

20

06

august

investment analyst
presentation



WOOLWORTHS HOLDINGS LIMITED

WHL

woolworths holdings limited

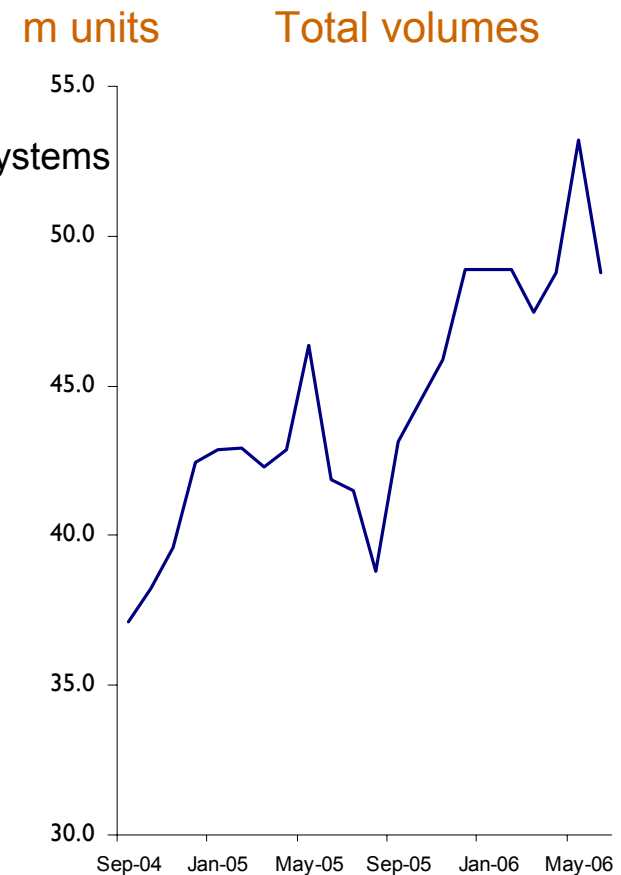
a year of change and growth

- Revenue up 16.6% to R15.1bn
- Operating profit up 21.0% to R1.5bn
- Operating profit margin widening from 9.5% to 9.8%
- HEPS up 17.4% to 105 cps
- HEPS pre-STC up 22.9% to 109.9cps
- Effective tax rate including STC of 32.8% (June 05: 27.8%*)
- Dividend cover of 1.7 times (June 05: 1.7 times*)
- ROE of 34.8% (June 05: 31.2%*)

* Prior year figures restated for IFRS

woolworths holdings limited change and growth

- **Managing change**
 - systems and capacity
 - implementation of merchandise management systems
 - back office systems in stores
 - distribution centre extensions
 - people
 - re-structure clothing
 - improving capacity
- **Managing growth**
 - volume growth of 31% over 2 years
 - clothing volume growth 23.6%
 - aggressive financial services growth
 - store rollouts – 41 new stores
 - availability



woolworths holdings limited

trading environment

- Consumer confidence peaked
- Slowing sales growth trend – clothing
- No slow-down in food growth
- Rand weakness
- Rising inflation
- Interest rate hike
- Changing legislative environment in financial services

woolworths holdings limited results

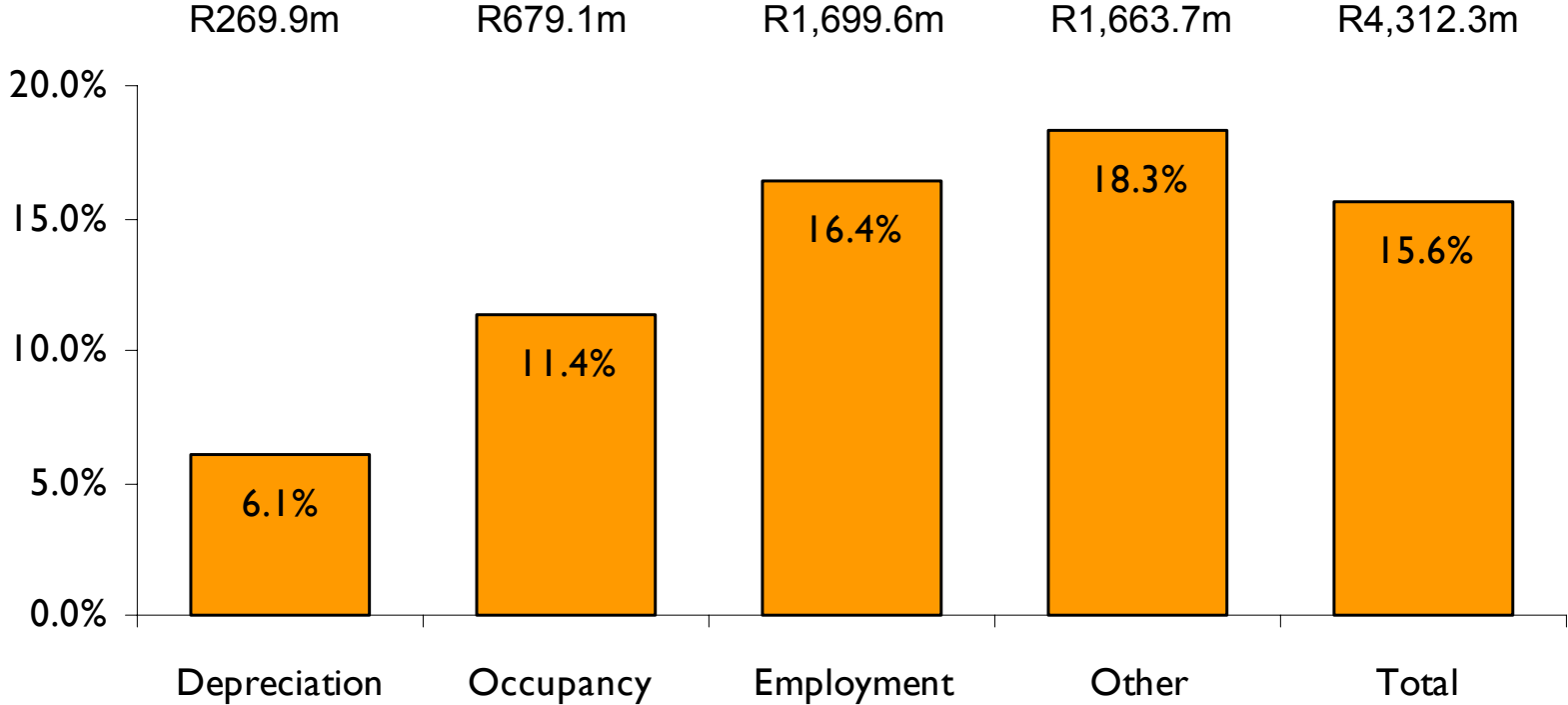
income statement

	June 2006 Rm	June 2005 Rm	% Chg
Revenue	15,143.0	12,988.9	16.6%
Turnover	14,208.0	12,220.7	16.3%
Cost of sales	9,340.4	8,027.1	16.4%
Gross profit	4,867.6	4,193.6	16.1%
Other revenue	935.0	768.2	21.7%
Expenses	4,312.3	3,730.5	15.6%
Operating profit *	1,490.3	1,231.3	21.0%
Finance costs	243.9	152.7	59.7%
Pre share repurchase	170.9	132.0	29.5%
As a result of share repurchase	73.0	20.7	252.7%
Profit before tax	1,246.4	1,078.6	15.6%
Tax	409.0	299.5	36.6%
Comparable tax	369.6	299.5	23.4%
STC	39.4	-	
Profit after tax	837.4	779.1	7.5%
Gross margin - on turnover	34.3%	34.3%	
Operating margin - on revenue	9.8%	9.5%	
ROE	34.8%	31.2%	

* Prior year figures restated for IFRS and classification of settlement discounts

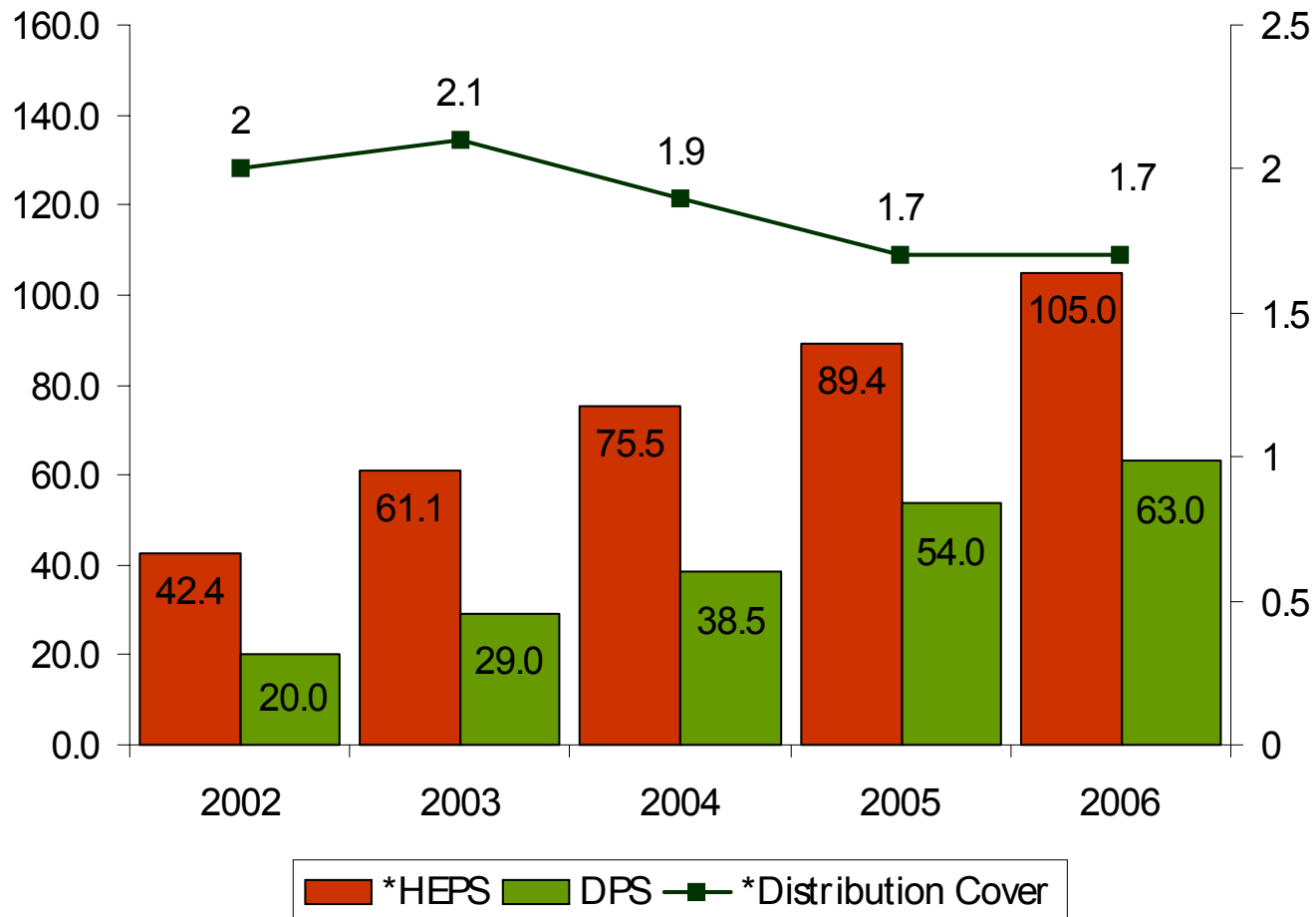
woolworths holdings limited results

expense analysis



woolworths holdings limited results

HEPS graph and distribution cover



Compound HEPS growth: 30% (5 years)

* Prior year figures restated for IFRS

woolworths holdings limited results

HEPS comparability

	June 2006 Rm	June 2005 Rm	% Chg
Comparable headline earnings			
Actual headline earnings	834.8	759.0	10.0%
add: non-comparable interest after tax	51.8	14.7	
add: non-comparable STC	39.4	-	
Comparable headline earnings	926.0	773.7	19.7%
Comparable HEPS			
Actual headline earnings	834.8	759.0	10.0%
add: non-comparable STC	39.4	-	
Comparable headline earnings for HEPS	874.2	759.0	15.2%
Weighted average shares	795.3	849.4	-6.4%
Comparable HEPS	109.9	89.4	22.9%
Actual HEPS	105.0	89.4	17.4%

woolworths holdings limited results

balance sheet

	June 2006 Rm	June 2005 Rm	% Chg
Assets			
Property, plant and equipment	1,597.7	1,304.0	22.5%
Investment property	109.0	72.2	51.0%
Export partnerships	71.6	79.3	-9.7%
Goodwill	23.0	-	
Inventories	841.4	683.0	23.2%
Financial services assets	4,455.0	3,644.1	22.3%
Accounts receivable and deferred tax	1,260.4	1,131.0	11.4%
Cash	410.2	225.5	81.9%
	8,768.3	7,139.1	22.8%
Equity and liabilities			
Shareholders funds	2,634.2	2,210.9	19.1%
Accounts payable and deferred tax	2,700.5	2,326.0	16.1%
Borrowings	3,433.6	2,602.2	31.9%
	8,768.3	7,139.1	22.8%
Debt ratio	39.2%	36.4%	

* Prior year figures restated for IFRS

woolworths holdings limited results

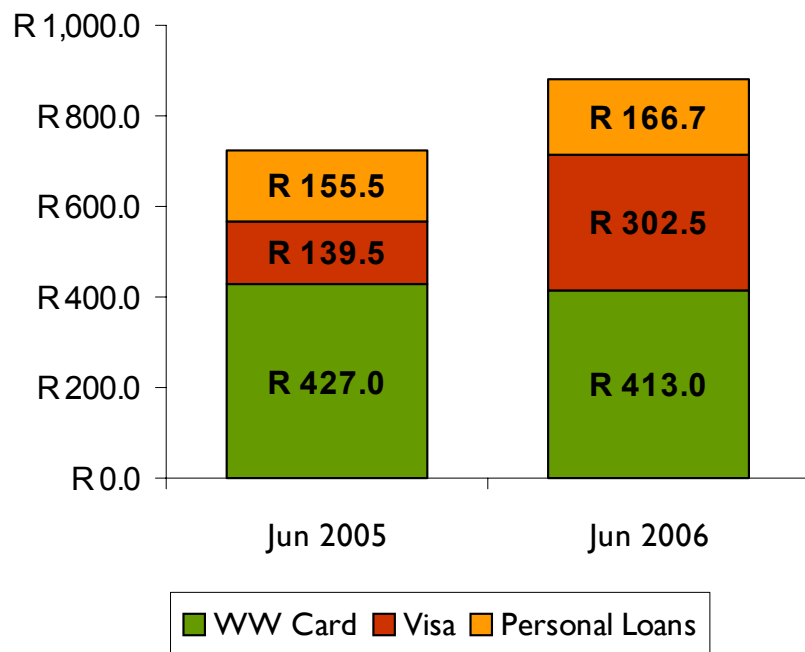
cash flow

	June 2006 Rm	June 2005 Rm
Cash inflow from trading	1,059.3	996.5
Net interest received	517.5	488.1
Working capital movements	191.0	-228.4
Increase in borrowings	653.7	1,434.4
	<u>2,421.5</u>	<u>2,690.6</u>
Utilised by :		
Tax paid	475.4	314.6
Distribution paid	474.2	384.2
Capex	634.7	385.9
Proceeds from disposal/investment income	-71.4	-76.3
Financial service assets	882.2	722.0
Shares issued	-72.7	-63.2
Shares repurchased	61.7	1,002.0
Other loans	37.4	21.4
	<u>2,421.5</u>	<u>2,690.6</u>

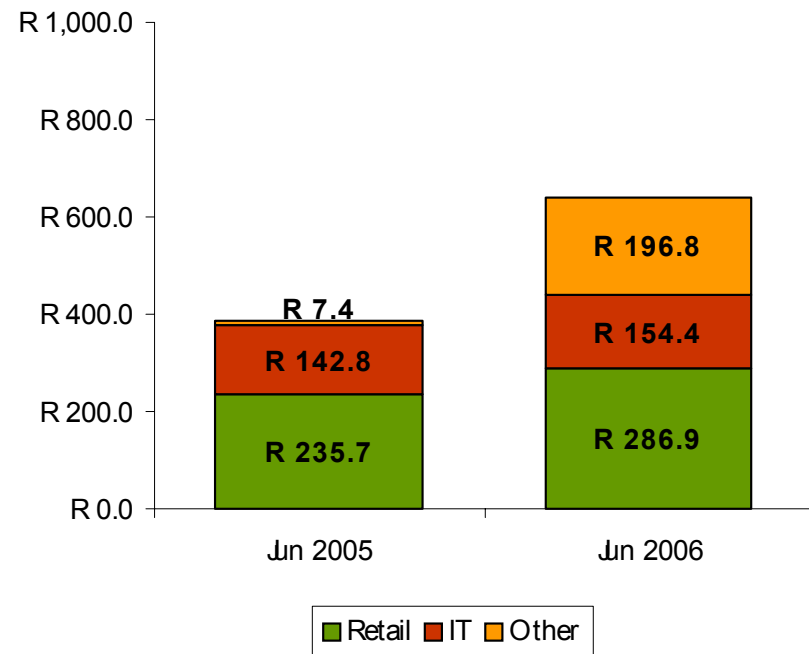
woolworths holdings limited results

cash flow (cont.)

Growth in financial services assets:
R882.2m (June 05: R722.0m)

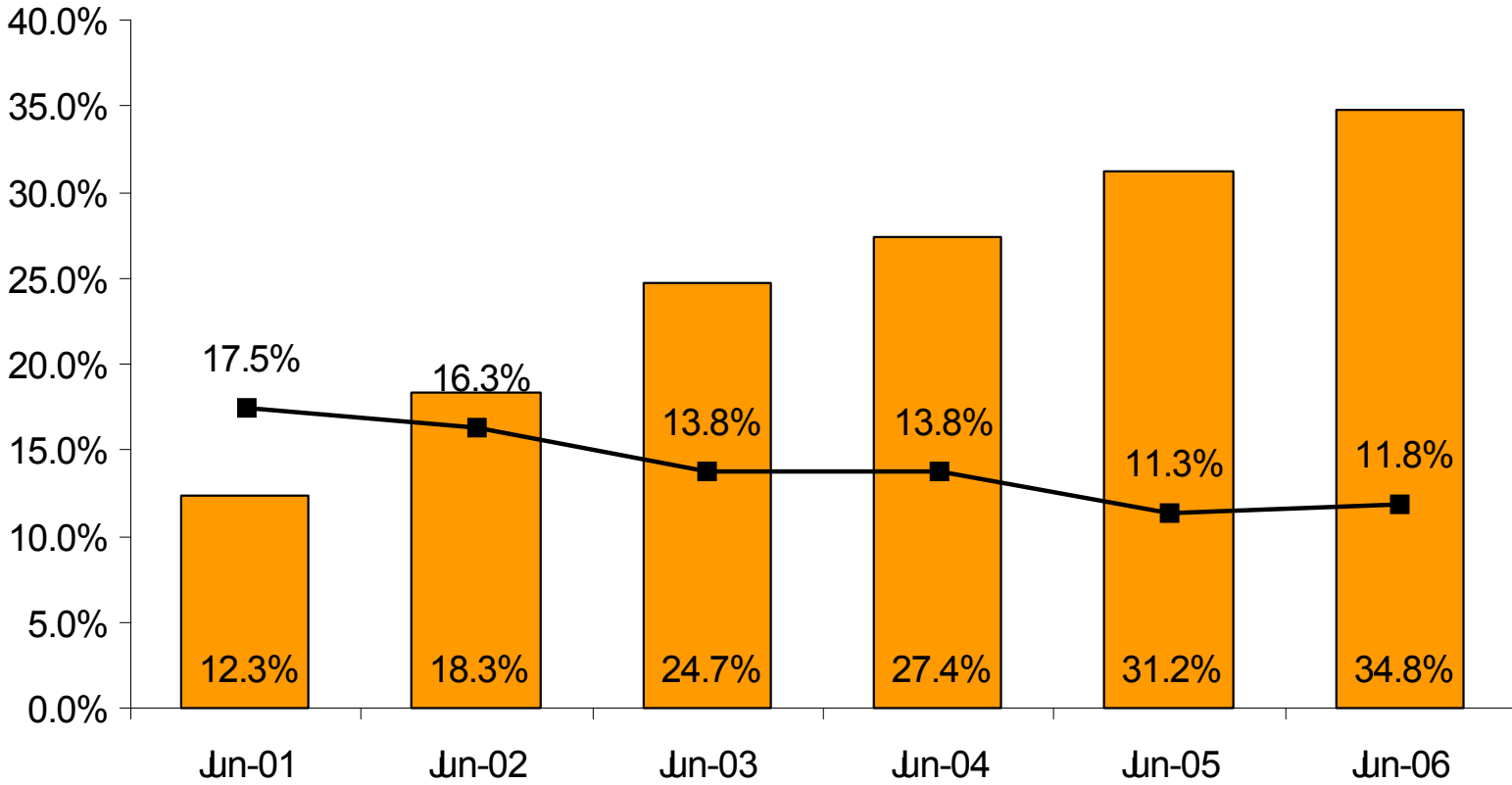


Capex spend:
R638.1m (June 05: R385.9m)



woolworths holdings limited results

return on equity / wacc



woolworths retail results

income statement (excluding financial services)

	June 2006 Rm	June 2005 Rm	% Chg
Revenue	13,286.9	11,288.4	17.7%
Turnover	<u>13,213.8</u>	<u>11,227.0</u>	17.7%
Cost of sales	8,885.9	7,558.4	17.6%
Gross profit	<u>4,327.9</u>	<u>3,668.6</u>	18.0%
Other revenue	73.1	61.4	19.1%
Expenses	3,331.9	2,871.3	16.0%
Operating profit	<u>1,069.1</u>	<u>858.7</u>	24.5%
Finance costs	-	-	
Profit before tax	<u>1,069.1</u>	<u>858.7</u>	24.5%
Tax	361.9	242.6	49.2%
Profit after tax	<u>707.2</u>	<u>616.1</u>	14.8%
Gross margin - on turnover	32.8%	32.7%	
Operating margin - on revenue	8.0%	7.6%	
ROE	58.6%	71.4%	

* Prior year figures restated for IFRS

woolworths retail results

turnover analysis

	June 2006 Rm	June 2005 Rm	% Chg
Clothing & home	6,012.2	5,349.5	12.4%
Corporate (retail)	5,255.3	4,710.0	11.6%
Franchise (wholesale) - local	567.6	473.8	19.8%
Franchise (wholesale) - international	189.3	165.7	14.2%
Foods	6,941.5	5,666.0	22.5%
Corporate (retail)	6,544.3	5,407.8	21.0%
Franchise (wholesale) - local	362.6	226.7	59.9%
Franchise (wholesale) - international	34.6	31.5	9.8%
Logistics & other	273.6	223.1	22.6%
	13,227.3	11,238.6	17.7%

woolworths retail results

balance sheet (excluding financial services)

	June 2006 Rm	June 2005* Rm	% Chg
Assets			
Property, plant and equipment, investments deferred tax, loans and goodwill	2,127.5	1,689.5	25.9%
Inventory	707.9	563.0	25.7%
Accounts receivable	618.9	528.9	17.0%
Cash	332.2	163.5	103.2%
	<u>3,786.5</u>	<u>2,944.9</u>	28.6%
Equity and liabilities			
Shareholders funds	1,426.3	985.9	44.7%
Accounts payable, provisions and tax	2,360.2	1,959.0	20.5%
Borrowings	-	-	
	<u>3,786.5</u>	<u>2,944.9</u>	28.6%

* Prior year figures restated for IFRS

woolworths financial services results

income statement

	June 2006		June 2005		% Chg
	Rm	% to Book	Rm	% to Book	
Income	941.4	23.6%	773.9	23.2%	21.6%
Interest received	754.5	18.9%	626.8	18.6%	20.4%
Other Income - external	108.0	2.7%	78.6	2.4%	37.4%
Other Income - internal	78.9	2.0%	68.5	2.1%	15.2%
Expenses	539.3	13.6%	425.7	13.2%	26.7%
Net bad debt & provisions	216.5	5.5%	171.7	5.3%	26.1%
Operating costs	322.8	8.1%	254.0	7.8%	27.1%
Operating Profit	402.1	10.1%	348.2	10.8%	15.5%
Interest	239.7		149.0		60.9%
Base	166.7		129.0		
On increased gearing	73.0		20.0		
Profit before tax	162.4		199.2		-18.5%
Tax	47.1		56.9		
Profit after tax	115.3		142.3		-19.0%
Average Gross FS Assets	3,968.8		3,236.6		22.6%

Operating profit grows by 22.4% if once-off revenue items are excluded

woolworths financial services results

balance sheet

	June 2006 Rm	June 2005* Rm	% Chg
Assets			
Plant and equipment, deferred tax, loans and accounts receivable	189.1	203.3	-7.0%
Financial services assets	4,455.0	3,644.1	22.3%
	<u>4,644.1</u>	<u>3,847.4</u>	20.7%
Equity and liabilities			
Shareholders funds	975.1	992.3	-1.7%
Accounts payable, provisions and tax	235.4	252.9	-6.9%
Borrowings	3,433.6	2,602.2	31.9%
	<u>4,644.1</u>	<u>3,847.4</u>	20.7%
Gearing Ratio	77.9%	72.4%	
ROE	11.7%	9.5%	

*Prior years figures restated for IFRS

woolworths financial services results

credit statistics

	June 2006	June 2005
Store card sales as a % of total sales	32.1%	33.7%
Average yield	23.6%	23.2%
Weighted average usury rate	20.0%	20.3%
Average cost of funds	7.7%	7.8%
Total gross books	4,667.6	3,785.4
Total provisions	(212.6)	(141.3)
Net book	<u>4,455.0</u>	<u>3,644.1</u>
Provision as a % of total book		
Woolworths card debtors	4.4%	3.9%
Personal loans	4.3%	2.5%
Visa card receivables	5.5%	5.0%
Total all books	4.5%	3.7%

country road results

income statement (A\$)

	June 2006 A\$m	June 2005* A\$m	% Chg
Revenue	207.7	211.2	-1.7%
Turnover	205.1	208.5	-1.6%
Retail	164.0	151.6	8.2%
Wholesale	41.1	56.9	-27.8%
Cost of sales	94.9	99.6	-4.7%
Gross profit	110.2	108.9	1.2%
Other revenue	2.6	2.7	-3.7%
Expenses	108.7	107.6	1.0%
Operating profit	4.1	4.0	2.5%
Finance costs	0.8	0.8	0.0%
Profit before tax	3.3	3.2	3.1%
Average exchange rate (R/A\$)	4.8	4.7	
Effective profit translation rate (R/A\$)	4.5	6.5	
Gross margin - on turnover	53.7%	52.2%	
Operating margin - on revenue	2.0%	1.9%	
ROE (A\$)	6.3%	5.9%	

*Prior year figures restated for IFRS and include revaluation of inventory and occupancy cost reimbursement credits totalling A\$1.4m

country road results

balance sheet (A\$)

	June 2006 A\$m	June 2005 A\$m	% Chg
Assets			
Property, plant and equipment	27.8	27.2	2.2%
Trademarks**	11.2	11.2	0.0%
Inventory	24.5	23.1	6.1%
Accounts receivable	14.4	11.6	24.1%
Cash	6.8	11.9	-42.9%
	84.7	85.0	-0.4%
Equity and liabilities			
Shareholders funds	54.0	50.6	6.7%
Accounts payable and provisions	30.7	34.4	-10.8%
	84.7	85.0	-0.4%
Period-end exchange rate (R/A\$)	5.4	5.2	

*Prior year figures restated for IFRS

woolworths retail
divisional and operational review



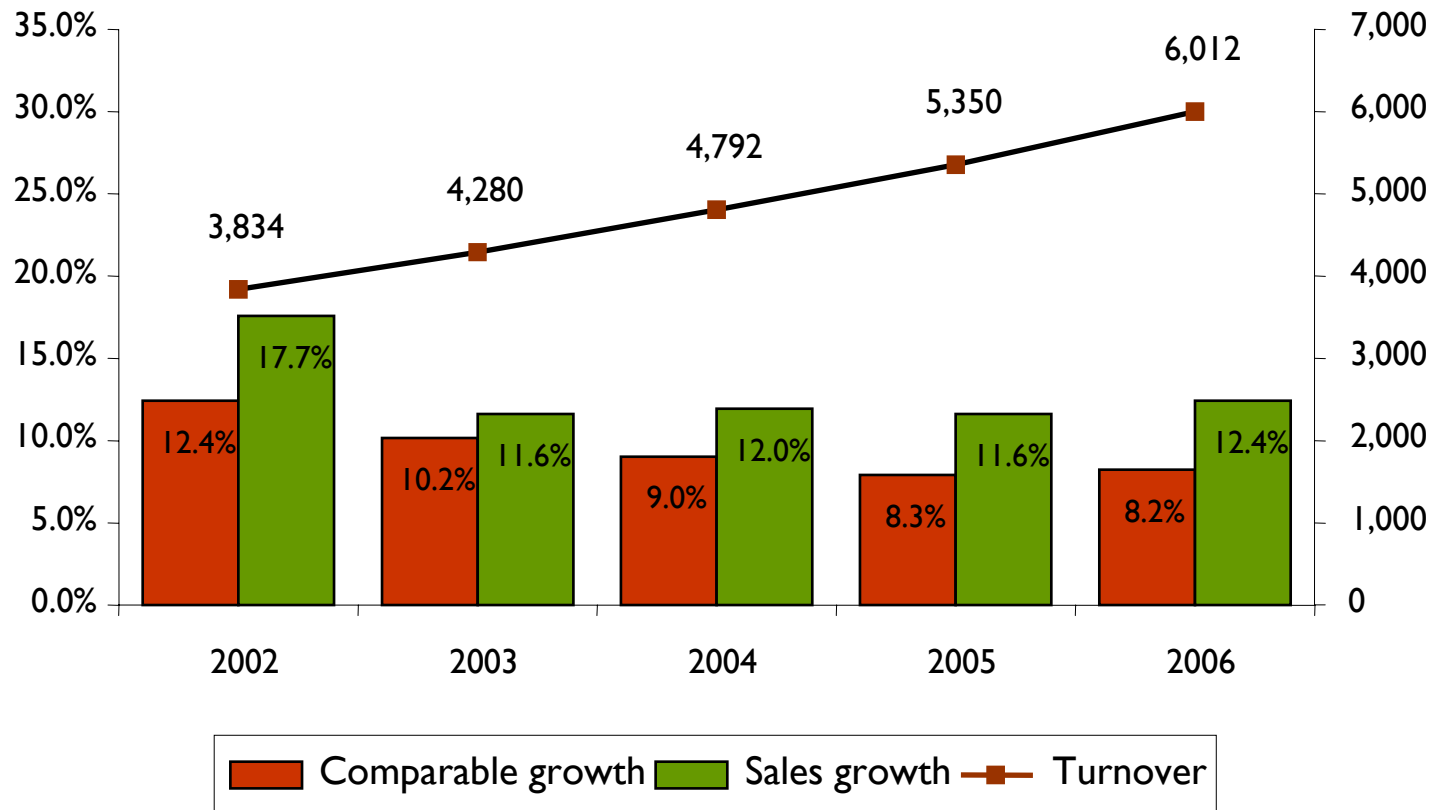


clothing and home

design-led,
technology focus
and
strategic sourcing

clothing and home performance

turnover and growth



- sales growth of 12.4% (June 05: 11.6%) with a consistent second half performance
- comparable store growth of 8.2% (June 05: 8.3%)
- product deflation averaged -1.0% (June 05: -1.1%)

clothing performance

rlc market share

- Market share to June 06
 - 12 month moving average
 - this year 15.1%
 - last year 15.6%
 - 3 month moving average
 - this year 16.0%
 - last year 16.4%

clothing and home performance

year 2: process implementation

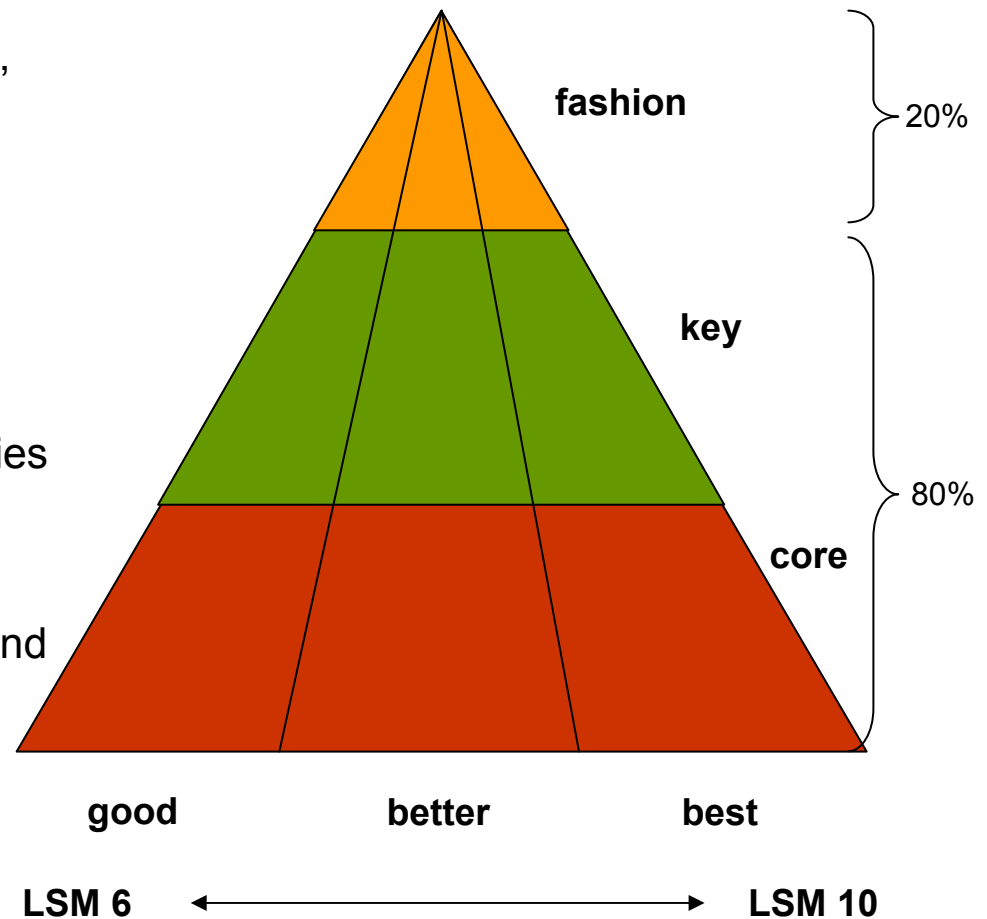
- **Womenswear**
 - good growth continues
 - consistent taste-levels meeting customer requirements
- **Lingerie**
 - performance impacted by limited availability
 - innovation coming through with better pricing architecture
- **Menswear**
 - positive customer reaction to new ranges
- **Childrenswear**
 - strong volume performance
- **Footwear**
 - good growth across the board
- **Homeware**
 - taste-level and range structuring not yet consistently implemented

	June 06	June 05
womenswear	→	↓
lingerie	↓	↓
menswear	↓	↓
childrenswear	→	↓
footwear	↑	→
home	→	↓

clothing and home

year 3: consistency of implementation

- **Design-led buying**
 - consistent LSM 9 & 10 taste level, accessible to LSM 6-8
 - technical innovation
 - focus on menswear
- **Strategic sourcing and value**
 - imports / local supplier opportunities
 - pricing architecture and volume growth
 - focus on lingerie, childrenswear and menswear
- **Availability**
 - project team in place
 - focus on core product



clothing and home strategy

- **W Collection**
 - growing faster than basic range driving cross-shop
- **Beauty launch – driving the cross-shop**
 - launch of branded products - initial rollout to 8 stores
 - re-developed private-label offering on a natural platform
 - completing our customers' shop



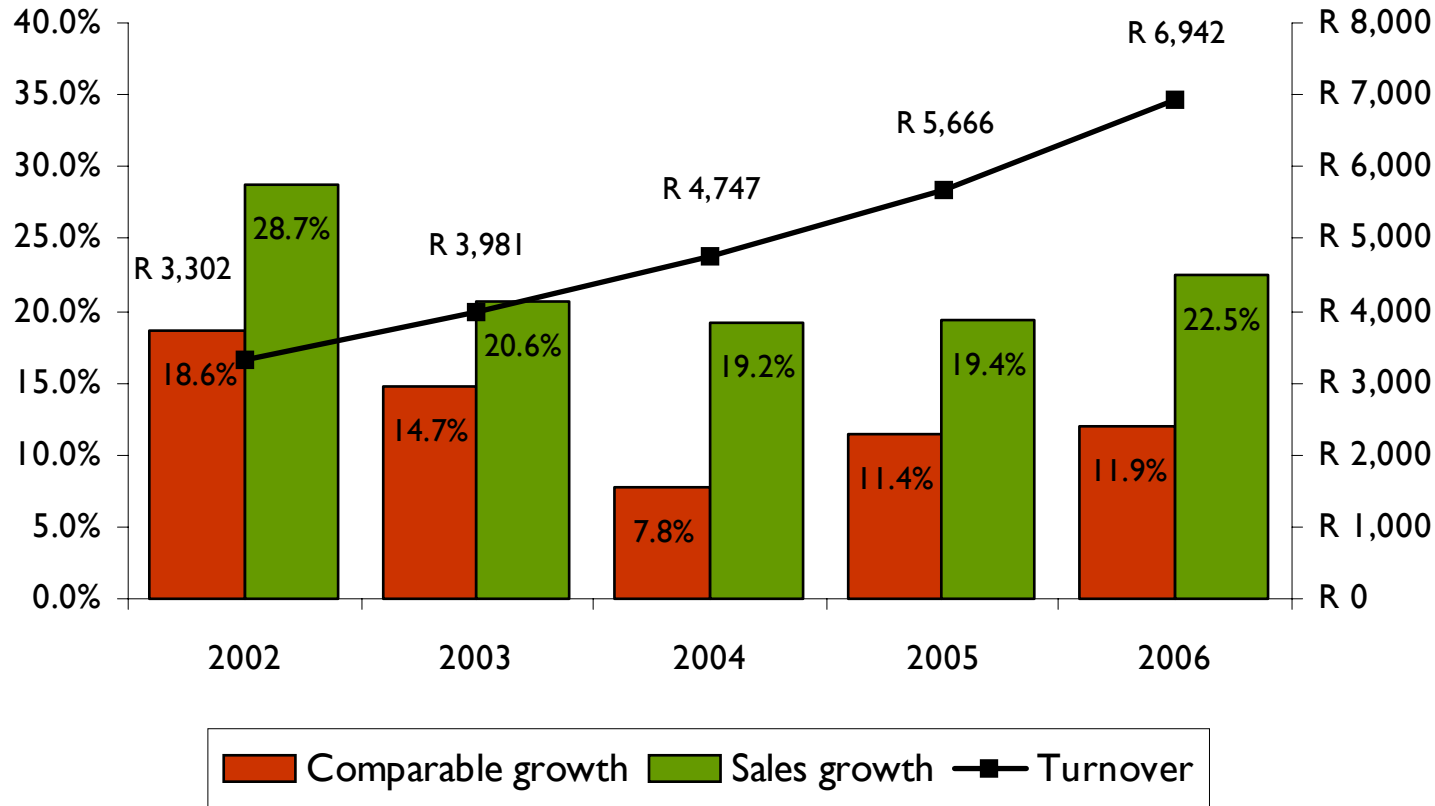


foods

growth through the
good food journey
and convenience

food performance

turnover and growth

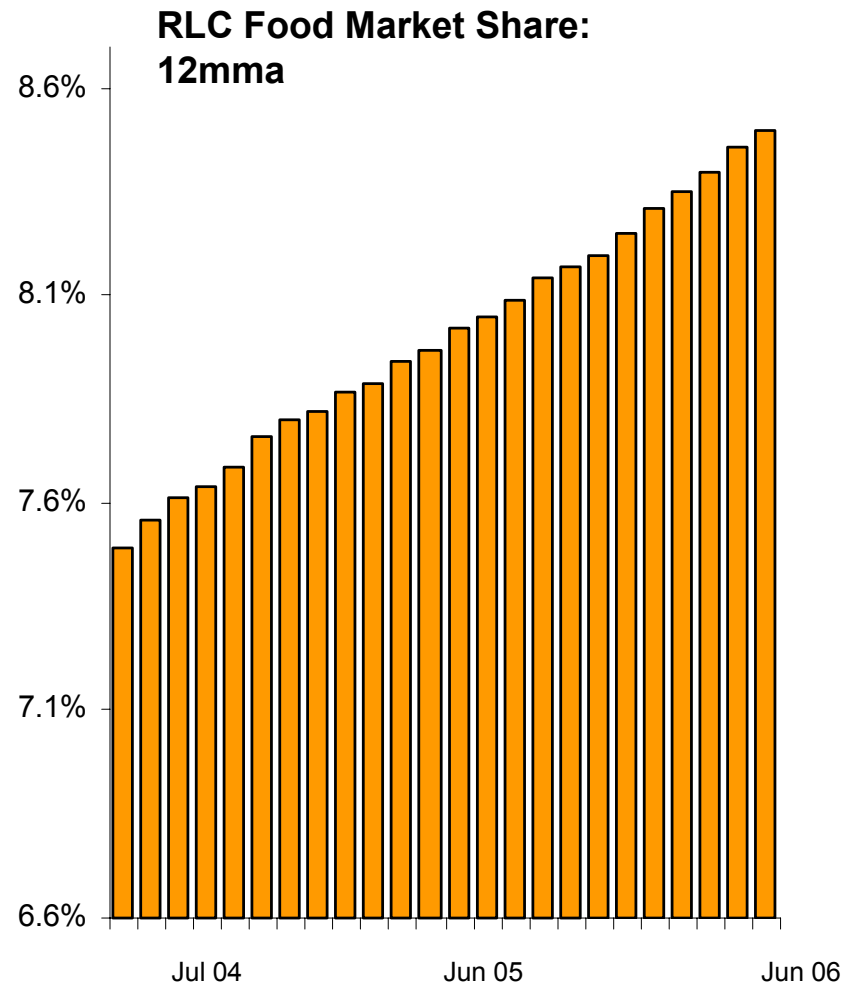


- sales growth of 22.5% (June 05: 19.4%)
- comparable store growth of 11.9% (June 05: 11.4%)
- product inflation averaged 4.2% (June 05: 3.0%)

food performance

rlc market share

- Market share to June 2006
 - 12 month moving average
 - this year 8.5%
 - last year 8.0%
 - 3 month moving average
 - this year 8.7%
 - last year 8.0%



food strategy

continued growth

- Widening the gap – the good food journey
 - continued product innovation with over 1000 new lines launched per year
 - 1st fresh baby food launch in South Africa
 - ongoing focus on improved taste, flavour authenticity, health and functionality
 - sharper pricing



food strategy

continued growth

- Convenience
 - store rollout with over 132 food stores in next 3 years
 - stand alone food stores
 - Engen Food Stops
 - reinforcing the main shop concept
 - aggressive pricing on basics
 - branded products steadily expanding – 6.6 % (June 05: 6.5%)
 - availability a key focus
 - project team in place
 - managing volume demands

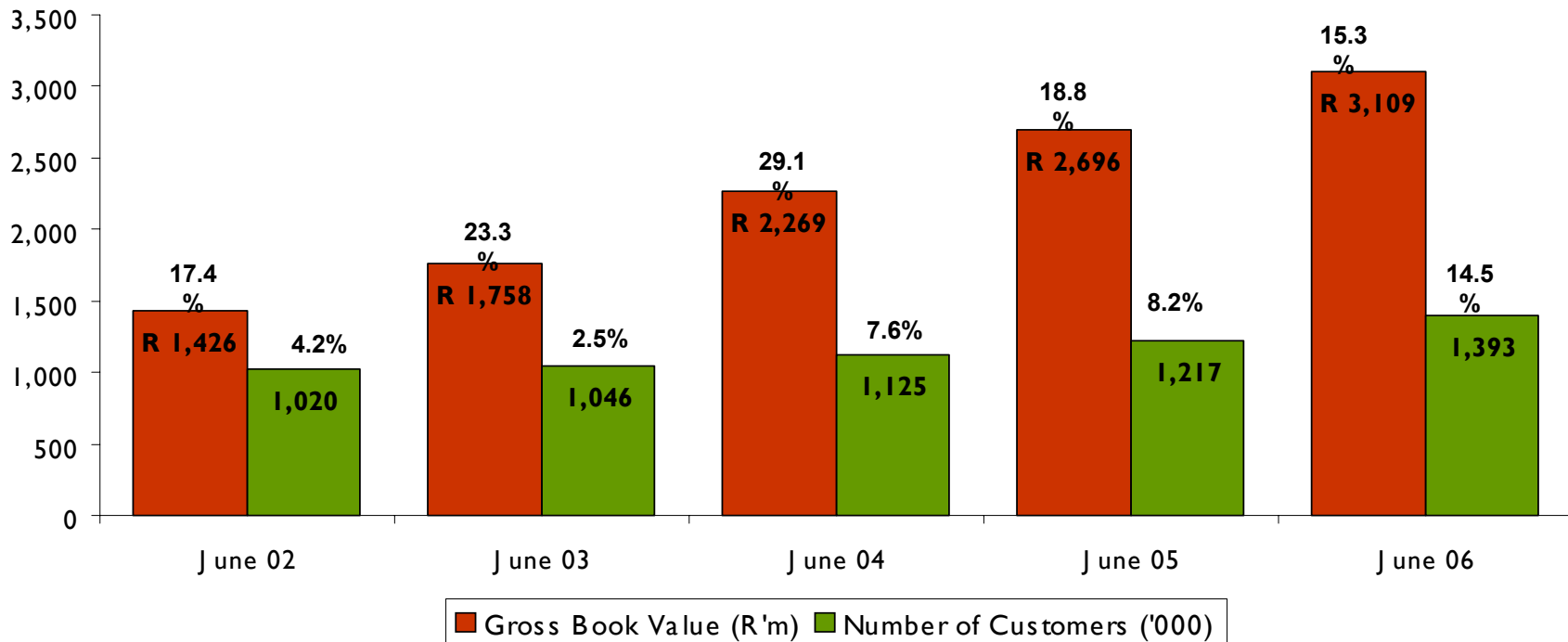


financial services

customer growth
and loyalty

financial services performance woolworths store card (gross book)

million



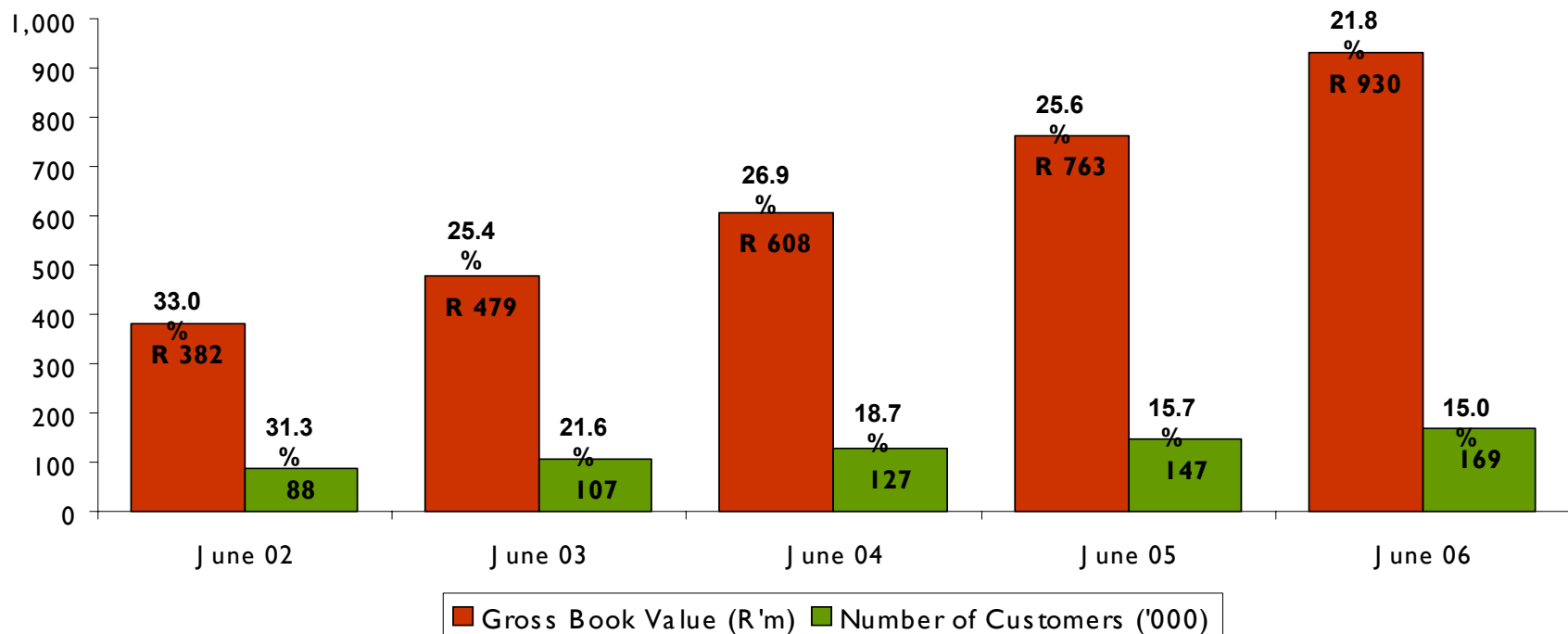
attracting new customers

- book growth of 15.3% to R3.1bn (June 2005: R2.7bn)
- customer numbers growth on back of heavy prospecting

financial services performance

personal loans (gross book)

million

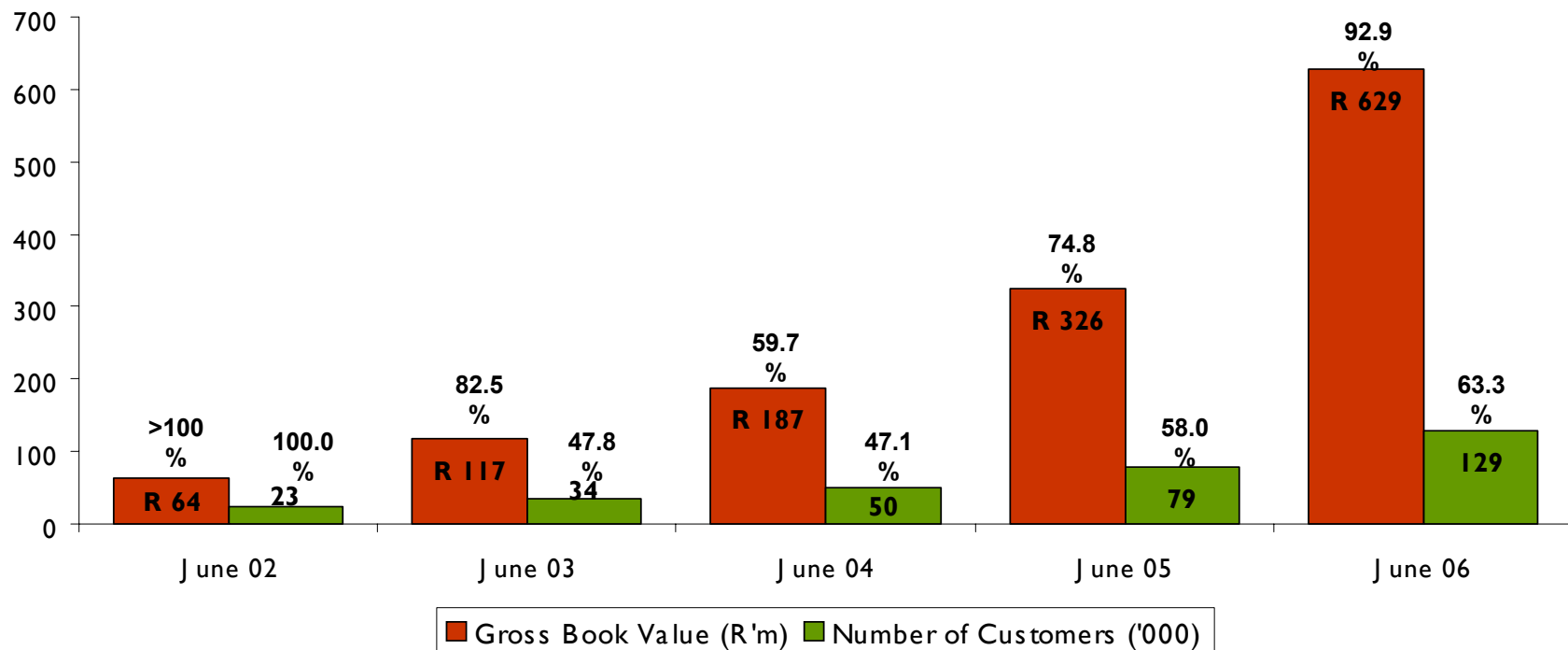


market to existing customers

- book growth of 21.8% to R930m (June 2005: R763m)
- customer numbers growth of 15.0% to 169 000 (June 2005: 147 000)

financial services performance visa card (gross book)

million

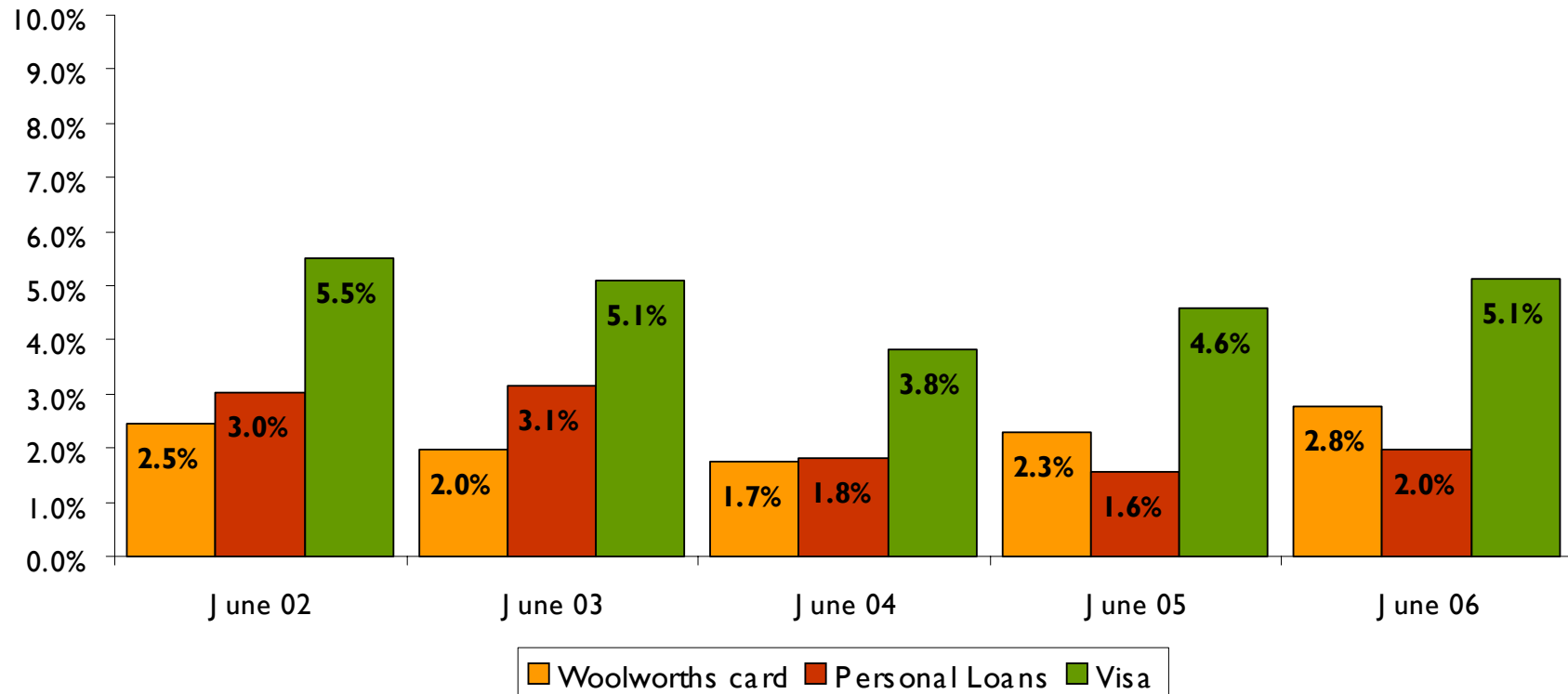


good growth

- book growth of 92.9% to R629m (June 2005: R326m)
- customer numbers growth of 63.3% to 129 000 (June 2005: 79 000)

financial services performance

net bad debt (including recoveries)



- tighter credit environment
- planned rise in store card bad debt
- systems glitch with bad debt collections

financial services strategy

customer growth and infrastructure

- **Continued focus on customer growth**
 - prospecting and growth
 - store card to target LSM 6-8 (relatively un-banked)
 - personal loans to target store card customer
 - Visa to target upper half of customer base
 - grow non-interest revenue
 - integrated loyalty programme for all customers to drive cross-shop
- **Changing legislation**
 - National Credit Act
 - customer lists and credit limits
 - reckless lending and affordability
 - usury rate
 - R15m impact for every 50bp increase in the interim



selling

aggressive store rollout

selling trading space as at

	June 06 m2	June 05 m2	% Chg	Projected June 07 m2	% Chg
Total Footage	422,367	389,645	8.4%	448,136	6.1%
Clothing & home	321,602	302,259	6.4%	333,925	3.8%
Corporate	235,308	221,053	6.4%		
Franchise - SA	53,125	47,296	12.3%		
Franchise - International	33,169	33,910	-2.2%		
Food	97,065	84,849	14.4%	114,211	17.7%
Corporate	87,192	77,921	11.9%		
Franchise - SA	6,805	3,940	72.7%		
Franchise - International	3,068	2,988	2.7%		
Coffee	3,700	2,537	45.8%		

selling number of stores

	June 06 no	June 05 no	Store growth	Projected June 07 no	Store growth
Stores	309	269	40	366	57
Corporate	173	149	25	207	34
Full line	93	84	9	100	
Clothing & home	6	5	1	6	
Food	74	60	14	101	
Franchise - SA	71	69	2	79	8
Franchise - Engen	13	5	8	28	15
Franchise - International	52	51	1	52	0



operations

systems development
and
capacity

operations

systems development and capacity

- Year four of major systems development
- Two intense years of implementation
- Minimising disruption

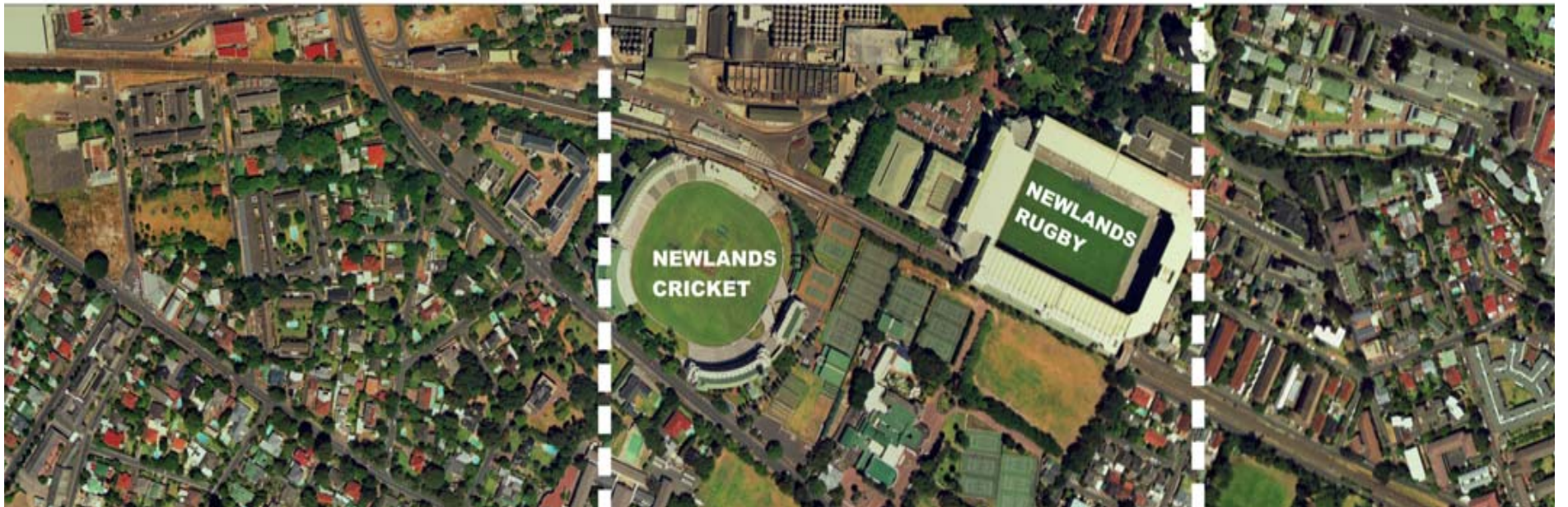
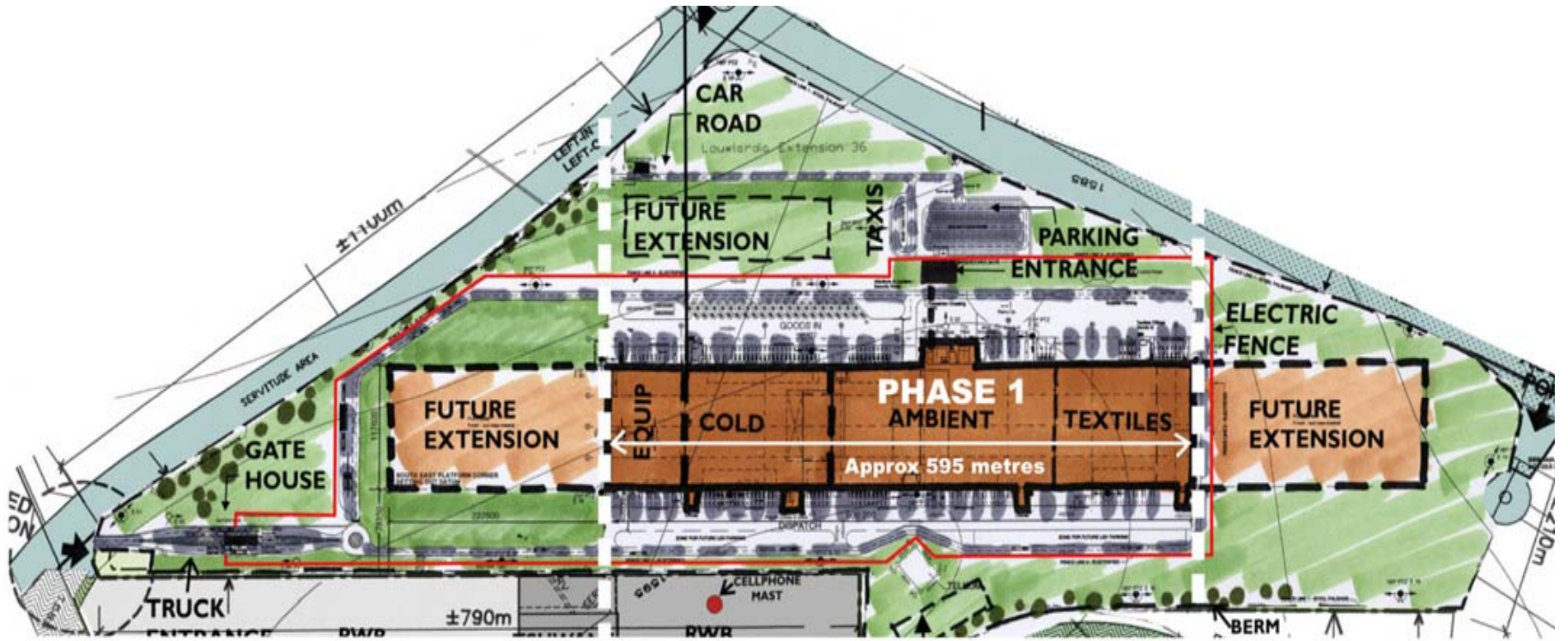
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a simpler and more flexible business

operations

development and capacity

- **Supply chain**
 - reduction in food distribution costs despite volume and capital growth
 - managing increased import component
- **Growth**
 - invested in all 3 distribution centres
 - expanded Cape and KZN distribution centres
 - Midrand DC on track
 - total investment over R500m





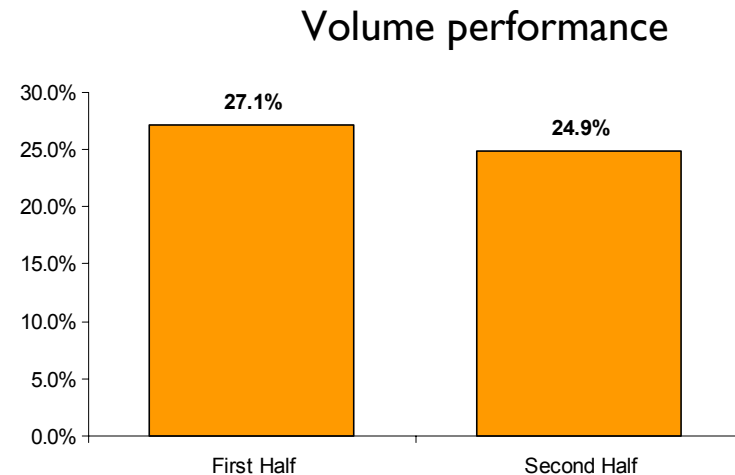


country road

retail-only model

country road performance strategy on track

- **Retail sales up 8.1%**
 - strong second half performance, ahead of the market
 - comparable store sales growth up 7.3%
 - retail apparel volume growth of 27.4%
 - reduced levels of promotional activity
- **Wholesale sales down 30%**
 - re-negotiating with Myer



country road strategy

retail-only

- **Move to retail-only model**
 - concession-based business
 - exit of existing wholesale arrangement with Myer
 - reduction in complexity
 - control of brand and pricing
 - 70 new “stores”



strategy & prospects

strategy and prospects

- A tighter trading environment
- Drive top-line performance
 - cross-shop potential
 - clothing and home taste and value proposition
 - food accessible to clothing customer
 - financial service leverage
 - launch of beauty
 - convenience
 - store rollout
 - availability
- Sweating the assets
 - capacity investment
 - systems development
- People

20

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presentation



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