

Woolworths Holdings Limited
(Incorporated in the Republic of South Africa)
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(‘WHL’ or ‘the Group’)

UPDATE ON THE IMPACT OF COVID-19 AND TRADING STATEMENT

The impact of the COVID-19 virus is being felt across all markets in which the Group operates. The Group is actively pursuing operational steps and considering strategic options to best mitigate the impacts of the crisis and to ensure the appropriate robust response in this developing situation.

This update provides a perspective on current trading across our various business units and outlines the range of operational actions our teams are taking to address the impacts and mitigate business risk.

Our first priority is the health and safety of our people, our customers and all our stakeholders, including our extended value chain. In terms of our stores, distribution centres and other operations, we are working closely with our health and safety partners, ensuring that all operations continue to conform to the highest level of hygiene and social distancing protocols. In respect of our employees, we have implemented a range of initiatives from alternative working hours to more flexible practices, including work-from-home, leveraging a full suite of technology tools.

In terms of business performance, the temporary closure of non-food stores in accordance with applicable law and regulation, decline in foot traffic and consequent loss of trade are likely to have a substantial impact on our earnings and cashflow in the second half of our financial year ending June 2020 (“financial year”). We have considered and embarked on a range of actions and are implementing several key initiatives intended to mitigate some of these effects.

There is a significant focus on facilitating trade and driving revenue including through online channels, given the current circumstances. We are also aggressively reducing costs, and managing inventory and working capital. Capital expenditure has been cut, with only critical projects moving forward. We have engaged with our suppliers to reduce apparel product intake and to extend payment terms. We are also meeting with landlords to explore alternative arrangements to current lease commitments, through the relevant period.

In recognition of the challenging circumstances, the WHL Board, Group CEO and senior Executive team members have decided to forego up to 30% of their fees and salaries over the next three months. The savings arising from this will be used to provide additional financial support to staff who find themselves in extreme hardship as a result of the current crisis.

SOUTH AFRICA / REST OF AFRICA

The South African government announced a national lockdown which required the closure of non-essential businesses between 27 March 2020 and 16 April 2020 (“the current lockdown period”) and has implemented various regulations and directives which impact the manner in which we do business. We have, therefore, temporarily closed our Fashion, Beauty and Home stores and continue to operate only our Food stores. During the current lockdown period we will continue to remunerate all our staff, and those who are part of the essential workforce will receive an additional appreciation

payment for the duration of the current lockdown period. Our business operations across other African markets have also been significantly constrained due to slowing demand, store and border closures in response to local government requirements and responses to the COVID-19 virus.

Woolworths Food

The majority of our Food stores currently remain open. Our strong supplier partnerships are ensuring a consistent supply of product during this critical time. The period immediately prior to the lockdown saw unprecedented demand on specific products that consumers considered essential. This demand has begun to moderate, as shopping patterns are re-set and as confidence in the food supply chain grows. Significant focus is being placed on our online business in order to contend with significantly increased demand.

Sales in the four weeks to the end of March have increased by 27.6% on the prior comparable period compared to a growth of 7.5% in the preceding nine weeks of the second half.

Woolworths Fashion, Beauty and Home ('FBH')

The shift of customer spend to essential products, as well as the compulsory closure of FBH stores during the current lockdown period, will have a material impact on the segment's results for the second half of the financial year. We are however encouraged by the growth of our online channel which remains available to customers, notwithstanding that order fulfilment can only be effected post the lockdown period.

Sales in the four weeks to the end of March declined by 27.8% on the prior comparable period, compared to a 1.9% increase in the first nine weeks of the second half of the financial year.

Woolworths Financial Services ('WFS')

WFS will be impacted by the closure of stores, drop in disposable income and lower interest rates. This combination of factors will reduce revenue and increase impairments for the second half of the financial year. We are currently considering debt relief measures, reassessing our risk appetite and parameters, making alternative payment opportunities available to our customers and reducing operating expenses.

AUSTRALIA / NEW ZEALAND

Our stores in New Zealand have been closed due to the lockdown enforced by the New Zealand government. Whilst Australia has yet to implement a full-scale lockdown, the government has, for several weeks, implemented significant restrictions on the movement and gathering of people and also limited businesses operations across many sectors. Although retail stores are not obliged to close, a number of Australian non-food retailers have announced the closure of stores, as a precautionary measure.

David Jones ('DJ')

David Jones has, for now, taken the decision to continue to trade in its large format stores which are cashless and able to accommodate social distancing protocols. Smaller stores, such as Barangaroo in Sydney and James Street in Brisbane have been closed. The DJ online channel which continues to operate as normal and has proven to be robust, has seen a significant surge in transactions and revenues.

The impact of the slowdown due to COVID-19 was seen earlier in stores that have a higher proportion of tourist trade and Asian demographic customers. The impact has subsequently become more widespread across all stores and customer segments with a significant reduction in foot traffic in March. Sales for the four-week period to the end of March were 19.0% down on the prior comparable

period, and within this the online channel grew by 108.0%, representing 20.3% of sales. Sales for the first nine weeks of the second half of the financial year were up 0.5% on the prior comparable period. We continue to see a drop in footfall across the store portfolio and are focused on stimulating trade, reducing inventory and generating cash.

Country Road Group ('CRG')

The smaller format of CRG stores makes it difficult to implement social distancing protocols. Accordingly, we decided to close all stores for at least four weeks, commencing from 28 March 2020, while online channels will remain available. The closure of stores means that our retail employees will be stood down during this period, in line with Australian workplace laws. However, the Federal Government 'JobKeeper' wage subsidy programme will provide some relief.

Demand was impacted since early March when social distancing measures were introduced. Store traffic decreased by 36% in the first two weeks of March and by over 60% in the subsequent two weeks. This contributed to an overall decrease in sales of 32.3% in March versus the prior comparable period, compared to an increase of 1.7% in the preceding nine weeks to the end of February.

WHL GROUP EARNINGS AND TRADING STATEMENT

The Group fully endorses the actions taken by the governments in all the jurisdictions in which the Group operates in their efforts to contain the spread of COVID-19. The impact of the virus, including its socio- economic effects, will materially weaken the financial performance of the Group for this financial year.

Given the fluidity of the current circumstances, including the uncertainty of the duration and impact thereof, it is not possible to quantify its impact on the Group's earnings. However, the Group remains committed and determined in its efforts to mitigate the reduction in earnings, optimise working capital and preserve cashflow and liquidity.

Shareholders are advised that headline earnings per share (HEPS) for the 52-week period ending 28 June 2020 is expected to be more than 20% (more than 66.1 cents) lower than the reported HEPS for the comparable period in the prior year (2019 HEPS: 330.4 cents). A further trading statement will be issued in order to provide specific guidance once the Group is reasonably certain regarding the HEPS and earnings per share (EPS) ranges for the 52-week period ending 28 June 2020.

The information contained in this announcement has not been reviewed or reported on by the Group's external auditors.

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