

Woolworths Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number 1929/001986/06
LEI: 37890095421E07184E97
Share code: WHL
Share ISIN: ZAE000063863
Bond code: WHLI
('the Group', 'the Company' or 'WHL')

SUMMARY OF THE UNAUDITED INTERIM GROUP RESULTS FOR THE 26 WEEKS ENDED 27 DECEMBER 2020

FINANCIAL OVERVIEW

Turnover	+5.8% to R39.6 billion
Turnover and concession sales	+5.3% to R43.0 billion
Profit before tax	+66.2% to R3.6 billion
Adjusted profit before tax	+24.6% to R2.7 billion
Earnings per share	+76.0% to 288.8 cps
Headline earnings per share	+58.3% to 261.1 cps
Adjusted diluted headline earnings per share	+19.4% to 193.7 cps
Net borrowings (excluding lease liabilities) reduced by	R5.0 billion to R6.8 billion
No interim dividend declared	2019: 89.0 cps

The first half of the 2021 financial year continued to be impacted by Covid-19, with significantly reduced store footfall, particularly in larger shopping centres and CBD locations. Actions to stimulate trade, strengthen online capabilities and protect margins through cost containment, tight inventory management and the assistance of government support measures, resulted in a 24.6% adjusted profit before tax growth for the half.

A key focus over the period has been the strengthening of the Group's balance sheet. Through cash generation and preservation initiatives, and the execution of property sales, we have improved our liquidity position and significantly reduced net debt levels in both South Africa and Australia. The sale of the David Jones Elizabeth Street property in the second half will further strengthen the Group's balance sheet and ensure a more sustainable capital structure of our Australian entities.

COMMENTARY ON PERFORMANCE

Group sales for the 26 weeks ended 27 December 2020 ('current period') increased by 5.3% compared to the 26 weeks ended 29 December 2019 ('prior period') and declined by 0.5% in constant currency terms. This reflects improved trading momentum across all businesses over the final six weeks of the reporting period.

The Group results have been positively impacted by the following transactions:

- The sale of the Bourke Street Mens property in David Jones was completed in the period, resulting in proceeds of A\$121.0 million and a profit on sale of A\$23.5 million; and
- The renegotiation of various leases resulted in lease exit and modification gains under IFRS 16 of R667 million (pre-tax), which were recognised in the current period.

Earnings per share ('EPS'), which includes both the aforementioned items, increased by 76.0% to 288.8 cps, whereas headline EPS, which excludes the profit arising on the property sale, increased by 58.3% to 261.1 cps.

Adjusted diluted HEPS, which excludes both the aforementioned items, increased by 19.4% to 193.7 cps. Consistent with the prior year, where an adjustment was made for the non-recognition of deferred tax assets on assessed tax losses in David Jones, the taxation benefit arising on the partial utilisation of these tax losses in the current period was excluded in calculating the adjusted diluted HEPS.

SOUTH AFRICA

South Africa's weak macro environment and consumer confidence has been further exacerbated by the second wave of Covid-19, placing further strain on consumer discretionary spend.

WOOLWORTHS FOOD

Woolworths Food remained resilient throughout the reporting period, delivering further volume and market share gains, driven by innovation, convenience and the focused price investment strategy. Sales over the 26-week period grew by 10.9% and by 9.4% in comparable stores, with net space growth of 0.4%. Online sales grew by 158.5%, contributing 2.2% to sales, with the expansion of delivery options. Price movement was 7.1%, impacted by mix, while underlying product inflation averaged 4.8% over the period.

Gross profit margin of 24.8% was 0.2% higher than the prior period, notwithstanding further price investment, due to higher rebates, improved waste and distribution cost efficiencies. Expenses, including additional Covid-19 related costs, grew by 6.7%. Adjusted operating profit increased by 23.2% to R1 531 million, returning an operating margin of 8.2% for the half.

WOOLWORTHS FASHION, BEAUTY AND HOME ('FBH')

Whilst FBH has commenced the repositioning of its fashion business, performance remains disappointing, with sales declining by 11.2% over the period, and comparable store sales 11.0% lower on a 2.4% price movement. Online sales grew by 118.8%, contributing 4.0% to South African sales. Net space was reduced by 1.9%, in line with our focus on improving store operating efficiency.

Gross profit margin decreased by 0.7% to 45.9% as a result of increased promotions and price investment, together with higher clearance in December. Expenses were well controlled, declining by 1.6%, notwithstanding additional Covid-19 related costs. Adjusted operating profit decreased by 39.9% to R582 million, resulting in an operating margin of 9.1% for the half.

WOOLWORTHS FINANCIAL SERVICES ('WFS')

The WFS book reflected year-on-year contraction of 2.2% at the end of December 2020. The annualised impairment rate for the six months ended 31 December 2020 was 4.1%, compared to 3.3% for the prior comparable period. The focus on customer collections and payment relief initiatives and the timing thereof reflects in the shape of the book and the impairment rate for the period.

AUSTRALIA AND NEW ZEALAND

Early expectations of a recovery in Australia were short-lived, with the imposition of the stage 4 lockdown in the State of Victoria from 6 August to 28 October, resulting in unplanned store closures. While this negatively impacted sales for the half, the subsequent easing of Covid-19 restrictions, together with the impact of government support on consumer discretionary spend, our successful Black Friday and Cyber Monday campaigns, and further growth in our online sales, contributed to an improved sales performance in the last six weeks of the reporting period.

DAVID JONES ('DJ')

DJ sales over the 26-week period declined by 8.8% and by 10.5% in comparable stores. Excluding Victorian stores, which traded significantly down on the prior period due to the extended lockdown, the balance of the DJ business, including online, grew by 5.9%. Online sales increased by 55.5%, contributing 17.7% to total sales over the half.

Gross profit margin was 0.3% lower than the prior period, at 34.8%, due to higher online fulfilment costs and a higher mix of lower-margin sales, which offset reduced markdowns and promotions. Expenses were 14.9% lower than the prior period, benefitting from government support and rent relief and the cost-out initiatives implemented to mitigate the impact of the loss of trade. The space reduction, including the exit from Market Street, contributed further to the cost reduction. Adjusted operating profit of A\$56.0 million was 33.3% up on the prior period, resulting in an operating margin of 5.2%.

COUNTRY ROAD GROUP ('CRG')

CRG delivered strong sales growth of 6.7% in the last six weeks of the current period, underpinned by new product ranges, particularly in the Country Road business. Sales over the half declined by 5.2% and by 2.4% in comparable stores, negatively impacted by the lockdown in Victoria and in CBD and airport stores. Excluding the Victorian stores, the balance of the CRG business, including online, grew by 8.2%. Online sales increased by 52.5% and contributed 31.6% to total sales for the period.

Gross profit margin declined by 2.3% to 60.0% due to the impact of weaker exchange rates and

additional online fulfilment costs, which were partially offset by the gains from higher full-priced sales. Expenses for the period reduced by 21.5%, mainly from store closures and a reduction in discretionary spend, as well as the benefits from government support and rent relief. Adjusted operating profit increased by 44.6% to A\$94.0 million, resulting in an operating margin of 18.4%.

OUTLOOK

The trading environment is challenging and uncertain and is expected to remain so throughout the second half of the year. The economic outlook for South Africa is bleak, with the consumer under significant strain, and the possibility of further waves of infection and delays in the rollout of vaccines likely to further exacerbate the pressure on discretionary spend.

In Australia, economic fundamentals are stronger and more supportive of an earlier recovery in economic activity, but we are mindful that government initiatives, which have buoyed consumer spend, are coming to an end. As previously advised, we expect to conclude the sale of the Elizabeth Street property in the second half of the financial year, the proceeds of which will be used to settle debt and further strengthen our balance sheet.

Whilst we are pleased with some of the progress that we have made to date, we remain steadfastly focused on the other elements of our strategic priorities, including the repositioning of FBH, maintaining our leadership position in Food, our real estate optimisation efforts in David Jones and driving growth through digital, online and data.

The Board remains of the view that, while we have made significant progress on our capital plan, it is in the best interests of the Company for distributions to WHL shareholders to remain suspended, given the ongoing impact and uncertainty of Covid-19. The Company has therefore not declared an interim dividend in respect of this reporting period.

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.

APPOINTMENT OF DEBT OFFICER

As previously advised on the JSE Stock Exchange News Service, Ian Thompson, in his capacity as the Group Head of Treasury and Tax of WHL, was appointed as the Debt Officer of WHL with effect from 1 November 2020.

H Brody
Chairman
Cape Town, 24 February 2021

R Bagattini
Group Chief Executive Officer

ABOUT THIS ANNOUNCEMENT

Statement and availability

This short form announcement is the responsibility of the directors and is only a summary of the information in the full announcement. The unaudited interim Group results were approved by the Board of Directors on 24 February 2021, and the information in this announcement has been correctly extracted from the unaudited interim Group Results. Any investment decisions by investors and/or shareholders and/or bondholders should be based on consideration of the full announcement, which has been published on SENS and available at:

<https://senspdf.jse.co.za/documents/2021/JSE/ISSE/WHLE/WHLFY21.pdf> and on the Company's website: <https://www.woolworthsholdings.co.za/wp-content/uploads/2021/02/whlfy21.pdf/>.

An electronic copy of the full announcement may be requested and obtained, at no charge, from the Group Company Secretary at Governance@woolworths.co.za or the Head of Investor Relations at InvestorRelations@woolworths.co.za. The Interim Analyst Presentation is also available on the Company's website.

DIRECTORATE AND STATUTORY INFORMATION

Non-executive Directors

Hubert Brody (Chairman), Zarina Bassa (Lead Independent Director), Christopher Colfer (Canadian), Belinda Earl (British), David Kneale (British), Nombulelo Moholi, Thembisa Skweyiya, Clive Thomson

Executive Directors

Roy Bagattini (Group Chief Executive Officer), Reeza Isaacs (Group Finance Director), Sam Ngumeni,
Zyda Rylands

Group Company Secretary

Chantel Reddiar

Registration number

1929/001986/06

LEI

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Share code

WHL

Share ISIN

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Bond code

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Registered address

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

Tax number

9300/149/71/4

JSE sponsor and debt sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)

Transfer secretaries

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