Australian Food and Petrol

SALES

$39,410M

↓ 2.7% from 2015

EBIT
(BEFORE SIGNIFICANT ITEMS[2])

$1,760M

↓ 40.8% from 2015

TRADING PERFORMANCE

Australian Food sales for the year were $34.8 billion, a decrease of 0.2% on the previous year. Comparable sales declined by 1.3% in FY16 primarily driven by significant price investment. Despite an increase in average price deflation[6], comparable sales in Q4'16 showed the smallest decline for the year at (1.1)%. Sales per square metre declined by 3.7% compared to FY15 due to a reduction in comparable sales primarily due to price investment to restore our competitive position and an increase in overall trading space.

We returned to positive comparable transaction growth in Q2'16 with transaction growth of 2.6% in H2'16. Comparable items showed an improving trend over the second half turning positive in June. Stabilising the trend in items per basket remains a key focus area.

Customers are noticing the improvements we are making with our overall Voice of the Customer (VOC) satisfaction score improving significantly over the financial year to finish the year at record levels of 75%. The improvement was consistent with our store controllable VOC which also improved over the year with a score of 77% in June. Pleasingly, Team Attitude remains one of our highest scores with Time in Queue showing the biggest improvement following our investment in team hours and service focus. Availability and Fruit & Veg have seen some recent improvements but remain the biggest opportunities.

We continued to lower prices for our customers with a reduction in average prices[6] of 2.3% for FY16 and a 2.7% reduction in prices in Q4'16. Excluding tobacco, average prices[6] declined by 3.8% in the fourth quarter. In FY16, we invested over $500 million in lowering prices or not passing through cost price increases to our customers compared to FY15 despite the significant price investment that had already taken place in H2'15. We continue to reduce our reliance on promotions in favour of lower shelf prices with 1,580 products on our Price Dropped program by the end of the year.

Comparable sales for the eight weeks ended 21 August 2016 increased by 0.3%.

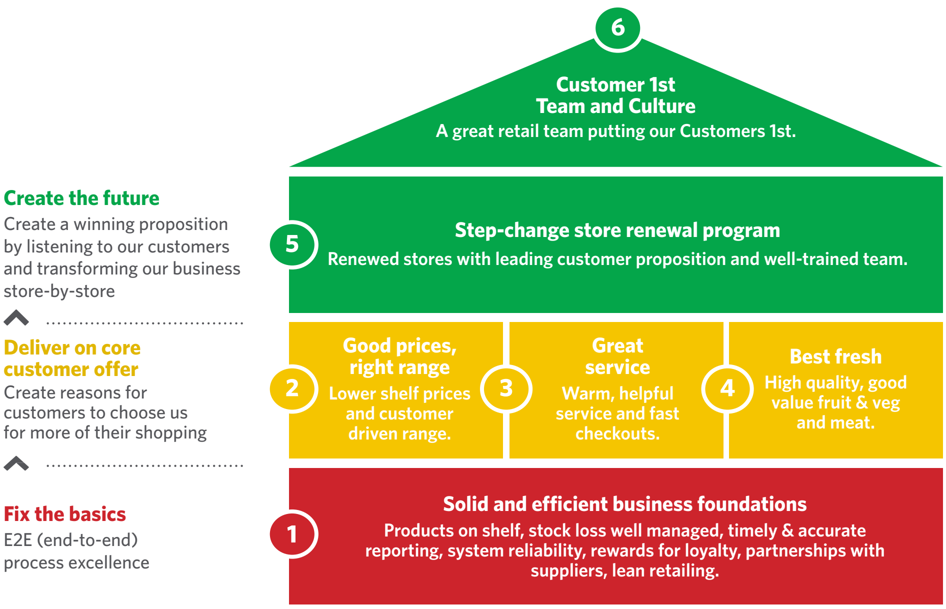
Our team is focused on improving sales productivity in our business and sales per square metre will be a key metric in our long-term incentive plan. Central to improving our sales productivity is our shift in focus away from expanding space to renewing our existing store fleet. We opened six renewal stores in June, and customers are responding to our improved store-experience with a 14% improvement in VOC and a 9% growth in transactions in these stores.

BUSINESSES

Woolworths

CALTEX

Woolworths



For footnotes refer to page 25.

Petrol sales were $4.6 billion, a decrease of 18.1% on the previous year (volumes decreased by 9.1%). Sales were impacted by changes to the Woolworths – Caltex alliance[1] in FY15 where sales from 131 Caltex operated sites were no longer recognised by Woolworths, and declining average fuel sell prices (unleaded FY16: 120.5 cpl; FY15: 134.4 cpl). We cycled the changes to the Woolworths – Caltex alliance[1] in December.

Comparable petrol sales (dollars) decreased 11.8% for the year due to the impacts of declining global oil prices and a decline in comparable volumes of 2.4%.

Merchandise sales for the year increased 6.4% and comparable merchandise sales increased 3.7%.

Australian Food and Petrol (AUFP) gross margin decreased 82 bps due to price investment offset somewhat by lower Petrol sales which drove a change in sales mix to the higher margin in the Food business. The impact of price investment was even more pronounced in our Australian Food business where gross margin declined by 178 bps.

AUFP CODB as a percentage of sales increased 204 bps on the prior year driven by lower sales (including the impact of the changes to the Woolworths – Caltex alliance[1]), investment in team hours and higher team performance-based bonuses compared to the prior year where no bonuses were paid. This was partly offset by cost savings generated through improved efficiency across store operations and support functions.

AUFP EBIT of $1,759.8 million decreased 40.8% on the previous year, with the EBIT margin decreasing 286 bps.

BEFORE SIGNIFICANT ITEMS[2]		FY16 52 WEEKS	FY15 52 WEEKS	CHANGE
Sales				
Food	($m)	**34,798**	34,881	(0.2)%
Petrol[1]	($m)	**4,612**	5,632	(18.1)%
Food and Petrol[1]	($m)	**39,410**	40,513	(2.7)%
EBIT	($m)	**1,759.8**	2,970.2	(40.8)%
Gross Margin	(%)	**25.37**	26.19	(82) bps
CODB	(%)	**20.90**	18.86	204 bps
EBIT to Sales	(%)	**4.47**	7.33	(286) bps
Sales Per Square Metre – Food	($)	**16,000**	16,615	(3.7)%
Australian Food, Petrol and Endeavour Drinks Group				
Funds Employed	($m)	**3,575.2**	3,662.5	(2.4)%
Return on Average Funds Employed (ROFE)[7]	(%)	**62.00**	94.93	(3,293) bps

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Endeavour Drinks Group

SALES

$7,589M

↑ 4.7% from 2015

EBIT (BEFORE SIGNIFICANT ITEMS[2])

$484M

↑ 3.0% from 2015

TRADING PERFORMANCE

Endeavour Drinks Group (EDG) sales increased by 4.7% to $7,589 million in FY16 driven by an increase in comparable sales of 2.0% in FY16 resulting in an increase in market share. Our retail businesses (Dan Murphy's and BWS) both recorded positive comparable growth for the year. Dan Murphy's retained its market leading Net Promoter Score (NPS) with BWS also showing a strong improvement over the year. Sales per square metre increased by 0.7% driven by the increase in comparable sales.

Dan Murphy's delivered another year of strong total and comparable sales growth with 11 net new stores opened during the year. Our execution around key events was strong and Dan Murphy's online continued to deliver strong double digit sales growth. My Dan Murphy's continued to grow and evolve with 1.7 million members by the end of the year.

BWS also reported positive comparable sales growth with an improving trend in the second half as we renewed our focus on value. We opened 56 new BWS stores in FY16 and closed 24 stores.

Gross margin increased by 43 bps to 23.41% due to better buying facilitated by strong volume growth despite price deflation during the year and negative category mix with beer and spirits outgrowing wine.

CODB as a percentage of sales increased by 53 bps reflecting the impact of costs associated with higher store numbers as well as an increase in team performance-based bonuses as we rebuild our team incentives. Excluding the increase in bonuses, CODB was well controlled.

EBIT increased 3.0% to $483.8 million in FY16.

BEFORE SIGNIFICANT ITEMS[2]		FY16 52 WEEKS	FY15 52 WEEKS	CHANGE
Sales	($m)	**7,589**	7,251	4.7%
EBIT	($m)	**483.8**	469.6	3.0%
Gross Margin	(%)	**23.41**	22.98	43 bps
CODB	(%)	**17.03**	16.50	53 bps
EBIT to Sales	(%)	**6.38**	6.48	(10) bps
Sales Per Square Metre	($)	**17,943**	17,827	0.7%

BUSINESSES

ENDEAVOUR DRINKS GROUP

BWS

Dan Murphy's LOWEST LIQUOR PRICE GUARANTEE

For footnotes refer to page 25.

New Zealand Food

SALES

NZ$**6,101**M

↑ 3.8% from 2015[8]

EBIT
(BEFORE SIGNIFICANT ITEMS[2])

NZ$**314**M

↓ 3.7% from 2015[8]

TRADING PERFORMANCE

New Zealand Food sales for the year were NZ$6.1 billion, an increase of 3.8%[8] on the previous year (2.3% increase in AUD). Sales in the first half were assisted by the bulk sales of gift cards and excluding the sales of these cards, full year sales growth was 3.1%[8]. Easter adjusted sales for Q3 and Q4 were 3.5%[8] and 3.6%[8] respectively.

Comparable sales increased 1.3%[8] for the year as customers reacted positively to our lower prices and improved service and fresh food offer. Sales per square metre declined by 0.9% with comparable sales growth more than offset by an increase in year-end trading space of 5.1%.

The Countdown Supermarkets food price index showed full year deflation of 0.3%, with lower prices across most categories. Deflation was offset by positive comparable customer growth strengthening in second half. We exceeded our targets for the number of lines on our Price Down program with approximately 3,000 products now at a low price every day.

Gross margin increased 8 bps[8] on the previous year largely due to a reduction in fuel discount promotions.

CODB as a percentage of sales increased 49 bps[8] on the previous year largely due to higher team performance-based bonuses compared to FY15, new store costs and investment in store labour to improve the customer experience.

EBIT decreased 3.7%[8] but was flat when normalised for team performance-based bonuses compared to the prior year.

ROFE was 15 bps[8] lower than the prior year due to lower EBIT despite a 5.7% reduction in Funds Employed.

BEFORE SIGNIFICANT ITEMS[2]		FY16 52 WEEKS	FY15 52 WEEKS	CHANGE[8]
Sales	(NZ$m)	**6,101**	5,878	3.8%
EBIT	(NZ$m)	**313.9**	326.0	(3.7)%
Funds Employed	(NZ$m)	**2,906.4**	3,080.7	(5.7)%
Gross Margin	(%)	**23.58**	23.50	8 bps
CODB	(%)	**18.44**	17.95	49 bps
EBIT to Sales	(%)	**5.14**	5.55	(41) bps
Sales Per Square Metre	(NZ$m)	**14,863**	14,999	(0.9)%
ROFE	(%)	**10.48**	10.63	(15) bps

BUSINESSES

countdown

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For footnotes refer to page 25.

Portfolio Business — BIGW

SALES

$3,820M

↓ 2.8% from 2015

EBIT (BEFORE SIGNIFICANT ITEMS[2])

($14.9M)

↓ 113.3% from 2015

TRADING PERFORMANCE

Sales for the year were $3.8 billion, a decrease of 2.8% on the previous year with comparable sales decreasing 3.3%. After a disappointing Q3'16 sales performance, comparable sales turned positive in Q4'16 as we cycled weaker sales in the prior year. Our focus in the second half was on retail execution, clearing excess inventory and implementing our new operating model for the business.

The best performing categories in the second half were Children's Books, Toys, Party and Menswear. Apparel sales continued to be challenging due to clearance activity and a winter fashion range that did not resonate with our customers.

The 210 bps gross margin decline reflects the impact of clearance activity, particularly in the second half and the impact of an extra week of Toy Sale in FY16 compared to the prior year where sales are at a lower margin.

CODB as a percentage of sales increased 113 bps on the prior year, driven by lower sales limiting the ability to fractionalise costs. While support office costs were well controlled, increases in store running costs on lower gross profit dollars resulted in a loss of $14.9 million for the year.

Funds Employed declined by 26.2% to $555.2 million reflecting the balance sheet impact of significant items[2] and a strong focus on inventory.

BEFORE SIGNIFICANT ITEMS[2]		FY16 52 WEEKS	FY15 52 WEEKS	CHANGE
Sales	($m)	**3,820**	3,929	(2.8)%
(LBIT)/EBIT	($m)	**(14.9)**	111.7	(113.3)%
Funds Employed	($m)	**555.2**	752.3	(26.2)%
Gross Margin	(%)	**31.69**	33.79	(210) bps
CODB	(%)	**32.08**	30.95	113 bps
EBIT to Sales	(%)	**(0.39)**	2.84	(323) bps
ROFE	(%)	**(2.28)**	13.54	(1,582) bps

BUSINESSES

BIGW

For footnotes refer to page 25.

Portfolio Business — Hotels

SALES

$1,512M

↑ 2.5% from 2015

EBIT (BEFORE SIGNIFICANT ITEMS[2])

$209M

↓ 11.1% from 2015

TRADING PERFORMANCE

Sales for the year were $1.5 billion, an increase of 2.5% on the previous year with comparable sales increasing by 1.2%. Sales growth was driven by a strong result in Bars, Food and Accommodation with newly refurbished venues delivering an improved performance despite a subdued Victorian market.

Hotels gross margin declined by 26 bps due to a change in mix towards lower margin Bar and Food sales and the impact of higher food input costs which were not fully recovered through higher prices.

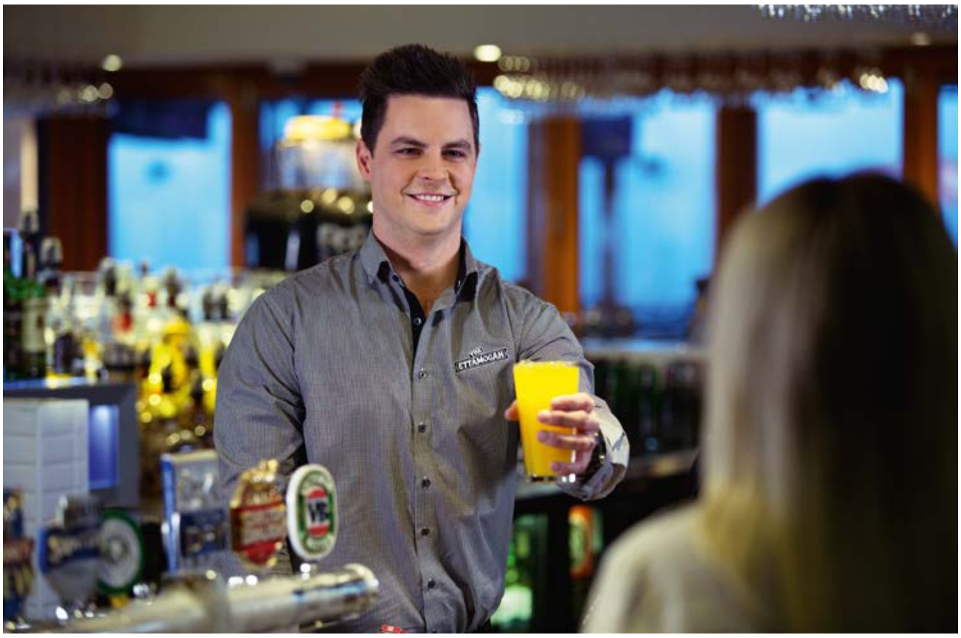
CODB as a percentage of sales increased 185 bps on the prior year, impacted by additional rental expense of $12.1 million following the sale and leaseback of 54 freehold hotel sites in Q2'15. CODB was also impacted by increased spending on promotional activities to drive increased hotel patronage.

Reported EBIT decreased 11.1% on the previous year to $208.5 million. Excluding the impact of the additional rental expense following the sale of the hotel sites, EBIT declined 5.9% on the prior year.

BEFORE SIGNIFICANT ITEMS[2]		FY16 52 WEEKS	FY15 52 WEEKS	CHANGE
Sales	($m)	**1,512**	1,475	2.5%
EBIT	($m)	**208.5**	234.5	(11.1)%
Gross Margin	(%)	**82.85**	83.11	(26) bps
CODB	(%)	**69.06**	67.21	185 bps
EBIT to Sales	(%)	**13.79**	15.90	(211) bps

BUSINESSES

ALH Group



For footnotes refer to page 25.

Discontinued Operations — Home Improvement

TRADING PERFORMANCE

Masters sales for the year were $1.1 billion, an increase of 21.8% on the prior year.

Masters loss before interest and tax (before significant items [2]) decreased by 4.9% to $233.5 million driven by the strong sales performance in FY16 offset somewhat by the impact of clearance activity.

Home Timber and Hardware sales for the year were $967 million, an increase of 3.2% on the previous year driven by the sales benefit of recent acquisitions as well as comparable growth in our wholesale operations.

Home Timber and Hardware reported a 29.7% reduction in EBIT (before significant items [2]) driven by price investment in a highly competitive market environment.

UPDATE ON PROCESS FOR EXIT OF HOME IMPROVEMENT

As announced on 24 August 2016, Woolworths has agreed three separate arrangements to facilitate its exit from the Home Improvement business for estimated gross proceeds of $1.5 billion to Hydrox Holdings Pty Ltd (Hydrox). Estimated net proceeds of approximately $500 million are expected after wind-down costs and prior to any shareholder payments.

Masters will cease trading at all stores on or before 11 December 2016 and Woolworths will work hard to find Masters employees jobs within the Group, or will pay redundancy where suitable roles are not available. Woolworths will honour all customer gift cards, product warranties, returns, lay-bys and contracted home improvement projects and will work constructively with all suppliers.

Metcash will acquire Home Timber and Hardware Group for a headline purchase price of $165 million. This transaction has been approved by both shareholders in Hydrox, the joint venture company owned by Woolworths and WDR Delaware Corporation (WDR), a subsidiary of Lowe's Companies, Inc. (Lowe's). Woolworths will also take assignment of three residual Home Timber and Hardware Group leases.

GA Australia has been appointed as exclusive agent to manage the sell-down of Masters inventory. It has provided a guarantee for the recovery of a guaranteed percentage of the cost value of Masters inventory subject to certain adjustments. This is estimated to deliver gross proceeds of approximately $500 million. The sell-down of the inventory will be conducted over the coming months, ahead of store closures by 11 December 2016.

Subject to Lowe's consent, Home Consortium (Aurrum Group, Spotlight Group and Chemist Warehouse) has proposed to purchase the Masters properties through acquisition of 100% of the shares in Hydrox. Woolworths has granted an exclusive call option over its two-third share in Hydrox to Home Consortium on economic terms consistent with Home Consortium's proposal to acquire 100% of the shares in Hydrox. The transaction will include 40 Masters freehold trading sites, 21 Masters freehold development sites and 21 Masters leasehold sites. Home Consortium plans to repurpose the former Masters sites into multi-tenant large format centres. Woolworths proposes to acquire three Masters freehold sites and take assignment of 12 leases to facilitate a complete exit of Hydrox. Please refer to the 'Woolworths Update on Home Improvement Exit' ASX release for further detail.

BEFORE SIGNIFICANT ITEMS [2]		FY16 52 WEEKS	FY15 52 WEEKS	CHANGE
Sales				
Masters	($m)	**1,133**	930	21.8%
Home Timber and Hardware	($m)	**967**	937	3.2%
Home Improvement	($m)	**2,100**	1,867	12.5%
(LBIT)/EBIT				
Masters	($m)	**(233.5)**	(245.6)	(4.9)%
Home Timber and Hardware	($m)	**14.7**	20.9	(29.7)%
Home Improvement	($m)	**(218.8)**	(224.7)	(2.6)%

For footnotes refer to page 25.

OVERHEADS, CASH FLOW AND BALANCE SHEET

CENTRAL OVERHEADS

Central Overheads before significant items [2] including EziBuy were $157.8 million for the year. Excluding EziBuy, Central Overheads were $142.6 million and increased $24 million on the prior year partly driven by higher team performance-based bonuses. The loss before interest and tax for EziBuy before significant items [2] was $15.2 million compared to EBIT of $2.6 million in the prior year.

BALANCE SHEET

Key balance sheet movements relative to the prior year were as follows:

- **Closing inventory** of $4,558.5 million decreased $314 million with $354 million of the decrease attributable to the impact of significant items [2] recognised in FY16 and the reclassification of Home Timber and Hardware (HTH) inventory within 'net assets held for sale'. Excluding the impact of the above items, inventory increased $40 million driven by the investment in inventory in 98 net new stores partially offset by a number of initiatives aimed at reducing inventory holdings. Closing inventory days excluding Home Improvement increased 0.7 days to 35.6 days.
- **Net investment in inventory** was ($250.6) million or ($521) million excluding Home Improvement and significant items [2], remaining broadly flat year on year with no material differences in the timing of creditor payments (FY15: ($524) million excluding Home Improvement).
- **Other creditors** of $1,751.5 million increased $328 million driven by an increase in accruals for short-term team performance-based bonuses and other trading accruals.
- **Provisions** of $3,255.9 million increased $1,577 million driven by the recognition of onerous lease and other store exit cost provisions relating to significant items [2] recognised in FY16 of $1,494 million, of which $1,150 million relates to Home Improvement. Excluding significant items [2], provisions increased $83 million due to an increase in provisions for employee entitlements.
- **Fixed assets and investments** of $8,371.3 million decreased $1,793 million driven by significant item [2] impairment charges of $1,633 million relating to the impairment of Home Improvement assets of $1,432 million and impairments resulting from the FY16 Group wide review of $201 million, as well as the transfer of Home Improvement and other Group property assets to 'net assets held for sale' of $843 million. Excluding the impact of the above items, fixed assets and investments increased by $683 million driven by net capital expenditure of $1,713 million relating to new stores, store refurbishments and support assets offset by depreciation charges and asset disposals and retirements in the ordinary course of business.
- **Net assets held for sale** of $897.9 million represents assets and liabilities relating to HTH, property, plant and equipment relating to Masters and other Group properties held for sale.
- **Intangible assets** of $5,978.3 million decreased $266 million driven by impairment charges of $439 million primarily relating to the impairment of goodwill and other intangible assets in EziBuy and Home Improvement. Excluding these impairments, intangible assets increased $173 million primarily reflecting increased intangible assets in our New Zealand Food business attributable to the stronger New Zealand dollar.
- **Total funds employed** decreased $3,682 million, primarily impacted by the impairment charges and provisions recognised during the period for significant items [2].
- **Net tax balances** of $1,070.5 million increased $416 million primarily due to $260 million in net tax benefits associated with significant item [2] expenses and a decrease in current tax payable driven by a higher tax instalment rate applying to tax payment in the first half of FY16 on lower profits.
- **Other financial assets and liabilities** of $285.6 million changed by $938 million, primarily due to the $887 million movement in the valuation of Lowe's put option in our Home Improvement business.
- **Shareholders' equity** decreased $2,364 million to $8,470.6 million primarily reflecting losses from discontinued operations attributable to the shareholders of Woolworths of $2,038.3 million and dividend payments of $1,471.2 million, offset by the increase in issued share capital of $282.1 million reflecting shares issued under the dividend reinvestment plan and profits generated from continuing operations attributable to the shareholders of Woolworths of $803.5 million.
- **ROFE before significant items [2]** was 18.49%, a decrease of 724 bps or excluding Home Improvement was 22.2%, a decrease of 1,040 bps.

CASH FLOW

Cash flow from operating activities before interest and tax decreased $1,215.8 million to $3,495.3 million and was primarily impacted by the lower trading performance and the impact of the timing of creditor payments relative to the reporting period date (approximately $155 million). Significant items [2] recognised during the year did not have a material impact on cash flows from operating activities before interest and tax.

Excluding the impact of creditor timing and significant items [2], the decrease in cash flow from operating activities before interest and tax was broadly in line with the decrease in EBITDA before significant items [2] for the Group.

Cash realisation ratio [9] before significant items [2] was 95.0%, impacted by the Home Improvement business. Excluding Home Improvement, our cash realisation ratio for continuing operations before significant items [2] was 103.6% (FY15: 102.7%).

Net interest paid of $289.3 million decreased $21.0 million driven by lower average net debt funded by proceeds received from the sale of property assets.

Tax payments decreased to $848.5 million for the year (FY15: $1,055.7 million) predominately due to the Woolworths Limited tax instalments being varied to nil from March 2016 in response to the lower FY16 trading result.

For footnotes refer to page 25.

CASH FLOW (CONTINUED)

Cash used in investing activities was $1,266.7 million, a decrease of $67.2 million on the prior year. During FY16, cash proceeds of $737.0 million were received from the sale of property, plant and equipment, a decrease of $188.4 million on the prior year which included proceeds from the sale of 54 Hotel property assets and proceeds from the sale of shares in The Warehouse Group. Payments for the purchase of businesses, primarily representing five Hotels in FY16, decreased by $66.0 million on the prior year.

Expenditure on property development of $473.3 million decreased $122.4 million (FY15: $595.7 million) driven by lower activity in the current period.

Investment in property, plant and equipment of $1,465.0 million included continued investment in new stores and store refurbishments and spend associated with supply chain and IT asset initiatives.

Cash contributions from Lowe's in relation to our Home Improvement business were $120.0 million and relates to H1'16.

There were no proceeds from share issues during the year as the Group had fully transitioned to the use of performance rights, which do not have an exercise price, by the end of FY15.

Our **fixed charges cover ratio**[10] before significant items[2] is 2.3 times.

CAPITAL MANAGEMENT

Woolworths introduced a 1.5% discount on the Dividend Reinvestment Plan (DRP) in April and removed the participation limit. This resulted in an increase in the participation rate to 31% for the interim dividend. Woolworths will retain a 1.5% discount on the final dividend with no participation limit. Woolworths also intends to partially underwrite the final dividend to 50% with the proceeds to be used predominantly to replace Woolworths Notes II and the balance to allow for accelerated investment in its store renewal program.

Woolworths is committed to a solid investment grade credit rating[11] and a number of actions can be undertaken to support the credit profile including the sale of non-core assets, accelerating working capital initiatives and adjusting its growth capital expenditure and property leasing profile. We are actively considering all options to enhance shareholder value in our portfolio businesses.

Dividends

The Board continues to target an after tax dividend payout ratio of 70%, subject to trading performance.

The Board has approved a final dividend per share of 33c, a decrease of 54.2% on the prior year.

The payment of the April 2016 and October 2016 dividends will return $1.0 billion and $0.4 billion in franking credits to shareholders. Woolworths expects that after these events, there will be approximately $2.3 billion of franking credits available for future distribution.

Upcoming refinancing

Woolworths has approximately AUD 381 million equivalent of US144A debt maturing in the second half of FY17. This refinancing requirement has been pre-funded by additional bank facilities totalling $2.0 billion with tenors of three and five and a half years, established in April 2016. This was partially utilised to repay other debt which matured during FY16.

The five-year non-call period for the AUD 700 million Woolworths Notes II ends on 24 November 2016. Pursuant to a replacement capital covenant, the Notes may be refinanced by a hybrid containing similar characteristics (50% S&P equity credit) or a combination of debt and equity in equal proportions. As described above, the equity component of the Notes will be satisfied by the shares issued under the DRP.

NEW STORE ROLLOUT PLANS FROM CONTINUING OPERATIONS

Space rollout is supported by detailed plans for the next three to five years identifying specific sites.

	FY16 NET STORE OPENINGS (INCL. ACQUISITIONS)	MEDIUM TERM TARGET (NET)
Australian Supermarkets	31	• 10 – 20 new full range supermarkets per annum
New Zealand Food		
Countdown	7	• 3 – 4 new supermarkets per annum
Franchise Stores	4	
Dan Murphy's	11	• 8 – 10 new stores per annum
BWS (including attached)	32	• 6 – 10 new stores per annum (standalone)
Petrol	14	• Grow as appropriate to support the Supermarket new store strategy
BIGW	2	• As appropriate opportunities arise
Hotels (ALH Group)	1	• Acquire as appropriate opportunities arise

For footnotes refer to page 25.

OUTLOOK

MATERIAL BUSINESS RISKS

As required by S.299A(1) of the *Corporations Act 2001* (Cth), and in accordance with ASIC Regulatory Guide 247 Effective Disclosure in an Operating and Financial Review (RG 247) issued in March 2013, material business risks that could adversely affect financial performance include:

Market

- Inability to defend against increased competition from existing competitors and/or new entrants
- Weakening of general economic activity and the retail sector in Australia and New Zealand
- Failure to hedge appropriately or effectively against adverse fluctuations in interest rates and exchange rates or default by a hedge counterparty
- Damage or dilution to the Woolworths' retail brands

Environmental

- Woolworths' operations, in particular its petrol, meat processing plants and winemaking businesses, expose it to potential environmental liability for contamination, which could have an adverse effect on Woolworths' results
- Woolworths is subject to risks from natural disasters and adverse weather conditions.

Strategic

- Customer strategy implementation fails to rebuild trust in Woolworths' brands and loyalty, to deliver evolving customer needs for product range, value and services
- Divestment or acquisition activities result in unforeseen liabilities
- Unforeseen increase in cost structure

Regulatory

- Failure to understand and comply with existing and new legal and regulatory obligations set by the Australian Competition and Consumer Commission or other regulators
- Regulatory changes to Workplace health and safety regulations could result in significant costs
- Litigation or legal proceedings could expose Woolworths to significant liabilities

Operational

- Business transformation and change programs fail to deliver expected benefits with inability to fully deliver and absorb change
- Failure to deliver optimal store network, maintain and manage property portfolio
- Reliance on independent third party suppliers
- Inability to effectively manage inventory in retail businesses may impair competitive position
- System availability and performance may be adversely affected by ageing infrastructure and technology obsolescence
- Interruptions at Woolworths' workplaces arising from industrial disputes, work stoppages and accidents
- Failure to meet food, liquor and general merchandise own and exclusive brands product safety and quality standards resulting in litigation and public liability claims
- Operation of certain Woolworths' businesses through significant joint ventures and strategic alliances creates additional risks and uncertainties in its business
- Inability to attract or retain talent
- Failure to establish effective security measures to protect customer data from cyber attacks and leakages
- Current and future leasing arrangement constraining capital availability

FOOTNOTES

n.c Not comparable

1 Petrol sales and volumes are not comparable with the prior period given changes to the Woolworths-Caltex alliance that became effective progressively during Q2'15. Given operational changes under the new arrangements with Caltex, Woolworths no longer recognises sales from the Caltex-operated sites in its financial results. The new arrangements do not have a material profit impact on the Woolworths Group. Further details on the revised arrangements with Caltex are provided in our ASX announcement dated 20 November 2014.

2 In FY16, total significant items of $4,013.7 million before tax ($2,627.8 million after tax attributable to shareholders of Woolworths) were recognised. In FY15, total significant items of $425.9 million before tax ($307.3 million after tax attributable to shareholders of Woolworths) were recognised. Where noted, profit and loss items have been adjusted to reflect these significant items.

3 Excludes $88.7 million of accelerated depreciation relating to significant items recognised in FY15.

4 Final 2016 dividend payable on 7 October 2016 will be fully franked.

5 Excludes Home Improvement.

6 We have adopted a revised method for calculating inflation for our Australian Food and Liquor business and will only disclose an average price inflation measure going forward. In developing the revised measure we consulted with Deloitte Access Economics. The new measure uses the Fisher methodology to weight changes in average quarterly prices by the average of current quarter and preceding quarter volumes and reflects the effects of promotional activity and changes in volume. We believe this measure is the most appropriate representation of the average price changes of items that consumers have bought during the quarter. Note that due to the change in methodology, the data is not directly comparable to previously reported data. Below is restated data for FY15 using the new method.

Average price changes	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Price change (% year on year)	(1.2)%	(1.8)%	(2.5)%	(2.4)%	(2.7)%

7 FY15 Funds Employed for Australian Food, Petrol and Endeavour Drinks Group (FPE) has been restated to reflect a change in the classification of accounts payable balances between the FPE and Unallocated segments. Prior to the current period, FPE accounts payable balances were transferred to the Unallocated segment balance sheet when they were processed for payment, and would remain in the Unallocated segment balance sheet until they were paid. During FY16, there was a change in process which has resulted in accounts payable balances remaining in the FPE balance sheet until they are paid, no longer resulting in a transfer of accounts payable balances from FPE's balance sheet to the Unallocated segment balance sheet. Previously reported FY15 FPE Funds Employed of $4,756.4 million and Return on Average Funds Employed of 73.71% have been restated to be consistent with FY16. This change does not impact Woolworths Group's closing Funds Employed and Return on Average Funds Employed reported results.

8 Growth for New Zealand Food is quoted in New Zealand Dollars.

9 Operating cash flow as a percentage of Group net profit after tax before depreciation and amortisation.

10 Group earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) divided by rent and interest costs. Rent and interest costs include capitalised interest but exclude foreign exchange gains/losses and dividend income.

11 The credit ratings referred to in this document have been issued by a credit rating agency which holds an Australian Financial Services Licence with an authorisation to issue credit ratings to wholesale clients only. The credit ratings in this document are published for the benefit of Woolworths' debt providers.