

2007 february  
investment analyst presentation

WOOLWORTHS HOLDINGS LIMITED

WHL



# woolworths holdings limited

## a year of growth

- Revenue up 21.0% to R8.97 billion
- Operating profit up 31.1% to R957.6 million
- Diluted headline earnings per share up 22.9% to 63.8cps
- Diluted headline earnings per share growth pre-STC up 28.5%
- Diluted earnings per share (including exceptionals) growth of 32.8% to 69.3cps
- Dividend to shareholders up 22.9% to 29.5cps

# woolworths holdings limited

## trading environment

### Robust consumer environment

- Structural change sustained economic growth rate
  - Consumer base has continued to grow
  - Confidence levels remained robust despite further rate hikes
  - Appetite for credit continued
- Christmas trading strong
- Food inflation peaked in December

# woolworths holdings income statement

## strong operating profit growth and margin enhancement

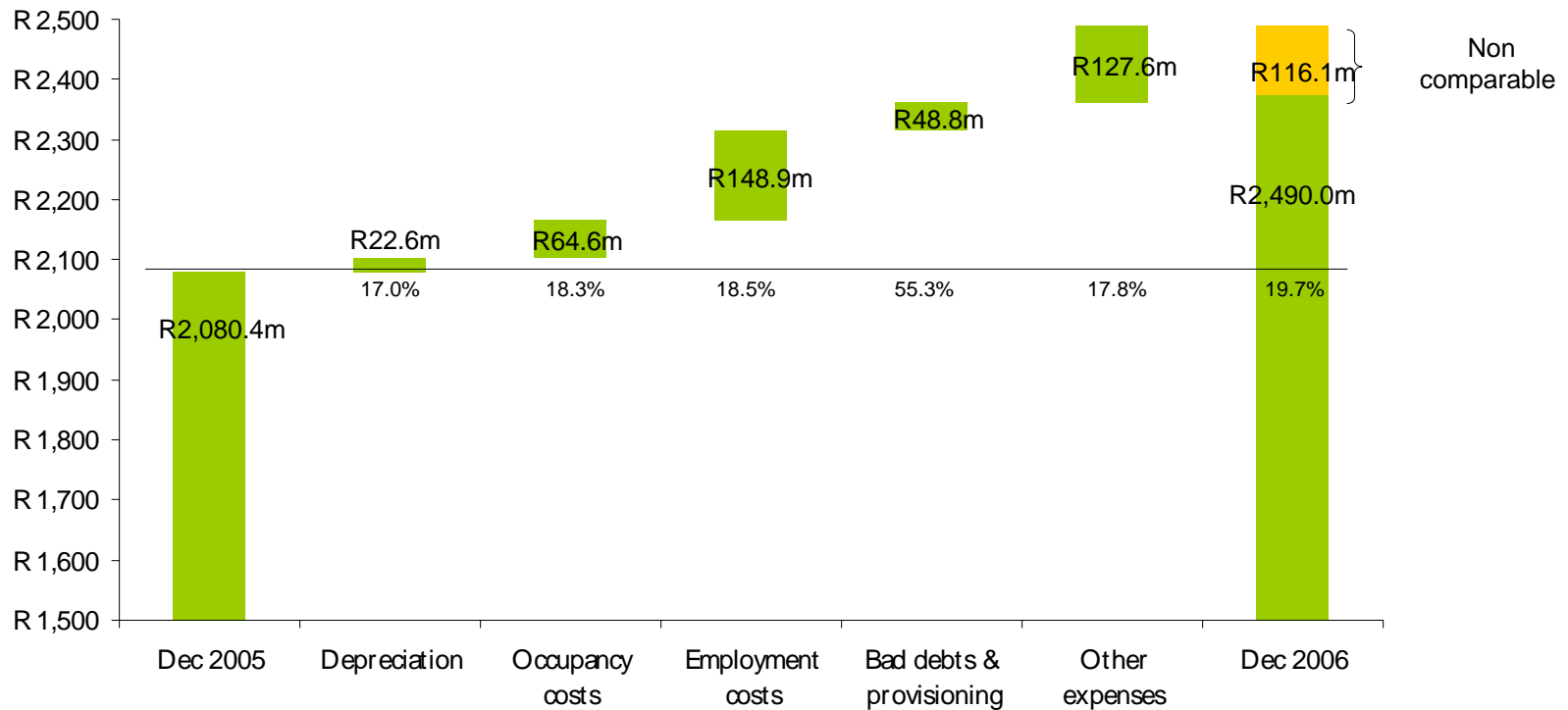
	Dec 2006 Rm	Dec 2005* Rm	% Chg
<b>Revenue</b>	<b>8,970.4</b>	<b>7,415.3</b>	<b>21.0%</b>
Turnover	8,406.5	6,995.0	20.2%
Cost of sales	5,522.8	4,604.6	19.9%
<b>Gross profit</b>	<b>2,883.7</b>	<b>2,390.4</b>	<b>20.6%</b>
Other revenue	563.9	420.3	34.2%
Expenses	2,490.0	2,080.3	19.7%
<b>Operating profit</b>	<b>957.6</b>	<b>730.3</b>	<b>31.1%</b>
Finance costs	171.9	113.8	51.1%
<b>Profit before exceptional item</b>	<b>785.7</b>	<b>616.5</b>	<b>27.4%</b>
Exceptional item	54.6	-	
<b>Profit before tax</b>	<b>840.3</b>	<b>616.5</b>	<b>36.3%</b>
Tax	273.1	194.2	40.6%
<b>Profit after tax</b>	<b>567.2</b>	<b>422.3</b>	<b>34.3%</b>

Gross margin - on turnover	34.3%	34.2%
Operating margin - on revenue	10.7%	9.8%
ROE	37.5%	37.2%
Effective tax rate	32.5%	31.5%

\* settlement discounts reclassified from expenses to cost of sales

# woolworths holdings expense analysis

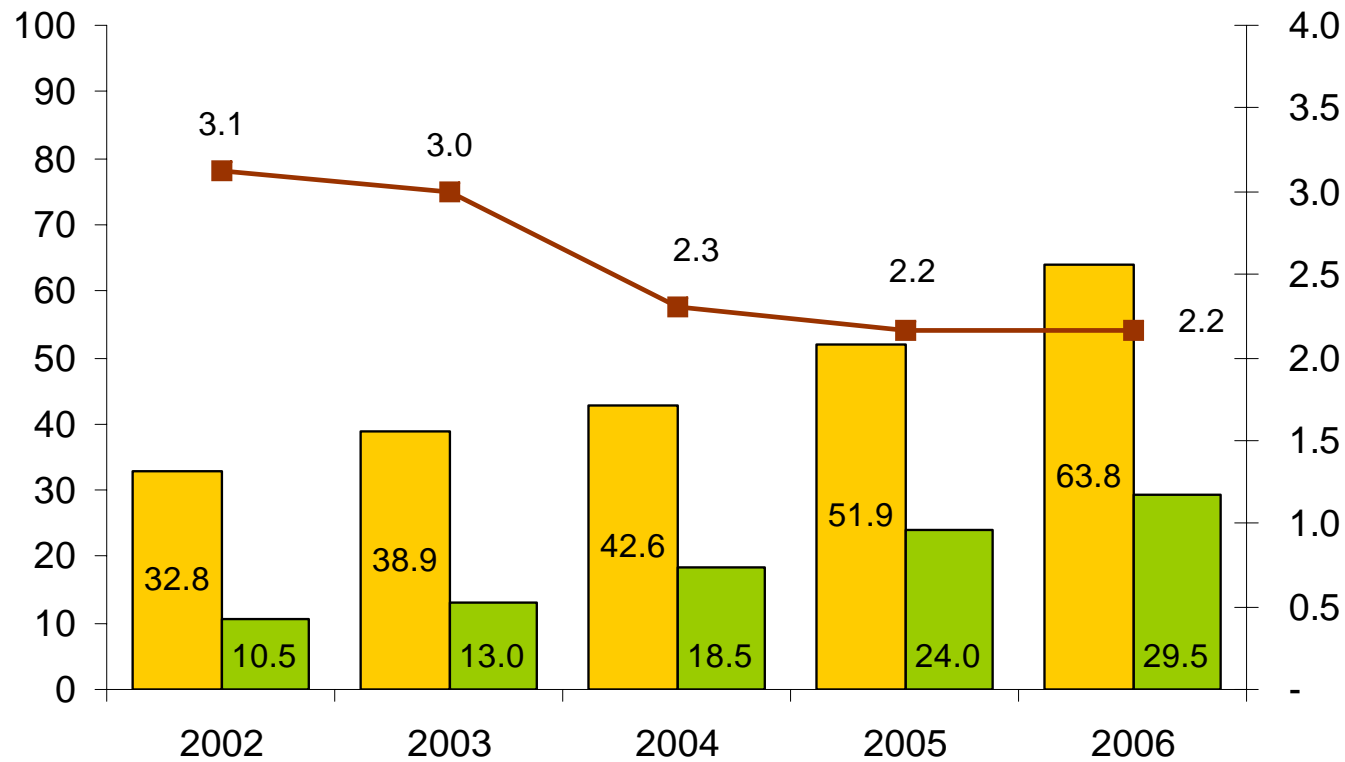
store and distribution costs kept pace with sales growth



- Cost growth pre non-comparable costs (new stores and stores trading < 12 months): 14.1%

# woolworths holdings results

diluted HEPS up by 22.9% (pre-STC +28.5%)



Legend: Diluted HEPS (yellow bar), DPS (green bar), Dividend cover (brown line with square markers)

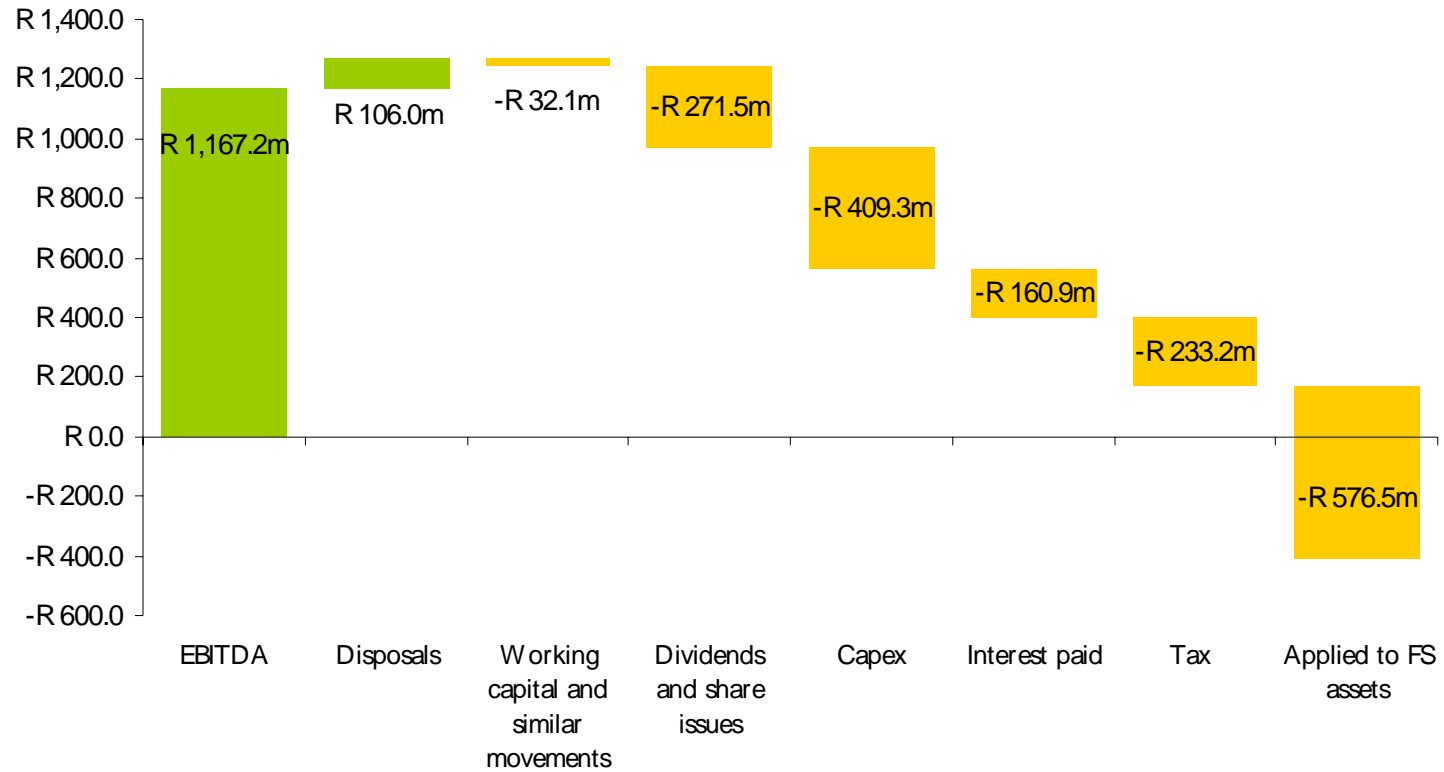
5 year HEPS compound annual growth rate: 25.5%

# woolworths holdings balance sheet

## investment in infrastructure and financial services assets

	Dec 2006 Rm	Dec 2005 Rm	% Chg
<b>Assets</b>			
Property, plant and equipment	1,801.5	1,421.2	26.8%
Investment property	109.0	72.2	51.0%
Goodwill	23.0	-	100.0%
Export partnerships	71.2	62.4	14.1%
Inventory	1,175.1	865.7	35.7%
Financial services assets	4,991.7	4,010.6	24.5%
Accounts receivable	1,442.4	1,284.4	12.3%
Cash	607.1	282.8	114.7%
	<b>10,221.0</b>	<b>7,999.3</b>	<b>27.8%</b>
<b>Equity and liabilities</b>			
Shareholders funds	2,940.2	2,343.3	25.5%
Accounts payable and deferred tax	3,242.1	2,773.2	16.9%
Borrowings	4,038.7	2,882.8	40.1%
	<b>10,221.0</b>	<b>7,999.3</b>	<b>27.8%</b>
Debt ratio	39.5%	36.0%	

# woolworths holdings cash flow

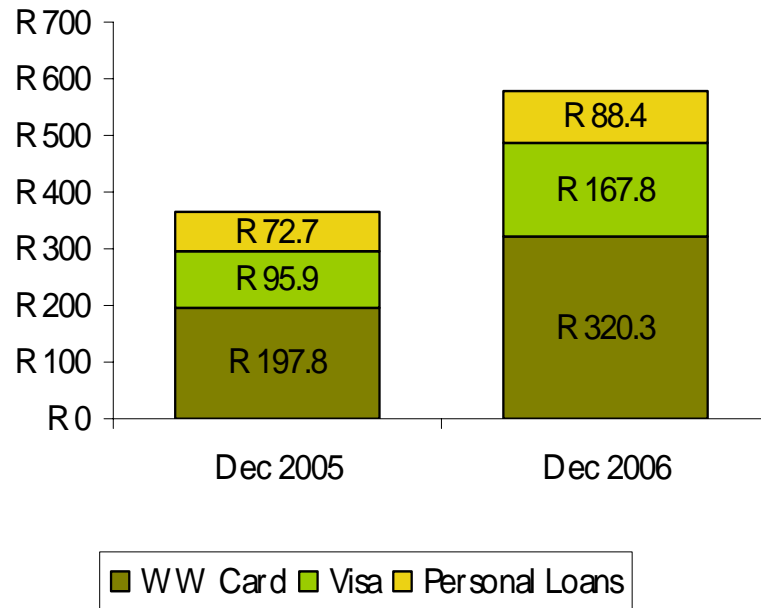




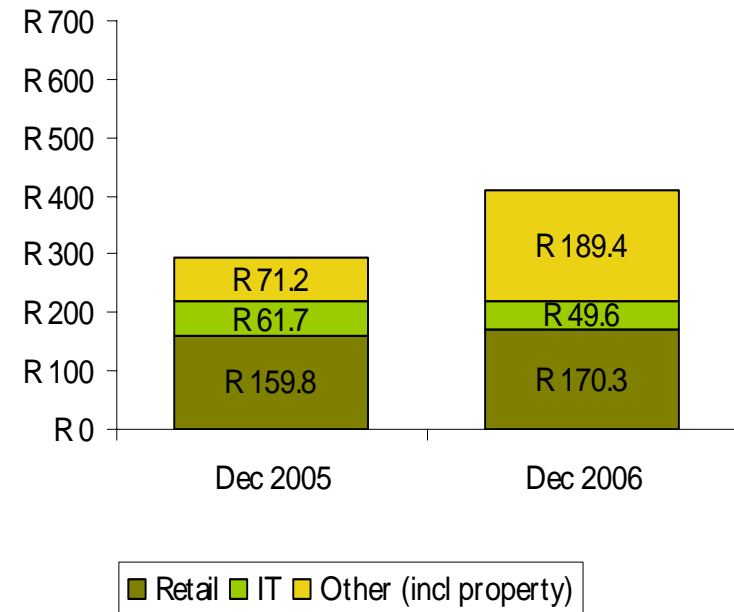
# woolworths holdings capex

## investment in infrastructure and financial services assets

Growth in financial services assets:  
R576.5m (Dec 05: R366.4m)

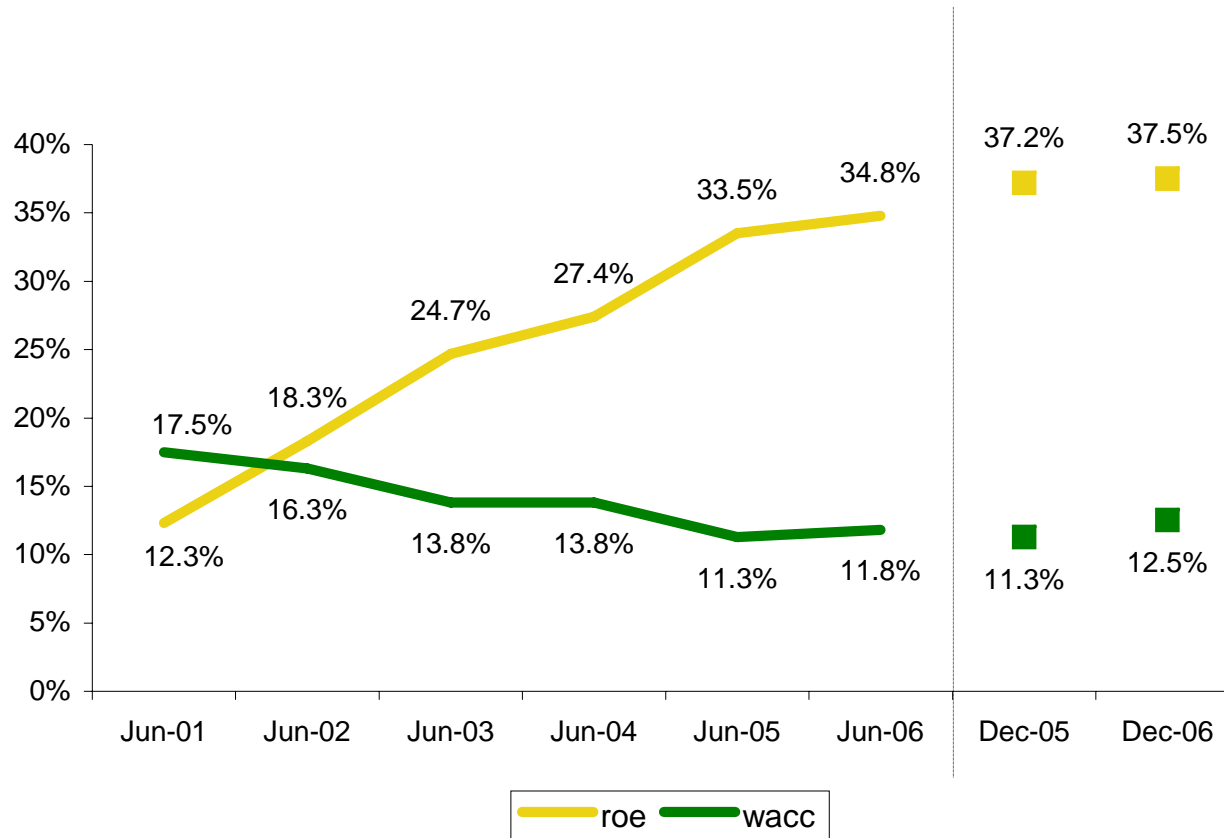


Capex spend:  
R409.3m (Dec 05: R292.7m)



# woolworths holdings return on equity/wacc

## enhancing shareholder value



# woolworths retail income statement

## gross margin enhancement in clothing and home

	Dec 2006 Rm	Dec 2005 * Rm	% Chg
<b>Revenue</b>	7,845.8	6,511.2	<b>20.5%</b>
Turnover	7,801.3	6,482.5	20.3%
Cost of sales	5,271.6	4,374.1	20.5%
<b>Gross profit</b>	2,529.7	2,108.4	<b>20.0%</b>
Other revenue	44.6	28.7	55.4%
Expenses	1,893.4	1,604.4	18.0%
<b>Operating profit</b>	680.9	532.7	<b>27.8%</b>
Finance costs	-	-	
<b>Profit before exceptional item</b>	680.9	532.7	
Exceptional item	54.6	-	
<b>Profit before tax</b>	735.5	532.7	38.1%
Tax	248.0	172.2	44.0%
<b>Profit after tax</b>	487.5	360.5	<b>35.2%</b>

Gross margin - on turnover	32.4%	32.5%
Operating margin - on revenue	8.7%	8.2%
ROE	60.9%	72.0%

\* settlement discounts reclassified from expenses to cost of sales

# woolworths retail turnover analysis

## good overall growth

	Dec 2006 Rm	Dec 2005 Rm	% Chg
<b>Clothing &amp; home</b>	<b>3,460.2</b>	<b>3,024.4</b>	<b>14.4%</b>
Corporate (retail)	3,057.9	2,644.5	15.6%
Franchise (wholesale) - local	321.3	278.3	15.5%
Franchise (wholesale) - international	81.0	101.6	-20.3%
<b>Food</b>	<b>4,191.3</b>	<b>3,329.1</b>	<b>25.9%</b>
Corporate (retail)	3,915.6	3,152.1	24.2%
Franchise (wholesale) - local	258.3	160.1	61.3%
Franchise (wholesale) - international	17.5	16.9	3.5%
<b>Logistics &amp; other</b>	<b>158.6</b>	<b>135.4</b>	<b>17.2%</b>
	<b>7,810.1</b>	<b>6,488.9</b>	<b>20.4%</b>

# woolworths retail balance sheet

increased inventory – accelerated imports and availability drive

	Dec 2006 Rm	Dec 2005 Rm	% Chg
<b>Assets</b>			
Property, plant and equipment, investments deferred tax, loans and goodwill	2,288.5	1,828.3	25.2%
Inventory	1,054.1	711.0	48.3%
Accounts receivable	712.2	759.4	-6.2%
Cash	296.5	225.7	31.4%
	<b><u>4,351.3</u></b>	<b><u>3,524.4</u></b>	<b>23.5%</b>
<b>Equity and liabilities</b>			
Shareholders funds	1,461.9	1,003.8	45.6%
Accounts payable, provisions and tax	2,889.4	2,520.6	14.6%
Borrowings	-	-	
	<b><u>4,351.3</u></b>	<b><u>3,524.4</u></b>	<b>23.5%</b>

# woolworths financial services income statement

usury squeeze and adjusted provisioning for bad debts

	Dec 2006 R'm	% to Book	Dec 2005 R'm	% to Book	% chg
<b>Income</b>					
Interest received	445.6	18.9%	344.6	18.3%	29.3%
Other income - external	78.0	3.3%	48.7	2.6%	60.2%
Other income - internal	46.9	2.0%	36.7	1.9%	27.8%
	<u>570.5</u>	24.2%	<u>430.0</u>	22.8%	32.7%
<b>Expenses</b>					
Net bad debts	(97.4)	-4.1%	(74.9)	-4.0%	30.0%
Movement in provisions	(39.6)	-1.7%	(13.3)	-0.7%	197.7%
Operating costs	(189.3)	-8.0%	(154.5)	-8.2%	22.5%
	<u>(326.3)</u>	-13.8%	<u>(242.7)</u>	-12.9%	34.4%
<b>Operating profit</b>	<b>244.2</b>	10.3%	<b>187.3</b>	10.0%	30.4%
<b>Interest</b>	<b>(170.6)</b>	-7.2%	<b>(111.5)</b>	-5.9%	53.0%
<b>Profit before tax</b>	<u><b>73.6</b></u>	3.1%	<u><b>75.8</b></u>	4.0%	-2.9%
Tax	(24.8)		(22.0)		
<b>Profit after tax</b>	<u><u><b>48.8</b></u></u>	2.1%	<u><u><b>53.8</b></u></u>	2.9%	-9.3%
Average gross financial services assets	<u>4,719.0</u>		<u>3,764.2</u>		25.4%

# woolworths financial services balance sheet

## strong asset growth funded by borrowings

	Dec 2006 Rm	Dec 2005 Rm	% Chg
<b>Assets</b>			
Plant and equipment, deferred tax, loans and accounts receivable	228.4	208.2	9.7%
Financial services assets	4,991.7	4,010.6	24.5%
Cash	236.7	-	
	<b>5,456.8</b>	<b>4,218.8</b>	<b>29.3%</b>
<b>Equity and liabilities</b>			
Shareholders funds	1,218.0	1,140.4	6.8%
Accounts payable, provisions and tax	200.0	195.6	2.2%
Borrowings	4,038.8	2,882.8	40.1%
	<b>5,456.8</b>	<b>4,218.8</b>	<b>29.3%</b>
Gearing Ratio	76.8%	71.7%	
ROE	8.9%	10.1%	

# woolworths financial services credit statistics

## quality book - statistics remain healthy

	Dec 2006	Dec 2005
Store card sales as a % of total sales	32.7%	32.5%
Weighted average usury rate	20.0%	20.0%
Average cost of funds	8.8%	7.7%
Total gross books	5,250.0	4,165.6
Total provisions	(258.3)	(155.0)
Net book	<u>4,991.7</u>	<u>4,010.6</u>
<b>Provision as a % of gross book</b>		
Store card	4.7%	3.8%
Personal loans	4.8%	2.8%
VISA	5.5%	5.1%
<b>Total all books</b>	<b>4.9%</b>	<b>3.7%</b>



# country road income statement

## strong performance of retail model

	Dec 2006 A\$m	Dec 2005 A\$m	% Chg
<b>Revenue</b>	<b>108.5</b>	<b>105.1</b>	<b>3.2%</b>
Turnover	107.9	104.2	3.5%
- retail	90.6	79.7	13.7%
- wholesale & franchise	17.3	24.5	-29.5%
Cost of sales	45.5	47.4	-3.9%
<b>Gross profit</b>	<b>62.3</b>	<b>56.8</b>	<b>9.7%</b>
Other revenue	0.6	1.0	-40.6%
Expenses	57.5	55.0	4.6%
<b>Operating profit</b>	<b>5.4</b>	<b>2.8</b>	<b>93.0%</b>
Finance costs	0.2	0.5	-51.4%
<b>Net profit before tax</b>	<b>5.2</b>	<b>2.3</b>	<b>124.3%</b>

<b>Average exchange rate (R/A\$)</b>	<b>5.5</b>	<b>4.9</b>
--------------------------------------	------------	------------

Gross margin - on turnover	57.8%	54.5%
Operating margin - on revenue	5.0%	2.7%
ROE (A\$)	9.2%	8.8%

# country road income statement

## conversion to rands

	Dec 2006 Rm	Dec 2005 Rm	% Chg
<b>Revenue</b>	<b>599.7</b>	<b>510.7</b>	<b>17.4%</b>
Turnover	596.4	506.1	17.8%
Cost of sales	251.2	230.5	9.0%
<b>Gross profit</b>	<b>345.2</b>	<b>275.6</b>	<b>25.3%</b>
Other revenue	3.3	4.7	-29.8%
Expenses	317.3	270.0	17.5%
<b>Operating profit</b>	<b>31.2</b>	<b>10.3</b>	<b>202.9%</b>
Finance costs	1.3	2.3	-43.5%
<b>Profit before tax</b>	<b>29.9</b>	<b>8.0</b>	<b>273.7%</b>

# country road balance sheet

## loan from woolworths repaid

	Dec 2006 A\$m	Dec 2005 A\$m	% Chg
<b>Assets</b>			
Property, plant and equipment	28.9	28.6	1.2%
Trademarks*	11.2	10.9	2.6%
Inventory	22.0	33.2	-33.6%
Accounts receivable	10.8	9.4	14.8%
Cash	13.5	12.2	10.3%
	<b>86.4</b>	<b>94.3</b>	
<b>Equity and liabilities</b>			
Shareholders funds	58.6	53.6	9.3%
Accounts payable and provisions	27.8	40.7	-31.7%
	<b>86.4</b>	<b>94.3</b>	
<b>Period-end exchange rate (R/A\$)</b>	<b>5.5</b>	<b>4.7</b>	

\* eliminated at holdings level

# woolworths holdings limited

## expectations and guidance

- Retail gross margin to be maintained in second half
- Slight deterioration in bad debts, but stable outlook
- Capex:
  - 2006/07: (approximately) R670m
  - 2007/08: R500-R600m





woolworths retail

---

divisional and operational  
review

# strategy delivery

Delivery of strategy – first half	
<p><b>Drive top-line performance</b></p> <ul style="list-style-type: none"><li>- leveraged the cross shop</li><li>- convenience</li><li>- continued Country Road's growth</li></ul>	
<p><b>Sweating the assets</b></p> <ul style="list-style-type: none"><li>- capacity development on track</li><li>- Gauteng DC operational Feb 07</li><li>- systems development on track</li></ul>	
<p><b>People</b></p> <ul style="list-style-type: none"><li>- improved capacity across the board</li></ul>	

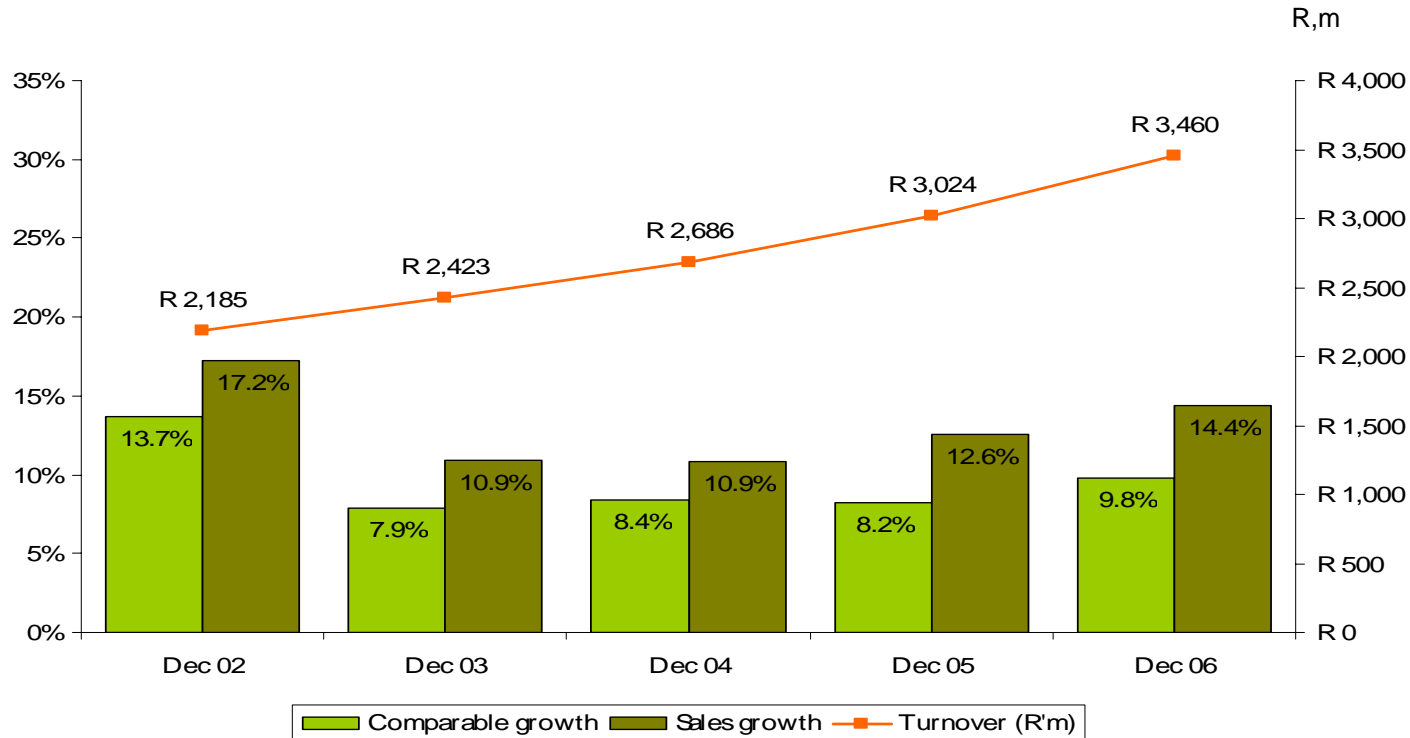


## clothing and home

---

design-led  
technology focus  
and  
strategic sourcing

# clothing and home performance turnover and growth



- sales growth of 14.4% (Dec 05: 12.6%)
- comparable store growth of 9.8% (Dec 05: 8.2%)
- product inflation averaged 1.6% (Dec 05: -2.3%)



# clothing performance rlc market share

- **Market share to Dec 06**
  - 12 month moving average
    - this year 15.29%
    - last year 15.24%
  - 3 month moving average
    - this year 14.0%
    - last year 13.8%



# clothing and home performance delivery

- **Womenswear**
  - Overall market growing at slower rate than expected
  - Maintained growth in line with market
- **Lingerie**
  - Innovation and value improved
  - Stock levels significantly enhanced
- **Menswear**
  - Improved trading continues
  - Taste-level consistently implemented
- **Childrenswear**
  - Strong performance on all fronts
  - Improved selection and availability at great value
- **Footwear**
  - Market share gains
  - Strong performance in childrens and mens
- **Homeware**
  - Lagging expectations
  - Range positioning and consistent taste-level not achieved

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

# clothing and home strategy delivering

Delivery of strategy – first half	
<b>LSM 9&amp;10 taste-level</b> <ul style="list-style-type: none"><li>- W-Collection</li><li>- mens</li></ul>	
<b>Strategic sourcing</b> <ul style="list-style-type: none"><li>- strides made with China import quota</li><li>- childrenswear growing</li></ul>	
<b>Core availability</b> <ul style="list-style-type: none"><li>- improved in lingerie</li></ul>	
<b>Cross shop</b> <ul style="list-style-type: none"><li>- beauty launch (brands in 8 stores)</li><li>- W-Collection</li></ul>	

# clothing and home strategic forward focus

## Key focus areas – second half

### LSM 9&10 taste-level

- entrench mens and childrenswear
- improve homeware

### Strategic sourcing

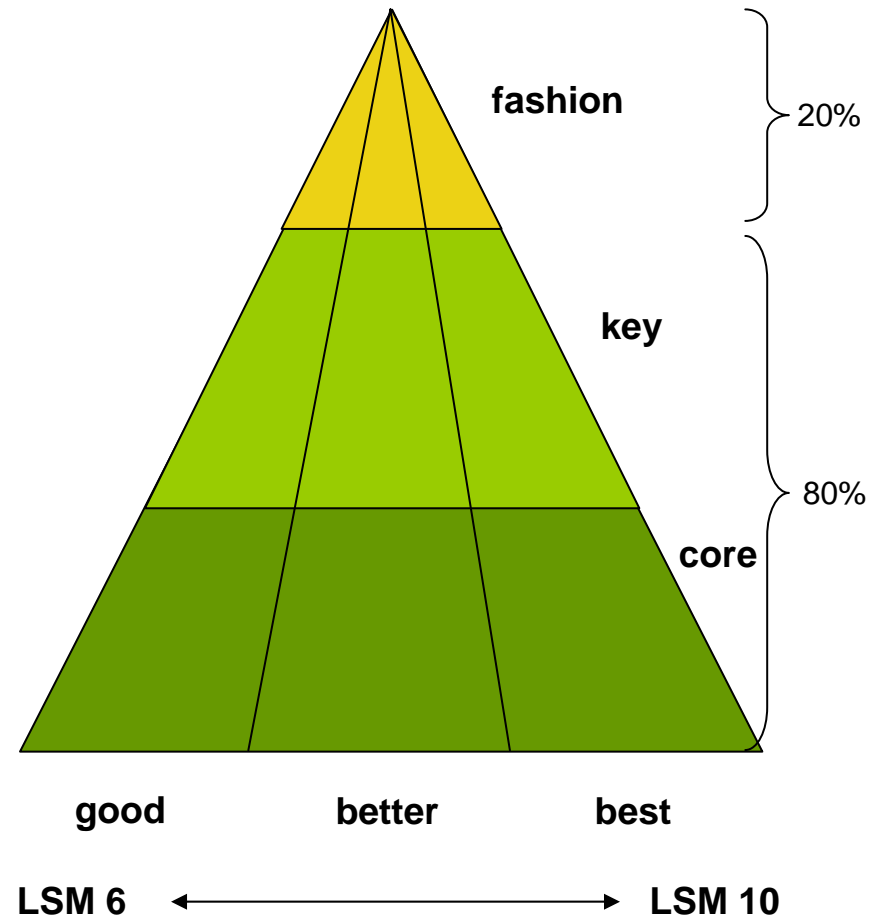
- childrenswear value
- lingerie value and technology

### Core availability

- key focus

### Cross shop

- entrench beauty
- maintain W-Collection
- womenswear range balance





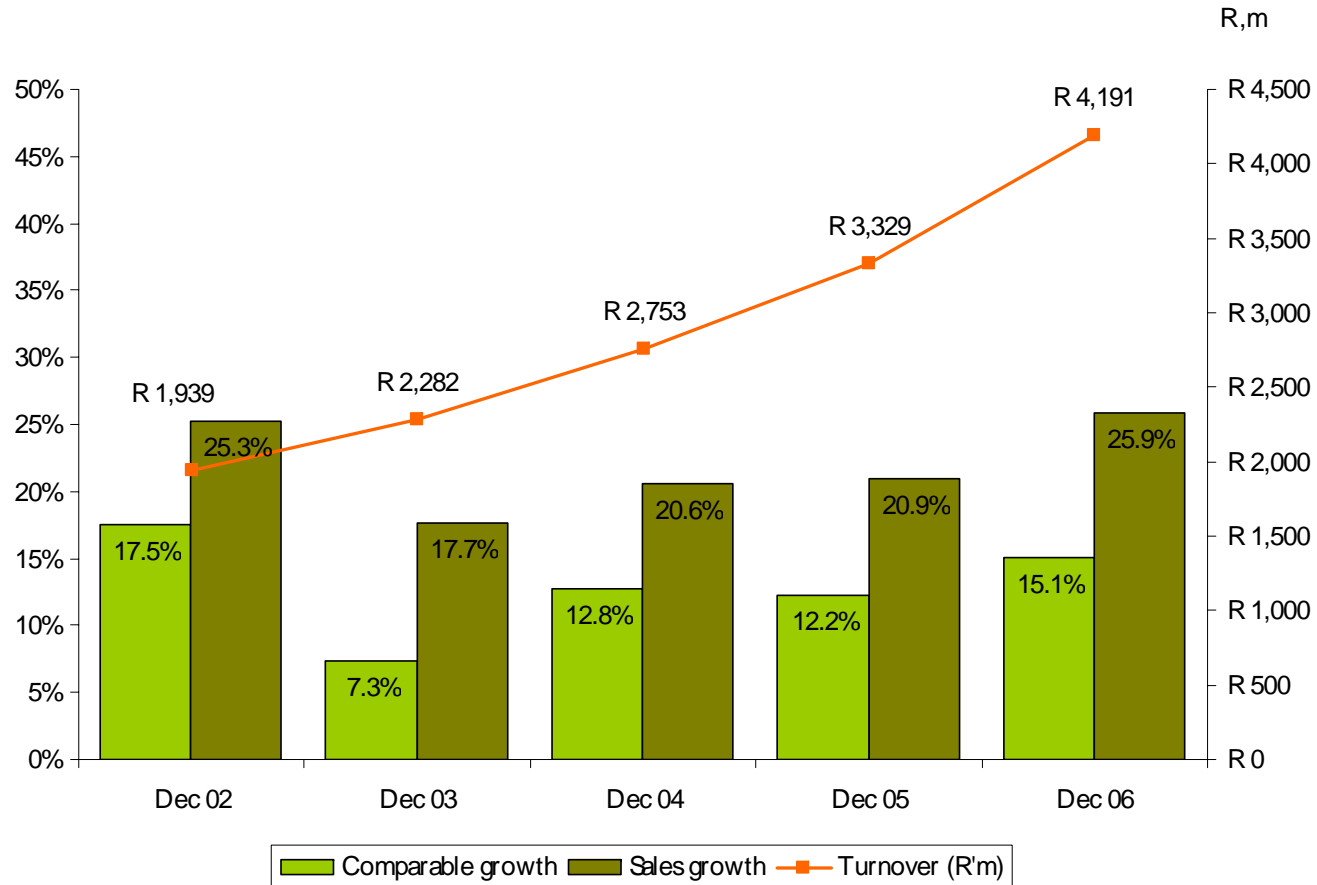
food

---

growth through the  
good food journey  
and  
convenience

# food performance

## turnover and growth

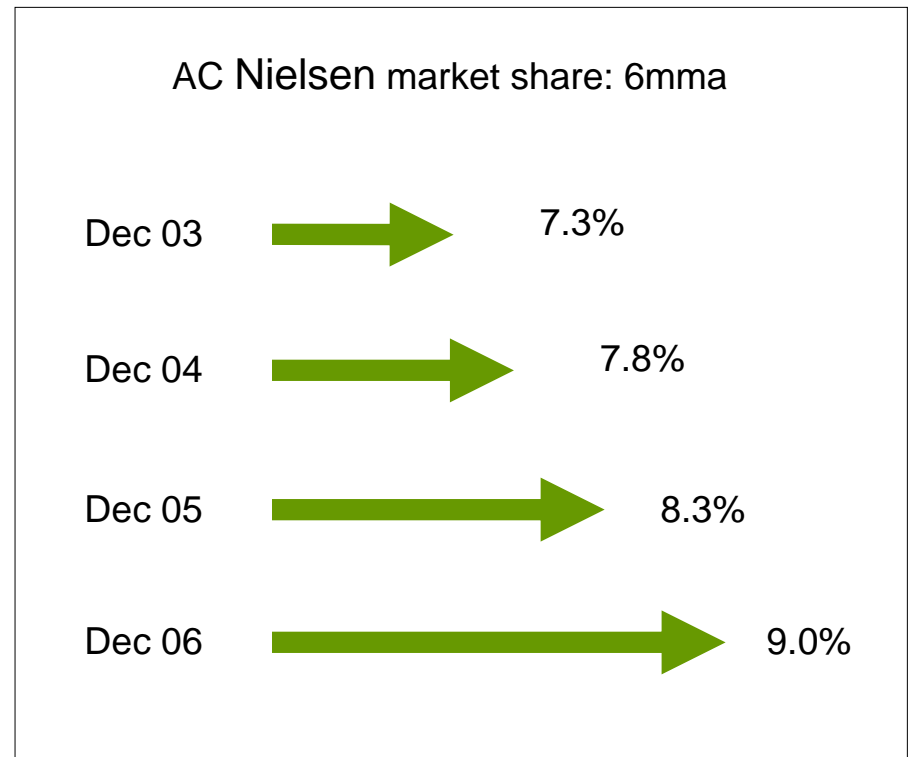


- sales growth of 25.9% (Dec 05: 20.9%)
- comparable store growth of 15.1% (Dec 05: 12.2%)
- product inflation averaged 7.4% (Dec 05: 3.7%)

# food performance




## ac nielsen market share

- Market share to Dec 2006
  - 12 month moving average
    - this year 8.9%
    - last year 8.2%
  - 3 month moving average
    - this year 9.2%
    - last year 8.6%



# food

## strategy delivering

Delivery of strategy – first half	
<p>Convenience</p> <ul style="list-style-type: none"><li>- reinforced main shop – branded products 6.9%</li><li>- space expansion</li><li>- emerging market</li></ul>	
<p>Good food journey</p> <ul style="list-style-type: none"><li>- LFL growth strong</li><li>- quality focus</li><li>- KVI pricing</li><li>- product launches and innovation</li></ul>	
<p>Availability</p>	



# food

## strategic forward focus

### Key focus areas – second half

#### Convenience

- convenience
- reinforce main shop

#### Good food journey

- LFL growth excellent
- quality focus
- KVI pricing
- product launches and innovation

#### Availability

- learn from problems over Christmas





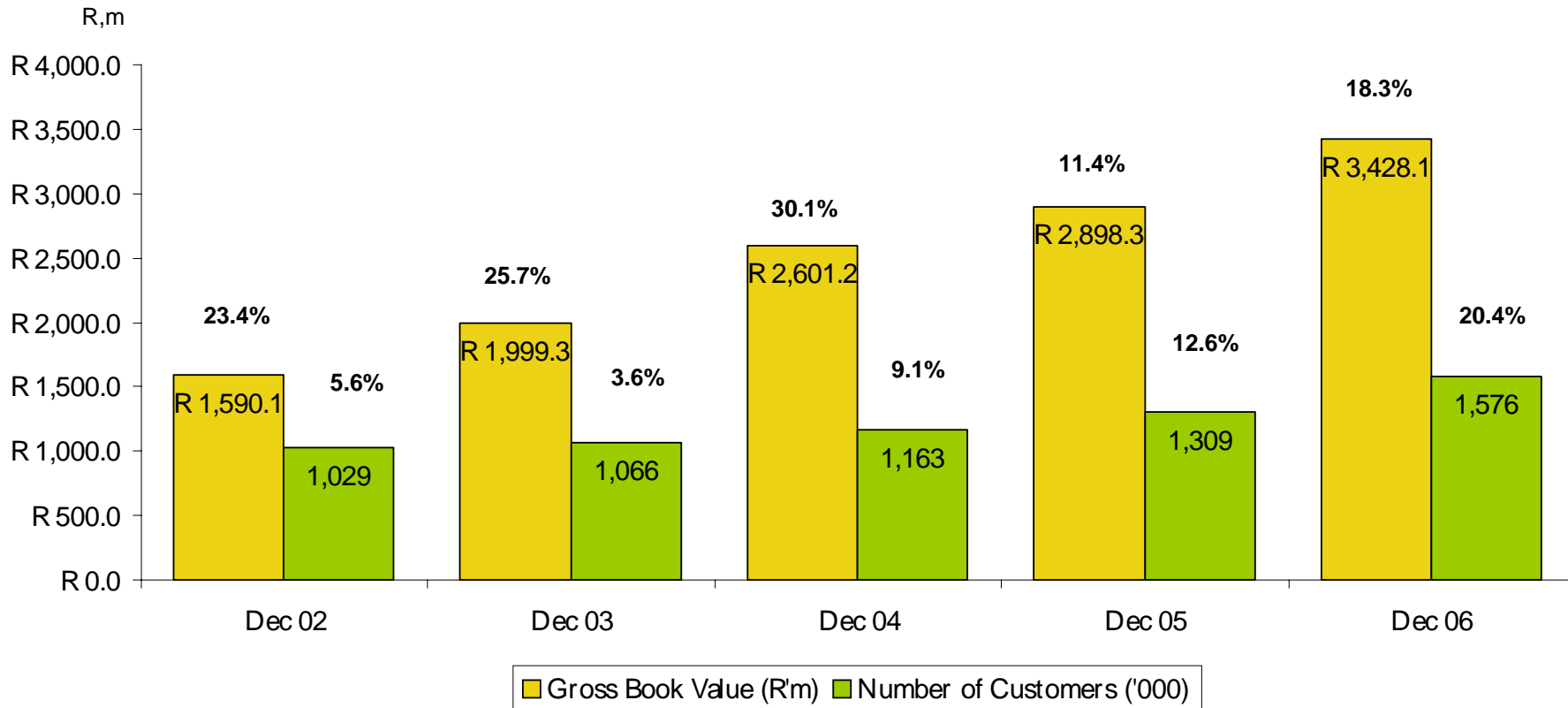
financial services

---

customer growth  
and  
loyalty

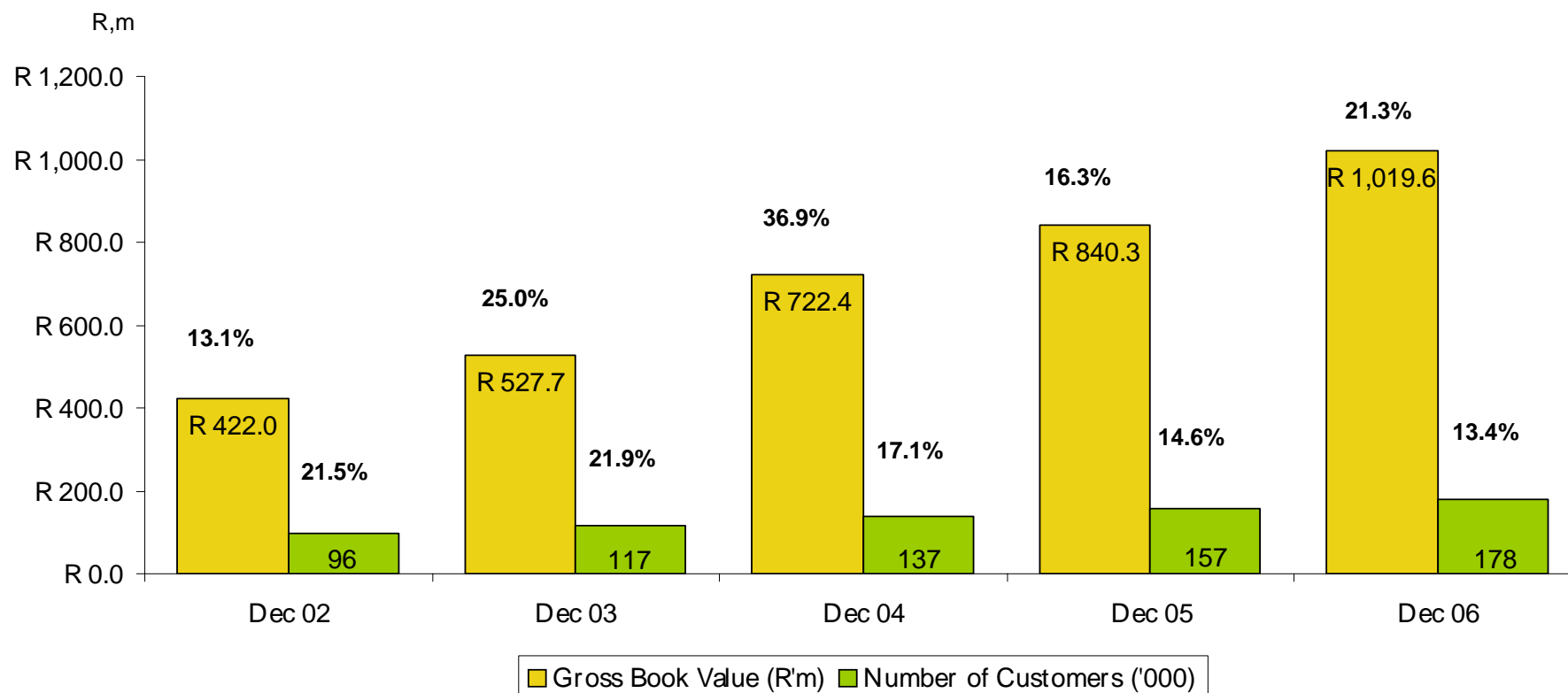
# financial services performance

## woolworths store card (gross book)



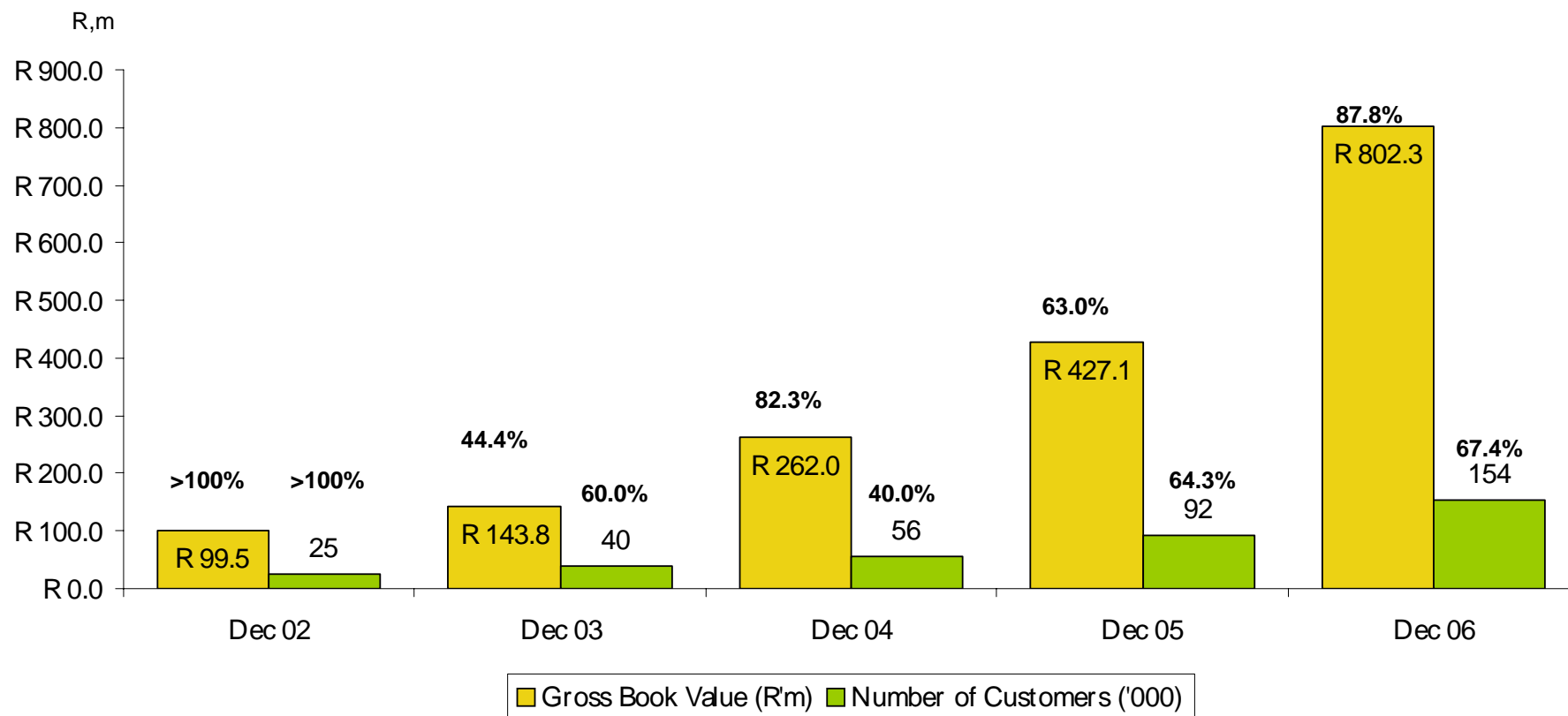
# financial services performance

## personal loans (gross book)



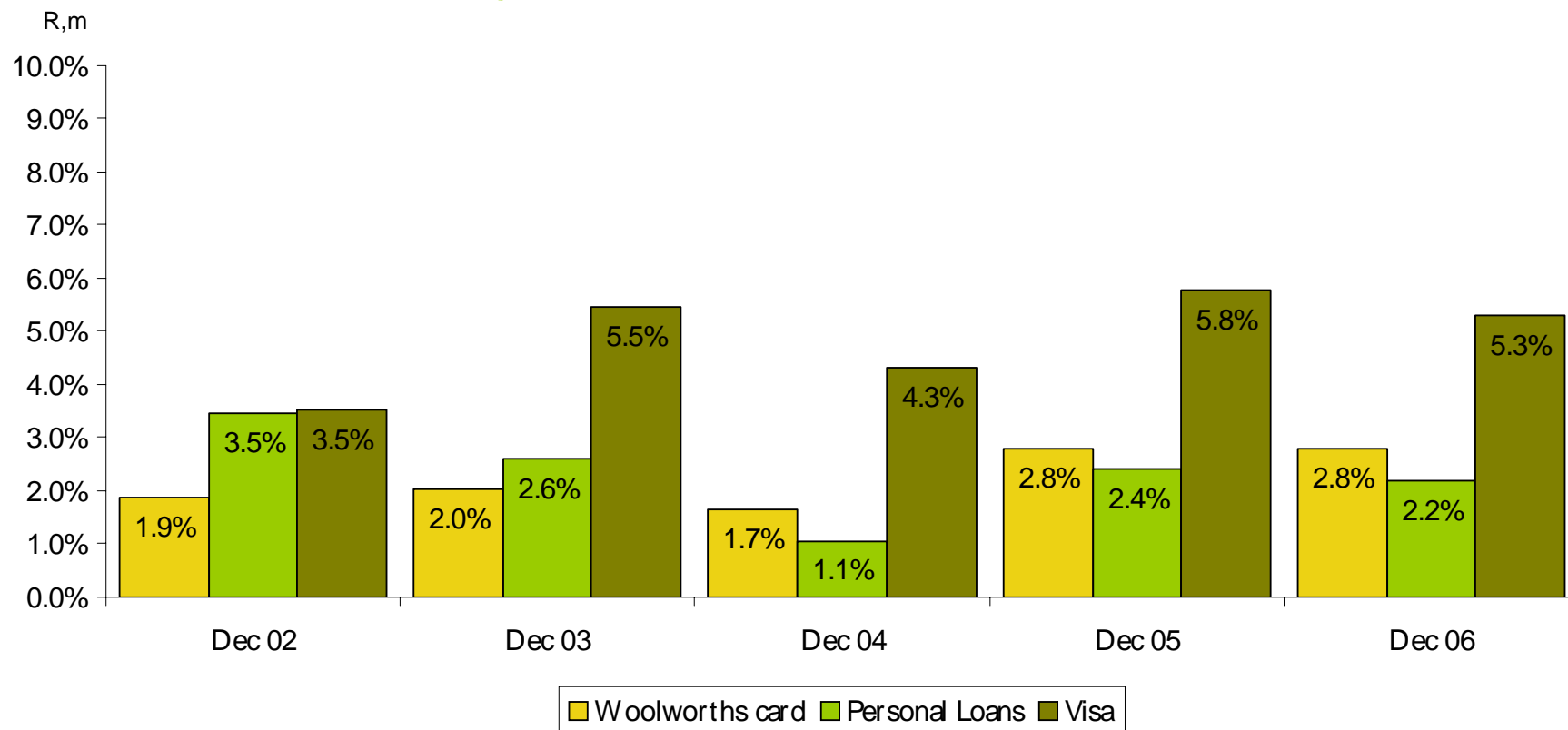
# financial services performance

## VISA card (gross book)



# financial services performance

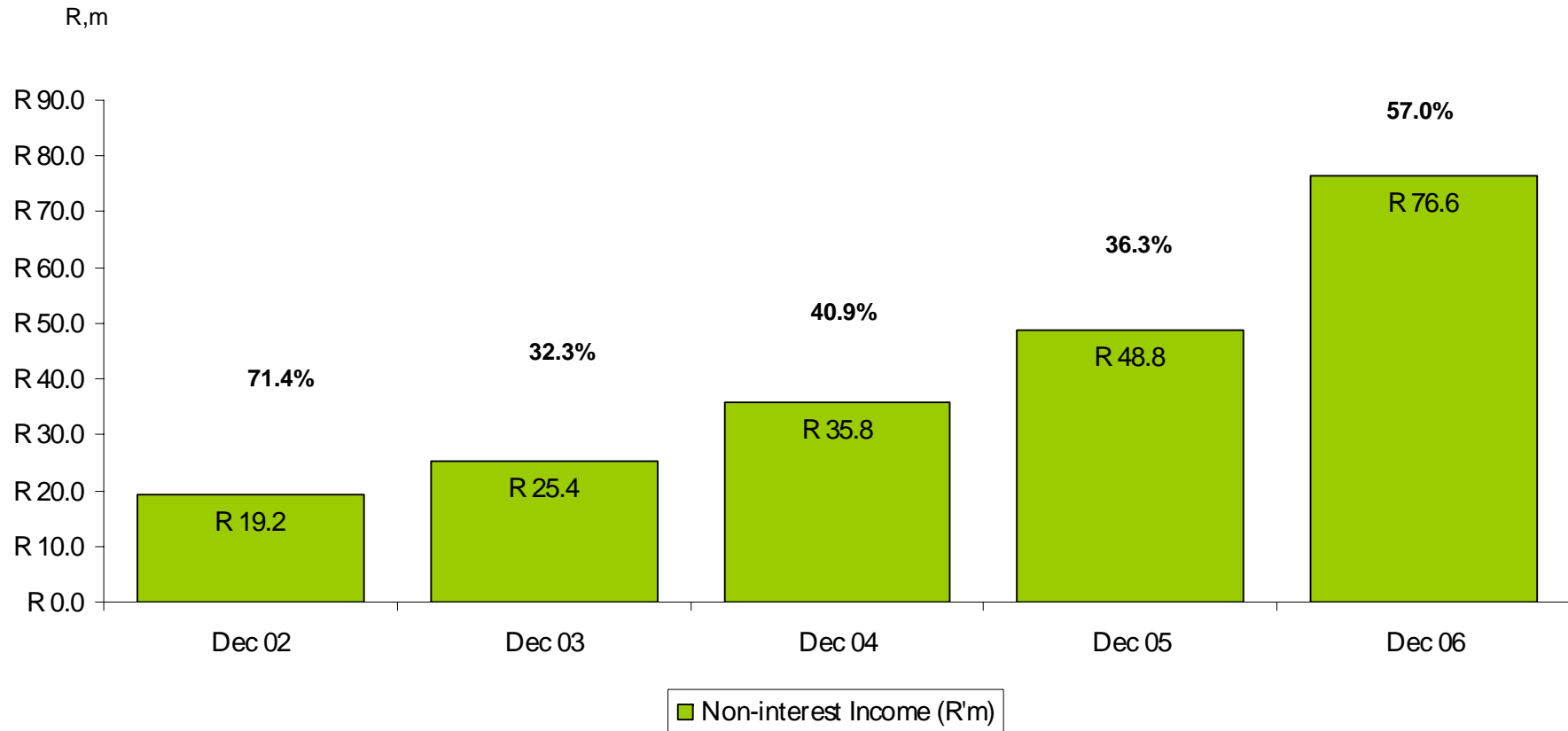
net bad debt 12mma (excluding cost of recoveries)





- Net bad debt total book of 3.0% (Dec 05: 2.8%)

# financial services performance

## non-interest revenue



# financial services strategy delivering

Delivery of strategy – first half	
<p><b>Growth</b></p> <ul style="list-style-type: none"><li>- customer acquisition</li><li>- Visa and loyalty</li><li>- non-interest revenue – insurance products</li></ul>	
<p><b>Changing legislation</b></p> <ul style="list-style-type: none"><li>- National Credit Act / FICA</li><li>- Usury rate</li></ul>	



# financial services

## strategic forward focus

### Key focus areas – second half

#### Growth

- tighter credit environment
- target LSM 6-8 with store card
- continue to grow VISA
- non-interest revenue – driving insurance products

#### Changing legislation

- responsible credit
- National Credit Act compliance
- managing increased costs of compliance





selling

---

aggressive store  
rollout

# selling

## trading space as at Dec 06

	Dec 2006 m2	Dec 2005 m2	% chg	Projected Jun 2007 m2
<b>Total footage</b>	<b>436,529</b>	<b>411,072</b>	<b>6.2%</b>	<b>448,136</b>
Clothing & home	327,960	314,890	4.2%	333,925
Corporate	239,450	230,431	3.9%	
Franchise SA	55,592	50,370	10.4%	
Franchise International	32,918	34,089	-3.4%	
Foods	104,644	92,551	13.1%	114,211
Corporate	94,339	82,981	13.7%	
Franchise SA	7,405	6,582	12.5%	
Franchise International	2,900	2,988	-2.9%	
Coffee	3,925	3,631	8.1%	

# selling number of stores

	Dec 2006 no	Dec 2005 no	Store growth
<b>Stores</b>	<b>341</b>	<b>297</b>	<b>44</b>
Corporate	191	165	26
Full line	97	89	8
Clothing & Home	5	7	-2
Food	89	69	20
Franchise - SA	77	69	8
Franchise - Engen	23	10	13
Franchise - International	50	53	-3

Projected Jun 2007 no
<b>366</b>
207
100
6
101
79
28
52



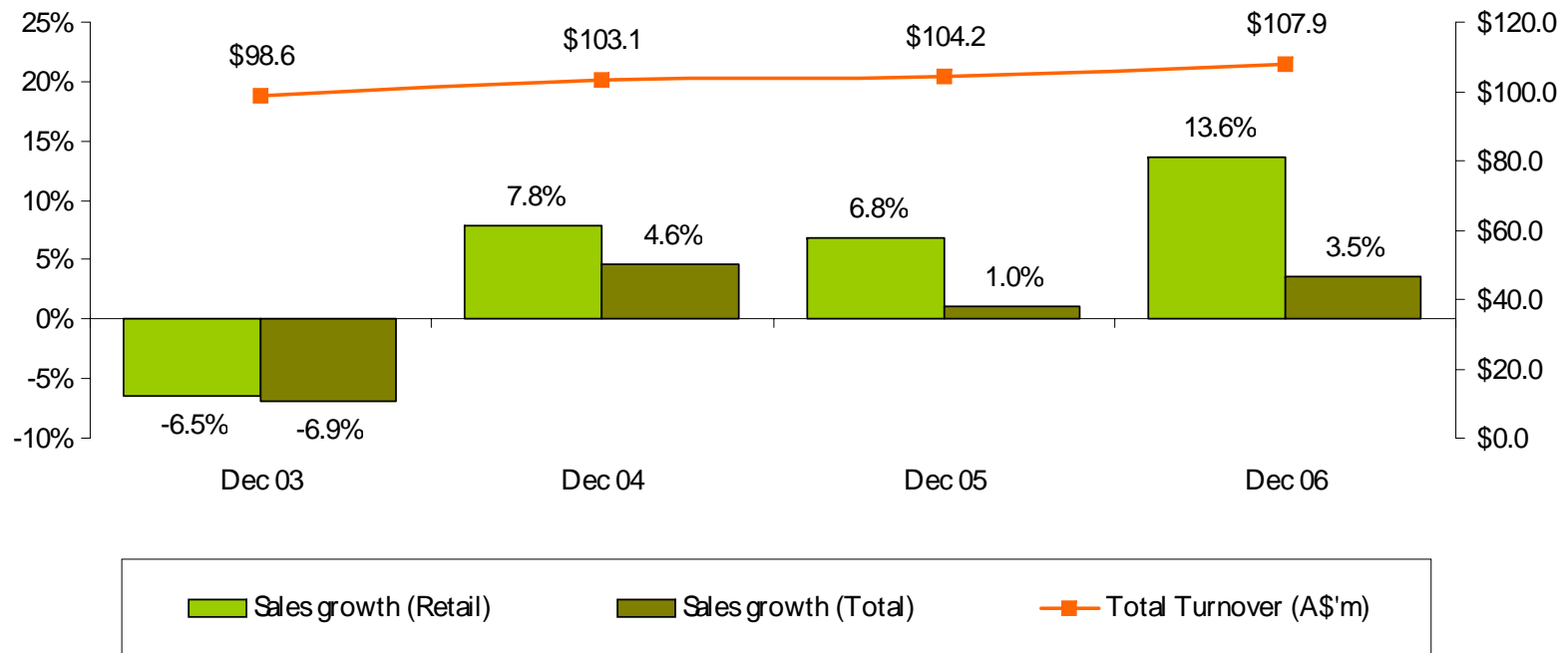
country road

---

retail-only model



# country road performance

## turnover and growth



- sales growth of 3.5% (Dec 05: 1.0%)
- comparable store growth (Retail 1<sup>st</sup>) of 11.4% (Dec 05: 5.9%)
- product inflation averaged 0% (Dec 05: 0%)

# country road strategy delivery

Delivery of strategy – first half	
<p><b>Exit wholesale</b></p> <ul style="list-style-type: none"><li>- exit existing wholesale arrangement with Myer</li><li>- wholesale sales down 32%</li></ul>	
<p><b>Move to retail-only model</b></p> <ul style="list-style-type: none"><li>- retail sales up 14% to A\$90.6m</li><li>- comparable store sale up 11.0%</li><li>- reduced promotional activity</li><li>- operating profit up 93% to A\$5.4 m</li></ul>	

# country road strategic focus

## Key focus areas – second half

### Move to retail-only business

- 70 'new' stores/concessions
- rollout to commence in Feb 07





strategy & prospects

---

# strategy

## forward focus

### Key focus areas - second half

#### Drive top-line performance

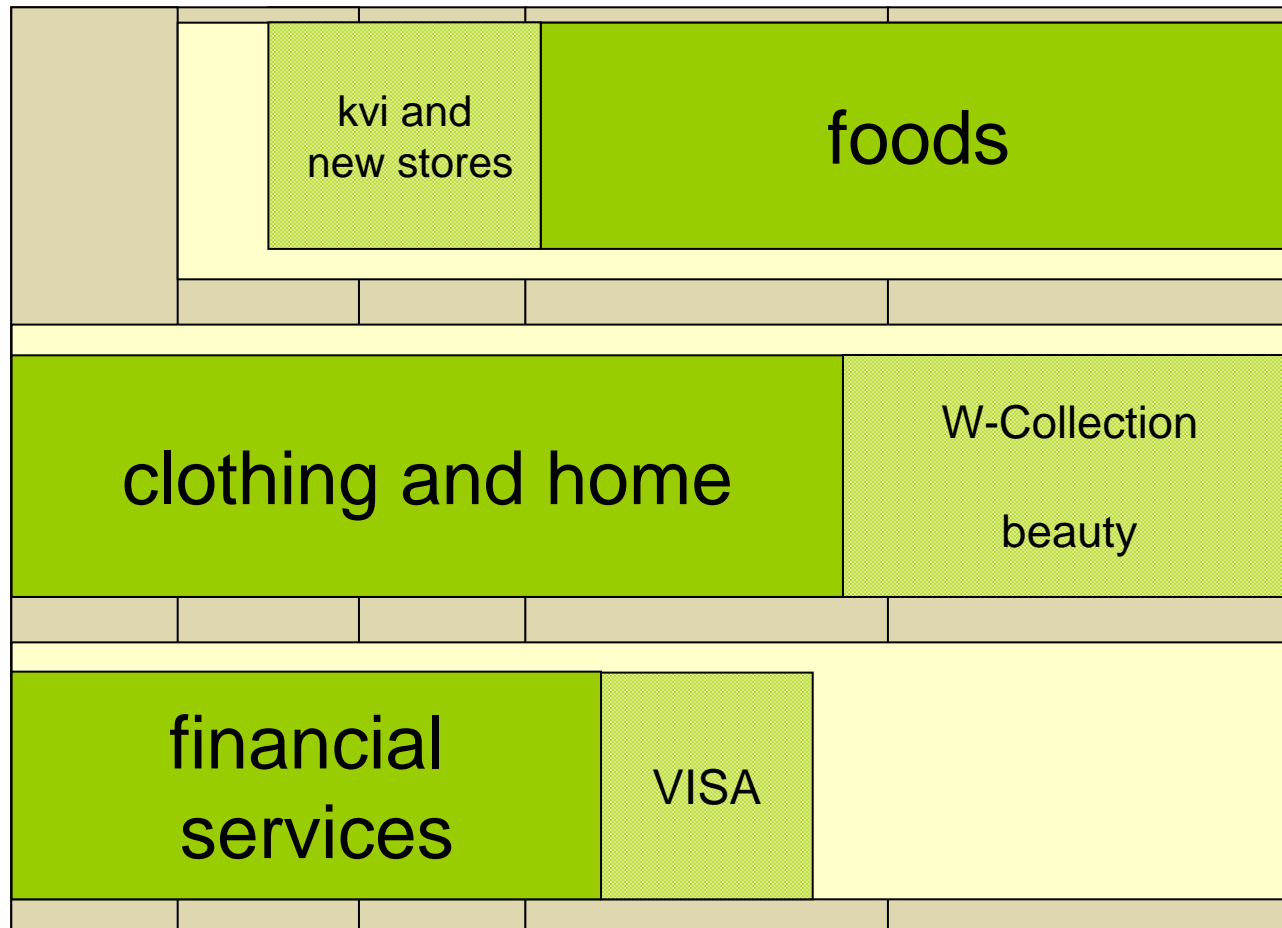
- leverage the cross shop
- drive convenience
- continue Country Road's growth

#### Sweating the assets

- capacity development on track
- Gauteng DC operational Feb 07
- systems development on track



# woolworths opportunity driving the cross-shop



LSM

6

7

8

9

10

