 million).

The savings have been used to fund our planned significant investment in areas such as price, service and customer experience.

In addition, we have made some progress in better buying and this has been fully offset by unprecedented levels of COGS inflation including significant increases in livestock prices (\$150 million compared to H1'15) and other unforeseen cost inflation.

### Balance Sheet

Key balance sheet movements relative to the prior half year were as follows:

- **Net Working capital** of -\$3,955.9 million decreased \$2,150.3 million or \$484.5 million after excluding the write down of inventory and provisions recognised in relation to the exit from the Home Improvement business. This improvement was predominately driven by a \$293.6 million decrease in the net investment in inventories and an increase in other creditors of \$216.8 million.
- **Closing inventory** of \$4,923.1 million was impacted by the \$547.1 million write down of inventory relating to the exit from the Home Improvement business. Excluding this write down, inventory increased \$635.0 million driven by new store openings, in particular 29 (net) Australian Supermarkets, 12 (net) Masters and 45 (net) Liquor stores since HY15 and a deliberate decision to improve merchandise presentation and availability. Average inventory excluding Home Improvement increased 1.8 days to 37.1 days.
- **Net investment in inventory** decreased \$848.0 million, or \$293.6 million after excluding the write down of inventory relating to the exit from the Home Improvement business, impacted by differences in the timing of creditor payments relative to the reporting date (approximately \$155 million).
- **Other creditors** increased \$1,314.4 million to \$4,565.4 million impacted by the recognition of onerous contract and other exit provisions relating to the exit from the Home Improvement business. Excluding the movements relating to the exit from the Home Improvement business, other creditors increased \$216.8 million impacted by growth in employee, occupancy and other provisions.
- **Fixed assets and investments** decreased \$991.9 million to \$9,201.9 million, impacted by \$1,464.3 million impairment charge recorded against Home Improvement property, plant and equipment assets. Excluding this impairment charge, fixed assets and investments increased \$472.4 million reflecting ongoing property development and capital expenditure, with 109 (net) new stores added to the network and 171 refurbishments since the prior half year offset by the disposal of property assets and ongoing depreciation.
- **Intangible assets** decreased \$177.7 million to \$6,254.3 million, impacted by \$119.4 million impairment charge relating to the exit from the Home Improvement business. Excluding this, intangible assets decreased \$58.3 million primarily reflecting decreased intangible assets in our New Zealand Supermarkets business attributable to the weaker New Zealand dollar.
- **Total funds employed** decreased \$3,319.9 million, primarily impacted by impairment charges and other exit costs relating to the exit from the Home Improvement business.

- **Net tax balances** increased \$541.2 million to \$1,093.9 million, due to Woolworths moving to a current tax receivable position from a current tax payable position due to a higher tax instalment rate applying to tax payments in the first half of 2016 on lower profit as well as \$235.9 million in net tax benefits associated with Home Improvement business exit costs.
- **Other financial liabilities** decreased \$915.1 million to \$60.4 million, primarily reflecting the \$866.7 million movement in the value of the Lowe's put option in our Home Improvement business.
- **Shareholders' equity** decreased \$1,795.1 million to \$9,088.1 million primarily reflecting profits generated by the Group offset by the payment of dividends. Shareholder's equity has been impacted by losses of \$1,898.5 million attributable to the shareholders of Woolworths relating to the impairment of assets and other exit costs in the Home Improvement business recognised during HY16.
- **Return on Average Funds Employed (ROFE) before significant items<sup>1</sup>** was 11.2%, a decrease of 327 bps or a decrease of 482 bps after excluding the investment in our Home Improvement.

Appendix Two provides further detail in relation to the impairment of Home Improvement assets and store exit costs.

### Cash Flow

**Free cash flow** generated by the business (before the payment of dividends and movements in borrowings) was \$761.5 million after the acquisition of businesses and capital expenditure.

**Cash flow from operating activities before interest and tax** decreased \$256.2 million to \$2,022.2 million, and was primarily impacted by the lower trading performance. The net increase in inventories was driven by growth in new stores during the period and a focus on improving on-shelf availability. The net increase in accounts payable is in line with expectations as the prior half year was adversely impacted by the earlier purchase and payment of inventories in December 2014. The net impact of creditor timing differences between the reporting periods did not result in material differences in operating cash flows.

Our **cash realisation ratio<sup>6</sup>** before significant items<sup>1</sup> was 84.1%, impacted by both Home Improvement and a higher tax instalment rate on lower net profit. Excluding Home Improvement, our cash realisation ratio before significant items<sup>1</sup> was 99.8%.

Net interest paid of \$150.9 million decreased \$20.5 million driven by lower average net debt funded by proceeds received from the sale of property assets and investments.

Tax payments increased to \$618.6 million for the half year (HY15: \$598.8 million) due to a higher income tax instalment rate compared to the prior period. Woolworths will be revising its income tax instalment rate downwards to take effect from the second half of FY16.

**Cash used in investing activities** was \$599.1 million, an increase of \$265.1 million on the prior half year. During HY16, cash proceeds of \$273.4 million were received from the sale of property, plant and equipment, a decrease of \$399.6 million on the prior half which included \$603.0 million proceeds from the sale of 54 Hotel property assets. Payments for the purchase of businesses, representing three Hotels in HY16, decreased by \$65.5m on the prior half.

Expenditure on property development of \$291.5 million decreased \$50.3 million (HY15: \$341.8 million) driven by lower activity in the current period.

Investment in property, plant and equipment of \$540.9 million included continued investment in new stores and store refurbishments, investment in our new point of sale system and spend associated with our supply chain initiative, Mercury2.

Cash contributions from Lowe's in relation to our Home Improvement business were \$120.0 million, in line with the prior half.

There were no proceeds from share issues during the half as the Group had fully transitioned to the use of performance rights, which do not have an exercise price, by the end of FY15.

Our **fixed charges cover ratio<sup>7</sup>** before significant items<sup>1</sup> is 2.5 times.

## CAPITAL MANAGEMENT

Woolworths is committed to a solid investment grade credit rating<sup>8</sup> 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 free 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.

### *Dividends*

The Board has approved an interim dividend per share of 44c, a decrease of 34.3% on the prior half year.

The payment of the October 2015 and April 2016 dividends will return \$1.5 billion and \$0.6 billion in franking credits to shareholders. Woolworths expects that after these events, there will be approximately \$2.1 billion of franking credits available for future distribution.

### *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 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 any 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.



*New store rollout plans*

Space rollout is supported by detailed plans for the next 3 – 5 years identifying specific sites.

	<b>HY16 Net Store Openings (incl. acquisitions)</b>	<b>Medium Term Target (Net)</b>
<b>Australian Supermarkets</b>	15	– 20 – 30 new full range supermarkets per annum
<b>New Zealand Supermarkets</b>		
<i>Countdown</i>	6	– 3 – 5 new supermarkets per annum
<i>Franchise Stores</i>	1	
<b>Dan Murphy's</b>	8	– 10 – 15 new stores per annum
<b>BWS (including attached)</b>	20	– 6 – 10 new standalone stores per annum
<b>Petrol</b>	5	– Grow as appropriate to support the Supermarket new store strategy
<b>General Merchandise</b>		
<i>BIG W</i>	2	– As appropriate opportunities arise
<i>EziBuy</i>	-	
<b>Hotels (ALH Group)</b>	1	– Acquire as appropriate opportunities arise

## 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.

- Ends -

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## Sales Summary – HY16 and Q2'16

### Group Sales – Half Year

\$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
Australian Food and Liquor	22,347	22,200	0.7%
Petrol (dollars)*	2,519	3,306	(23.8)%
Petrol (litres)*	2,003	2,373	(15.6)%
Australian Food, Liquor and Petrol*	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%
<b>Group Sales (excluding Home Improvement)</b>	<b>30,835</b>	<b>31,443</b>	<b>(1.9)%</b>
Masters	623	505	23.4%
Home Timber and Hardware	525	483	8.7%
Home Improvement	1,148	988	16.2%
<b>Group Sales</b>	<b>31,983</b>	<b>32,431</b>	<b>(1.4)%</b>
<b>Group Sales (excluding Petrol)</b>	<b>29,464</b>	<b>29,125</b>	<b>1.2%</b>

### Group Sales – Second Quarter

\$ million	Q2'16 (13 weeks)	Q2'16 (13 weeks)	Change
Australian Food and Liquor	11,283	11,185	0.9%
Petrol (dollars)*	1,188	1,461	(18.7)%
Petrol (litres)*	968	1,075	(10.0)%
Australian Food, Liquor and Petrol*	12,471	12,646	(1.4)%
New Zealand Supermarkets (AUD)	1,496	1,424	5.1%
New Zealand Supermarkets (NZD)	1,617	1,553	4.1%
General Merchandise	1,298	1,308	(0.8)%
Hotels	390	383	1.8%
<b>Group Sales (excluding Home Improvement)</b>	<b>15,655</b>	<b>15,761</b>	<b>(0.7)%</b>
Masters	329	267	23.2%
Home Timber and Hardware	251	249	0.8%
Home Improvement	580	516	12.4%
<b>Group Sales</b>	<b>16,235</b>	<b>16,277</b>	<b>(0.3)%</b>
<b>Group Sales (excluding Petrol)</b>	<b>15,047</b>	<b>14,816</b>	<b>1.6%</b>

\* Petrol sales and litres are not comparable with the prior year given changes to the Woolworths – Caltex alliance that became effective during Q2'15<sup>2</sup>

**Group Profit and Loss for the 27 weeks ended 3 January 2016**

\$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
<b>Before Significant Items<sup>1</sup></b>			
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	3,105.8	3,684.2	(15.7)%
Rent	(1,086.4)	(1,020.0)	6.5%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2,019.4	2,664.2	(24.2)%
Depreciation and amortisation	(562.8)	(535.0)	5.2%
Earnings before interest and tax (EBIT)	1,456.6	2,129.2	(31.6)%
Net financial expenses	(133.6)	(143.9)	(7.2)%
Income tax expense	(396.9)	(597.5)	(33.6)%
Net profit after income tax	926.1	1,387.8	(33.3)%
Non-controlling interests	(0.3)	(3.7)	(91.9)%
Group net profit after income tax and non-controlling interests (before Significant Items <sup>1</sup> )	925.8	1,384.1	(33.1)%
Significant Items <sup>1</sup> (after tax and non-controlling interests)	(1,898.5)	(103.7)	n.c
Group net (loss)/profit after tax, non-controlling interests (after Significant Items <sup>1</sup> )	(972.7)	1,280.4	(176.0)%
<b>MARGINS - Before Significant Items<sup>1</sup></b>			
Gross Profit (%)	26.93	27.24	(31) bps
Cost of Doing Business (%)	22.38	20.67	171 bps
EBIT (%)	4.55	6.57	(202) bps
<b>EARNINGS PER SHARE (EPS) AND DIVIDENDS</b>			
Weighted average ordinary shares on issue (million)	1,261.8	1,254.9	0.5%
Ordinary EPS (cents) – before significant items <sup>i1</sup>	73.4	110.3	(33.5)%
Ordinary EPS (cents) – after significant items <sup>1</sup>	(77.1)	102.0	(175.6)%
Diluted EPS (cents) – before significant items <sup>1</sup>	73.4	110.0	(33.3)%
Diluted EPS (cents) – after significant items <sup>1</sup>	(77.1)	101.8	(175.7)%
Interim dividend per share (cents) <sup>ii</sup>	44	67	(34.3)%

<sup>i</sup> Ordinary EPS (cents) before significant items excluding Home Improvement decreased 31.7% to 78.0c

<sup>ii</sup> Interim 2016 dividend payable on 8 April 2016 will be fully franked

Group Balance Sheet as at 3 January 2016

\$ million	HY16 3 Jan 2016	HY15 4 Jan 2015	Change	FY15 28 Jun 2015
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)
<b>Net Investment in Inventory</b>	<b>(461.6)</b>	<b>386.4</b>	<b>(219.5)%</b>	<b>(167.8)</b>
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)
<b>Working Capital</b>	<b>(3,955.9)</b>	<b>(1,805.6)</b>	<b>119.1%</b>	<b>(2,268.8)</b>
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
<b>Total Funds Employed</b>	<b>11,500.3</b>	<b>14,820.2</b>	<b>(22.4)%</b>	<b>14,521.3</b>
Net Tax Balances	1,093.9	552.7	97.9%	654.1
<b>Net Assets Employed</b>	<b>12,594.2</b>	<b>15,372.9</b>	<b>(18.1)%</b>	<b>15,175.4</b>
Net Repayable Debt	(3,125.2)	(3,211.2)	(2.7)%	(3,067.3)
Other Financial Liabilities <sup>i</sup>	(60.4)	(975.5)	(93.8)%	(976.1)
<b>Total Net Assets</b>	<b>9,408.6</b>	<b>11,186.2</b>	<b>(15.9)%</b>	<b>11,132.0</b>
Non-controlling Interests	320.5	303.0	5.8%	297.8
Shareholders' Equity	9,088.1	10,883.2	(16.5)%	10,834.2
<b>Total Equity</b>	<b>9,408.6</b>	<b>11,186.2</b>	<b>(15.9)%</b>	<b>11,132.0</b>
<b>KEY RATIOS – Continuing Operations</b>				
Closing Inventory Days (based on COGS) <sup>ii</sup>	38.9	38.5	0.4 days	40.2
Closing Creditor Days (based on sales) <sup>iii</sup>	58.8	44.9	13.9 days	48.8
Return on Average Funds Employed (ROFE) (before significant items <sup>1</sup> ) <sup>iv</sup>	11.20%	14.47%	(327) bps	25.73%

<sup>i</sup> Other financial liabilities primarily represent put options held by non-controlling interests, the Hotels gaming entitlement liability and contingent consideration on business acquisitions

<sup>ii</sup> Closing inventory days (based on COGS) excluding Home Improvement increased 4.3 days to 38.4 days

<sup>iii</sup> Closing creditor days (based on sales) excluding Home Improvement increased 7.1 days to 51.3 days

<sup>iv</sup> ROFE (before significant items<sup>1</sup>) excluding Home Improvement decreased 482 bps to 13.28%

**Group Cash Flow for the 27 weeks ended 3 January 2016**

<b>\$ million</b>	<b>HY16 (27 weeks)</b>	<b>HY15 (27 weeks)</b>	<b>Change</b>
<b>EBITDA before Significant Items<sup>1</sup></b>	<b>2,019.4</b>	<b>2,664.2</b>	<b>(24.2)%</b>
Significant Items <sup>1</sup> excluding items presented below EBITDA	(3,249.5)	(148.2)	
<b>EBITDA – Total</b>	<b>(1,230.1)</b>	<b>2,516.0</b>	<b>(148.9)%</b>
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 <sup>1</sup>	3,249.5	148.2	
<b>Cash from Operating Activities before interest and tax</b>	<b>2,022.2</b>	<b>2,278.4</b>	<b>(11.2)%</b>
Net interest paid	(150.9)	(171.4)	
Tax paid	(618.6)	(598.8)	
<b>Total cash provided by Operating Activities</b>	<b>1,252.7</b>	<b>1,508.2</b>	<b>(16.9)%</b>
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 development	(291.5)	(341.8)	
Payments for property, plant and equipment	(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	
<b>Total cash used in Investing Activities</b>	<b>(599.1)</b>	<b>(334.0)</b>	<b>79.4%</b>
Lowe's cash contributions (Home Improvement)	120.0	120.0	
Transactions with non-controlling interests	(12.1)	(13.5)	
<b>Free Cash Flow before equity related Financing Activities</b>	<b>761.5</b>	<b>1,280.7</b>	
Proceeds from share issues/other	-	6.5	
Dividends paid (including to non-controlling interests)	(818.6)	(797.6)	
<b>Free Cash Flow after equity related Financing Activities</b>	<b>(57.1)</b>	<b>489.6</b>	

## Appendix One: ASIC Regulatory Guide 230 Disclosing non-IFRS financial information

In December 2011 ASIC issued Regulatory Guide 230. To comply with this Guide, Woolworths is required to make a clear statement about the non-IFRS information included in the Half Year Profit/(Loss) and Dividend Announcement ('Profit Announcement') for the 27 weeks ended 3 January 2016.

In addition to statutory reported amounts, the following non-IFRS measures are used by management and the directors as the primary measures of assessing the financial performance of the Group and individual segments.

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)
- Fixed charges cover ratio
- Cost of doing business
- Comparable sales

Non-IFRS measures used in describing the balance sheet and cash flow statement include:

- Funds employed
- Cash flow from operating activities before interest and tax
- Free cash flow
- Free cash flow before equity related financing activities
- Free cash flow after equity related financing activities
- Cash realisation ratio

The above non-IFRS measures may also be referred to before significant items<sup>1</sup>.

The Directors consider that these performance measures are appropriate for their purposes and present meaningful information on the underlying drivers of the business.

Many of the measures used are common practice in the industry within which Woolworths operates.

The Profit/(Loss) Announcement has not been audited in accordance with Australian Auditing Standards.

**Appendix One: ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (continued)**

The following table provides a reconciliation of EBIT, NPAT and EPS before significant items<sup>1</sup> to the statutory statement of profit or loss.

\$ million	HY16 (27 weeks)	HY15 (27 weeks)	Change
<b>EBIT</b>			
<b>EBIT – before Significant Items<sup>1</sup></b>	<b>1,456.6</b>	<b>2,129.2</b>	<b>(31.6)%</b>
<i>Other items included in statutory EBIT:</i>			
Significant Items <sup>1</sup> (before tax)	(3,249.5)	(148.2)	
<b>Statutory (LBIT)/EBIT</b>	<b>(1,792.9)</b>	<b>1,981.0</b>	<b>(190.5)%</b>
<b>NPAT</b>			
<b>Profit after income tax attributable to the shareholders of Woolworths – before Significant Items<sup>1</sup></b>	<b>925.8</b>	<b>1,384.1</b>	<b>(33.1)%</b>
<i>Other items included in statutory NPAT:</i>			
Significant Items <sup>1</sup> (after tax and non-controlling interests)	(1,898.5)	(103.7)	
<b>Statutory (loss)/profit attributable to the shareholders of Woolworths</b>	<b>(972.7)</b>	<b>1,280.4</b>	<b>(176.0)%</b>
<b>Ordinary EPS</b>			
<b>Profit after income tax attributable to the shareholders of Woolworths – before Significant Items<sup>1</sup> (as above)</b>	<b>925.8</b>	<b>1,384.1</b>	<b>(33.1)%</b>
<i>Weighted average ordinary shares on issue</i>	<i>1,261.8</i>	<i>1,254.9</i>	
<b>Ordinary EPS (cents) – before Significant Items<sup>1</sup></b>	<b>73.4</b>	<b>110.3</b>	<b>(33.5)%</b>
<b>Statutory (loss)/profit attributable to the shareholders of Woolworths (as above)</b>	<b>(972.7)</b>	<b>1,280.4</b>	<b>(176.0)%</b>
<i>Weighted average ordinary shares on issue</i>	<i>1,261.8</i>	<i>1,254.9</i>	
<b>Ordinary EPS (cents)</b>	<b>(77.1)</b>	<b>102.0</b>	<b>(175.6)%</b>
<b>Diluted EPS</b>			
<b>Profit after income attributable to the shareholders of Woolworths – before Significant Items<sup>1</sup> (as above)</b>	<b>925.8</b>	<b>1,384.1</b>	<b>(33.1)%</b>
<i>Weighted average ordinary shares on issue</i>	<i>1,262.1</i>	<i>1,257.9</i>	
<b>Diluted EPS (cents) – before Significant Items<sup>1</sup></b>	<b>73.4</b>	<b>110.0</b>	<b>(33.3)%</b>
<b>Statutory (loss)/profit attributable to the shareholders of Woolworths (as above)</b>	<b>(972.7)</b>	<b>1,280.4</b>	<b>(176.0)%</b>
<i>Weighted average ordinary shares on issue</i>	<i>1,262.1</i>	<i>1,257.9</i>	
<b>Diluted EPS (cents)</b>	<b>(77.1)</b>	<b>101.8</b>	<b>(175.7)%</b>



## Appendix Two: Significant Items<sup>1</sup>

The following table provides a breakdown of the significant items recognised. All significant items in HY16 relate to Woolworths' planned exit of Home Improvement.

\$ million	Reported at HY16	Reported at HY15
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)
<b>EBIT impact from Significant Items</b>	<b>(3,249.5)</b>	<b>(148.2)</b>
Tax benefit	235.9	44.5
<b>Net loss after tax impact from Significant Items before non-controlling interests</b>	<b>(3,013.6)</b>	<b>(103.7)</b>
Non-controlling interests	1,115.1	-
<b>Net loss after tax impact from Significant Items attributable to shareholders of Woolworths</b>	<b>(1,898.5)</b>	<b>(103.7)</b>

### 2016 Half Year

As a result of the Group's planned exit from the Home Improvement market, the recoverable amount of assets and recognition and measurement of liabilities have been assessed as at the end of the reporting period based on management's best estimate of the expected net proceeds to be realised or payments to be incurred upon an orderly exit of the Home Improvement business.

The net loss after tax from significant items recognised in HY16 of \$1,898.5 million after tax attributable to the shareholders of Woolworths includes the following:

**Impairment of property, plant and equipment** of \$1,464.3 million primarily relates to asset impairments of stores, distribution centres and property assets pertaining to the Home Improvement business. Of the total expense recognised:

- \$142.2 million relates to impairment of development properties;
- \$898.6 million relates to impairment of freehold land, warehouse, retail and other properties;
- \$50.4 million relates to impairment of leasehold improvements;
- \$340.6 million relates to impairment of plant and equipment; and
- \$32.5 million relates to impairment of property, plant and equipment classified as held for sale.

Valuations of property assets have been determined with regard to the Group's asset disposal strategy and investment yields reflective of the characteristics and location of the individual properties.

**Impairment of inventories** of \$547.1 million relates to the write-down of Home Improvement inventory to net realisable value during the period. Management has assessed the value of inventory that is likely to be sold below cost using past experience and judgement on the likely sell through rates of inventory and recognised a provision for impairment for this amount.

**Onerous lease expense, store and other exit costs** of \$1,238.1 million relates to a provision for store closures, onerous leases and other exit costs in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' based on the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the

least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The Group has recognised a provision for store closures and onerous leases based on the lower of:

- the estimated unavoidable costs of meeting all leases and other obligations under the stores; and
- management's best estimate of the compensation expected to be payable to landlords and other third parties as a result of early termination of contracts.

Estimates differ depending on the rent, location, the respective lease exit terms, and management's assessment of the timing and likely termination costs.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**Income tax benefits** of \$235.9 million primarily represent the deferred tax asset recognised by the Woolworths Group with respect to the impairment of inventories and store exit costs, partially reduced by the reversal of a deferred tax asset primarily in relation to carry forward losses attributable to Hydrox Holdings Pty Ltd which has been derecognised due to uncertainty associated with the future utilisation of tax losses. A tax benefit has not been recognised in relation to the expected capital losses on disposal of property assets.

**Non-controlling interests** share of the net loss after tax from significant items of \$1,115.1 million represents Lowe's 33.3% share of impairment and other store exit costs. This does not approximate 33.3% of the 'Net loss after tax impact from Significant Items before non controlling interests' disclosed in the table above due to certain tax benefits and other exit costs that are only recognised by Woolworths Limited.

#### 2015 Half Year

At HY15, a provision of \$103.7 million after tax attributable to shareholders of Woolworths (\$148.2 million before tax) was raised for costs associated with the transformation of the General Merchandise business. The provision represented transformation costs primarily pertaining to inventory (\$126.4 million before tax) and associated expenses (\$21.8 million before tax) of facilitating the alignment of inventory to our customer strategy.

### Appendix Three: Quarterly Sales Summary

Total Sales Growth %	Q1'16	Q2'16	HY16
Australian Food and Liquor	0.4	0.9	0.7
Petrol (dollars)	(27.9)	(18.7)	(23.8)
<i>Petrol (litres)</i>	<i>(20.3)</i>	<i>(10.0)</i>	<i>(15.6)</i>
Australian Food, Liquor and Petrol	(3.6)	(1.4)	(2.5)
NZ Supermarkets (AUD)	2.4	5.1	3.8
<i>NZ Supermarkets (NZD)</i>	<i>3.9</i>	<i>4.1</i>	<i>4.0</i>
General Merchandise	(7.9)	(0.8)	(3.9)
Hotels	3.3	1.8	2.6
Home Improvement	20.3	12.4	16.2
<b>Total Group</b>	<b>(2.5)</b>	<b>(0.3)</b>	<b>(1.4)</b>
<b>Total Group (excluding Petrol)</b>	<b>0.8</b>	<b>1.6</b>	<b>1.2</b>

Comparable Sales Growth %	Q1'16	Q2'16	HY16
Australian Food and Liquor	(1.0)	(0.6)	(0.8)
Petrol (dollars)	(12.2)	(11.2)	(11.7)
<i>Petrol (litres)</i>	<i>(2.3)</i>	<i>(1.7)</i>	<i>(2.0)</i>
NZ Supermarkets (NZD)	2.5	1.5	2.0
General Merchandise	(8.1)	(1.7)	(4.5)
Hotels	2.0	0.8	1.4

Appendix Four: Five Year Store and Trading Area Analysis

Half Year Ended 3 January 2016 STORES (number)	2016 HALF YEAR	2015 FULL YEAR	2014 FULL YEAR	2013 FULL YEAR	2012 FULL YEAR
NSW & ACT	297	292	282	271	262
QLD	232	230	225	209	203
VIC	241	234	224	221	214
SA & NT	83	82	80	78	78
WA	92	92	89	88	85
TAS	31	31	31	30	30
Supermarkets in Australia <sup>i</sup>	976	961	931	897	872
New Zealand Supermarkets <sup>ii</sup>	183	177	171	166	161
Total Supermarkets	1,159	1,138	1,102	1,063	1,033
Thomas Dux	9	9	11	11	11
Freestanding Liquor (incl. Dan Murphy's)	370	359	349	339	329
Attached Liquor	537	527	509	490	477
ALH Retail Liquor Outlets	564	557	544	526	507
Summergate	2	2	-	-	-
Caltex/WOW Petrol	-	-	131	131	132
Woolworths Petrol – Australia	521	516	502	482	467
Total Food, Liquor and Petrol	3,162	3,108	3,148	3,042	2,956
BIG W	186	184	182	178	172
EziBuy	5	5	4	-	-
Total General Merchandise Division	191	189	186	178	172
Hotels (includes clubs)	331	330	329	326	294
Home Timber and Hardware (retail)	43	44	28	26	21
Masters	63	58	49	31	15
Total Continuing Operations	3,790	3,729	3,740	3,603	3,458
Discontinued Operations (Dick Smith and Tandy)	-	-	-	-	348
Total Group	3,790	3,729	3,740	3,603	3,806
<b>Wholesale customer stores</b>					
Super Value and Fresh Choice	61	60	59	55	54
Consumer Electronics India	-	-	-	-	77
Home Timber and Hardware (wholesale)	421	452	475	490	518
Statewide Independent Wholesale	220	220	220	220	220
Total wholesale customer stores	702	732	754	765	869
<b>Trading Area (sqm)</b>					
Supermarkets Division – Australia <sup>iii</sup>	2,674,614	2,617,924	2,522,981	2,413,527	2,318,756
Supermarkets Division – New Zealand <sup>iv</sup>	413,935	397,889	386,818	372,373	351,744
General Merchandise Division <sup>v</sup>	1,066,914	1,055,231	1,042,927	1,016,086	1,107,732

Store Movements July 15 – January 16

New Stores – incremental

Closures – permanent

Net New Stores

<sup>i</sup> Australian Supermarkets

18

(3)

15

<sup>ii</sup> New Zealand Supermarkets

7

(1)

6

<sup>iii</sup> Excludes Langton's, Cellarmasters, Petrol, Wholesale and ALH Group Retail (BWS)

<sup>iv</sup> Excludes Gull and franchise stores

<sup>v</sup> Includes BIG W, EziBuy, Dick Smith and Tandy in the periods these businesses were owned by Woolworths

## Appendix Five: New Stores and Refurbishments

### Half Year

	Gross New Stores (incl. acquisitions)	Net New Stores (incl. acquisitions)	Refurbishments
<b>Continuing Operations</b>			
Australian Supermarkets	18	15	42
Thomas Dux	-	-	-
Liquor (including attached)	40	28	23
New Zealand Supermarkets	7	6	2
Petrol	6	5	7
BIG W	2	2	2
EziBuy	-	-	-
Hotels	3	1	17
Masters	5	5	1
Home Timber and Hardware (retail)	-	(1)	-
<b>Total</b>	<b>81</b>	<b>61</b>	<b>94</b>

### Second Quarter

	Gross New Stores (incl. acquisitions)	Net New Stores (incl. acquisitions)	Refurbishments
<b>Continuing Operations</b>			
Australian Supermarkets	12	9	17
Thomas Dux	-	-	-
Liquor (including attached)	24	18	9
New Zealand Supermarkets	3	3	1
Petrol	5	4	5
BIG W	1	1	1
EziBuy	-	-	-
Hotels	2	-	12
Masters	1	1	-
Home Timber and Hardware (retail)	-	(1)	-
<b>Total</b>	<b>48</b>	<b>35</b>	<b>45</b>

## Endnotes

n.c Not comparable

<sup>1</sup> In HY16, total significant items of \$3,249.5 million before tax (\$1,898.5 million after tax attributable to shareholders of Woolworths) were recognised. In HY15, total significant items of \$148.2 million before tax (\$103.7 million after tax attributable to shareholders of Woolworths) were recognised. Details of these costs have been provided in Appendix Two of this announcement.

Where noted, profit and loss items have been adjusted to reflect these significant items.

<sup>2</sup> Petrol sales and volumes are not comparable with the prior period given changes to the Woolworths-Caltex alliance that became effective progressively during Q2'15.

Given operational changes under the new arrangements with Caltex, Woolworths no longer recognises sales from the Caltex-operated sites in its financial results. The new arrangements do not have a material profit impact on the Woolworths Group.

Further details on the revised arrangements with Caltex are provided in our ASX announcement dated 20 November 2014.

<sup>3</sup> HY15 Funds Employed for Food, Liquor and Petrol ('FLP') has been restated to reflect a change in the classification of accounts payable balances between the FLP and Unallocated segments. Prior to the current period, FLP accounts payable balances were transferred to the Unallocated segment balance sheet when they were processed for payment, and would remain in 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 balance sheet until they are paid, no longer resulting in a transfer of accounts payable balances from FLP's balance sheet to the Unallocated segment balance sheet. Previously reported HY15 FLP Funds Employed of \$4,678.7 million and Return on Average Funds Employed of 40.96% have been restated to be consistent with HY16. This change does not impact Woolworths Group's closing Funds Employed and Return on Average Funds Employed reported results.

<sup>4</sup> We have adopted a revised method for calculating inflation for our Australian Food and Liquor business and will only disclose an average price inflation measure going forward. In developing the revised measure we consulted with Deloitte Access Economics. The new measure uses the Fisher methodology to weight changes in average quarterly prices by the average of current quarter and preceding quarter volumes and reflects the effects of promotional activity and changes in volume. We believe this measure is the most appropriate representation of the average price changes of items that consumers have bought during the quarter. Note that due to the change in methodology, the data is not directly comparable to previously reported data. Below is restated data for FY15 using the new method.

Average price changes	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Price change (% year on year)	1.3%	1.3%	0.4%	-1.2%	-1.8%	-2.5%

<sup>5</sup> Growth for New Zealand Supermarkets is quoted in New Zealand Dollars.

<sup>6</sup> Operating cash flow as a percentage of Group net profit after tax before depreciation and amortisation.

<sup>7</sup> 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.

<sup>8</sup> The credit ratings referred to in this document have been issued by a credit rating agency which holds an Australian Financial Services Licence with an authorisation to issue credit ratings to wholesale clients only. The credit ratings in this document are published for the benefit of Woolworths' debt providers.

## FIVE YEAR SUMMARY

PROFIT AND LOSS Weeks	H-2016 27	H-2015 27	H-2014 27	H-2013 27	H-2012 <sup>(1)</sup> 27
<b>SALES (\$m)</b>					
Australian Food and Liquor	22,346.6	22,200.4	21,476.6	20,487.6	19,570.6
Petrol	2,519.3	3,305.8	3,665.0	3,393.2	3,434.0
Australian Food, Liquor and Petrol	24,865.9	25,506.2	25,141.6	23,880.8	23,004.6
New Zealand Supermarkets	2,894.6	2,789.6	2,665.2	2,312.7	2,244.0
General Merchandise	2,271.5	2,364.9	2,451.9	2,447.0	2,361.9
Hotels	802.4	782.4	788.3	759.4	635.8
Home Improvement <sup>(2)</sup>	1,148.4	988.1	796.4	637.1	-
Unallocated <sup>(3)</sup>	-	-	-	-	412.4
<b>Total continuing operations</b>	<b>31,982.8</b>	<b>32,431.2</b>	<b>31,843.4</b>	<b>30,037.0</b>	<b>28,658.7</b>
Discontinued operations <sup>(1)</sup>	-	-	-	641.6	1,066.4
<b>Total Group</b>	<b>31,982.8</b>	<b>32,431.2</b>	<b>31,843.4</b>	<b>30,678.6</b>	<b>29,725.1</b>
<b>EARNINGS BEFORE INTEREST AND TAX (\$m)</b>					
<b>Continuing operations before significant items <sup>(4)</sup></b>					
Australian Food, Liquor and Petrol	1,294.7	1,895.6	1,766.1	1,654.9	1,560.9
New Zealand Supermarkets	151.3	154.3	136.8	124.7	118.5
General Merchandise	67.3	109.7	120.5	129.5	119.6
Hotels	135.1	144.6	163.9	140.8	116.2
Home Improvement <sup>(2)</sup>	(125.0)	(103.2)	(64.4)	(58.5)	-
Total trading operations	1,523.4	2,201.0	2,122.9	1,991.4	1,915.2
Central overheads <sup>(3)</sup>	(66.8)	(71.8)	(74.9)	(56.7)	(92.0)
<b>Total continuing operations before significant items <sup>(4)</sup></b>	<b>1,456.6</b>	<b>2,129.2</b>	<b>2,048.0</b>	<b>1,934.7</b>	<b>1,823.2</b>
<b>Discontinued operations <sup>(1)</sup></b>					
Discontinued operations before significant items <sup>(1),(4)</sup>	-	-	-	2.5	22.2
<b>Total Group before significant items <sup>(4)</sup></b>	<b>1,456.6</b>	<b>2,129.2</b>	<b>2,048.0</b>	<b>1,937.2</b>	<b>1,845.4</b>
<b>Significant items <sup>(4)</sup></b>	<b>(3,249.5)</b>	<b>(148.2)</b>	<b>-</b>	<b>(96.5)</b>	<b>(300.0)</b>
<b>Total Group</b>	<b>(1,792.9)</b>	<b>1,981.0</b>	<b>2,048.0</b>	<b>1,840.7</b>	<b>1,545.4</b>
<b>EBIT TO SALES (%)</b>					
<b>Continuing operations before significant items <sup>(4)</sup></b>					
Australian Food, Liquor and Petrol	5.21	7.43	7.02	6.93	6.79
New Zealand Supermarkets	5.23	5.53	5.13	5.39	5.28
General Merchandise	2.96	4.64	4.91	5.29	5.06
Hotels	16.84	18.49	20.80	18.55	18.27
Home Improvement <sup>(2)</sup>	(10.88)	(10.44)	(8.09)	(9.18)	-
<b>Total continuing operations before significant items <sup>(4)</sup></b>	<b>4.55</b>	<b>6.57</b>	<b>6.43</b>	<b>6.44</b>	<b>6.36</b>
<b>Discontinued operations <sup>(1)</sup></b>					
Discontinued operations before significant items <sup>(1),(4)</sup>	-	-	-	0.39	2.08
<b>Total Group before significant items <sup>(4)</sup></b>	<b>4.55</b>	<b>6.57</b>	<b>6.43</b>	<b>6.31</b>	<b>6.21</b>
<b>Total Group</b>	<b>(5.61)</b>	<b>6.11</b>	<b>6.43</b>	<b>6.00</b>	<b>5.20</b>
<b>PROFIT &amp; LOSS DETAIL (\$m)</b>					
<b>Continuing operations before significant items <sup>(4)</sup></b>					
Sales	31,982.8	32,431.2	31,843.4	30,037.0	28,658.7
Cost of goods sold	(23,370.1)	(23,597.0)	(23,233.0)	(21,941.6)	(21,111.6)
Gross profit	8,612.7	8,834.2	8,610.4	8,095.4	7,547.1
Gross profit margin (%)	26.93	27.24	27.04	26.95	26.33
Cost of doing business (CODB)	(7,156.1)	(6,705.0)	(6,562.4)	(6,160.7)	(5,723.9)
CODB margin (%)	22.37	20.67	20.61	20.51	19.97
Selling, general and admin expenses (excluding rent, depreciation and amortisation)	(5,506.9)	(5,150.0)	(5,065.7)	(4,805.2)	(4,473.0)
EBITDAR	3,105.8	3,684.2	3,544.7	3,290.2	3,074.1
EBITDAR margin (%)	9.71	11.36	11.13	10.95	10.73
Rent (including fitout rent)	(1,086.4)	(1,020.0)	(973.9)	(867.7)	(794.3)
EBITDA	2,019.4	2,664.2	2,570.8	2,422.5	2,279.8
EBITDA margin (%)	6.31	8.21	8.07	8.07	7.96
Depreciation and amortisation	(562.8)	(535.0)	(522.8)	(487.8)	(456.6)
EBIT	1,456.6	2,129.2	2,048.0	1,934.7	1,823.2
EBIT margin (%)	4.55	6.57	6.43	6.44	6.36
Net financing costs	(114.0)	(122.4)	(119.3)	(126.7)	(136.6)
Woolworths Notes interest	(19.6)	(21.5)	(21.4)	(24.7)	(13.9)
Profit before tax and significant items <sup>(4)</sup>	1,323.0	1,985.3	1,907.3	1,783.3	1,672.7
Taxation	(396.9)	(597.5)	(572.9)	(530.9)	(482.1)
Profit after tax and before significant items <sup>(4)</sup>	926.1	1,387.8	1,334.4	1,252.4	1,190.6
<b>Discontinued operations <sup>(1)</sup></b>					
Profit after tax and before significant items <sup>(1),(4)</sup>	-	-	-	1.8	15.6
<b>Group net profit after tax before significant items <sup>(4)</sup></b>	<b>926.1</b>	<b>1,387.8</b>	<b>1,334.4</b>	<b>1,254.2</b>	<b>1,206.2</b>
<b>Significant items after tax <sup>(4)</sup></b>	<b>(3,013.6)</b>	<b>(103.7)</b>	<b>-</b>	<b>(94.2)</b>	<b>(231.2)</b>
<b>Group net (loss)/profit after tax</b>	<b>(2,087.5)</b>	<b>1,284.1</b>	<b>1,334.4</b>	<b>1,160.0</b>	<b>975.0</b>
Non-controlling interests	1,114.8	(3.7)	(12.7)	(5.2)	(8.1)
<b>(Loss)/Profit attributable to members of Woolworths Limited after tax</b>	<b>(972.7)</b>	<b>1,280.4</b>	<b>1,321.7</b>	<b>1,154.8</b>	<b>966.9</b>

## FIVE YEAR SUMMARY

<b>BALANCE SHEET (\$m)</b>	<b>H-2016</b>	<b>H-2015</b>	<b>H-2014</b>	<b>H-2013</b>	<b>H-2012 <sup>(1)</sup></b>
<b>Weeks</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>
Inventory	4,923.1	4,835.2	4,779.8	4,498.9	4,111.5
Accounts payable	(5,384.7)	(4,448.8)	(4,693.4)	(5,363.0)	(4,739.8)
Net investment in inventory	(461.6)	386.4	86.4	(864.1)	(628.3)
Fixed assets and investments	9,201.9	10,193.8	9,991.0	9,020.2	9,423.7
Intangible assets	6,254.3	6,432.0	6,280.4	5,637.6	5,206.5
Receivables	1,071.1	1,059.0	874.1	1,032.0	911.4
Other creditors	(4,565.4)	(3,251.0)	(3,191.2)	(3,090.3)	(2,667.9)
<b>Total funds employed <sup>(5)</sup></b>	<b>11,500.3</b>	<b>14,820.2</b>	<b>14,040.7</b>	<b>11,735.4</b>	<b>12,245.4</b>
Net tax balances	1,093.9	552.7	386.6	406.1	344.1
<b>Net assets employed</b>	<b>12,594.2</b>	<b>15,372.9</b>	<b>14,427.3</b>	<b>12,141.5</b>	<b>12,589.5</b>
Cash and borrowings <sup>(6)</sup>	(3,522.2)	(3,349.6)	(3,432.8)	(2,355.3)	(3,757.8)
Other financial assets and liabilities	336.6	(837.1)	(896.4)	(1,182.9)	(738.3)
<b>Net assets continuing operations</b>	<b>9,408.6</b>	<b>11,186.2</b>	<b>10,098.1</b>	<b>8,603.3</b>	<b>8,093.4</b>
<b>Net assets discontinued operations <sup>(1)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>133.8</b>
<b>Total net assets</b>	<b>9,408.6</b>	<b>11,186.2</b>	<b>10,098.1</b>	<b>8,603.3</b>	<b>8,227.2</b>
Non-controlling interests	320.5	303.0	270.3	269.8	262.3
Shareholders' equity	9,088.1	10,883.2	9,827.8	8,333.5	7,964.9
<b>Total equity</b>	<b>9,408.6</b>	<b>11,186.2</b>	<b>10,098.1</b>	<b>8,603.3</b>	<b>8,227.2</b>
<b>CASH FLOW (\$m)</b>					
<b>Continuing and discontinued operations <sup>(1)</sup></b>					
EBITDA	(1,230.1)	2,516.0	2,570.8	2,328.5	2,014.2
Movement in net investment in inventory	(272.8)	(445.9)	157.8	496.9	4.8
Other operating cash flows and other non cash <sup>(7)</sup>	3,525.1	208.3	51.9	74.6	296.5
Net interest paid	(150.9)	(171.4)	(172.0)	(190.4)	(187.7)
Tax paid	(618.6)	(598.8)	(564.8)	(507.8)	(455.7)
<b>Operating cash flow</b>	<b>1,252.7</b>	<b>1,508.2</b>	<b>2,043.7</b>	<b>2,201.8</b>	<b>1,672.1</b>
Payments for property, plant, equipment and intangible assets	(855.4)	(924.8)	(826.7)	(971.2)	(1,259.9)
Proceeds on disposal of property, plant and equipment and subsidiaries	273.4	673.0	85.3	826.3	72.9
Other investing cash flows	(17.1)	(82.2)	(334.8)	(198.7)	(126.2)
<b>Cash flow from operations after investing activities</b>	<b>653.6</b>	<b>1,174.2</b>	<b>967.5</b>	<b>1,858.2</b>	<b>358.9</b>
Movement in gross debt	(281.7)	125.0	198.7	1.5	(489.9)
Issue of subsidiary shares to non-controlling interests	120.0	120.0	60.0	116.0	121.0
Dividends paid	(802.1)	(796.3)	(776.9)	(722.8)	(688.7)
Dividends paid to non-controlling interests	(16.5)	(1.3)	(15.6)	(7.0)	(5.4)
New shares issued	-	6.5	33.7	182.1	122.6
Transactions with non-controlling interests	(12.1)	(13.5)	-	-	-
Effects of exchange rate changes on balance of cash held in foreign currencies	7.8	13.1	5.8	1.7	(0.4)
<b>Net cash flow</b>	<b>(331.0)</b>	<b>627.7</b>	<b>473.2</b>	<b>1,429.7</b>	<b>(581.9)</b>



## FIVE YEAR SUMMARY

SHAREHOLDER VALUE Weeks	H-2016 27	H-2015 27	H-2014 27	H-2013 27	H-2012 <sup>(1)</sup> 27
<b>ROFE (Pre-tax return on funds employed) (%) <sup>(8)</sup></b>					
Group normal	(13.78)	13.46	14.94	15.03	12.79
Continuing operations before significant items <sup>(4)</sup>	11.20	14.47	14.94	15.81	15.44
<b>DU PONT ANALYSIS (before significant items ) (%) <sup>(4)</sup></b>					
EBIT to sales	4.55	6.57	6.43	6.31	6.21
Service burden <sup>(9)</sup>	90.83	93.24	93.13	92.16	91.80
Tax burden <sup>(10)</sup>	69.98	69.72	69.30	69.96	70.72
Asset turn <sup>(11)</sup>	1.32	1.28	1.32	1.32	1.37
Financial leverage <sup>(12)</sup>	2.66	2.32	2.45	2.79	2.73
Return on equity <sup>(13)</sup>	10.19	12.72	13.45	14.99	15.04
<b>EARNINGS PER SHARE</b>					
Ordinary share price closing (\$)	24.50	30.63	34.00	29.46	25.10
Market capitalisation (\$m)	31,138.0	38,690.4	42,656.9	36,607.5	30,795.1
Weighted average shares on issue (m)	1,261.8	1,254.9	1,246.1	1,233.3	1,217.8
Normal basic EPS (cents per share) <sup>(14)</sup>	(77.1)	102.0	106.1	93.6	79.4
Normal basic EPS <i>before significant items</i> (cents per share) <sup>(4),(14)</sup>	73.4	110.3	106.1	101.3	98.4
Normal basic EPS continuing operations <i>before significant items</i> (cents per share) <sup>(4),(14)</sup>	73.4	110.3	106.1	101.1	97.1
Interim dividend (\$m) <sup>(15)</sup>	559.2	846.3	815.6	770.6	723.9
Interim dividend (cents per share)	44.0	67.0	65.0	62.0	59.0
Payout ratio (%)	(57.49)	66.10	61.70	66.73	74.87
Payout ratio <i>before significant items</i> (%) <sup>(4)</sup>	60.40	61.14	61.70	61.70	60.42
Price/earnings ratio (times)	(31.78)	30.03	32.05	31.47	31.61
Price/earnings ratio <i>before significant items</i> (times) <sup>(4)</sup>	33.38	27.77	32.05	29.09	25.51
Price/operating cash flow ratio (times)	24.75	25.53	20.73	16.46	18.32
<b>GROWTH RATES (continuing operations before significant items )<sup>(4)</sup> (%)</b>					
Sales - total Group	(1.38)	1.85	6.01	4.81	5.14
Sales - total Group excluding Petrol	1.16	3.36	5.76	5.63	3.75
Sales per equivalent week - total Group	(1.38)	1.85	6.01	4.81	5.14
Sales per equivalent week - total Group excluding Petrol	1.16	3.36	5.76	5.63	3.75
EBITDA	(24.20)	3.63	6.12	6.26	4.11
EBIT	(31.59)	3.96	5.86	6.12	3.32
Profit before tax	(33.36)	4.09	6.95	6.61	2.41
Normal basic EPS	(33.45)	3.96	4.95	4.12	3.36
<b>FINANCIAL STRENGTH (before significant items ) <sup>(4)</sup></b>					
Service cover ratio (times) <sup>(16)</sup>	10.90	14.80	14.56	12.75	12.19
Fixed charges cover (times) <sup>(17)</sup>	2.5	3.1	3.1	3.0	3.0
Sales to inventory (times) <sup>(18)</sup>	6.53	6.81	7.09	7.35	7.21
Capital expenditure to EBITDA (%)	42.36	34.71	32.16	40.05	54.43
Operating cash flow per share (\$)	0.99	1.20	1.64	1.79	1.37
Serviced gearing (%) <sup>(19)</sup>	24.94	22.30	25.92	25.05	33.34
Current assets to current liabilities (%)	77.70	92.25	90.74	98.98	85.07

## FIVE YEAR SUMMARY

### NOTES TO SUMMARY

1. On 27 September 2012, Woolworths announced its exit from the Consumer Electronics market segment with the sale of its wholesale operations in India and the Dick Smith Electronics business in Australia and New Zealand. For statutory reporting, Dick Smith Electronics operations were reported as a discontinued operation from half year 2012. India Wholesale operations were reported as a discontinued operation from half year 2013. For comparative purposes within this summary, with the exception of the balance sheet, half year 2012 was adjusted to include India Wholesale as a discontinued operation.
2. On 18 January 2016, the Company announced that it intends to exercise its call option over the 33.3% interest in Hydrox Holdings Pty Ltd following Lowe's notice to exercise its put option under the Joint Venture Agreement. Following the exercise of the call option, the Group intends to pursue an orderly prospective sale or wind-up of the Home Improvement business. As this decision was made after the HY16 reporting date, the Home Improvement business is included within continuing operations at HY16 in line with the requirements of *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*. The Home Improvement segment will however be presented as a discontinued operation in the Company's consolidated annual report for the 52 weeks ended 26 June 2016. Prior to half year 2013, Home Improvement was included in the 'Unallocated' category.
3. Unallocated/ Central overheads consists of the Group's operating segments that are not separately reportable (Home Improvement prior to half year 2013) as well as various support functions including Property and Head Office costs.
4. Significant items represent:
  - in HY16, the \$3,249.5m before tax (\$3,013.6m after tax, \$1,898.5m attributable to equity holders of Woolworths Limited and \$1,115.1m attributable to non-controlling interests) impairment of Home Improvement assets and related store exit costs relating to Woolworths' announcement to the market on 18 January 2016, of its intention to sell or wind-up the Home Improvement business;
  - in HY15, the \$148.2m before tax (\$103.7m after tax) General Merchandise transformation provision;
  - in HY13, the \$63.7m before tax (\$65.7m after tax) write-off following the sale of the Consumer Electronics businesses and the one-off loss of \$32.8m before tax (\$28.5m after tax) on the Shopping Centres Australasia Property Group transaction;
  - in HY12, the \$300.0m before tax (\$231.2m after tax) provision set aside for the restructure and divestment of Dick Smith Electronics in Australia and New Zealand.Where noted, profit and loss items have been adjusted to reflect these significant items.
5. Total funds employed is net assets excluding net tax balances, cash and borrowings debt, other financial liabilities, and assets and liabilities as a result of hedging per *AASB 9 Financial Instruments*.
6. Cash and borrowings is gross debt less cash on hand, cash at bank and cash on short term deposit.
7. Other operating cash flows and other non cash includes working capital movements and non cash items related to significant items including:
  - in HY16, \$3,249.5m relating to the impairment of Home Improvement assets and related store exit costs; and
  - in HY15, \$148.2m relating to General Merchandise transformation provisions
8. Return on funds employed (ROFE) is EBIT as a percentage of average (of opening and closing) funds employed for the half year. For comparability, the continuing operations ratio excludes Consumer Electronics Australia, New Zealand and India from half year 2012.
9. Service burden is net profit before income tax (before significant items) expressed as a percentage of EBIT.
10. Tax burden is profit after income tax (before significant items) attributable to shareholders expressed as a percentage of profit before income tax.
11. Asset turn is total sales divided by total assets for the half year.
12. Financial leverage is total assets divided by shareholders' equity for the half year.
13. Return on equity is profit after income tax attributable to shareholders, divided by shareholders' equity for the half year.
14. Normal basic earnings per share (normal EPS) is profit after tax and servicing Hybrid Notes attributable to shareholders divided by the weighted average number of ordinary shares on issue during the period. The weighted average number of shares on issue has been calculated in accordance with Accounting Standard *AASB 133 Earnings per Share*.
15. The current year figure represents the forecast dividend given the shares on issue at the date the half year results are released to the market. This figure will change if there are any shares issued between the reporting date and the ex-dividend date.
16. Service cover ratio is EBIT (before significant items) divided by the sum of net financing costs and Hybrid Notes interest.
17. Fixed charges cover is EBITDAR (before significant items) divided by rent and interest costs. Rent and interest costs include capitalised interest but exclude foreign exchange gains/losses and dividend income.
18. Sales to inventory is total sales divided by average (of opening and closing) inventory.
19. Serviced gearing is cash and borrowings together with the hedge assets and liabilities related to those borrowings divided by cash and borrowings together with the hedge assets and liabilities related to those borrowings plus total equity.

Certain comparative amounts have been re-classified to conform with the current half year's presentation to better reflect the economic nature of the assets and liabilities of the Group.