T4IB03486 WHL Interim 54x10 10 February 2012 Proof 7 Kezia Rowe 083 656 4975 KeziaR@incemotiv.co.za

# WOOLWORTHS HOLDINGS LIMITED

PROFIT BEFORE TAX

+26.8%

# UNAUDITED INTERIM GROUP RESULTS FOR THE 26 WEEKS ENDED **25 DECEMBER 2011**

HEADLINE EARNINGS PER SHARE

+34.6%

# turnover +11.4%

### Group sales for the period grew 11.4% with stronger growth in the second quarter, particularly over the festive season. Sales growth was leveraged by improved gross margins and the favourable foreign exchange impact of a weaker rand, delivering a profit before tax growth of 26.8%.

A lower effective tax rate and the benefit of recent share buy-backs further advanced headline earnings per share 34.6% to 135.7 cents.

Strong cash generation from operations financed the higher investment in working capital brought about mainly due to the conversion of former franchise stores. Return on equity increased from 44.9% to 50.8% lexcluding unrealised foreign exchange movements) as a result of the share buy-back programme and improved returns in the core businesses.

### Woolworths

Food sales grew ahead of the market at 11.7%, with comparable store sales up 8.4% and price movement of 4.8%. Gross profit margins improved from 24.2% to 25.2% and profit before tax for the segment grew 18.5%. Return on sales was 5.6%, up from 5.3% in the prior period.

Clothing and General Merchandise sales grew 10.1%, with price movement of 7%. Clothing sales including Country Road's South African operations grew 11.2%, with sales in comparable stores up 5.9%. Gross profit margins also improved in the Clothing and General Merchandise segment from 42.9% to 44.3%. Excluding the positive impact of unrealised foreign exchange movements, profit before tax grew 15.1%, and return on sales was 17.0%, up from 16.3% in the prior period.

Store costs were up 16% largely due to the addition of 12% more space, including the conversion of franchise stores. Other operating costs, excluding the positive impact of the unrealised foreign exchange movements, grew at 9%.

Woolworths retail space, including Africa but excluding franchise conversions, grew by 2.3%, net of closures. Franchise conversions remain on track with 50 stores now converted and a further nine to be converted during the second half.

### **Country Road**

Country Road's total sales contracted 2.4% in Australian dollar terms, with Australian sales continuing to struggle amidst difficult trading conditions, falling 5.5% in comparable stores.

### Outlook

We believe that economic conditions in South Africa will remain constrained. However, trading for the first six weeks of the second half of the financial year has been positive, and we expect sales growth to be broadly in line with the first half.

In Australia we expect the current competitive retail environment to continue and sales for the second half to be in line with the first half performance.

Any reference to future financial performance included in this statement has not been reviewed and reported on by the company's external auditors and does not constitute an earnings forecast.

### Changes to the Board of Directors

After serving nine years as chairman, Buddy Hawton retired from the board at the company's annual general meeting on 17 November 2011. The board expresses its deep gratitude to Buddy for his wisdom and guidance. On the same date, Simon Susman was appointed as chairman, Tom Boardman was appointed as the lead independent director and 7arina Bassa was appointed a non-executive director.

### Changes to Group Secretary

Cherrie Lowe resigned as group secretary on 31 January 2012. Thobeka Sishuba-Mashego was appointed as group secretary effective 1 February 2012.

S N Susman	l Moir
Chairman	Group chief executive officer
Cape Town, 15	February 2012

### **Dividend Declaration**

Due to transitional rules relating to the phasing out of STC and its replacement with the new Dividends Tax, the board has decided to postpone the declaration of an interim dividend until after 1 April 2012, but as soon as reasonably possible thereafter. It is anticipated that the group's full year dividend cover policy, previously 1.5 times headline earnings per share, will be adjusted for the impact of the new tax, resulting in a lower dividend cover ratio.

### Thobeka Sishuba-Mashego

Group secretary,

Cape Town, 15 February 2012

### **Directorate and Statutory Information** Non-executive Directors:

Simon Susman (Chairman), Peter Bacon (British), Zarina Bassa, Lindiwe Bakoro, Tom Boardman, Mike Leeming, Chris Nissen, Stuart Rose (British) Thina Siwendu, Sindi Zilwa

son

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

52 weeks			26 weeks	26 weeks	
to 26 Jun 2011			to 25 Dec 2011	to 26 Dec 2010	%
Rm		Notes	Rm	Rm	change
25 841	Revenue		14 214	12 797	11.1
25 582	Turnover		14 137	12 687	11.4
16 683	Cost of sales		9 090	8 327	9.2
8 899	Gross profit		5 047	4 360	15.8
127	Other revenue		42	46	(8.7)
6 904	Expenses		3 681	3 304	11.4
4 4 4 8	Store costs		2 534	2 166	17.0
2 456	Other operating costs		1 147	1 138	0.8
2 122	Operating profit		1 408	1 102	27.8
132	Investment income		35	64	(45.3)
84	Finance costs		19	64	(70.3)
0.170	Profit before earnings from joint ventures			1.100	
2 170	and associate		1 424	1 102	29.2
129 7	Earnings from joint ventures Earnings from associate		56	65	(13.8)
			-	1 1/7	0( 0
2 306	Profit before tax		1 480 431	1 167 384	26.8
<u> </u>	Tax Profit after tax		1 049	783	<u>12.2</u> 34.0
1 04/			1 049	/03	34.0
	Other comprehensive income: Net fair value adjustments on financial				
(17)	instruments, after tax		141	(46)	(>100)
07	Exchange differences on translation of foreign subsidiaries		2		(>100)
37	Other comprehensive income for		3	(6)	1/1001
20	the period, net of tax		144	(52)	(>100)
1 667	Total comprehensive income for the period		1 193	731	63.2
1 647	Profit attributable to:		1 049	783	34.0
1 631	Shareholders of the parent		1 034	775	33.4
16	Non-controlling interest		15	8	87.5
1 667	Total comprehensive income attributable to:		1 193	731	63.2
1 651	Shareholders of the parent		1 179	731	61.3
16	Non-controlling interest		14	-	
	Reconciliation of headline earnings				
	Earnings attributable to shareholders				
1 631	of the parent		1 034	775	33.4
19	BEE preference dividend paid		21		90.9
1 612	Basic earnings Loss on disposal of property, plant		1 013	764	32.6
4	and equipment		2	1	100.0
04	Impairment of property, plant and				
24 (8)	equipment Tax impact of adjustments		- (1)	-	
1 632	Headline earnings		1 014	765	32.5
214.9	Headline earnings per share (cents)		135.7	100.8	34.6
212.2	Earnings per share (cents)	2	135.5	100.6	34.7
209.8	Diluted headline earnings per share (cents)	4	131.3	96.6	35.9
207.0	Diluted earnings per share (cents)	2	131.2	96.5	36.0
755.2	Number of shares in issue (millions)	2	745.9	761.7	(2.1)
/JJ.Z	Weighted average number of shares		/40.9	/01./	12.17
759.5	in issue (millions)		747.4	759.3	(1.6)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At

At

At			At	At
26 Jun			25 Dec	26 Dec
2011			2011	2010
Rm	Not	es	Rm	Rm
	ASSETS			
4 115	Non-current assets		4 333	3 679
2 046	Property, plant and equipment	3	2 134	2 0 2 0
121	Investment properties	-	121	121
693	Intangible assets	3	992	440
46	Investment in associate	9	45	39
				-
578	Investment in joint ventures		580	589
23	Prepaid employment costs		20	23
59	Participation in export partnerships		55	61
84	Other loans		55	85
-	Derivative financial instruments		1	-
465	Deferred tax		330	301
4 950	Current assets		4 885	5 073
1 892	Inventories		2 271	1 837
733	Trade and other receivables		771	812
10	Derivative financial instruments		67	1
22	Tax		1	10
2 293	Cash		1 775	2 413
9 065	Total assets		9 218	8 752
, 000	EQUITY AND LIABILITIES		7210	0702
4 093	Capital and reserves		4 003	3 726
4 0 9 3	Interest of shareholders of the parent		3 904	3 669
85			99	57
1 460			919	1 300
514	Interest-bearing borrowings		24	511
455	Operating lease accrual		458	461
-	Derivative financial instruments		-	1
315	Post-retirement medical benefit liability		327	303
176	Deferred tax		110	24
3 512	Current liabilities		4 296	3 726
3 148	Trade and other payables		3 246	3 012
269	Provisions		307	248
78	Derivative financial instruments		7	118
1	Tax		228	328
16	Interest-bearing borrowings		508	20
9 065	Total equity and liabilities		9 218	8 752
531	Net asset book value – per share (cents)		523	482
	GROUP ANALYSIS			
9 065	Total assets		9 218	8 752
5 719	Woolworths Retail	I	6 571	5 322
986	Country Road		1 128	1 038
1 783	Treasury		940	1 804
577	Woolworths Financial Services		579	588
1 892	Inventories	,	2 271	1 837
1 547	Woolworths Retail		1 932	1 514
345	Country Road		339	323
934	Approved commitment for capital expenditure		592	399
809	Woolworths Retail		488	373
125	Country Road		104	26
384	Approved commitment for franchise acquisitions	9	122	
001	FF TT 2 TT T	,		

### CONSOLIDATED STATEMENT OF CASH FLOWS

52 weeks to 26 Jun 2011 Rm	Notes	26 weeks to 25 Dec 2011 Rm	26 weeks to 26 Dec 2010 Rm
NIII	Cash flow from operating activities	NIII	NIII
2 848	Cash inflow from trading	1 637	1 443
	Working capital movements	(129)	223
3 225		1 508	1 666
	Investment income	31	64
	Finance costs	(19)	(74)
	Tax paid	(61)	(384)
2 268	Cash generated by operations	1 459	1 272
2 200	Dividends received from associate	1437	1 2/2
125	Dividends received from joint venture	55	50
	Distributions to shareholders	(719)	(523)
1 471	Net cash inflow from operating activities	795	800
1 47 1	Cash flow from investing activities	775	000
15851	Net investment in PPE and intangible assets	(361)	(303)
	Acquisition of franchise operations 4	(304)	13031
21	Other 4	36	18
(771)		(629)	(285)
(771)	Net cash outflow from investing activities Cash flow from financing activities	10291	12631
22	Shares issued		00
33		-	28
	Shares repurchased	(614)	(21)
	Share repurchase costs	(2)	-
	Finance lease payments	(11)	(8)
	Short-term borrowings repaid	-	(1 000)
	Acquisitions – non-controlling interest contribution	-	-
	Net cash outflow from financing activities	(627)	(1 001)
(628)		(461)	(486)
2 917	Cash and cash equivalents at the beginning of the period	2 293	2 917
4	Effect of foreign exchange rate changes	(57)	(18)
2 293	Cash and cash equivalents at the end of the period	1 775	2 413
	GROUP ANALYSIS		
2 848	Cash inflow from trading	1 637	1 4 4 3
2 586	Woolworths Retail	1 429	1 306
262	Country Road	208	137
624	Gross capital expenditure	383	310
517	Woolworths Retail	343	264
107	Country Road	40	46

However, gross margins have improved and costs remain tightly controlled, resulting in an increase in profit before tax in Australian dollars, which, as a result of the weaker rand, translates to a 27.2% increase in profit. Return on sales at 6.4%, was up from 5.8% in the prior period. Return on equity declined from 22.6% to 19.2%.

### **Woolworths Financial Services**

The overall book growth was 6.7% up on the prior period with net impairments increasing just 0.1% to 1.7%. Net interest was 2.6% up on the prior period. Costs including impairments were 10.8% up on the previous year impacted by further investments in fraud prevention. compliance and growth capacity. As a consequence, profit before tax was 10.4% below the previous period and the return on equity declined from 23.4% to 20.5%.

executive Directors:
Ian Moir (Group chief executive officer)
(Australian), Zyda Rylands, Norman Thom

### Group Secretary:

Thobeka Sishuba-Masheao

Share Code: WHL ISIN: ZAE000063863 Registered Address:

PO Box 680, Cape Town 8000 Woolworths House, 93 Longmarket Street Cape Town 8001

### **Registration Number:** 1929/001986/06

JSE Sponsor: Rand Merchant Bank

(A division of FirstRand Bank Limited)

### Transfer Secretaries:

Computershare Investor Services (Pty) Limited 70 Marshall Street, Johannesburg, 2001

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Total	Total
52 weeks		Share-	Non-	26 weeks	26 weeks
to 26 Jun		holders of	controlling	to 25 Dec	to 26 Dec
2011		the parent	interest	2011	2010
Rm	Notes	Rm	Rm	Rm	Rm
	Interest at the beginning				
3 453	of the period	4 008	85	4 093	3 453
	Movements for the period:				
33	Issue of shares 5	-	-	-	28
(339)	Shares repurchased 5	(614)	-	(614)	(21)
(1)	Share repurchase costs	(2)	-	(2)	-
(923)	Distributions to shareholders	(719)	-	(719)	(523)
186	Share-based payments	52	-	52	58
17	Business acquisitions	-	-	-	-
	Total comprehensive income				
1 667	for the period	1 179	14	1 193	731
4 093	Interest at the end of the period	3 904	99	4 003	3 726
143.5	Distribution per ordinary share (cents)			-	50.5
1.5	Distribution cover (based on headline ed	ırnings per s	hare)	-	2.0
61.4	Distribution per preference share (cents)			-	16.8

61.4 Distribution per preference share (cents)

The directors consider that, on a pro-forma basis, had the acquisition of the acquired franchisees been effective from the beginning of the period, the revenue of the group for the period would have been R118m higher, and profit before tax would have been R62m higher.

### 5 Issue and repurchase of shares

9 298 259 (2010: 851 827) shares totalling R285m (2010: R21m) were repurchased from the market by Woolworths (Proprietary) Limited.

8 836 665 (2010: Nill shares totalling R329m (2010: Nill were purchased from the market in the current period and allocated to employees on settlement of share-based payments.

In the prior period, 3 500 331 ordinary shares totalling R28m were issued in terms of the group's executive incentive schemes.

### 6 Contingent liabilities

Group companies are party to legal disputes and investigations that have arisen in the ordinary course of business. Whilst the outcome of these matters cannot readily be foreseen, the directors do not expect them to have any material financial effects.

### 7 Borrowing facilities

Unutilised banking facilities amount to R2 607m (2010: R2 463m). There is no limit in the Memorandum of Incorporation on the group's authority to raise interest-bearing debt.

### 8 Related party transactions

The group entered into related party transactions during the period, the substance of which are similar to those explained in the group's 2011 Integrated Report.

### 9 Events subsequent to the reporting date

Agreements to purchase a further 9 franchise stores totalling R122m are effective from dates subsequent to this report.

### 10 Approval of interim financial statements

The interim financial statements were approved by the board of directors on 15 February 2012.

### 11 Ungudited results

These results have not been reviewed or audited. These summary financial statements have been prepared under the supervision of the group finance director, Norman Thomson CAISA).

### **SEGMENTAL ANALYSIS**

52 weeks to 26 Jun 2011		26 weeks to 25 Dec 2011		%
Rm		Rm	Rm	change
	Revenue			
25 582	Turnover	14 137	12 687	11.4
22 609	Woolworths Retail	12 383	11 155	11.0
8 591	Clothing and General Merchandise	4 713	4 282	10.1
13 535	Food	7 415	6 635	11.8
483	Logistics	255	238	7.1
2 973	Country Road	1 754	1 532	14.5
259	Other revenue and investment income	77	110	(30.0)
103	Woolworths Retail	38	41	(7.3)
25	Clothing and General Merchandise	5	8	(37.5)
78	Food	33	33	-
27	Country Road	5	5	-
129	Treasury	34	64	(46.9)
25 841	Total group	14 214	12 797	11.1
	Gross profit			
7 134	Woolworths Retail	4 001	3 487	14.7
3 751	Clothing and General Merchandise	2 088	1 839	13.5
3 298	Food	1 867	1 606	16.3
85	Intra-group	46	42	9.5
1 765	Country Road	1 046	873	19.8
8 899	Total group	5 047	4 360	15.8
	Profit before tax			
1 965	Woolworths Retail	1 289	1 008	27.9
1 318	Clothing and General Merchandise	873	657	32.9
647	Food	416	351	18.5
162	Country Road	117	92	27.2
129	Woolworths Financial Services	56	65	(13.8)
50	Treasury	18	2	>100
	neasery		-	2100

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### NOTES

### Basis of preparation

The abridged group financial statements comply with IAS 34 Interim Financial Reporting.

Accounting policies used in the abridged group financial statements are the same as those used to prepare the group annual financial statements, which have been prepared in compliance with International Financial Reporting Standards (IFRS) and the South African Companies Act (No. 71 of 2008, as amended).

### 2 Earnings per share

The difference between earnings per share and diluted earnings per share is due to the impact of unexercised options under the group's share incentive schemes.

### 3 Property, plant and equipment and intangible assets

During the 26 weeks to 25 December 2011, the group acquired property, plant and equipment at a cost of R331m (2010: R221m) and acquired intangible assets (including goodwill and reacquired rights) at a cost of R358m (2010: R144m).

### 4 Acquisition of franchise operations

The group continues to wind down its South African franchise operations, acquiring 25 stores in the current period.

Fair value of assets acquired at the date of acquisition	Rm
Property, plant and equipment	10
Reacquired rights	193
Deferred tax liability	(55)
Goodwill arising on acquisition	113
Consideration	261
Accrual – prior period	43
Cash outflow	304

The goodwill of R113m is supported by the growth and synergies expected to accrue from the acquisitions

From the dates of acauisition, these 25 franchise stores have contributed an additional R79m of revenue and R41m of profit before tax to the group.