



group results  
for the 26 weeks ended  
23 December 2007

analyst presentation – February 2008

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## tough times

- Consumer confidence declining
- Q2 retail market growth rates lowest in 5 years
- Impact of rate hikes and implementation of NCA on credit extension
  - Three further 50bp increases in interest rates since June 2007
- Rising inflation, particularly food and fuel

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## review of the period

- Woolworths customers heavily affected
- Sharp downturn in Q2
- Investments too bullish
- Late to react
  - Opening price points
  - Range definition
- Bad debt continues to grow

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## platform for the future

- Unique business
- Strategy relevant and updated
- New leadership and talent
- Better focus on positioning
- Extra discipline, especially on costs





## financial review

Norman Thomson

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## financial overview

- Turnover up 16.1% to R9.8 billion
- Profit before tax, exceptional items and non-comparable BEE charge down 2.1% to R769 million
- Headline earnings per share excluding BEE impact down 5.9%
- Diluted headline earnings per share down 12.3% to 55.6cps
- Interim dividend to shareholders maintained at 29.5 cps
- ROE declines from 37.5% to 27.8%

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## income statement

	Dec 2007 Rm	Dec 2006 Rm	% change
Revenue	10 557.1	8 970.4	17.7
<b>Turnover</b>	<b>9 756.5</b>	<b>8 406.5</b>	<b>16.1</b>
Cost of sales	6 357.6	5 522.8	15.1
<b>Gross profit</b>	<b>3 398.9</b>	<b>2 883.7</b>	<b>17.9</b>
Other revenue	800.6	563.9	42.0
Expenses	3 188.2	2 490.0	28.0
<b>Operating profit</b>	<b>1 011.3</b>	<b>957.6</b>	<b>5.6</b>
Finance costs	242.2	171.9	40.9
<b>Profit before BEE charge</b>	<b>769.1</b>	<b>785.7</b>	<b>(2.1)</b>
BEE IFRS 2 charge	25.5	-	
<b>Profit before exceptional item</b>	<b>743.6</b>	<b>785.7</b>	<b>(5.4)</b>
Exceptional item	-	54.6	
<b>Profit before tax</b>	<b>743.6</b>	<b>840.3</b>	<b>(11.5)</b>
Tax	274.4	273.1	0.5
<b>Profit after tax</b>	<b>469.2</b>	<b>567.2</b>	<b>(17.3)</b>
Gross margin - on turnover	34.8%	34.3%	
Effective tax rate	36.9%	32.5%	

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## income statement commentary

- | 1. Turnover        |    | <u>Total</u> | <u>Comparable stores</u> |
|--------------------|----|--------------|--------------------------|
| Clothing and GM    | up | 7.3%         | 4.7%                     |
| Food               | up | 18.8%        | 9.7%                     |
| Total SA Retail    | up | 13.7%        | 8.5%                     |
| Country Road (A\$) | up | 35.0%        | 16.5%                    |
2. **Gross profit** – Gross profit grew faster than sales due to greater contribution and increased margin from Country Road. Only a small decline in the SA Retail margin.
3. **Other revenue and finance costs** – Increase in other revenue driven by higher yields in all Financial Services books combined with modest book growth. This is offset by the increase in finance costs due to higher interest rates and a modest increase in borrowings.
4. **Expenses** – Increase mainly due to
- Planned expense increases in SA Retail;
  - Bad debts in Financial Services; and
  - Non-comparable concessions in Country Road.
5. **Profit before BEE charge** – Comparable profit, BEE charge excluded.
6. **Taxation** – The effective tax rate increased by 4.4%. This was due to
- |  |      |
|--|------|
| - Impact of slower growth on higher relative STC payment | 2.0% |
| - Impact of Country Road tax shield last year            | 1.0% |
| - Impact of sale of land last year                       | 0.9% |
| - Impact of non-deductible BEE charge                    | 0.5% |



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## segmental analysis

	Dec 2007 Rm	Dec 2006 Rm	% change
SA Retail	674.1	680.9	(1.0)
Financial Services	46.9	73.6	(36.3)
Country Road	48.1	31.2	54.2
Profit before BEE, exceptional item and tax	<u>769.1</u>	<u>785.7</u>	(2.1)

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## SA retail income statement

	Dec 2007 Rm	Dec 2006 Rm	% change
Revenue	8 926.3	7 845.9	13.8
<b>Turnover</b>	<b>8 867.7</b>	<b>7 801.3</b>	<b>13.7</b>
Cost of sales	6 013.8	5 271.6	14.1
<b>Gross profit</b>	<b>2 853.9</b>	<b>2 529.7</b>	<b>12.8</b>
Other revenue	58.6	44.6	31.4
Expenses *	2 238.4	1 893.4	18.2
<b>Profit before exceptional item</b>	<b>674.1</b>	<b>680.9</b>	<b>(1.0)</b>
Gross margin - on turnover	32.2%	32.4%	
Operating margin - on revenue	7.6%	8.7%	
Return on equity	59.5%	60.9%	

\* Excludes BEE charge

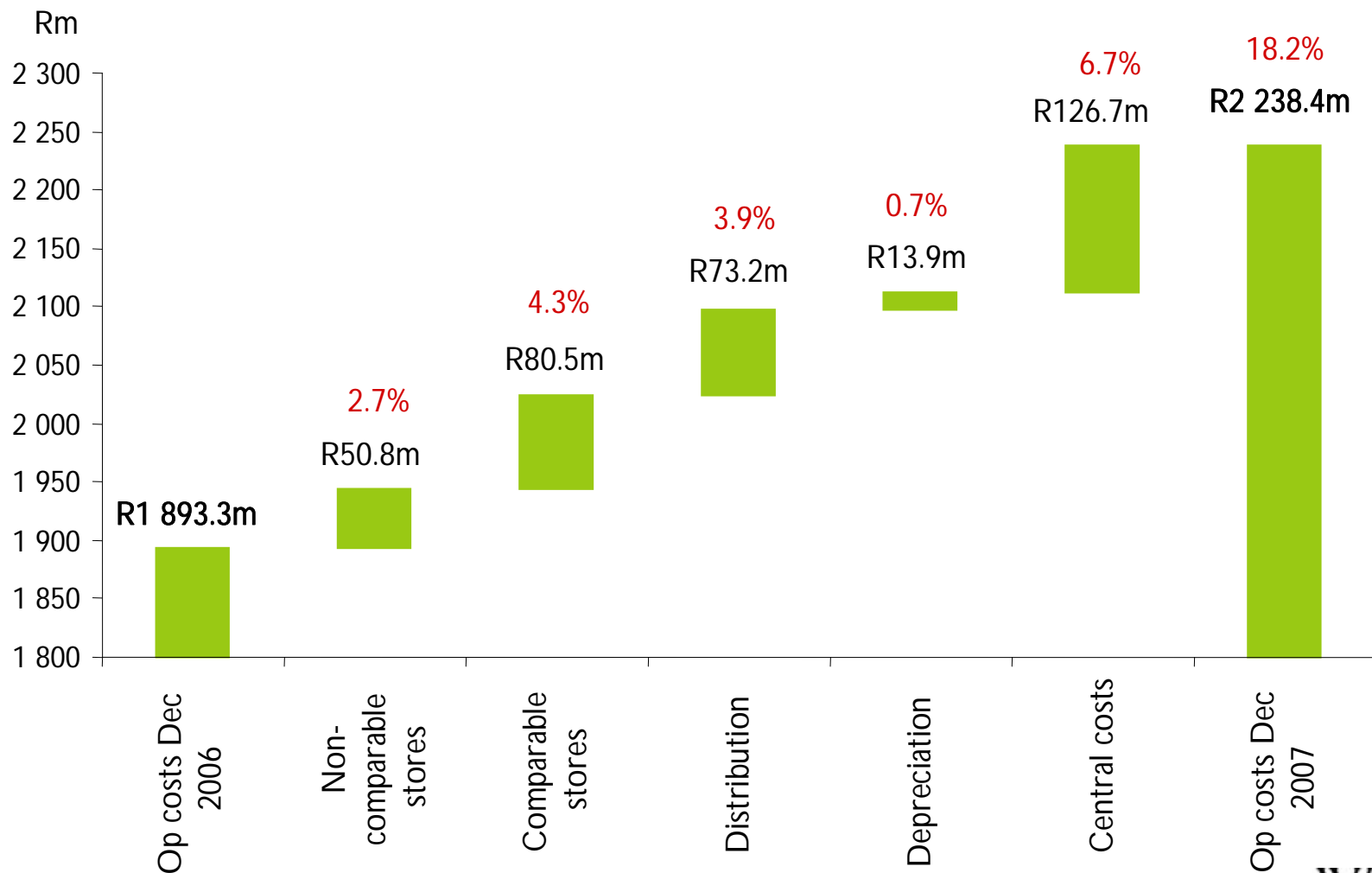
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## SA retail income statement commentary

- | 1. Turnover     |    | <u>Total</u> | <u>Comparable stores</u> |
|-----------------|----|--------------|--------------------------|
| Clothing and GM | up | 7.3%         | 4.7%                     |
| Food            | up | 18.8%        | 9.7%                     |
| Total           | up | 13.7%        | 8.5%                     |
2. **Gross profit** – Changes in the sales mix resulted in a 0.2% drop in the gross profit margin.
  3. **Other revenue** – Other revenue is up due to growth in rental income and commissions earned.
  4. **ROE** – ROE remains robust despite a lower operating margin.

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## SA retail operating expenses



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## SA retail operating expenses commentary

### 1. Non-comparable stores

- 25 new corporate stores opened since 1 July 2006

### 2. Comparable stores

- More staff for better service
- Fewer vacancies in management structures
- Improved pipeline of trainee managers
- Investment in store service projects, e.g. beauty, bakery

### 3. Distribution

- Increased costs in line with investment plan
- Impact of 0.3% in food sales – as planned
- Rate of increase less in 2nd half
- Infrastructure for future stores set up

### 4. Central costs

- Organisational design costs
- Development of new sales brands
- Shift of marketing costs to first half

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## financial services income statement

	Dec 2007 Rm	% to book	Dec 2006 Rm	% to book	% change
<b>Income</b>					
Interest received	651.4	23.0	445.6	18.9	46.2
Other income - external	95.0	3.4	78.0	3.3	21.8
Other income - internal	46.5	1.6	46.9	2.0	(0.9)
	<b>792.9</b>	<b>28.0</b>	<b>570.5</b>	<b>24.2</b>	<b>39.0</b>
<b>Expenses</b>	504.4	17.8	326.3	13.8	54.6
Net bad debts	221.8	7.8	97.4	4.1	127.7
Movement in provisions	60.6	2.1	39.6	1.7	53.0
Operating costs	222.0	7.8	189.3	8.0	17.3
<b>Operating profit</b>	<b>288.5</b>	<b>10.2</b>	<b>244.2</b>	<b>10.3</b>	<b>18.1</b>
Finance costs	241.6	8.5	170.6	7.2	41.6
<b>Profit before tax</b>	<b>46.9</b>	<b>1.7</b>	<b>73.6</b>	<b>3.1</b>	<b>(36.3)</b>
Average gross financial services assets	5 668.9		4 719.0		20.1
ROE	6.0%		11.1%		



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## financial services commentary

1. **Average gross financial services assets** - Average gross financial services assets grew by 20.1% but slowed rapidly towards the end of the period.
2. **Interest received** - Average interest yields increased by 4% contributing, along with book growth, to a 46.2% increase in interest received.
3. **Bad debts** - Net bad debts increased from 4.1% of book to 7.8%. This is attributable to NCA interest rate increases of 5% from March 2007 to October 2007 and a more aggressive credit granting strategy prior to the implementation of the NCA.
4. **Provisions** - Provisions against the books increased from 4.8% to 6.3%, recognising the deteriorating collections environment.
5. **Expenses** - Operating costs were maintained as a % of the book, despite a significant increase in costs relating to collection of delinquent accounts.
6. **Financing costs** - Financing costs grew as a result of a 4% increase in rates from June 2006 to December 2007.

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## country road income statement

	Dec 2007 A\$m	Dec 2006 A\$m	% change
Revenue	146.4	108.5	34.9
<b>Turnover</b>	<b>145.7</b>	<b>107.9</b>	<b>35.0</b>
- Retail	110.0	90.6	21.4
- Concession	35.7	-	
- Wholesale and franchise	-	17.3	
Cost of sales	56.9	45.5	25.1
<b>Gross profit</b>	<b>88.8</b>	<b>62.4</b>	<b>42.3</b>
Other revenue	0.7	0.6	16.7
Expenses	81.4	57.5	41.6
<b>Operating profit</b>	<b>8.1</b>	<b>5.5</b>	<b>47.3</b>
Finance costs	0.1	0.2	(50.0)
<b>Profit before tax</b>	<b>8.0</b>	<b>5.3</b>	<b>50.9</b>
Average exchange rate (R/A\$)	6.1	5.5	
<b>Profit before tax (Rm)</b>	<b>48.1</b>	<b>31.2</b>	<b>54.2</b>
Gross margin - on turnover	60.9%	57.8%	
Return on equity (A\$)	16.0%	9.2%	

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## country road commentary

1. **Turnover** - Comparable retail store sales up by 16.5%
2. **Gross profit** - Gross profit margin grew by 3.1%, mainly due to the conversion to concession but also includes the impact of better sourcing and a more disciplined mark down policy.
3. **Expenses** - The increase in expenses is mainly due to the new concession format. Comparable costs were well managed, increasing by only 5.7%.

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## balance sheet

	Dec 2007 Rm	Dec 2006 Rm	% change
<b>Assets</b>			
Property, plant and equipment	2 017.3	1 801.5	12.0
Investment property	105.9	109.0	(2.8)
Goodwill	23.0	23.0	-
Export partnerships	69.9	71.2	(1.8)
Inventory	1 473.2	1 175.1	25.4
Financial services assets	5 558.7	4 991.7	11.4
Accounts receivable and deferred tax	1 324.6	1 442.4	(8.2)
Cash	866.9	607.1	42.8
	<b>11 439.5</b>	<b>10 221.0</b>	<b>11.9</b>
<b>Equity and liabilities</b>			
Shareholders' funds	3 417.9	2 940.2	16.2
Accounts payable	3 605.0	3 242.1	11.2
Borrowings	4 416.6	4 038.7	9.4
	<b>11 439.5</b>	<b>10 221.0</b>	<b>11.9</b>
<b>Debt ratio (debt/(debt+equity))</b>	<b>56.4%</b>	<b>57.9%</b>	

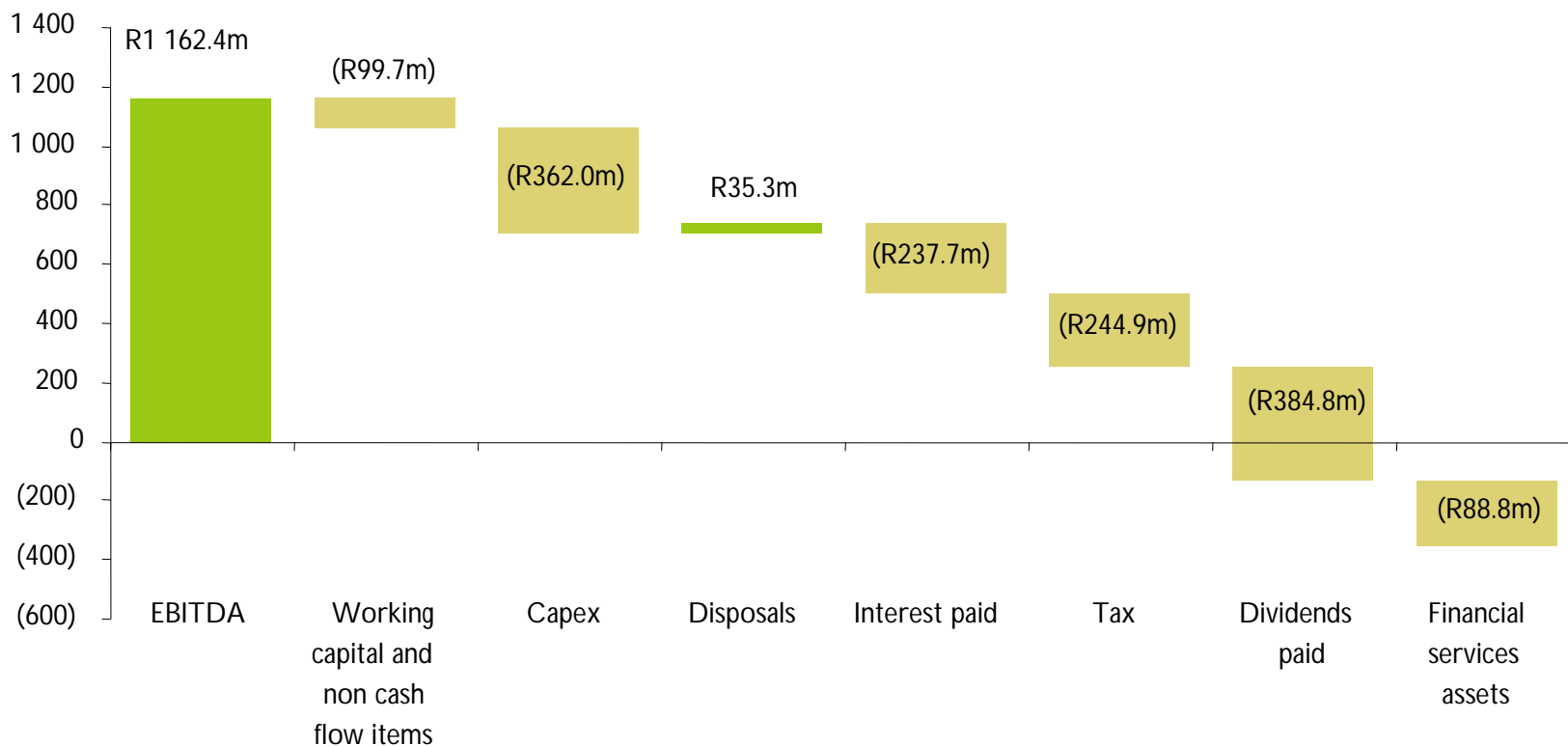
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## balance sheet commentary

1. **Inventory** - Inventory has increased due to
  - Switch to imports and direct sourcing in Clothing and General merchandise (take ownership of stock earlier)
  - Increased long life holdings in Food to bolster availability
  - Impact of concession in Country Road
2. **Accounts receivable** - Reduced due to improved collection of franchise and sundry debtors.
3. **Cash and borrowings** - Net borrowings increase by only 3.4% due to slower growth in Financial Services and improvements in working capital.

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## cash generation

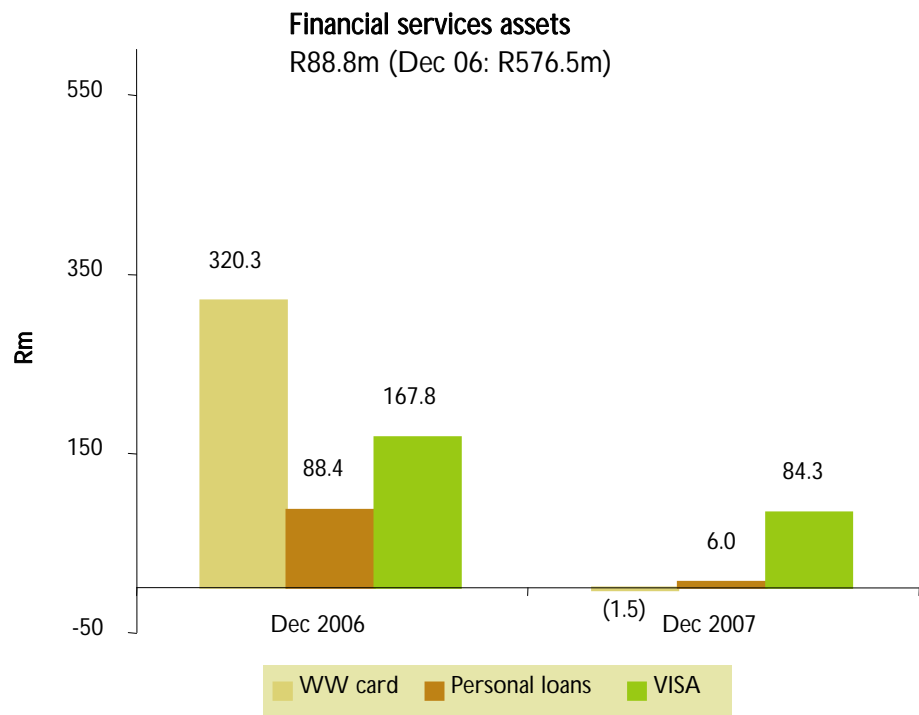


- Financial services assets continue to be funded by cheaper debt
- Dividend (final 2007) funded by interim cash flow

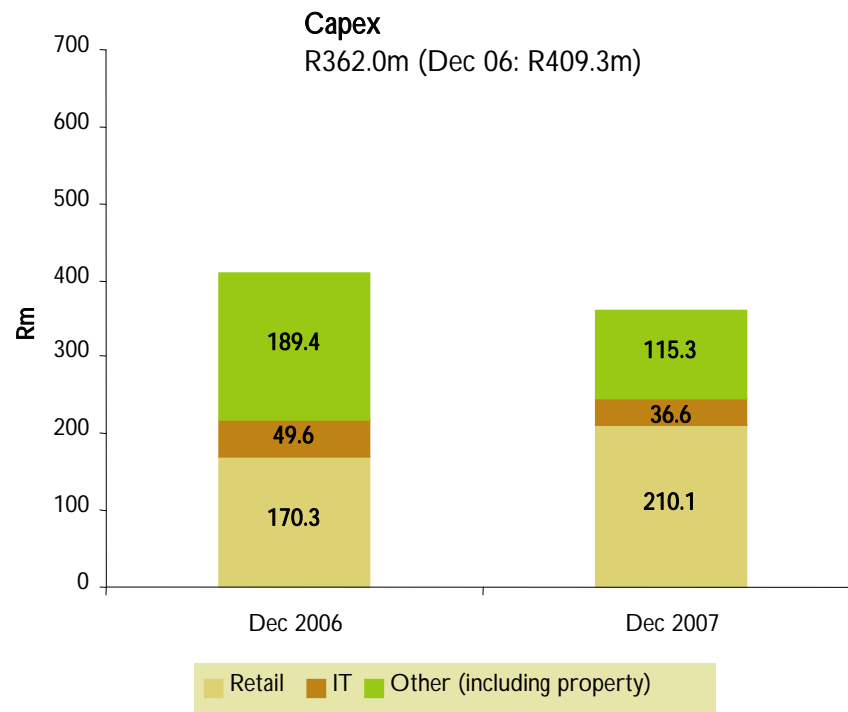


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## investment in the business



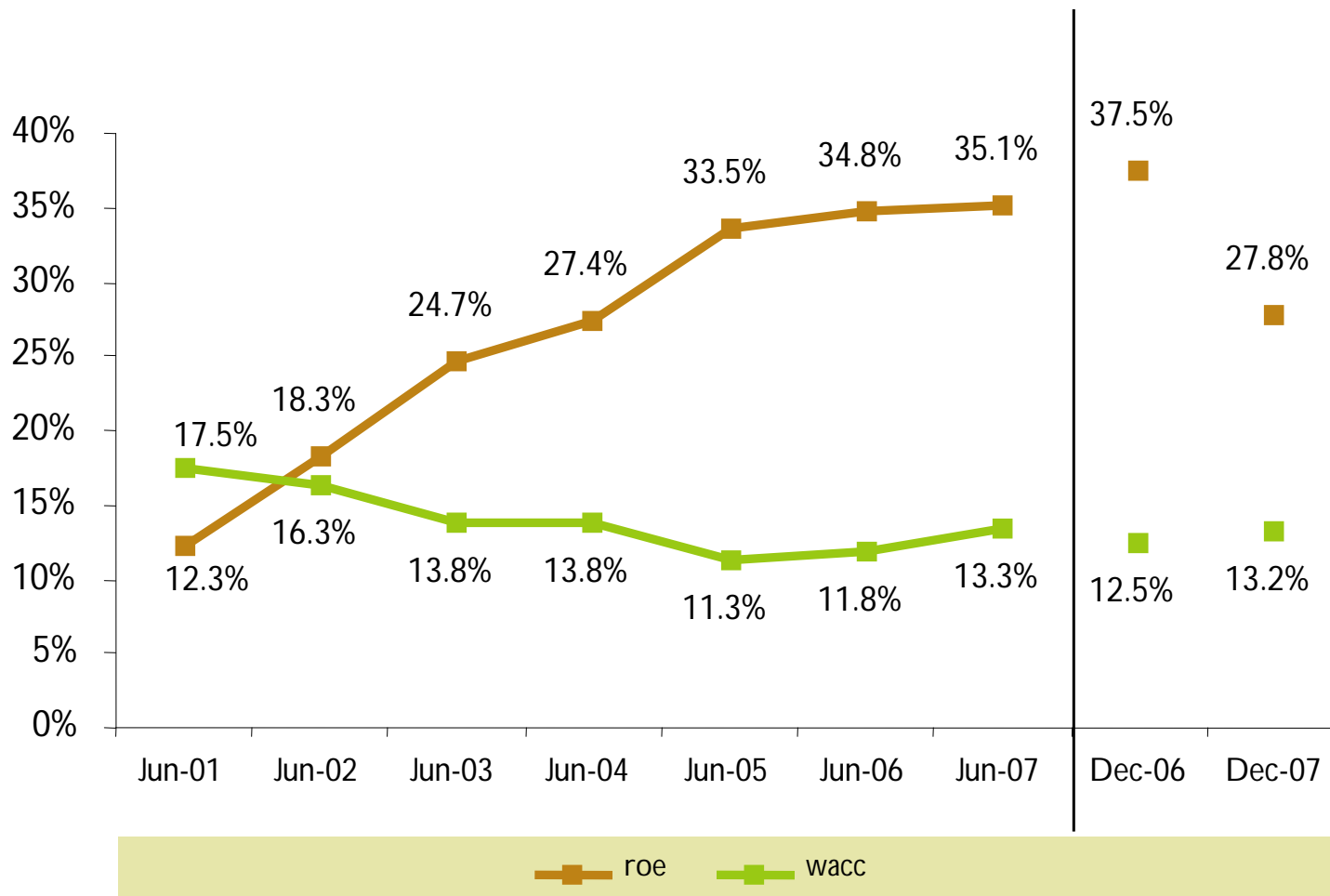
- Woolworths card includes sales to 23 December 2007



- Growing investment in retail stores

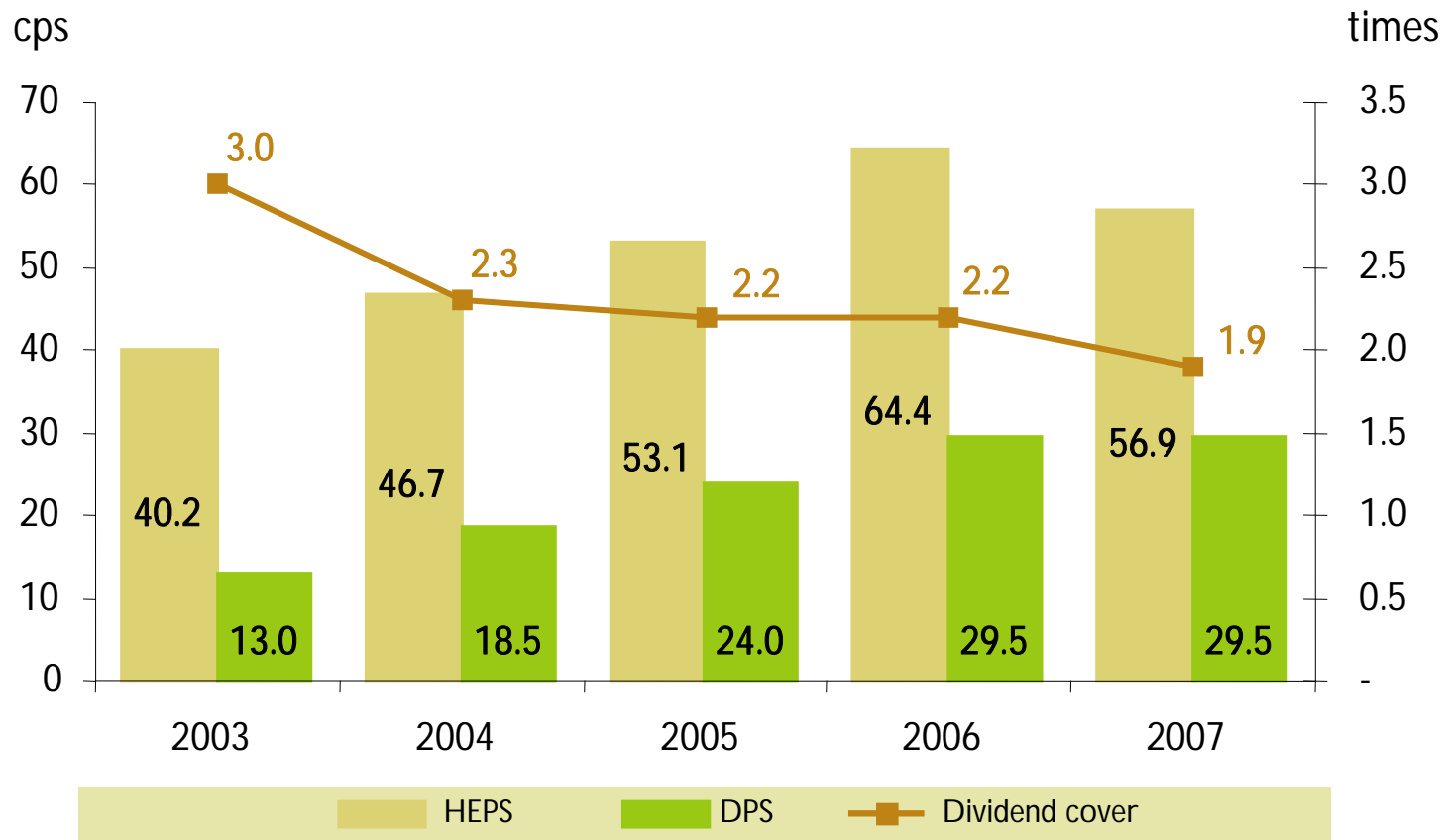
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## return on equity



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## interim earnings



- Diluted HEPS down by 7.5 cents but dividend held at 29.5 cents, thereby reducing interim cover to 1.9 times

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## guidance and expectations

- 53 week trading year in 2008
- Inflationary pressures to continue, especially in food
- Sales growth will remain tight
- Continued investment in optimal trading space (Clothing 4.3%; Food 21.4%)
- Profits in the second half will remain under pressure
- Retail gross margin to be maintained
- Costs to be tightened significantly
- Bad debts and provisions will remain under pressure
- BEE charge for second half likely to be at the same level
- Capex of R660m planned for SA Retail and R140m for Country Road in FY2008



## retail review

Andrew Jennings

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## woolworths retail - review

- Market shifted
  - Sales far below expectation
  - Increased promotional activity
- Lessons learned
  - Better Value: Woolworths perceived as expensive
    - Opening price points not competitive enough
  - Range differentiation: Core clothing ranges not sufficiently updated
    - Lack of focus on classic customer
    - Home lacked definition and authority
  - Food availability: not consistent
  - Lack of emphasis on productivity



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## woolworths retail - deliverables

	Time horizon
▪ Customer focus	ongoing
▪ Quality : Value	ongoing
▪ Improved productivity	12 - 18 months
▪ Range differentiation	6, 12 and 18 months
▪ Improved availability	12 - 18 months
▪ Greater speed to market in Clothing and GM	12 - 24 months
▪ Talent upgrade / skills base	ongoing

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## woolworths retail - investment in talent

- Investment in talent with local and international retail experience
  - Head of Clothing and General Merchandise Planning
  - Head of General Merchandise
  - Commercial Head of Food
  - Upweighting of qualified designers
  
- Merchant Academy
  
- Foods Academy

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## woolworths retail - investment in structures and processes

- Re-organised design, buying and planning structures and processes in Clothing and GM
  - Separation of buying and planning
  - Upgrading and integrating design
  - Refocus on sourcing
  
- Optimise the benefits of IT investments

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## stores - deliverables

- Customer focus
  - Understand local customer needs
  - Improve service levels
- Talent / skills
  - Selling Team Employment Proposition (STEP) to be further advanced
- Range differentiation
  - Woolworths brand definition in stores
- Improve productivity
  - Emphasis on store catalogue
  - Labour scheduling
- Format strategy
  - Move to larger format food stores
  - Continue to invest in well-placed convenient food opportunities

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## clothing and general merchandise - review

### ▪ Highlights

- Childrenswear – good value and range
- Footwear and accessories – launch of accessories shop in 26 stores
- Womenswear - Re denim and WCollection
- Branded beauty gaining market share

### ▪ Challenges

- Womenswear – opening price points and fashionability in core basics
- Lingerie – classic / modern balance
- Homeware lacking authority

Market share performance (6mma)

	Dec 06	Dec 07
womenswear	→	↓
lingerie	→	↓
menswear	↑	→
childrenswear	↑	→
footwear	↑	→
home	↓	→
beauty	↑	→

Inflation 9.6%

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## clothing and general merchandise - deliverables

- Customer focus
- Quality : Value
  - Focus on entry price points
  - Simplify price architecture
- Range differentiation
  - Woolworths hero and sub-brands e.g. WCollection, Re and Supersport
  - Launch new hero brands in September 2008
  - Focus on headquarters assortments
- Improved availability
  - Store catalogue with core customers in mind
- Greater speed to market
  - Review of sourcing strategy
- Improve productivity
  - Trading densities

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## clothing and general merchandise - 9 box grid

Womenswear example

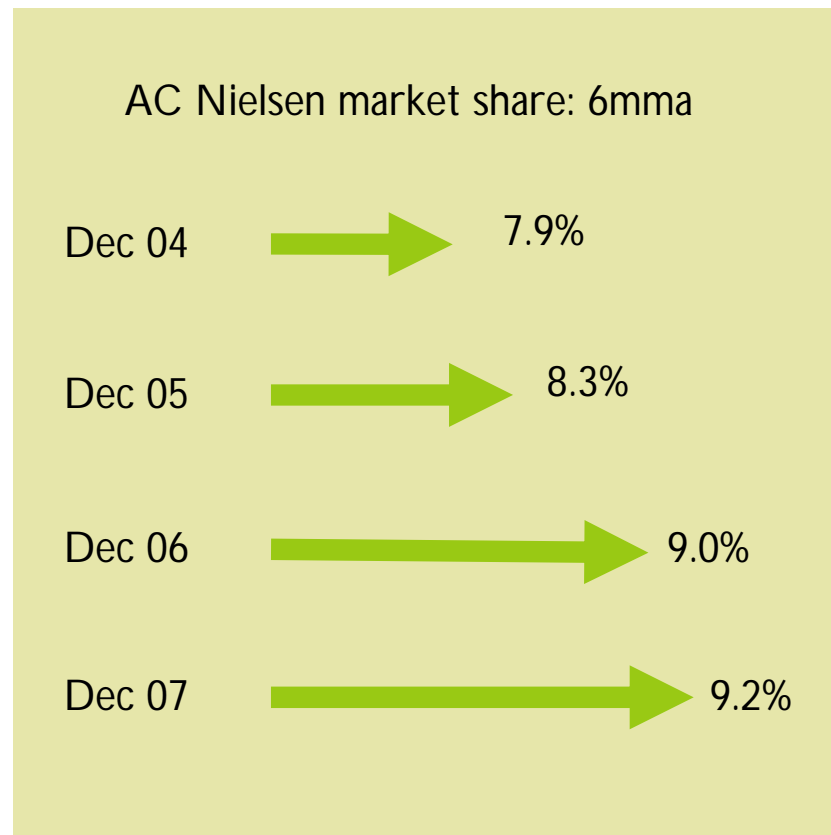
	Classic 50%	Modern 30%	Contemporary 20%
Best 20%	<b>w collection</b>	<b>COUNTRY ROAD</b> (April '08)	 SA Designers
Better 40%	WW headquarters assortments	studio.w (Sept '08) WW headquarters assortments	<b>re</b> new line (Sept '08)
Good 40%	WW headquarters assortments	studio.w (Sept '08) WW headquarters assortments	<b>re</b> new line (Sept '08)

- Brands:
- all exclusive to Woolworths
  - consistent handwriting offers lifestyle solution
  - prominent iconic 'shops' supported by strong marketing

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## food - review

- Highlights
  - Good market share gains
    - Fresh produce
    - Dairy
  - Quality : Value
    - KVI pricing strategy
    - Value offerings
  - Innovation
    - 543 (14%) new lines and 413 (10%) lines upgraded
  - Convenience
    - Main shop
  - New format success
- Challenges
  - Customer value perception
  - Availability inconsistent – but improving (up 35% at Christmas)



Inflation 12.1%



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## food - deliverables

- Shift in strategy: the mind of a supermarket - the soul of a deli
- Customer focus
- Quality : Value
  - Extra focus on KVI prices
  - More promotions
  - Manage inflationary pressures
- Range differentiation
  - Ongoing innovation – 1 083 (22%) new and upgraded lines between January and June 2008
  - Reinforce main shop
- Availability
  - Cataloguing
  - Maximising systems

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## woolworths retail - outlook

- Great business – updating solid strategy
- Now comes down to:
  - Disciplined execution
  - Pace of responsiveness to customers' needs
  - Upgrading talent and skills
  - Maximising benefits from current and new systems
  - Ruthlessly managing costs and increased productivity
  - Keeping the customer at the centre of everything we do



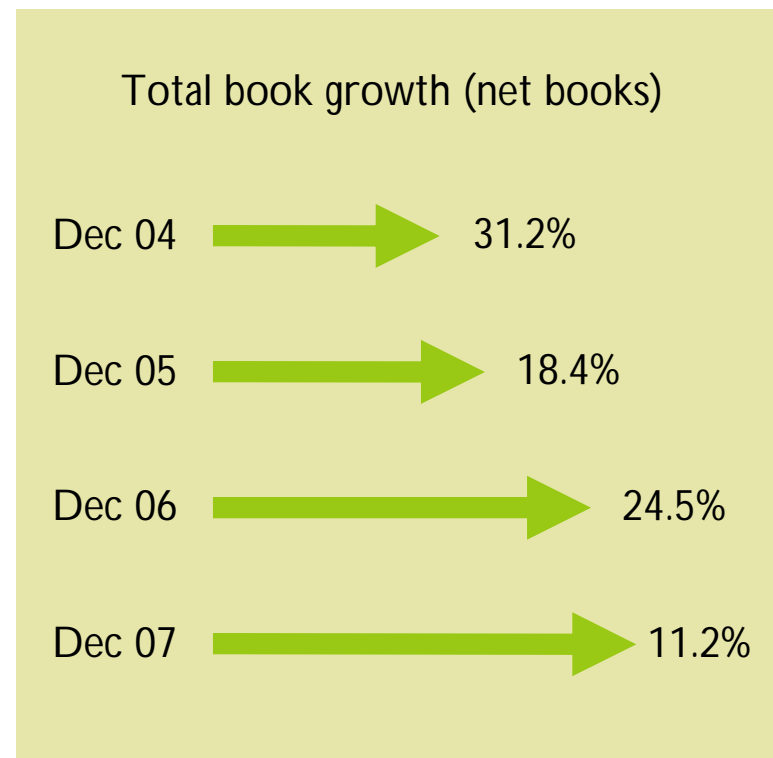
financial services

Richard Inskip

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## financial services - review

- Evidence of tough environment
  - Slower customer acquisition
  - Lower book growth
  - Yields increased
  - Deterioration in bad debts
  - Increased cost of collections
    - added 25% more staff
  - Provisions increased
- Strategy remains intact



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## financial services - strategy



swipe card  
328 000



MySchool card  
540 000



in store card  
1 585 000



classic VISA card  
140 000



gold VISA card  
28 000



premium  
credit card

**4.5 million customers: a card for all**

personal loans

non-interest revenue products e.g. insurances

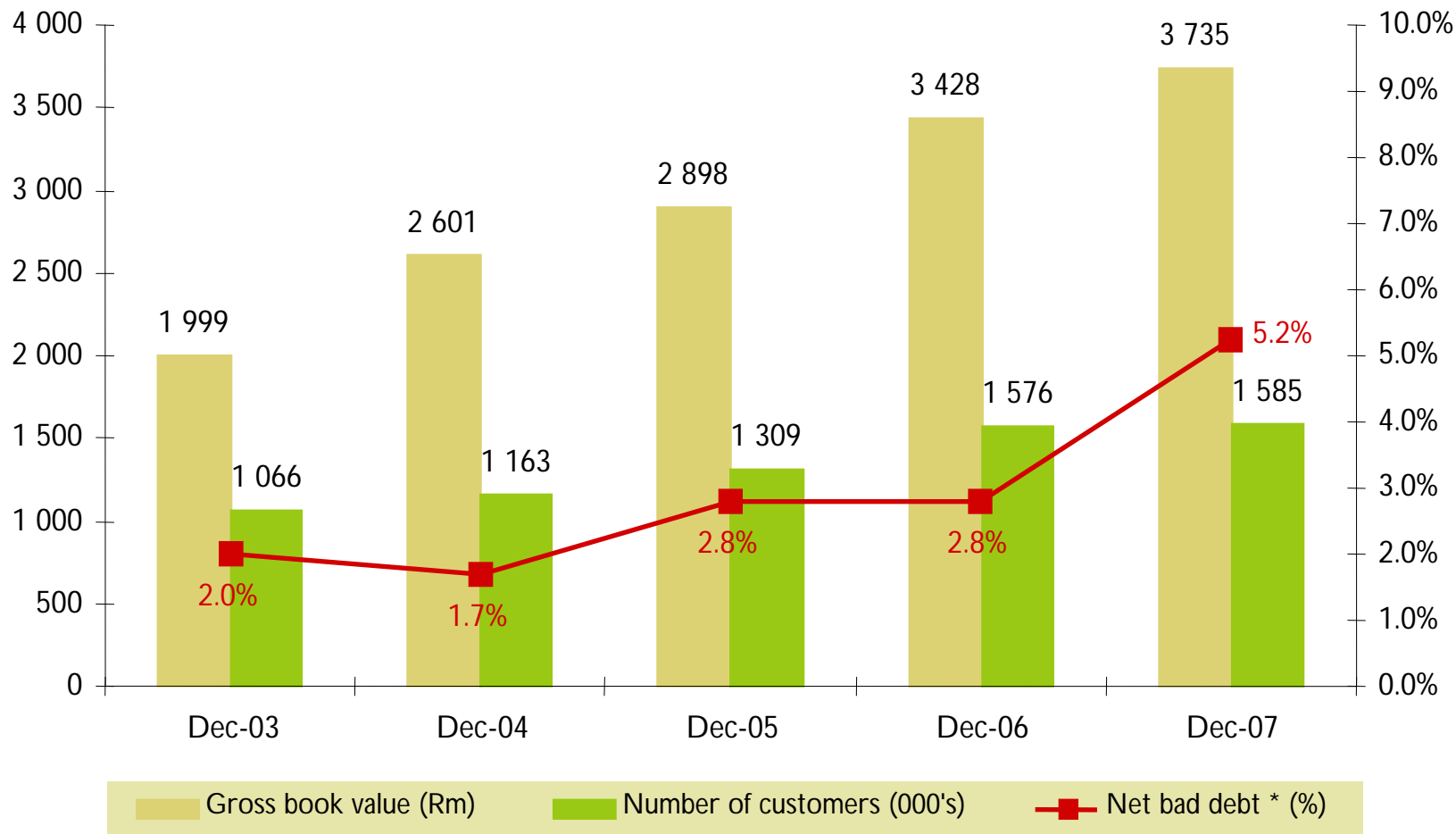
MySchool, loyalty programme and direct marketing

LSM 6-8  
retail acquisition strategy:  
basic credit needs,  
aspirational value = service + benefits

LSM 9-10+  
retail retention strategy:  
loyalty = quality + benefits

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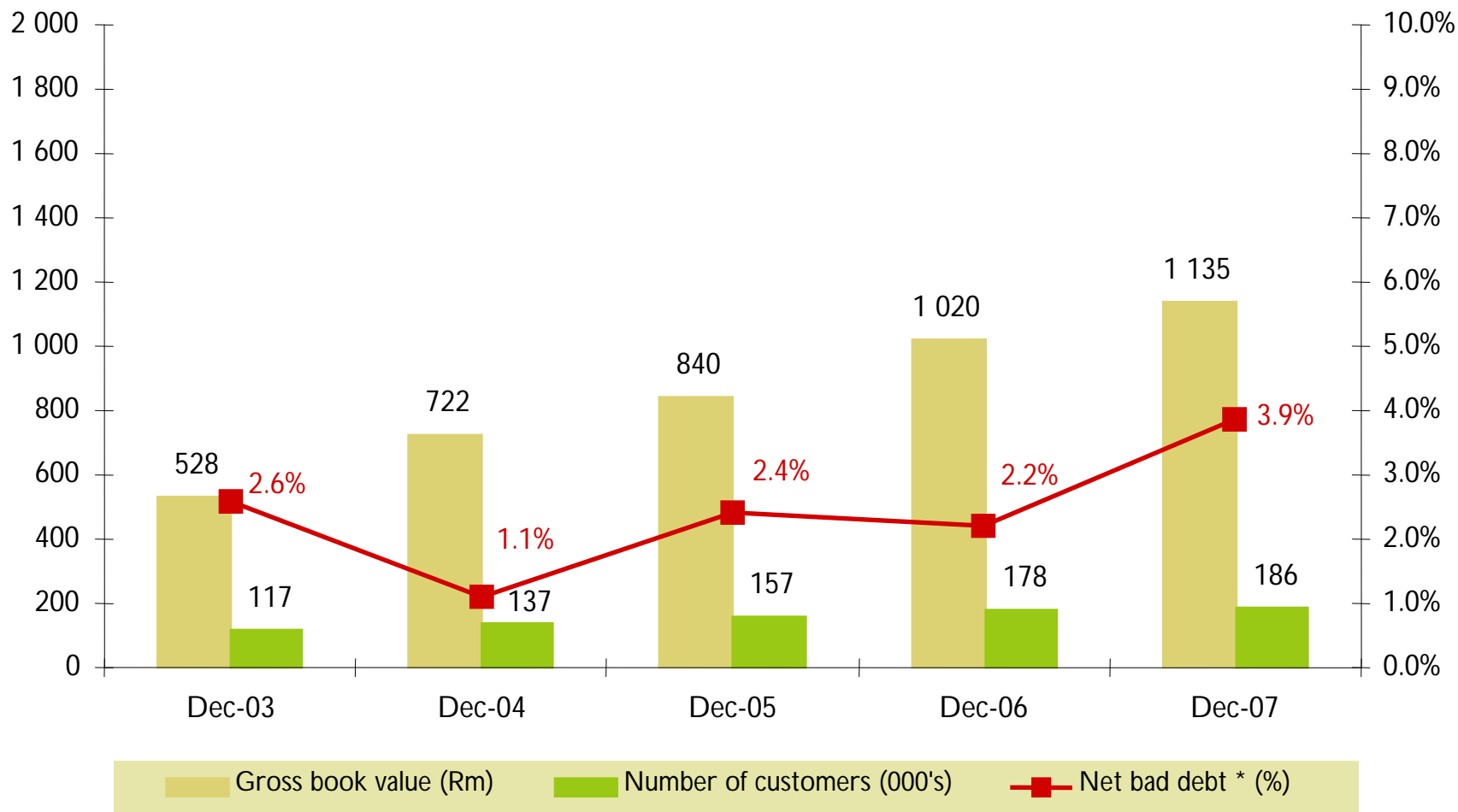
## financial services - store card



\* 12mma excluding cost of recoveries

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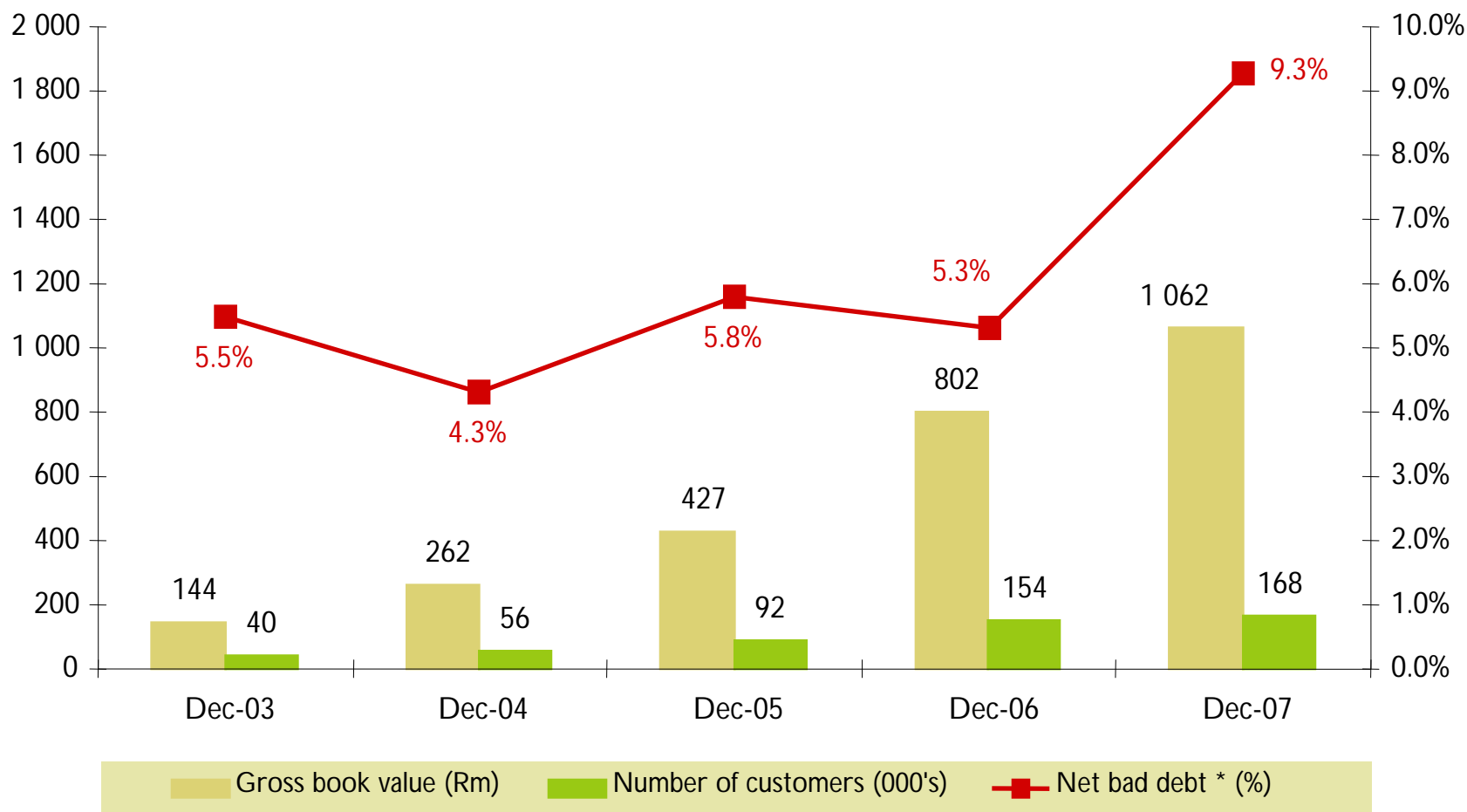
## financial services - personal loans



\* 12mma excluding cost of recoveries

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## financial services - VISA card

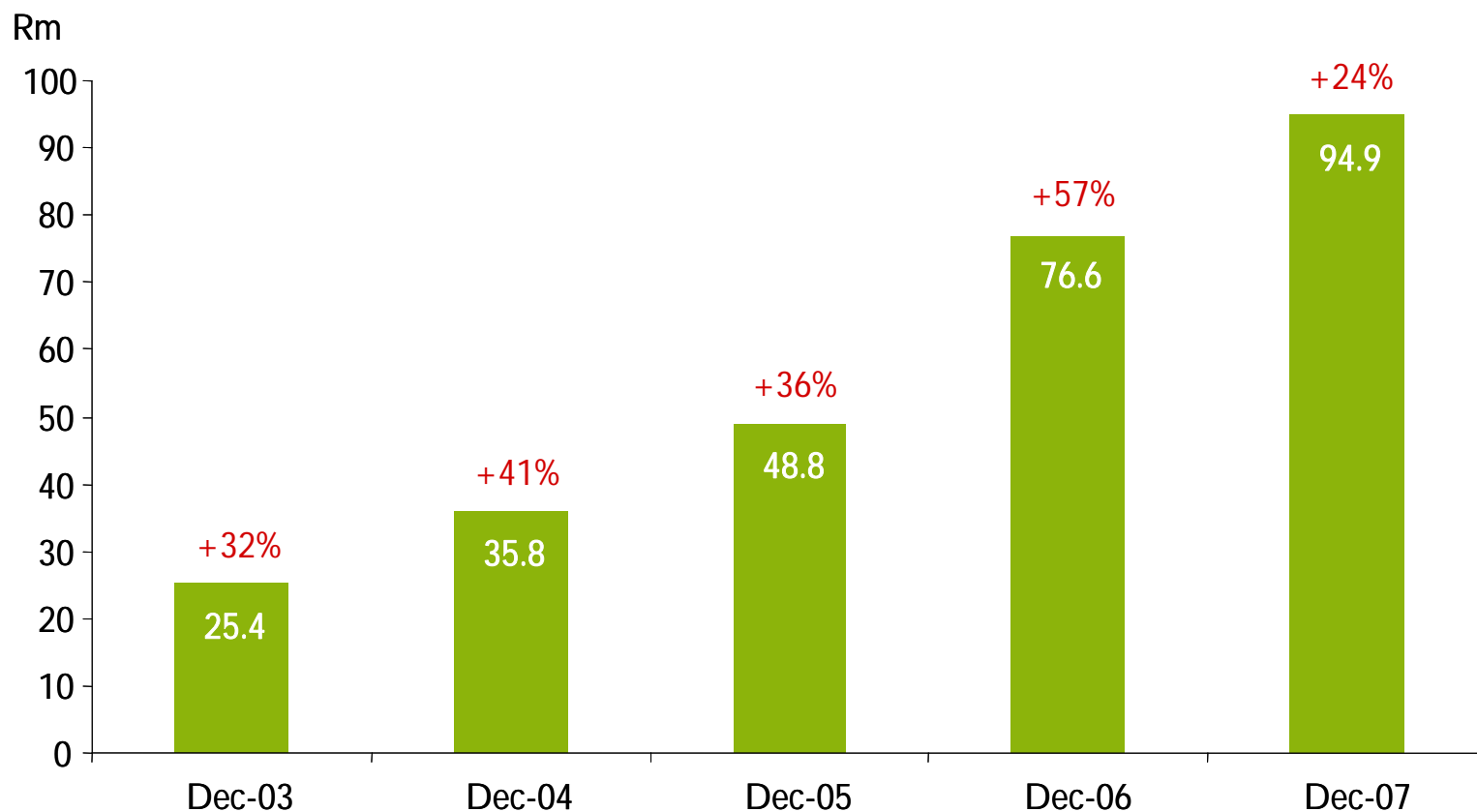


\* 12mma excluding cost of recoveries



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## financial services - non-interest revenue



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## financial services - deliverables

- Growth remains under pressure
  - Utilisation and prospecting campaigns refined
  - Conservative affordability model under review
- Tighten up on bad debt and collection strategies
  - Scorecard cutoffs increased
  - Increased collection capacity
  - Earlier legal process implemented
  - Align payment % with market
  - Debt consolidation product trialled
- Additional focus on VISA
  - No customer prospecting
  - Provide robust infrastructure
  - Recruit additional skills
  - Enhance fraud detection capability

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## financial services - outlook

- Customers remain under pressure
- Continued slow growth in customer numbers
- Bad debt and collections remain challenging



**COUNTRY ROAD**

country road

Simon Susman

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## country road

- Strong sales performance
- Focus on providing better value and improved fashionability well received
- 5 new stores and 2 store expansions in past six months
- Concession – underperformance in David Jones (customer match?)
- Tougher 12 months ahead







outlook

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## trading environment

- International uncertainty
- Tough year ahead for South Africa
  - Middle to upper income customers unsettled
  - Tougher debt environment
- Longer term
  - Economy fundamentally sound
  - Consumer market still growing

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## looking forward

- Brand well placed
- Good strategy
- Good business journey
- New retail leadership team in place
- Focus on execution
- Extract efficiencies (R500m investment)
- Tighter cost control





additional  
information

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## SA retail balance sheet

	Dec 2007 Rm	Dec 2006 Rm	% change
<b>Assets</b>			
Property, plant and equipment, investments, deferred tax, loans and goodwill	2 544.7	2 288.5	11.2
Inventory	1 273.7	1 054.1	20.8
Accounts receivable	571.2	712.2	(19.8)
Cash	441.4	296.5	48.9
	<b>4 831.0</b>	<b>4 351.3</b>	<b>11.0</b>
<b>Equity and liabilities</b>			
Shareholders' funds	1 585.2	1 461.9	8.4
Accounts payable	3 245.8	2 889.4	12.3
	<b>4 831.0</b>	<b>4 351.3</b>	<b>11.0</b>

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## SA retail revenue analysis

	Dec 2007 Rm	Dec 2006 Rm	% change	% inflation
<b>Clothing and general merchandise</b>	<b>3 714.5</b>	<b>3 460.2</b>	<b>7.3</b>	<b>9.6</b>
Corporate (retail)	3 251.8	3 057.9	6.3	
Franchise (wholesale) – local	349.6	321.3	8.8	
Franchise (wholesale) – international	113.1	81.0	39.6	
<b>Food</b>	<b>4 977.4</b>	<b>4 191.3</b>	<b>18.8</b>	<b>12.1</b>
Corporate (retail)	4 604.8	3 915.6	17.6	
Franchise (wholesale) – local	346.9	258.3	34.3	
Franchise (wholesale) – international	25.7	17.4	47.7	
Logistics and other	175.8	149.8	17.4	
Interest income	12.4	3.1		
Other revenue	46.2	41.5		
	<b>8 926.3</b>	<b>7 845.9</b>	<b>13.8</b>	

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## SA retail trading space

	Dec 2007 m2	Dec 2006 m2	% change	Projected June 2008 m2	Year-on- year % change
Total footage	466 693	436 529	6.9	478 975	9.5
Clothing and General merchandise	343 837	327 960	4.8	351 464	4.3
Corporate	258 077	239 450	7.8	262 967	5.5
Franchise SA	56 331	55 592	1.3	59 068	3.1
Franchise International	29 429	32 918	(10.6)	29 429	(3.1)
Food	118 308	104 644	13.1	127 511	21.4
Corporate	107 245	94 339	13.7	115 543	22.2
Franchise SA	8 679	7 405	17.2	9 477	21.1
Franchise International	2 384	2 900	(17.8)	2 491	(9.0)

# woolworths holdings limited

## SA retail number of stores

	Dec 2007 No.	Dec 2006 No.	Growth No.	Projected June 2008 No.
Total stores	372	341	31	406
Corporate	216	191	25	232
Full-line	104	97	7	108
Clothing and general merchandise	6	5	1	6
Food	106	89	17	118
Franchise SA	77	77	-	79
Franchise Engen	36	23	13	52
Franchise International	43	50	(7)	43

# woolworths holdings limited

## financial services balance sheet

	Dec 2007 Rm	Dec 2006 Rm	% change
<b>Assets</b>			
Plant and equipment, deferred tax, loans and accounts receivable	130.2	228.4	(43.0)
Financial services assets	5 558.7	4 991.7	11.4
Cash	313.3	236.7	32.4
	<b>6 002.2</b>	<b>5 456.8</b>	<b>10.0</b>
<b>Equity and liabilities</b>			
Shareholders' funds	1 466.8	1 218.0	20.4
Accounts payable, provisions and tax	118.8	200.0	(40.6)
Borrowings	4 416.6	4 038.8	9.4
	<b>6 002.2</b>	<b>5 456.8</b>	<b>10.0</b>
<b>Gearing ratio</b>	<b>75.1%</b>	<b>76.8%</b>	

# woolworths holdings limited

## country road balance sheet

	Dec 2007 A\$m	Dec 2006 A\$m	% change
<b>Assets</b>			
Property, plant and equipment	34.3	28.9	18.7
Trademarks *	11.2	11.2	-
Inventory	32.5	22.0	47.7
Accounts receivable	13.2	10.8	22.2
Cash	18.7	13.5	38.5
	<b>109.9</b>	<b>86.4</b>	<b>27.2</b>
<b>Equity and liabilities</b>			
Shareholders' funds	70.8	58.6	20.8
Accounts payable and provisions	39.1	27.8	40.6
	<b>109.9</b>	<b>86.4</b>	<b>27.2</b>
Period-end exchange rate (R/A\$)	6.1	5.5	

\* Eliminates on consolidation

# woolworths holdings limited

## country road income statement (in rands)

	Dec 2007 Rm	Dec 2006 Rm	% change
Revenue	884.4	599.7	47.5
<b>Turnover</b>	<b>880.1</b>	<b>596.4</b>	<b>47.6</b>
Cost of sales	343.8	251.2	36.9
<b>Gross profit</b>	<b>536.3</b>	<b>345.2</b>	<b>55.4</b>
Other revenue	4.3	4.6	(6.5)
Expenses	491.9	317.3	55.0
<b>Operating profit</b>	<b>48.7</b>	<b>32.5</b>	<b>49.8</b>
Finance costs	0.6	1.3	(53.8)
<b>Profit before tax</b>	<b>48.1</b>	<b>31.2</b>	<b>54.2</b>