



**WOOLWORTHS HOLDINGS LIMITED**

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**UNAUDITED INTERIM GROUP RESULTS FOR THE 26 WEEKS  
ENDED 23 DECEMBER 2018 AND CASH DIVIDEND DECLARATION**



**WOOLWORTHS HOLDINGS LIMITED**

*2019 Interim Results*



# PRESENTATION OUTLINE

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**01** / *Review of the period*

**02** / *Financial review*

**03** / *Strategy update*

**04** / *Outlook*

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# 01 REVIEW OF THE PERIOD

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*Ian Moir*

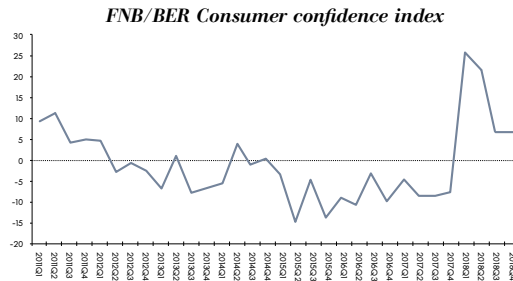
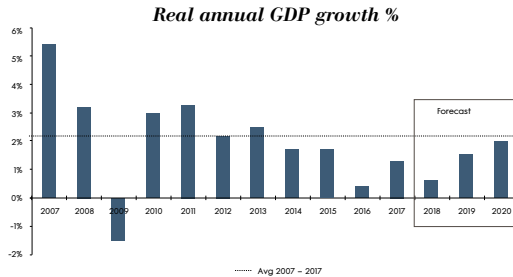


## GROUP PERFORMANCE

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- Cyclical challenges and structural changes continued
  - Impact of Black Friday
  - Sales growth impacted by one day less of pre-Christmas trade, compared to LY
  - Woolworth FBH had positive sales growth in Q2 due to better product and brand execution
  - Continued market-leading sales growth in Woolworths Food
  - David Jones performed well in Q1 but sales weakened in line with rest of market in final weeks leading up to Christmas
  - Strong performance from Country Road Group
  - Tightly controlled capex and well-managed debt position
  - Turnover up **1.9%**; adjusted profit before tax down **9.2%**
  - Headline earnings per share declined by **2.9%**
  - Interim dividend reduced by **15.2%**
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## SOUTH AFRICAN MACRO ENVIRONMENT



- SA exited from technical recession experienced in 2018 H1 in H2
- However, growth momentum remained weak and well below estimated potential growth rate
- Consumer confidence fell significantly from highs seen post Ramaphosa's election
- Consumer spending remains under pressure, hampered by increases in interest rate, muted credit extension and high unemployment

### WOOLWORTHS FASHION, BEAUTY AND HOME

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- Sales **2.0%** lower (**1.6%** lower adjusting for earlier close), with comparable sales **2.4%** lower, price movement of **1.7%** for FBH (**0.8%** for Fashion), and **0.6%** new space
- Q1 negatively impacted by poor product execution and smaller clearance sale
- Positive sales growth in Q2, with improved product execution in clothing, particularly in womenswear
- Previously underperforming brands showed positive turnaround in Q2
- Online sales up **34.4%** on LY due to increased availability and online promotions
- Strong growth in Beauty
- Despite promotional activity, gross profit margin **0.5%** higher at **47.1%**, due to smaller clearance sale and tight inventory management
- Operating profit **11.8%** lower (**9.9%** lower adjusting for earlier close), due to negative leverage



## WOOLWORTHS FOOD

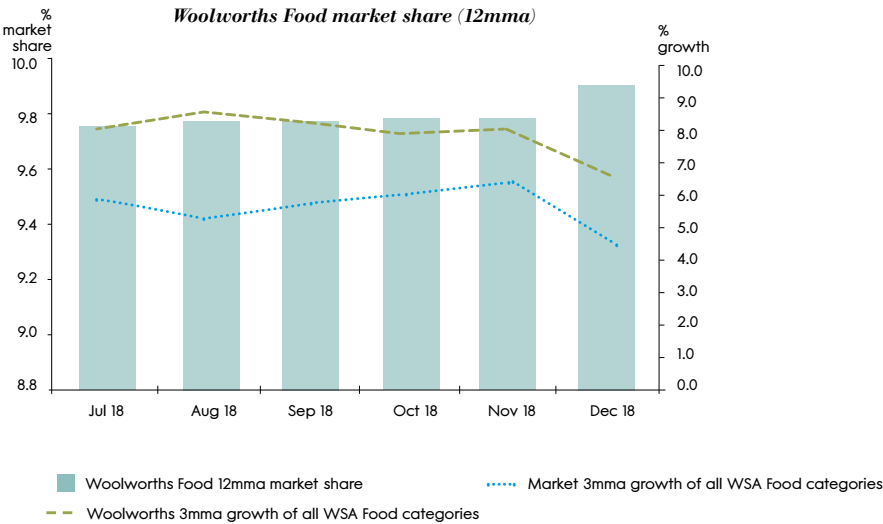
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- Consistent growth ahead of market
- Sales up **6.3%** (**7.0%** up adjusting for earlier close)
- Price movement of **1.2%**, with comparable sales up **4.2%** and **1.4%** net new space
- Volume growth driven by low inflation, higher levels of promotions and price investment
- Strong online sales growth, up **17.8%** on LY
- Gross profit margin declined **0.4%** to **24.6%**, due to price investment and increased promotional activity
- Operating profit up **0.6%** (**2.0%** up adjusting for earlier close)
- Operating profit margin of **7.0%** in line with target



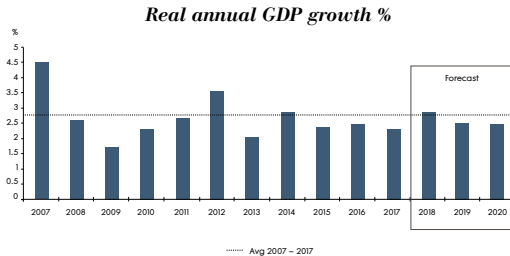


WOOLWORTHS FOOD MARKET SHARE

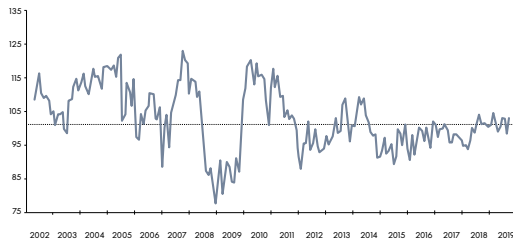


Source: Nielsen monthly Category Report on WSA food categories

## AUSTRALIAN MACRO ENVIRONMENT



*Consumer Sentiment Westpac-Melbourne Institute Survey*



- Despite low interest rates and strong job growth, consumer spending remained depressed by high levels of indebtedness, a cooling housing market and low wage growth
- The apparel sector was constrained, highly competitive and promotionally driven
- Continued reduction in shopping mall footfall and softer trade – particularly in last weeks of the festive season
- While consumer sentiment remained above baseline for 2018, it has moderated in 2019, indicating a softer consumer environment is likely to persist

### DAVID JONES

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- Total sales up **1.0%** (**1.5%** up adjusting for earlier close), with sales performance weakening in last 6 weeks of Q2 in line with the market
- Comparable sales up **0.9%** (**1.3%** up adjusting for earlier close), growth from new stores offset by sales disruption from Elizabeth Street store refurbishment
- Net space increase of **2.7%** – further net space reductions to improve store portfolio productivity planned
- Strong online sales growth of **46.1%**, now contributing **7.7%** of total sales
- Gross profit margin decreased by **2.7%** to **38.0%**, due to increased promotional activity in the highly competitive market and one-off inventory and timing adjustments related to system implementation
- Adjusted operating profit margin decreased from **6.9%** to **5.7%**
- CEO David Thomas resigned for personal reasons in January 2019
- Ian Moir will work directly with the DJ management team while a replacement CEO is found



## COUNTRY ROAD GROUP

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- Sales up **2.3%** (**3.0%** up adjusting for earlier close), comparable sales up **0.5%**
- Improved Country Road performance and continued strong performance from Witchery, Politix and Mimco
- Gross profit margin up **0.3%** to **64.0%**, due to strong focus on full-priced sales and good inventory management
- Continued strong online sales growth, up **20.0%**, now **17.7%** of sales
- Net space increase of **4.0%**, largely due to Politix roll-out in David Jones (**-1.7%** excluding Group space roll-out)
- Operating profit up **3.4%** (**7.9%** up adjusting for earlier close)
- Operating profit margin up **0.1%** to **11.0%**
- New Country Road Managing Director, Elle Roseby, appointed in July 2018



# 02 FINANCIAL REVIEW

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*Reeza Isaacs*



## FINANCIAL OVERVIEW

*Turnover and  
concession sales*  
**+1.9%**  
*to R39.4 billion*

*Adjusted profit  
before tax*  
**-9.2%\***  
*to R2.7 billion*

*HEPS*  
**-2.9%**  
*to 200.4 cps*

*HEPS –  
Adjusted diluted*  
**-9.2%**  
*to 202.9 cps*

*EPS  
at*  
**197.5** cps

*Interim dividend*  
**-15.2%**  
*to 92.0 cps*

*ROE*  
**16.6%**  
*from 20.1%*

\* -6.6% adjusting for earlier close

# WOOLWORTHS HOLDINGS LIMITED INTERIM RESULTS 2019 ANALYST PRESENTATION

## GROUP INCOME STATEMENT

	Dec 2018 Rm	Dec 2017 Rm	% change	
Woolworths Fashion, Beauty and Home	915	1 038	(11.8)	
Woolworths Food	1 071	1 065	0.6	
WFS (50% of PAT)	157	149	5.4	
<b>Woolworths</b>	<b>2 143</b>	<b>2 252</b>	<b>(4.8)</b>	• Solid performance from Food and WFS; shortfall in FBH
David Jones	471	672	(29.9)	• Tough December; Elizabeth Street impact; lost day due to earlier close; one-off impacts of systems implementation LY
Country Road Group	626	610	2.6	• 3.4% growth in A\$; margin expansion despite CR clearance
<b>Profit before interest and tax</b>	<b>3 240</b>	<b>3 534</b>	<b>(8.3)</b>	• -6.1% adjusting for earlier close
Net finance and other costs	(533)	(552)	(3.4)	• Lower debt in SA, offset by higher debt in Australia; translation impacts
<b>Adjusted profit before tax</b>	<b>2 707</b>	<b>2 982</b>	<b>(9.2)</b>	
Adjustments	(103)	(7 173)		•
<b>Profit/(loss) before tax</b>	<b>2 604</b>	<b>(4 191)</b>	<b>&gt;100</b>	
Tax	(711)	(669)	6.3	
<b>Profit/(loss) after tax</b>	<b>1 893</b>	<b>(4 860)</b>	<b>&gt;100</b>	
<b>Adjusted EBITDA</b>	<b>4 260</b>	<b>4 550</b>	<b>(6.4)</b>	
Adjusted effective tax rate	27.3%	28.1%		• Higher proportion of SA income

	Dec 2018 Rm	Dec 2017 Rm
<b>Adjustments</b>		
Relocation costs (net of grants received) and store exit costs	(127)	(80)
Onerous leases released/raised	26	(147)
Forex loss	(2)	(19)
Impairment of David Jones assets	—	(6 927)
	(103)	(7 173)

## WOOLWORTHS FASHION, BEAUTY AND HOME

### INCOME STATEMENT

	Dec 2018 Rm	Dec 2017 Rm	% change	
<b>Turnover</b>	<b>7 078</b>	<b>7 223</b>	<b>(2.0)</b>	-1.6% adjusting for earlier close; comp sales -2.4%; smaller winter clearance; -3.3% at 20 weeks; 6 weeks up 0.9% (2.3% adjusting for earlier close); price movement 1.7% (Fashion 0.8%)
Cost of sales	3 741	3 856	(3.0)	
<b>Gross profit</b>	<b>3 337</b>	<b>3 367</b>	<b>(0.9)</b>	Up 50 bps; improved intake margin; smaller winter clearance; higher full priced sales
Other revenue	7	7	-	
Expenses	2 429	2 336	4.0	Impact of new space; Beauty roll-out; store service levels maintained
Store costs	1 709	1 639	4.3	
Other operating costs	720	697	3.3	
<b>Adjusted operating profit</b>	<b>915</b>	<b>1 038</b>	<b>(11.8)</b>	
<b>Adjusted EBITDA</b>	<b>1 126</b>	<b>1 247</b>	<b>(9.7)</b>	
Gross profit margin				
- on turnover	47.1%	46.6%		
Operating profit margin				
- on turnover	12.9%	14.4%		



# WOOLWORTHS HOLDINGS LIMITED INTERIM RESULTS 2019 ANALYST PRESENTATION

## WOOLWORTHS<sup>FOOD</sup>

### INCOME STATEMENT

	Dec 2018 Rm	Dec 2017 Rm	% change	
<b>Turnover and concession sales</b>	<b>15 762</b>	<b>14 824</b>	<b>6.3</b>	7.0% growth adjusting for earlier close; comp sales up 4.2%; price movement of 1.2%; strong volume growth
Concession sales	(366)	(336)	8.9	
<b>Turnover – own buy</b>	<b>15 396</b>	<b>14 488</b>	<b>6.3</b>	
Cost of sales	11 613	10 872	6.8	
<b>Gross profit – own buy</b>	<b>3 783</b>	<b>3 616</b>	<b>4.6</b>	40 bps lower due to price investment, offset by higher rebates
Concession and other revenue	66	68	(2.9)	
Expenses	2 778	2 619	6.1	New space and annualisation; higher volume through stores; additional security costs
Store costs	2 060	1 909	7.9	
Other operating costs	718	710	1.1	Strong cost focus
<b>Adjusted operating profit</b>	<b>1 071</b>	<b>1 065</b>	<b>0.6</b>	
<b>Adjusted EBITDA</b>	<b>1 355</b>	<b>1 339</b>	<b>1.2</b>	
Gross profit margin – on turnover	24.6%	25.0%		
Operating profit margin – on turnover	7.0%	7.4%		In line with medium-term targets, despite significant price investment in the period

## WOOLWORTHS FINANCIAL SERVICES

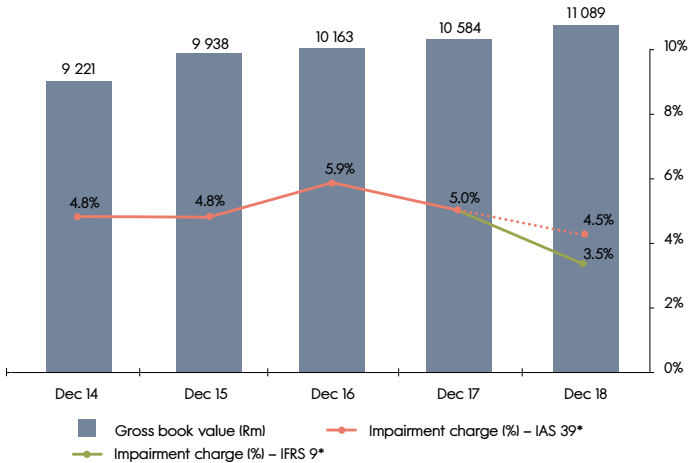
	Dec 2018** Rm		Dec 2017 Rm		% change	
Average financial services assets	10 943		10 522		4.0	• Book growth driven by credit card
<b>Income Statement</b>		% to book		% to book		
Interest income	1 050	19.2	1 086	20.6	(3.3)	• Lower interest yields due to rate cut in March 2018; 0.3% adjusted for IAS 39
Interest paid	324	5.9	318	6.0	1.9	• Improved portfolio shape; strong collections and lower debt counselling inflows; 4.5% adjusted for IAS 39
<b>Net interest income</b>	<b>726</b>	<b>13.3</b>	<b>768</b>	<b>14.6</b>	<b>(5.5)</b>	• Higher credit card transactional income and monthly fees
Impairment charge	195	3.5	262	5.0	(25.6)	• Investment in new customer acquisition and campaigns to drive increased in-store spend from existing customers
<b>Risk-adjusted margin</b>	<b>531</b>	<b>9.7</b>	<b>506</b>	<b>9.6</b>	<b>4.9</b>	• Adjustment to minimum equity capital requirements in PY
Non-interest revenue	417	7.6	400	7.6	4.3	
Operating costs	511	9.3	490	9.3	4.3	
<b>Profit before tax</b>	<b>437</b>	<b>8.0</b>	<b>416</b>	<b>7.9</b>	<b>5.0</b>	
Return on equity*	35.5%		29.5%			

\* Adjusted for IFRS 9 impact on capital

\*\* Accounted for under IFRS 9

**WOOLWORTHS** FINANCIAL SERVICES

BOOK PERFORMANCE



\* Includes collection costs

# DAVID JONES

## INCOME STATEMENT

	Dec 2018 A\$m	Dec 2017 A\$m	% Change	
<b>Turnover and concession sales</b>	<b>1 121</b>	<b>1 109</b>	<b>1.0</b>	1.5% adjusting for earlier close; comp sales up 0.9%; online sales up 46.1%; tough last 2 weeks in December; Elizabeth Street disruption
Concession sales	(379)	(382)	(0.8)	
<b>Turnover – own buy</b>	<b>742</b>	<b>727</b>	<b>2.1</b>	
Cost of sales	416	374	11.2	
<b>Gross profit – own buy</b>	<b>326</b>	<b>353</b>	<b>(7.6)</b>	Increased promotional activity; one- off inventory and timing adjustments related to system implementation LY
Concession and other revenue	100	98	2.0	
<b>Gross profit</b>	<b>426</b>	<b>451</b>	<b>(5.5)</b>	
Expenses	390	392	(0.5)	
Store costs	317	313	1.3	New stores and online costs; comp store growth of 0.1%
Other operating costs	73	79	(7.6)	
<b>Department store operating profit</b>	<b>36</b>	<b>59</b>	<b>(39.0)</b>	Reduction from review of structures; other cost efficiencies
Financial services operating profit	11	7	57.1	
<b>Adjusted operating profit</b>	<b>47</b>	<b>66</b>	<b>(28.8)</b>	
Strategic initiatives	28	18		VC implementation complete; Food trials continuing; peak disruption in Elizabeth Street
Food and Value Chain	9	9		
Elizabeth and Market Street costs	19	9		
<b>Adjusted operating profit before strategic initiatives</b>	<b>75</b>	<b>84</b>	<b>(10.7)</b>	-8.5% adjusting for earlier close
<b>Adjusted EBITDA*</b>	<b>79</b>	<b>98</b>	<b>(19.4)</b>	
Gross profit margin – on turnover and concession sales	38.0%	40.7%		
Operating profit margin**	5.7%	6.9%		

\* Based on Adjusted operating profit

\*\* Department store operating profit (before strategic initiatives) as a percentage of turnover and concession sales

# WOOLWORTHS HOLDINGS LIMITED INTERIM RESULTS 2019 ANALYST PRESENTATION

## COUNTRY ROAD GROUP

### INCOME STATEMENT

	Dec 2018 A\$m	Dec 2017 A\$m	% change	
<b>Turnover</b>	<b>555</b>	<b>542</b>	<b>2.3</b>	•
Cost of sales	200	197	1.5	
<b>Gross profit</b>	<b>355</b>	<b>345</b>	<b>2.9</b>	•
Other revenue	1	1	–	
Expenses	295	287	2.8	
Store costs	211	203	3.9	•
Other operating costs	84	84	–	
<b>Adjusted operating profit</b>	<b>61</b>	<b>59</b>	<b>3.4</b>	•
<b>Adjusted EBITDA</b>	<b>80</b>	<b>78</b>	<b>2.6</b>	
Gross profit margin – on turnover	64.0%	63.7%		
Operating profit margin – on turnover	11.0%	10.9%		

Comp stores sales up 0.5%; online growth 20.0%; 3.0% adjusting for earlier close

Up 30 bps despite CR Summer clearance

Comp store costs up 0.3%; non-comp costs from roll-out of DJ Private Label and Politix in DJ

7.9% adjusting for earlier close

## NET FINANCE AND OTHER COSTS

	Capital	Rate*	Dec 2018 Rm	Dec 2017 Rm	
ZAR long-term debt	R8.67bn	8.98%	410	448	• Reduction in gearing and decrease in SA margins
AUD long-term debt	A\$447m	4.41%	119	98	• Increased gearing, higher base rates and margins in Australia
<b>Net finance costs</b>			<b>529</b>	<b>546</b>	
Other costs			4	6	
<b>Net finance and other costs</b>			<b>533</b>	<b>552</b>	
Interest cover (times)			7.4	7.1	

\* Partially hedged all-in rate including amortisation of upfront costs

# WOOLWORTHS HOLDINGS LIMITED INTERIM RESULTS 2019 ANALYST PRESENTATION

## GROUP BALANCE SHEET

	Dec 2018 Rm	Dec 2017 Rm	% change	Constant currency % change	
<b>Assets</b>					
Property, plant and equipment	14 360	13 556	5.9	1.7	
Intangible assets	13 749	13 046	5.4	0.8	
Investments in joint ventures	793	1 064	(25.5)	(25.5)	Includes IFRS 9 adjustment i.r.o. WFS
Inventories	9 298	8 146	14.1	10.8	Impacted by earlier close vs LY, driven by higher stock in FBH and 3 new stores in DJ
Trade and other receivables and loans	1 715	1 665	3.0	0.4	
Derivative financial instruments	340	35	>100	>100	
Tax and deferred tax assets	321	364	(11.8)	(14.6)	
Cash and cash equivalents	2 420	2 172	11.4	9.2	
<b>Total assets</b>	<b>42 996</b>	<b>40 048</b>	<b>7.4</b>	<b>3.5</b>	
<b>Equity and liabilities</b>					
Shareholders' funds	13 898	12 186	14.0	7.1	
Borrowings and overdrafts	14 093	13 833	1.9	–	
Other non-current liabilities	2 588	2 400	7.8	3.8	
Derivative financial instruments	28	314	(91.1)	(91.1)	
Tax and deferred tax liabilities	922	742	24.3	18.3	
Trade and other payables and provisions	11 467	10 573	8.5	5.6	
<b>Total equity and liabilities</b>	<b>42 996</b>	<b>40 048</b>	<b>7.4</b>	<b>3.5</b>	
<b>Net gearing</b>	<b>11 673</b>	<b>11 661</b>	<b>0.1</b>	<b>(1.7)</b>	Down despite increased capex on Elizabeth Street
Period-end exchange rate (R/A\$)	10.3	9.7			

## NET GEARING

	HI 2019	FY 2018
<b>WHL Net debt (Rm)</b>	<b>(11 673)</b>	<b>(11 837)</b>
Interest-bearing term debt	(13 287)	(13 715)
Net cash and cash equivalents	1 614	1 878
Unutilised committed facilities – Group	9 033	10 216
Net debt to EBITDA (times)	1.5	1.5
<b>SA Net debt (Rm)</b>	<b>(7 919)</b>	<b>(8 289)</b>
Interest-bearing term debt	(8 676)	(9 414)
Net cash and cash equivalents	757	1 125
Rate*	8.98%	8.88%
Unutilised committed facilities – SA	5 531	6 661
<b>Australia Net debt (A\$m)</b>	<b>(365)</b>	<b>(355)</b>
Interest-bearing term debt	(448)	(431)
Net cash and cash equivalents	83	76
Rate*	4.41%	4.48%
Unutilised committed facilities – AUS	340	356

Positive free cash flow; liquidity remains strong with significant unutilised committed facilities

Up due to capex on Elizabeth Street refurbishment

\* Partially hedged all-in rate including amortisation of upfront costs

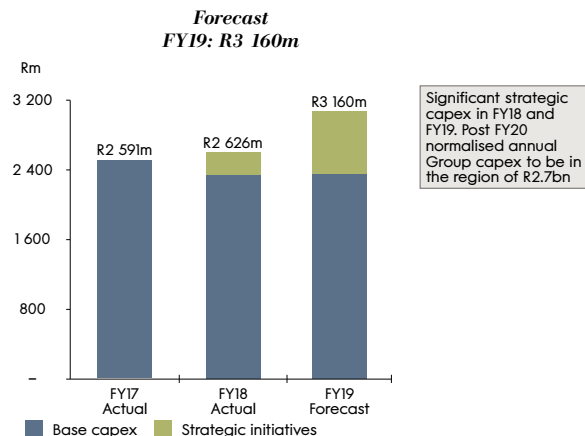
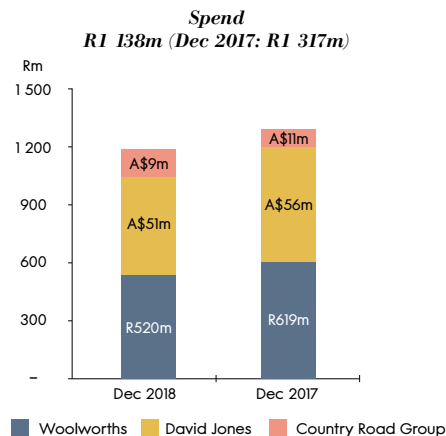


## COVENANTS

	Dec 2018	Dec 2017	Bank limit
<b>SA Bank covenants</b>			
Net debt to EBITDA (times)	1.5	1.4	3.0
Interest cover (times)	6.3	6.4	3.5
<b>Australia Bank covenants</b>			
Net debt to EBITDA (times)	1.6	1.2	3.0
Fixed Charge Cover Ratio (times)	1.8	1.9	1.5
Minimum equity (A\$m)	1 745	1 666	>1 000

Covenants in SA and Australia are well within bank limits with sufficient headroom

## CAPITAL EXPENDITURE



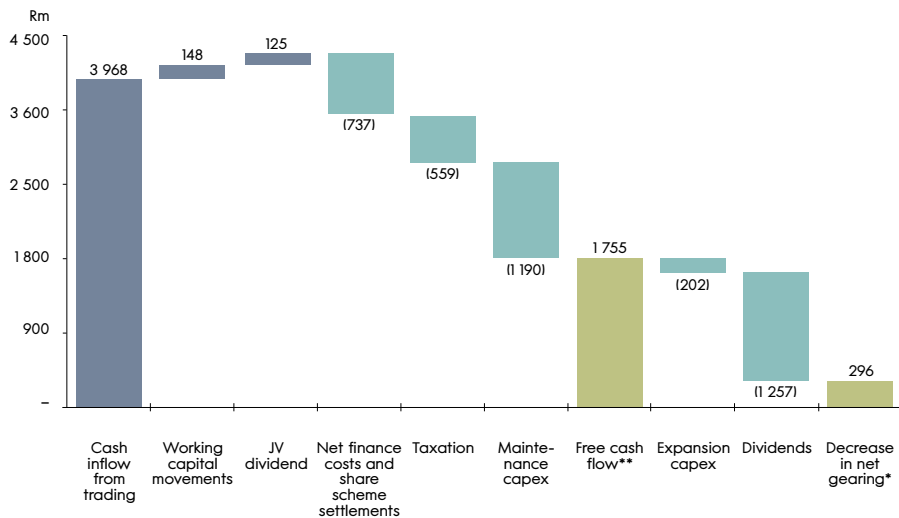
### Depreciation and Amortisation

	Dec 2018	Dec 2017	% change
Woolworths (Rm)	495	483	2
David Jones (A\$m)	32	32	– *
Country Road Group (A\$m)	19	19	– *
<b>Total Group (Rm)</b>	<b>1 020</b>	<b>1 016</b>	<b>– *</b>

\* Lower depreciation due to impairment in current and prior periods

# WOOLWORTHS HOLDINGS LIMITED INTERIM RESULTS 2019 ANALYST PRESENTATION

## CASH GENERATION FOR THE 26 WEEKS ENDED 23 DECEMBER 2018



\* Net gearing excludes R132 million currency translation impact

\*\* Free cash flow per share (Free cash flow before Expansion capex and Dividends): 183.2 cps

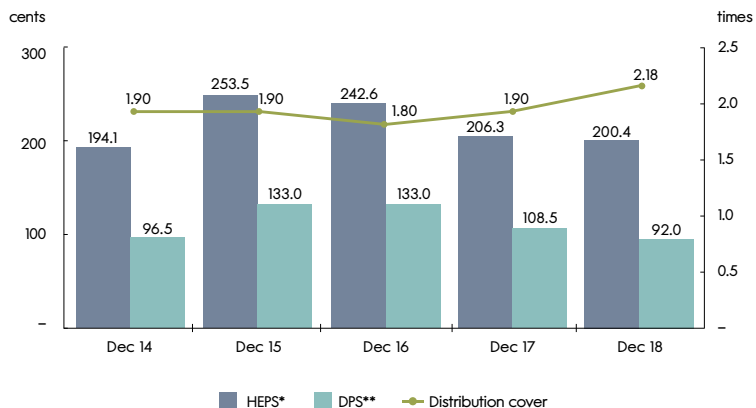
Cash conversion ratio (Adjusted PAT and Free cash flow latter Expansion capex and before Dividends): 78.9%

## FREE CASH FLOW AND DIVIDENDS

	FY 2017 Rm	FY 2018 Rm	H1 2019 Rm	
Free cash flow pre working capital and capital expenditure	5 356	5 288	2 869	
Working capital movements	(615)	(305)	148	
Cash generated by operations	4 741	4 983	3 017	
Capital expenditure	(2 413)	(2 005)	(938)	
Strategic capex, business acquisitions and property disposals	[ 2 827 ]	[ (584) ]	[ (454) ]	Strategic capex excluded from normal free cash flow
Strategic capex	(139)	(584)	(454)	
Acquisition of Politix	(711)	–	–	
Sale of Market Street	3 677	–	–	
Share-based payments and share scheme settlements	(33)	(135)	(197)	
Effect of currency translation	525	(101)	(132)	
Free cash flow	5 647	2 158	1 296	
Excluding strategic capex, business acquisitions and property disposals	[ (2 827) ]	[ 584 ]	[ 454 ]	Positive free cash flow ex strategic capex and dividends
<b>Decrease in net gearing before dividends</b>	<b>2 820</b>	<b>2 742</b>	<b>1 750</b>	
Dividends	(2 792)	(2 457)	(1 132)	
<b>Decrease in net gearing excluding strategic capex</b>	<b>28</b>	<b>285</b>	<b>618</b>	

# WOOLWORTHS HOLDINGS LIMITED INTERIM RESULTS 2019 ANALYST PRESENTATION

## EARNINGS AND DISTRIBUTION



• Group interim and final dividend to be based on a cover ratio of 1.45x Woolworths South Africa (WSA) earnings for c.2 years, in order to reduce Australian gearing to a more prudent level

• No dividend to be paid from Australian businesses until local debt level reduced to c.A\$200 million

\* HEPS based on weighted average number of shares

\*\* DPS based on closing number of shares

# 03 STRATEGY UPDATE

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*Ian Moir*



## **WOOLWORTHS** FASHION, BEAUTY AND HOME

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- The critical priority is to **turn the fashion business around**
- We must **rebuild our customers' faith in womenswear**, the cornerstone of our business
- Get back to being **famous for key categories and beautiful basics**
- **We will edit and re-invent our brands** and showcase our Woolworths brand with pride



### **WOOLWORTHS** FASHION, BEAUTY AND HOME

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- Target **customers** who want wearable fashion and timeless classics
- Inspire our customers with **innovative product** through seamless collaboration of design, buying, planning and technology
- Become **obsessed and famous for quality again**: fabric, fit, finish and comfort
- Focus on **value and price perception** by focusing on our KVL lines and beautiful basics
- Continue to **build Beauty as a destination** category and enhance customer experience with leading international brands, a strong private label business and online offer
- Continue to **drive online performance and digital experience**, including newly launched in-app shopping capability
- Renewed focus on **cost management**



## WOOLWORTHS<sup>FOOD</sup>

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- Absolute focus on **delivering 'the difference'** through best-in-class, innovative product with an obsession to achieve an unattainable quality difference on our products
- **Strengthen the value perception** to make Woolworths more affordable, with ongoing price investment in our iconic lines, everyday low prices, and promotional activity
- Claim an **increased share of the convenience market** through a variety of store formats and expanded Food Services offer
- **Build an integrated 'World of Wellbeing'**, becoming our customers' partner in healthy living
- Provide **inspiring meal solutions** to meet a range of customer needs
- Continue to **improve availability** to improve our customers' shop
- Continue to enhance our **in-store experience**
- Strengthen and optimise our **strategic supplier partnerships**
- Renewed focus on **cost management**



## DAVID JONES

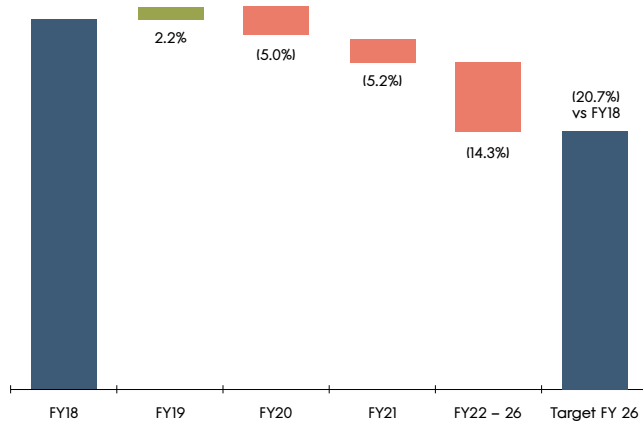
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- **Improve margin** and inventory management
- Further **cost reduction**
- Build stronger **brand exclusivity**, including CRG brands
- Further expansion of **private label**
- Continue to build a differentiated **Food offer**
- Roll-out of new **loyalty programme**
- Rapidly **grow online** to >10% by 2020 and >20% by 2025
- Complete refurbishment of **Elizabeth Street**
- Aggressive **space reduction/optimisation** (20.7% reduction in space by 2026)



## DAVID JONES REAL ESTATE STRATEGY

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\* Note: space % increase/(decrease) based on gross lettable area

### COUNTRY ROAD GROUP

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- Continue to implement **customer-led strategies and clear visions** for each brand
- **Refresh Country Road brand vision and product** direction, particularly in womenswear
- **Drive full-price sales** with targeted, loyalty-based promotions and less generic discounting
- **Increase speed to market** through new sourcing routes and more flexibility in buying decisions
- Deliver a **market-leading digital experience**, with online sales of over 20% by 2020
- **Optimise our real estate footprint**
- **Exit Myer stores** and become exclusive to David Jones by September 2019
- Further **reduce costs**

# 04 OUTLOOK

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*Ian Moir*



## OUTLOOK

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### South Africa

- Despite lower interest rates and muted inflation, consumer spending expected to remain constrained
- Price movement in H2 expected to be 4.0% for Food and 5.5% for FBH (4.5% for Fashion)
- Food expected to continue to grow volumes and market share
- FBH expected to improve with better ranges and depth of product

### Australia

- A muted consumer environment is expected to persist on back of lower consumer sentiment, a cooling housing market and low wage growth
- Heightened levels of competition and promotional activity expected to continue

### TRADE IN FIRST EIGHT WEEKS OF H2

**WOOLWORTHS**FASHION, BEAUTY AND HOME

**WOOLWORTHS**FOOD

DAVID JONES

COUNTRY ROAD GROUP

Sales growth  
adjusting for  
early H1 close

5.5%

6.7%

(3.1%)

1.7%

Elizabeth Street at peak disruption

# WOOLWORTHS HOLDINGS LIMITED INTERIM RESULTS 2019 ANALYST PRESENTATION

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## MEDIUM-TERM TARGETS

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	FY2021
OPERATING PROFIT MARGIN	
<b>WOOLWORTHS</b> FASHION, BEAUTY AND HOME	14% – 16%
<b>WOOLWORTHS</b> FOOD	7%
DAVID JONES*	6% – 8%
COUNTRY ROAD GROUP	12%
RETURN ON EQUITY	
<b>WOOLWORTHS</b> FINANCIAL SERVICES	27.5%

\* Department store operating profit as a percentage of turnover and concession sales

# **ADDITIONAL INFO**



## TRADING SPACE

	Dec 2018 000m <sup>2</sup>	Dec 2017 000m <sup>2</sup>	% change	Projected Jun 2019 000m <sup>2</sup>	% change**	Projected Jun 2020 000m <sup>2</sup>	% change	Projected Jun 2021 000m <sup>2</sup>	% change
<b>Woolworths Fashion, Beauty and Home</b>	<b>481</b>	<b>480</b>	<b>0.6</b>	<b>484</b>	<b>1.0</b>	<b>487</b>	<b>0.6</b>	<b>492</b>	<b>1.0</b>
South Africa	436	438	(0.5)	440	0.9	440	–	443	0.7
Rest of Africa	45	42	7.1	44	2.3	47	6.8	49	4.3
<b>Woolworths Food</b>	<b>252</b>	<b>249</b>	<b>1.4</b>	<b>256</b>	<b>2.8</b>	<b>264</b>	<b>3.1</b>	<b>272</b>	<b>3.0</b>
South Africa	244	241	1.2	248	2.9	255	2.8	262	2.7
Engen	3	3	–	3	–	3	–	3	–
Rest of Africa	5	5	–	5	–	6	20.0	7	16.7
<b>David Jones</b>	<b>480</b>	<b>467</b>	<b>2.7</b>	<b>485</b>	<b>2.3</b>	<b>489</b>	<b>0.8</b>	<b>472</b>	<b>(3.5)</b>
<b>Country Road Group*</b>	<b>126</b>	<b>121</b>	<b>4.0</b>	<b>123</b>	<b>(1.6)</b>	<b>114</b>	<b>(7.3)</b>	<b>112</b>	<b>(1.8)</b>
Australasia	111	106	4.0	108	(1.6)	99	(7.3)	97	(1.8)
South Africa	15	15	–	15	–	15	–	15	–

\* Includes 28 839m<sup>2</sup> Country Road Group brand concessions in David Jones stores

\*\* From June 2018

# WOOLWORTHS HOLDINGS LIMITED INTERIM RESULTS 2019 ANALYST PRESENTATION

## PROJECTED TRADING SPACE ADDITIONS/REDUCTIONS

000m <sup>2</sup>	Woolworths Fashion, Beauty and Home	Woolworths Food	David Jones	Country Road Group
<b>Dec 2018</b>	<b>481</b>	<b>252</b>	<b>480</b>	<b>126</b>
Additions	8	4	7	1
Reductions	(5)	–	(2)	(4)
<b>Jun 2019</b>	<b>484</b>	<b>256</b>	<b>485</b>	<b>123</b>
Additions	7	9	23	2
Reductions	(4)	(1)	(19)	(11)
<b>Jun 2020</b>	<b>487</b>	<b>264</b>	<b>489</b>	<b>114</b>
Additions	7	9	2	1
Reductions	(2)	(1)	(19)	(3)
<b>Jun 2021</b>	<b>492</b>	<b>272</b>	<b>472</b>	<b>112</b>

## STORE LOCATIONS

	Dec 2018	Dec 2017	Growth	Projected Jun 2019	Growth***	Projected Jun 2020	Growth	Projected Jun 2021	Growth
<b>Woolworths Fashion, Beauty and Home</b>	<b>282</b>	<b>282</b>	–	<b>279</b>	<b>(3)</b>	<b>282</b>	<b>3</b>	<b>282</b>	–
South Africa	217	220	(3)	216	(2)	216	–	212	(4)
Rest of Africa	65	62	3	63	(1)	66	3	70	4
<b>Woolworths Food</b>	<b>437</b>	<b>426</b>	<b>11</b>	<b>445</b>	<b>15</b>	<b>463</b>	<b>18</b>	<b>475</b>	<b>12</b>
South Africa*	339	332	7	344	10	354	10	360	6
Engen	76	72	4	79	5	84	5	89	5
Rest of Africa	22	22	–	22	–	25	3	26	1
<b>David Jones</b>	<b>46</b>	<b>43</b>	<b>3</b>	<b>48</b>	<b>3</b>	<b>49</b>	<b>1</b>	<b>49</b>	–
<b>Country Road Group**</b>	<b>810</b>	<b>751</b>	<b>59</b>	<b>800</b>	<b>1</b>	<b>698</b>	<b>(102)</b>	<b>698</b>	–
Australasia	728	663	65	718	1	616	(102)	616	–
South Africa	82	88	(6)	82	–	82	–	82	–

\* Of which 182 are standalone Food stores

\*\* Includes 255 Country Road Group brand concessions in David Jones stores, which may extend over multiple pads

\*\*\* From June 2018

## WOOLWORTHS FINANCIAL SERVICES

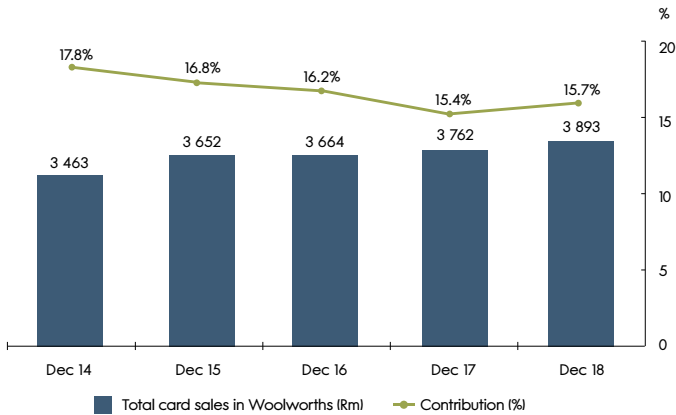
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### CONTRIBUTION TO SALES

% of sales spent on Woolworths cards	Dec 2018	Dec 2017
Fashion, Beauty and Home	21.7%	21.7%
Food	9.4%	9.4%
<b>Aggregate Woolworths card contribution</b>	<b>13.3%</b>	<b>13.5%</b>
Credit card	2.5%	1.9%
<b>Aggregate Woolworths card and credit card contribution</b>	<b>15.7%</b>	<b>15.4%</b>

**WOOLWORTHS** FINANCIAL SERVICES

TOTAL CARD SALES IN WOOLWORTHS



# WOOLWORTHS HOLDINGS LIMITED INTERIM RESULTS 2019 ANALYST PRESENTATION

DAVID JONES

## INCOME STATEMENT (IN RAN\$S)

	Dec 2018 Rm	Dec 2017 Rm	% change
<b>Turnover and concession sales</b>	<b>11 485</b>	<b>11 594</b>	<b>(0.9)</b>
Concession sales	(3 883)	(3 997)	(2.9)
<b>Turnover – own buy</b>	<b>7 602</b>	<b>7 597</b>	<b>0.1</b>
Cost of sales	4 260	3 913	8.9
<b>Gross profit – own buy</b>	<b>3 342</b>	<b>3 684</b>	<b>(9.3)</b>
Concession and other revenue	1 024	1 029	(0.5)
<b>Gross profit</b>	<b>4 366</b>	<b>4 713</b>	<b>(7.4)</b>
Expenses	4 010	4 118	(2.6)
Store costs	3 257	3 286	(0.9)
Other operating costs	753	832	(9.5)
<b>Department store operating profit</b>	<b>356</b>	<b>595</b>	<b>(40.2)</b>
Financial services operating profit	115	77	49.4
<b>Adjusted operating profit</b>	<b>471</b>	<b>672</b>	<b>(29.9)</b>

# DAVID JONES

## BALANCE SHEET

	Dec 2018 A\$m	Dec 2017 A\$m	% change
<b>Assets</b>			
Property, plant and equipment	859	821	4.6
Goodwill and brands	568	568	–
Intangible assets	92	81	13.6
Inventories	355	326	8.9
Trade and other receivables, tax and deferred tax	140	130	7.7
Cash and cash equivalents	33	26	26.9
<b>Total assets</b>	<b>2 047</b>	<b>1 952</b>	<b>4.9</b>
Non-current and current non-interest bearing liabilities	(651)	(635)	2.5
<b>Capital employed</b>	<b>1 396</b>	<b>1 317</b>	<b>6.0</b>
Period-end exchange rate (R/A\$)	10.3	9.7	

# WOOLWORTHS HOLDINGS LIMITED INTERIM RESULTS 2019 ANALYST PRESENTATION

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## COUNTRY ROAD GROUP

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### INCOME STATEMENT (IN RANDS)

	Dec 2018 Rm	Dec 2017 Rm	% change
<b>Turnover</b>	<b>5 696</b>	<b>5 657</b>	<b>0.7</b>
Cost of sales	2 054	2 058	(0.2)
<b>Gross profit</b>	<b>3 642</b>	<b>3 599</b>	<b>1.2</b>
Other revenue	13	11	18.2
Expenses	3 029	3 000	1.0
Store costs	2 171	2 120	2.4
Other operating costs	858	880	(2.5)
<b>Adjusted operating profit</b>	<b>626</b>	<b>610</b>	<b>2.6</b>



# COUNTRY ROAD GROUP

## BALANCE SHEET\*

	Dec 2018 A\$m	Dec 2017 A\$m	% change
<b>Assets</b>			
Property, plant and equipment	136	147	(7.5)
Intangible assets	369	376	(1.9)
Inventories	120	121	(0.8)
Trade and other receivables, tax and deferred tax	89	54	64.8
Cash and cash equivalents	50	34	47.1
<b>Total assets</b>	<b>764</b>	<b>732</b>	<b>4.4</b>
Non-current and current non-interest bearing liabilities	(190)	(188)	1.1
<b>Capital employed</b>	<b>574</b>	<b>544</b>	<b>5.5</b>
Period-end exchange rate (R/A\$)	10.3	9.7	

\* Per reporting segment

## DISCLAIMER

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Shareholders are advised that the information in this presentation has not been reviewed and reported on by Woolworths Holdings' external auditors and it does not constitute a profit forecast.

Woolworths Holdings has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this presentation, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.

Forward-looking statements are not statements of fact, but statements by the management of Woolworths Holdings based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this presentation include, but are not limited to: changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic business and market conditions; changes in the domestic regulatory and legislative environments; changes to domestic operational, social, economic and political risks; and the effects of both current and future litigation.

Woolworths Holdings does not undertake to update any forward-looking statements contained in this presentation and does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.

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**WOOLWORTHS HOLDINGS LIMITED**

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**UNAUDITED INTERIM GROUP RESULTS FOR THE 26 WEEKS  
ENDED 23 DECEMBER 2018 AND CASH DIVIDEND DECLARATION**

## COMMENTARY

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Group sales for the 26 weeks ended 23 December 2018 increased by 1.9% (+2.7% in constant currency) compared to the 26 weeks ended 24 December 2017. Sales growth was impacted by one day less of pre-Christmas trade, compared to last year.

### **Woolworths Fashion, Beauty and Home ('FBH')**

Sales declined by 2.0% (comparable stores were 2.4% lower), impacted by a significantly smaller winter clearance sale in the first quarter. Sales in the second quarter of the year have, however, shown positive growth. Price movement was 1.7% for FBH, (and 0.8% for Fashion). Gross profit margin increased by 0.5% to 47.1%, from higher full-priced sales and reduced markdowns. Net retail space increased by 0.6%.

Store costs grew by 4.3% and other operating costs were 3.3% up on the prior period. Despite the gross margin improvement and good cost control, the lower trading activity led to operating profit declining by 11.8% to R915 million.

### **Woolworths Food**

Woolworths Food sales increased by 6.3% (and by 7.0% if adjusted for the earlier close), while comparable store sales increased by 4.2%, with strong volume growth. Price movement was 1.2%. Gross margin was 40 bps lower, as a result of price investment.

Store costs increased by 7.9%, driven by higher volumes and additional net space of 1.4%. Other operating costs were 1.1% higher. Operating profit increased by 0.6% to R1 071 million, with operating profit margin at the targeted 7.0%.

### **Woolworths Financial Services**

Woolworths Financial Services had a strong half, with the average debtors book growing by 4.0%. The annualised impairment rate for the six months ended 31 December 2018 reduced by 1.5% to 3.5%, and profit before tax grew by 5.0%. The Group implemented IFRS 9 with effect from 1 July 2018.

### **David Jones**

David Jones sales increased by 1.0% for the period. Sales softened after the Black Friday weekend in late November, in line with the rest of the market. Comparable store sales grew by 0.9% (2.4% for the first 20 weeks, and -0.8% in the final six weeks, adjusted for the one-day pre-Christmas). Growth from new stores largely offset the sales disruption from the Elizabeth Street store refurbishment.

Net retail space grew by 2.7%. Further net space reductions to improve the productivity of the store portfolio are planned.

Store costs increased by 1.3%, and comparable store costs were well controlled at 0.1%, while other operating costs were 7.6% lower than the prior period, as a result of cost savings instituted at the beginning of the year. Operating profit declined by 28.8% to A\$47.0 million.

### **Country Road Group**

Country Road Group sales increased by 2.3%, and by 0.5% in comparable stores. Gross profit margin improved by 0.3% to 64.0%, from higher full-priced sales and improved sourcing.

Store and other operating costs increased by 2.8%, with comparable store costs increasing by 0.3%. Net retail space contracted by 1.7%. Operating profit increased by 3.4% to A\$61.0 million.

### **Group earnings**

Headline earnings per share ('HEPS') and adjusted diluted HEPS, both of which exclude the A\$712.5 million impairment of David Jones assets recognised in the prior period, decreased by 2.9% and 9.2% respectively. Earnings per share, which includes the impairment, increased to 197.5 cents per share.

### **Outlook**

Trading conditions are unlikely to improve in the short-term in either South Africa, where the consumer remains under considerable pressure from a weak economy, and in Australia, where consumer sentiment remains constrained.

However, we believe that structural changes made within our FBH business in South Africa, and the completion of the transformational projects within David Jones, with the exception of the Elizabeth Street store refurbishment, will enable both businesses to recover from recent underperformance and ensure longer-term growth and profitability. We expect the current momentum in Woolworths Food and Country Road Group to continue.

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

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## CHANGES TO THE BOARD OF DIRECTORS

As previously advised on the JSE Stock Exchange News Service, the following changes to the Board of Directors were effected during the period:

- Ms Sizakele Mzimela resigned as a director with effect from 5 November 2018. The Board expresses its appreciation to Ms Mzimela for her contribution and wishes her well in her future endeavours.
- As part of the WHL Board succession planning process, Mr Hubert Brody has been appointed as Deputy Chairman of the Board with effect from 12 November 2018.
- Messrs Simon Susman (Chairman) and Tom Boardman (Lead Independent Director) will step down from their respective positions with effect from the conclusion of the 2019 WHL Annual General Meeting, each having respectively served a nine year term.
- It is anticipated that the Board will appoint Mr Brody as Chairman of the Board and Ms Zarina Bassa as the Lead Independent Director with effect from the conclusion of the 2019 WHL Annual General Meeting.
- Mr Susman will become Honorary President upon conclusion of the 2019 WHL Annual General Meeting, following his stepping down as a director. He will provide support and advice to the Board and continue his deep association with the Group by devoting his time to the continued advancement of WHL's participation in civil and corporate society.
- Mrs Gail Kelly and Mr Patrick Allaway have resigned as independent Non-executive Directors with effect from 8 February 2019. The Board expresses its appreciation to Mrs Kelly and Mr Allaway for their contribution and wishes them well in their future endeavours.

**SN Susman**

Chairman

Cape Town, 20 February 2019

**I Moir**

Group Chief Executive Officer

## DIVIDEND DECLARATION

Recognising the challenging conditions facing retail in general, and the Group in particular, the Board has considered it prudent to reduce the level of the Group's interest-bearing debt, together with other capital management measures. Consequently, for a period of approximately two years, with a specific target to reduce debt levels in Australia to approximately A\$200 million, the Group's interim and final dividends will be based on a cover ratio of 1.45 times headline earnings of the combined Woolworths South Africa ('WSA') business segments (FBH, Food and Woolworths Financial services), whilst no dividend will be paid from the Australian businesses during this period.

Notice is hereby given that the Board of Directors has declared an interim gross cash dividend per ordinary share ('dividend') of 92.0 cents (73.6 cents net of dividend withholding tax) for the 26 weeks ended 23 December 2018, a 15.2% decrease on the prior period's 108.5 cents per share. The dividend has been declared from reserves and therefore does not constitute a distribution of 'contributed tax capital' as defined in the Income Tax Act, 58 of 1962. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued share capital at the declaration date is 1 048 413 558 ordinary shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 12 March 2019
Shares commence trading 'ex' dividend	Wednesday, 13 March 2019
Record date	Friday, 15 March 2019
Payment date	Monday, 18 March 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 March 2019 and Friday, 15 March 2019, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited or updated on Monday, 18 March 2019. Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

### CA Reddiar

Group Company Secretary

Cape Town, 20 February 2019

# INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

52 weeks to 24 Jun 2018 Rm	Notes	26 weeks to 23 Dec 2018 Rm	Restated* 26 weeks to 24 Dec 2017 Rm	% change
70 572	<b>Revenue</b>	37 016	36 147	2.4
75 232	<b>Turnover and concession sales</b>	39 383	38 645	1.9
(6 640)	Concession sales	(3 368)	(3 471)	(3.0)
68 592	<b>Turnover</b>	36 015	35 174	2.4
41 700	Cost of sales	21 788	20 791	4.8
26 892	<b>Gross profit</b>	14 227	14 383	(1.1)
1 909	Other revenue	974	931	4.6
23 542	Expenses	12 225	12 181	0.4
16 960	Store costs	8 933	8 688	2.8
6 582	Other operating costs	3 292	3 493	(5.8)
5 259	<b>Operating profit</b>	2 976	3 133	(5.0)
6 927	Impairment of David Jones assets	–	6 927	–
71	Investment income	27	42	(35.7)
1 124	Finance costs	556	588	(5.4)
(2 721)	<b>Profit/(loss) before earnings from joint ventures</b>	2 447	(4 340)	>100
287	Earnings from joint ventures	157	149	5.4
(2 434)	<b>Profit/(loss) before tax</b>	2 604	(4 191)	>100
1 115	Tax	711	669	6.3
(3 549)	<b>Profit/(loss) for the period</b>	1 893	(4 860)	>100
	Other comprehensive income:			
	<b>Amounts that may be reclassified to profit or loss</b>			
182	Fair value adjustments on financial instruments, after tax	174	(121)	
263	Exchange differences on translation of foreign subsidiaries	324	(102)	
	<b>Amounts that may not be reclassified to profit or loss</b>			
1	Post-retirement medical benefit liability: actuarial gain, after tax	–	–	
446	<b>Other comprehensive income for the period</b>	498	(223)	
(3 103)	<b>Total comprehensive income/(loss) for the period</b>	2 391	(5 083)	
(3 549)	<b>Profit/(loss) attributable to:</b>	1 893	(4 860)	
(3 550)	Shareholders of the parent	1 892	(4 861)	
1	Non-controlling interests	1	1	
(3 103)	<b>Total comprehensive income/(loss) attributable to:</b>	2 391	(5 083)	
(3 104)	Shareholders of the parent	2 390	(5 084)	
1	Non-controlling interests	1	1	
	<b>Reconciliation of headline earnings</b>			
(3 550)	Basic earnings/(loss) attributable to shareholders of the parent	1 892	(4 861)	>100
42	Net (profit)/loss on disposal of property, plant and equipment and intangible assets	(8)	20	
6 954	Impairment of property, plant and equipment and intangible assets	47	6 927	
(119)	Tax impact of adjustments	(12)	(104)	
3 327	<b>Headline earnings</b>	1 919	1 982	(3.2)
126	Relocation costs (net of grants received) and store exit costs	80	80	
147	Onerous leases (released)/raised	(26)	147	
(6)	Unrealised foreign exchange losses/(gains)	2	19	
(75)	Tax impact of adjustments	(16)	(69)	
3 519	<b>Adjusted headline earnings</b>	1 959	2 159	(9.3)
(369.5)	Earnings/(loss) per share (cents)	197.5	(505.9)	>100
346.3	Headline earnings per share (cents)	200.4	206.3	(2.9)
366.3	Adjusted headline earnings per share (cents)	204.5	224.7	(9.0)
(367.3)	Diluted earnings/(loss) per share (cents)	196.0	(503.1)	>100
344.2	Diluted headline earnings per share (cents)	198.8	205.1	(3.1)
364.1	Adjusted diluted headline earnings per share (cents)	202.9	223.4	(9.2)
960.6	Number of shares in issue (millions)	956.8	960.6	(0.4)
960.8	Weighted average number of shares in issue (millions)	957.8	960.9	(0.3)

\* Comparative information has been restated for the change in classification of trunking revenue within the Woolworths Logistics segment, as it was established that gross rebates received from suppliers should have been presented as part of Cost of sales and not Turnover. Consequently, R123 million previously reported under Turnover and concession sales has been reclassified to Cost of sales. The reclassification has had no impact on the prior period statement of financial position, statement of changes in equity, statement of cash flows, nor on earnings per share and other share measures.

# INTERIM GROUP STATEMENT OF FINANCIAL POSITION

At 24 Jun 2018 Rm		Notes	At 23 Dec 2018 Rm	At 24 Dec 2017 Rm
<b>ASSETS</b>				
28 650	<b>Non-current assets</b>		29 145	27 901
13 959	Property, plant and equipment	3	14 360	13 556
13 410	Intangible assets	3	13 749	13 046
978	Investment in joint ventures		793	1 064
59	Fair value lease adjustment		65	62
56	Other loans		54	50
18	Derivative financial instruments	7	-	-
170	Deferred tax		124	123
11 497	<b>Current assets</b>		13 851	12 147
7 542	Inventories		9 298	8 146
1 487	Trade and other receivables		1 596	1 553
174	Derivative financial instruments	7	340	35
271	Tax		197	241
2 023	Cash and cash equivalents		2 420	2 172
40 147	<b>TOTAL ASSETS</b>		42 996	40 048
<b>EQUITY AND LIABILITIES</b>				
13 126	<b>TOTAL EQUITY</b>		13 898	12 186
13 113	Equity attributable to shareholders of the parent		13 884	12 172
13	Non-controlling interests		14	14
15 076	<b>Non-current liabilities</b>		16 387	15 298
11 711	Interest-bearing borrowings		13 029	12 323
1 906	Operating lease accrual and fair value lease adjustment		1 922	1 731
404	Post-retirement medical benefit liability		383	394
297	Provisions		283	275
-	Derivative financial instruments	7	6	8
758	Deferred tax		764	567
11 945	<b>Current liabilities</b>		12 711	12 564
8 728	Trade and other payables		10 257	9 457
752	Provisions		1 093	1 002
115	Operating lease accrual and fair value lease adjustment		117	114
77	Derivative financial instruments	7	22	306
124	Tax		158	175
2 149	Overdrafts and interest-bearing borrowings		1 064	1 510
27 021	<b>TOTAL LIABILITIES</b>		29 098	27 862
40 147	<b>TOTAL EQUITY AND LIABILITIES</b>		42 996	40 048
1 365	<b>Net asset book value per share (cents)</b>		1 451	1 267
<b>GROUP ANALYSIS</b>				
40 147	<b>Total assets</b>		42 996	40 048
13 198	Woolworths*		14 209	13 682
18 804	David Jones		20 229	18 617
7 130	Country Road Group		7 713	6 647
969	Woolworths Financial Services		784	1 056
46	Treasury		61	46
7 542	<b>Inventories</b>		9 298	8 146
3 610	Woolworths*		4 403	3 802
2 747	David Jones		3 658	3 166
1 185	Country Road Group		1 237	1 178
27 021	<b>Total liabilities</b>		29 098	27 862
6 143	Woolworths*		7 003	7 313
5 474	David Jones		6 088	5 964
1 573	Country Road Group		1 894	1 297
13 831	Treasury		14 113	13 288
3 839	<b>Approved capital commitments</b>		2 748	3 176
1 811	Woolworths*		1 291	1 285
1 648	David Jones		1 164	1 511
380	Country Road Group		293	380

\* Includes Woolworths Fashion, Beauty and Home, Woolworths Food and Woolworths Logistics.

# INTERIM GROUP STATEMENT OF CASH FLOWS

52 weeks to 24 Jun 2018 Rm	Notes	26 weeks to 23 Dec 2018 Rm	26 weeks to 24 Dec 2017 Rm
<b>Cash flow from operating activities</b>			
7 371	Cash inflow from trading	3 968	4 301
(305)	Working capital movements	148	(17)
7 066	<b>Cash generated by operating activities</b>	4 116	4 284
71	Investment income received	27	42
(1 117)	Finance costs paid	(567)	(596)
(1 037)	Tax paid	(559)	(548)
4 983	<b>Cash generated by operations</b>	3 017	3 182
325	Dividends received from joint ventures	125	100
(2 782)	Dividends paid to ordinary shareholders	(1 257)	(1 735)
2 526	<b>Net cash inflow from operating activities</b>	1 885	1 547
<b>Cash flow from investing activities</b>			
(1 664)	Investment in property, plant and equipment and intangible assets to maintain operations	(1 197)	(903)
(1 004)	Investment in property, plant and equipment and intangible assets to expand operations	(202)	(662)
79	Proceeds on disposal of property, plant and equipment and intangible assets	7	7
(12)	Loans (advanced)/repaid	9	(6)
(2 601)	<b>Net cash outflow from investing activities</b>	(1 383)	(1 564)
<b>Cash flow from financing activities</b>			
(122)	Settlement of share-based payments through share purchase	5	(206)
(1)	Share purchase costs	-	(1)
(12)	Finance lease payments	(8)	(8)
3 306	Borrowings raised	3 914	2 042
(3 000)	Borrowings repaid	(4 500)	(2 000)
171	<b>Net cash (outflow)/inflow from financing activities</b>	(800)	(74)
96	<b>(Decrease)/increase in cash and cash equivalents</b>	(298)	(91)
1 761	<b>Net cash and cash equivalents at the beginning of the period</b>	1 878	1 761
21	<b>Effect of foreign exchange rate changes</b>	34	(5)
1 878	<b>Net cash and cash equivalents at the end of the period</b>	1 614	1 665
<b>GROUP ANALYSIS</b>			
7 066	<b>Cash generated by operating activities</b>	4 116	4 284
5 249	Woolworths	2 619	2 932
414	David Jones	762	480
1 403	Country Road Group	735	872



## INTERIM GROUP STATEMENT OF CHANGES IN EQUITY

Total 52 weeks to 24 Jun 2018 Rm		Share- holders of the parent Rm	Non- controlling interests Rm	Total 26 weeks to 23 Dec 2018 Rm	Share- holders of the parent Rm	Non- controlling interests Rm	Total 26 weeks to 24 Dec 2017 Rm
19 066	<b>Shareholders' interest at the beginning of the period</b>	13 113	13	13 126	19 038	28	19 066
–	Effect of IFRS 9 and IFRS 15 adoption (refer to note 6.1)	(223)	–	(223)	–	–	–
19 066	<b>Shareholders' interest at the beginning of the period (restated)</b>	12 890	13	12 903	19 038	28	19 066
	<b>Movements for the period:</b>						
(3 549)	Profit/(loss) for the period	1 892	1	1 893	(4 861)	1	(4 860)
446	Other comprehensive income	498	–	498	(223)	–	(223)
(3 103)	Total comprehensive income/(loss) for the period	2 390	1	2 391	(5 084)	1	(5 083)
(55)	Share-based payments, including issues, settlements and costs	(139)	–	(139)	(62)	–	(62)
(2 782)	Dividends to ordinary shareholders	(1 257)	–	(1 257)	(1 735)	–	(1 735)
–	Transfer between reserves	–	–	–	15	(15)	–
13 126	<b>Shareholders' interest at the end of the period</b>	13 884	14	13 898	12 172	14	12 186
239.0	Dividend per ordinary share (cents)			92.0			108.5
1.45	Dividend cover (based on headline earnings)			2.18			1.90

# INTERIM SEGMENTAL ANALYSIS

52 weeks to 24 Jun 2018 Rm	Notes	26 weeks to 23 Dec 2018 Rm	Restated 26 weeks to 24 Dec 2017 Rm	% change
<b>REVENUE</b>				
68 592	<b>Turnover</b>	36 015	35 174	2.4
13 687	Woolworths Fashion, Beauty and Home	7 078	7 223	(2.0)
29 332	Woolworths Food	15 396	14 488	6.3
429	Woolworths Logistics	243	209	16.3
14 455	David Jones	7 602	7 597	0.1
10 689	Country Road Group	5 696	5 657	0.7
1 980	<b>Other revenue and investment income</b>	1 001	973	2.9
18	Woolworths Fashion, Beauty and Home	7	7	–
130	Woolworths Food	66	68	(2.9)
2 221	David Jones	1 154	1 116	3.4
81	Country Road Group	25	19	31.6
11	Treasury	13	29	(55.2)
(481)	Intragroup	(264)	(266)	(0.8)
70 572	<b>Total Group</b>	37 016	36 147	2.4
<b>GROSS PROFIT</b>				
6 390	Woolworths Fashion, Beauty and Home	3 337	3 367	(0.9)
7 343	Woolworths Food	3 783	3 616	4.6
6 206	David Jones	3 342	3 684	(9.3)
6 712	Country Road Group	3 642	3 599	1.2
241	Intragroup	123	117	5.1
26 892	<b>Total Group</b>	14 227	14 383	(1.1)
<b>PROFIT/(LOSS) BEFORE TAX</b>				
1 707	Woolworths Fashion, Beauty and Home	915	1 038	(11.8)
2 167	Woolworths Food	1 071	1 065	0.6
286	Woolworths Financial Services	157	149	5.4
650	David Jones	468	663	(29.4)
1 032	Country Road Group	636	602	5.6
(1 062)	Treasury	(540)	(535)	0.9
4 780	<b>Total Group – adjusted</b>	2 707	2 982	(9.2)
(7 214)	<b>Adjustments</b>	(103)	(7 173)	
(146)	Relocation costs (net of grants received) and store exit costs	(127)	(80)	
(147)	Onerous leases released/(raised)	26	(147)	
6	Unrealised foreign exchange (losses)/gains	(2)	(19)	
(6 927)	Impairment of David Jones assets	–	(6 927)	
(2 434)	<b>Total Group – unadjusted</b>	2 604	(4 191)	>100
1 712	Woolworths Fashion, Beauty and Home	913	1 021	(10.6)
2 168	Woolworths Food	1 071	1 063	0.8
286	Woolworths Financial Services	157	149	5.4
(6 527)	David Jones	448	(6 491)	>100
991	Country Road Group	555	602	(7.8)
(1 064)	Treasury	(540)	(535)	0.9

# NOTES

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## 1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The interim Group Financial Statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB), IAS 34: Interim Financial Reporting, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the requirements of the Companies Act of South Africa and the JSE Limited Listings Requirements.

Accounting policies applied in the preparation of these interim Group Financial Statements are consistent with those applied in the preparation of the Group Annual Financial Statements for the 52-week period ended 24 June 2018, and are consistent with the prior period, except for the new standards adopted, as detailed in note 6. The interim Group Financial Statements have been prepared on the going concern and historical cost bases, except where otherwise indicated. The presentation and functional currency is the South African rand, rounded to the nearest million, except where otherwise indicated.

The interim Group Financial Statements have been prepared under the supervision of the Group Finance Director, Reeza Isaacs CA(SA), and are the full responsibility of the directors.

## 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 (refer to note 5).

## 3. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group acquired property, plant and equipment at a fair value of R949 million (2017: R759 million) and intangible assets at a fair value of R224 million (2017: R558 million).

## 4. GOVERNMENT GRANTS

During the period, the Group received government grants, previously accrued for, from the State of Victoria, Australia, in respect of operating expenses and capital expenditure, on the establishment of an Australian regional head office for the Group's subsidiaries, David Jones and Country Road Group. Grants are accounted for in terms of IAS 20: Government Grants, whereby grants received in respect of income, are deducted from the related expenses, and grants received in respect of capital expenditure are recognised in profit before tax on a systematic basis over the useful life of the assets. There are no unfulfilled conditions and contingencies attached to the grants recognised in the current period.

## 5. ISSUE AND PURCHASE OF SHARES

4 456 899 (2017: 1 776 791) ordinary shares totalling R244 million (2017: R107 million) were purchased from the market by Woolworths Proprietary Limited for the purposes of share incentive schemes and are held as treasury shares by the Group. 440 892 (2017: 248 666) ordinary shares totalling R38 million (2017: R16 million) were sold to the market in terms of the Group's Restricted Share Plan. 149 360 (2017: 270 836) ordinary shares totalling R12 million (2017: R18 million) previously purchased were allocated to employees in terms of the Group's Restricted Share Plan.

99 830 (2017: 201 023) ordinary shares totalling R5 million (2017: R12 million) were issued and allocated to employees in terms of the Group's other share incentive schemes.

# NOTES (CONTINUED)

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## 6. ACCOUNTING POLICIES

The adoption of certain new standards, which became effective in the current period, has resulted in minor changes to accounting policies and disclosure, none of which have a material impact on the financial position or performance of the Group, except as disclosed below.

### Standards issued and effective

#### 6.1 IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers

The Group adopted IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers with effect from 25 June 2018, using the modified retrospective approach and by application of the practical methods permitted under the standard.

As a result, the cumulative effect of initial application of the standards is recognised as an adjustment to equity at the beginning of the current financial reporting period. Comparative information has not been restated, and continues to be reported in terms of the previous applicable standards, IAS 39 and IAS 18.

##### IFRS 9 adjustment

The carrying value of the Group's investment in the joint venture with ABSA Limited, Woolworths Financial Services, reduced by R217 million, with the corresponding debit taken to equity. The adjustment has had no impact on the prior period results, earnings per share and other share measures.

##### IFRS 15 adjustment

The Group recognises revenue from the principal activities of retailing and associated activities, such as logistics services and concession sales commission. Management's assessment of applying the new standard on the Group's financial statements identified the following areas, for which a R6 million cumulative debit adjustment to equity has been processed:

- Right of return provision
- Gift card breakage

Excluding the abovementioned adjustments, there is no other material impact from application of IFRS 9 and IFRS 15 for the Group.

### Standards issued, not yet effective

#### 6.2 IFRS 16: Leases

The Group will adopt IFRS 16 from 1 July 2019, and has undertaken an assessment of the financial impact of the new standard. IFRS 16, which replaces IAS 17, requires most leases to be recognised in the statement of financial position, with the current distinction between operating and finance leases removed.

Due to the significant number of leases, the application of the standard is expected to have a material impact on the Group's financial statements, which will result in changes to the statement of financial position, whereby a right-of-use asset and lease liability will be recognised. Changes to the statement of comprehensive income will result in the current operating lease costs being replaced by an amortisation of the right-of-use asset and associated finance costs.

The standard will further impact a number of statutory and performance measures, such as operating profit, operating profit margin, Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), EBITDA margin, earnings per share, return on assets, net debt, net debt to EBITDA ratio, debt to equity ratio, and cash generated from operations, and will require normalisation of performance measures and covenants.

The Group continues to assess the impact of the standard on its Annual Financial Statements, and will apply it on either the full or modified retrospective basis.

## 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of trade and other receivables, trade and other payables and borrowings approximate their fair values.

In terms of IFRS 13: Fair Value Measurement, the Group's borrowings are measured at amortised cost and its derivative financial instruments at fair value. These are determined to be Level 2 under the fair value hierarchy. Derivatives are valued using valuation techniques with market observable inputs, with derivatives being mainly in respect of interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation technique include forward pricing and swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying index.

# NOTES

## 8. 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, they are not expected to have any material financial effect.

## 9. PRO FORMA FINANCIAL INFORMATION

Adjusted headline earnings and constant currency information presented in these interim Group Financial Statements constitute pro forma financial information.

	2018 Rm	2017 Rm	% change
<b>9.1 Adjusted headline earnings</b>			
Headline earnings	1 919	1 982	(3.2)
Adjustments	40	177	
Relocation costs (net of grants received) and store exit costs	80	80	
Onerous leases (released)/raised	(26)	147	
Unrealised foreign exchange losses	2	19	
Tax impact of adjustments	(16)	(69)	
Adjusted headline earnings	1 959	2 159	(9.3)
<b>9.2 Constant currency information</b>			
Turnover and concession sales	39 688	38 645	2.7

### Notes

- The accounting policies adopted by the Group in the latest Annual Financial Statements, except for the new standards adopted, as detailed in note 6, which have been prepared in accordance with IFRS, have been used in preparing the pro forma financial information.
- Adjusted headline earnings is arrived at, after excluding from headline earnings, costs of a non-recurring nature.
- Constant currency information has been presented to illustrate the impact of changes in the Group's major foreign currency, the Australian dollar. In determining the constant currency information, amounts denoted in Australian dollars for the current period have been adjusted by application of the aggregated monthly average Australian dollar exchange rate for the prior period. The foreign currency fluctuations of our rest of Africa operations are not considered material, and have therefore not been applied in determining the constant currency turnover and concession sales growth rate. The aggregated monthly average Australian dollar exchange rate is R10.26 for the current period and R10.45 for the prior period.
- The pro forma financial information, which is the responsibility of the Group's directors, has been presented for illustrative purposes only and is consistent with the prior reporting period, and has not been reviewed or reported on by the Group's external auditors.
- Accordingly, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

## 10. BORROWING FACILITIES

Unutilised banking and debt facilities amount to R9 283 million (2017: R11 033 million) as follows:

	2018 Rm	2017 Rm
Committed	9 033	10 233
Uncommitted	250	800
<b>Total</b>	<b>9 283</b>	<b>11 033</b>

Notes to the value of R3.82 billion have been issued to date under the Domestic Medium Term Note (DMTN) programme, which is a further source of funding to the Group. The DMTN programme was approved by the JSE on 17 March 2017 and is guaranteed by Woolworths Proprietary Limited. It will be used to raise debt on an ongoing basis.

## 11. RELATED-PARTY TRANSACTIONS

The Group entered into related-party transactions, the substance of which is disclosed in the Group's 2018 Annual Financial Statements. Intragroup adjustments relate to the sale of concession goods between segments and supply chain distribution adjustments.

## NOTES (CONTINUED)

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### **12. EVENTS SUBSEQUENT TO THE REPORTING DATE**

No event material to the understanding of these interim Group Financial Statements has occurred between the end of the financial period and the date of approval.

### **13. APPROVAL OF INTERIM GROUP FINANCIAL STATEMENTS**

The interim Group Financial Statements were approved by the Board of Directors on 20 February 2019.

### **14. AUDIT OPINION**

These interim Group Financial Statements have not been reviewed or audited.

# DIRECTORATE AND STATUTORY INFORMATION

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## NON-EXECUTIVE DIRECTORS

Simon Susman (Chairman), Hubert Brody (Deputy Chairman),  
Zarina Bassa, Tom Boardman (Lead Independent Director),  
Andrew Higginson (British), Nombulelo Moholi

## EXECUTIVE DIRECTORS

Ian Moir (Group Chief Executive Officer) (Australian),  
Reeza Isaacs (Group Finance Director), Sam Ngumeni,  
Zyda Rylands

## GROUP COMPANY SECRETARY

Chantel Reddiar

## SHARE CODE

WHL

## SHARE ISIN

ZAE000063863

## BOND CODE

WHLI

## REGISTERED ADDRESS

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

## REGISTRATION NUMBER

1929/001986/06

## TAX NUMBER

9300/149/71/4

## JSE SPONSOR

Rand Merchant Bank (A division of FirstRand Bank Limited)

## TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited  
15 Biermann Avenue, Rosebank 2196, South Africa

# HIGHLIGHTS

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*Turnover and  
concession sales*

**+1.9%**  
*to R39.4 billion*

*Headline earnings  
per share*

**-2.9%**  
*to 200.4 cps*

*Adjusted diluted headline  
earnings per share*

**-9.2%**  
*to 202.9 cps*

*Earnings per share*

at **197.5cps**

*Interim dividend  
per share*

**-15.2%**  
*to 92.0 cps*

*Return on equity*

**16.6%**  
*from 20.1%*