WOOLWORTHS LIMITED

A.C.N. 000 014 675

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28 February, 2005

PROFIT REPORT AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR

NET PROFIT AFTER TAX $440.9M FOR THE 27 WEEKS ENDED 2 JANUARY 2005.

- **SALES FROM CONTINUING OPERATIONS UP 9.3%[1] ON A 28 WEEK COMPARABLE BASIS**
- **NET PROFIT AFTER TAX UP 13.7%[1] ON A 28 WEEK COMPARABLE BASIS**
- **COSTS CONTINUED TO DECLINE REDUCING BY 90 BASIS POINTS (AS A PERCENTAGE OF SALES)**
- **EPS UP 11.89% ON A 28 WEEK COMPARABLE BASIS**
- **INTERIM DIVIDEND PER SHARE OF 24 CENTS UP 14.3%**

The Board of Woolworths Limited today released the interim profit and dividend announcement of Woolworths Limited and its controlled entities for the half year ended 2 January 2005.

Woolworths Limited CEO, Roger Corbett said, "The first half net profit increase of 13.7%[1] on a 28 week comparable basis, is an excellent achievement, and results from solid growth in sales in a competitive market, combined with a continued reduction in costs. Our Supply Chain initiatives are well underway and underpin our forecast cost reductions going forward."

Commenting on the result, the Chairman of Woolworths Ltd, James Strong, said, "The results demonstrate the continuing strength of the company's operations underpinned by an outstanding and stable management team. We have continued to focus on growth strategies and are very pleased with our successful acquisition of Australian Leisure and Hospitality Group Limited".

"The 14.3% increase in Dividend Per Share (DPS) to 24 cents reflects the confidence that the Board has in the company's operations and half year results,"[2] said James Strong.

As advised at the time of our sales release, for the half year Statutory Accounts the cut off for Supermarkets and Consumer Electronics was 2 January 2005 which constitutes a 27 week period compared to a 28 week period last year. For comparison purposes we have shown the proforma results for the 28 weeks ended 9 January 2005.

[1] Excluding Bruandwo Pty. Ltd. (Bruandwo) and adjusted to reflect a comparable 28 week half.

[2] The DPS increase is slightly higher than the Statutory 27 weeks Earnings Per Share (after goodwill) increase due to the fact that we have calculated the dividend on the basis of the 28 week comparable result. We have done this so as not to disadvantage our shareholders as a result of a 1 week shorter statutory accounting period this half year.

Earnings Before Interest and Tax (EBIT) ($million)	2004 Statutory (28 weeks)		2005 Statutory (27 weeks)		2005 Proforma [(1)] (28 weeks)		Change [(1)] (28 weeks)	
	Before Goodwill	After Goodwill	Before Goodwill	After Goodwill	Before Goodwill	After Goodwill	Before Goodwill	After Goodwill
Food and Liquor	527.5	514.8	564.0 [(2)]	551.0 [(2)]	580.8	567.7	10.1%	10.3%
Petrol	10.5	10.5	22.2	22.2	22.9	22.9	118.1%	118.1%
Supermarkets Division	**538.0**	**525.3**	**586.2**	**573.2**	**603.7**	**590.6**	**12.2%**	**12.4%**
BIG W [(3)]	93.8	93.8	100.6	100.6	100.6	100.6	7.2%	7.2%
Consumer Electronics	27.1	24.9	31.5	29.4	32.1	29.9	18.5%	20.1%
General Merchandise Division	**120.9**	**118.7**	**132.1**	**130.0**	**132.7**	**130.5**	**9.8%**	**9.9%**
Hotels (ALH) [(4)]	**-**	**-**	**17.4**	**14.9**	**-**	**-**	**-**	**-**
Total Trading Result	**658.9**	**644.0**	**735.7**	**718.1**	**736.4**	**721.1**	**11.8%**	**12.0%**
Property Income	12.3	12.3	10.3	10.3	11.0	11.0	-10.6%	-10.6%
Central Overheads	43.4	43.4	38.7	38.7	42.9	42.9	-1.2%	-1.2%
Continuing Operations	**627.8**	**612.9**	**707.3**	**689.7**	**704.5**	**689.2**	**12.2%**	**12.5%**
Wholesale Division	0.9	0.9	1.4	1.4	1.5	1.5	66.7%	66.7%
Group EBIT	**628.7**	**613.8**	**708.7**	**691.1**	**706.0**	**690.7**	**12.3%**	**12.5%**

For statutory purposes ALH has been consolidated from 1 November 2004 and MGW Hotels Pty Ltd (MGW) our jointly owned Queensland liquor operation has been consolidated from the end of the first half of 2005. We expect to be in a position to consolidate the Bruce Mathieson Group (BMG) in Victoria towards the end of the third quarter, following regulatory approvals.

The statutory net operating profit after tax was $440.9 million which on a 28 week comparable basis equates to $452.2 million.[(1)] The Board has declared an interim dividend of 24 cents per share (21 cents in 2003/04).

[(1)] Excluding Bruandwo and adjusted to reflect a comparable 28 week half.
[(2)] Includes ALH retail liquor results for November and December 2004.
[(3)] BIG W results for this half and last year’s first half are based on a 27 week period.
[(4)] Represent ALH Hotel results for November and December 2004.

2004 – 2005 FIRST HALF YEAR BUSINESS PERFORMANCE

Woolworths Limited CEO, Roger Corbett said, "All our businesses are performing well and to anticipated profit levels. Woolworths continues to provide customers with a combination of greater convenience, freshness and quality, best range and consistently lower prices across all divisions. Furthermore, our newly acquired business Australian Leisure and Hospitality Group Limited (ALH), represents a significant strategic opportunity to grow our business, by adding to our core business and giving us opportunities for new businesses."

We have continued to aggressively pursue cost savings with a further reduction in costs in the half year of 90 basis points. Excluding petrol, the cost reduction achieved exceeds our target of 20 basis points. EBIT grew faster than sales with EBIT margins having improved 12 basis points during the half year. This is a very good outcome.

Our supply chain initiatives are well underway and on target having now passed the higher risk stage on significant elements of our information technology (IT) rollout. We have proved the effectiveness of our IT platform (including AutoStockR and Stocksmart) which is now performing well. The rollout of our new Distribution Centre (DC) network which will consolidate our existing 31 DC's into 9 Regional DC's and 2 National DC's is well underway. Our Perth Regional DC was completed in November 2004 and is currently being commissioned. Construction of Wyong and Wodonga DC's is well advanced. The construction contract for our Brisbane DC is currently being awarded.

We are confident of achieving our five year target of reducing cost of doing business by at least another 1% of sales or 20bps per annum. This will enable us to continue to provide lower prices to our customers and further reward shareholders.

Inventory levels at the half year were 0.87 days up on a 28 week comparable basis mainly due to a planned increase in stock levels primarily to accommodate additional Christmas merchandising activities and weaker Christmas trading conditions in Big W. Stock levels since the end of December 2004 have declined. Furthermore, our average stock position has continued to decline. We will achieve our budgeted reduction of 1-2 days by the end of FY05.

Our cash flow and balance sheet remain strong following the acquisition of ALH. As previously advised, we will re-examine opportunities for future share buy backs once the integration of ALH is completed. We expect this will take approximately 12 months with acquisition synergies flowing over the next 3 years. Our capital structure going forward will preserve our capital strength to retain flexibility to pursue further growth opportunities.

Supermarket Group (Continuing Operations, including Petrol)

	2004 Statutory (28 weeks)	2005 Statutory[2] (27 weeks)	2005 Proforma[1] (28 weeks)	Change[1] (28 weeks)
Sales ($ million)	12,929.0	13,717.7	14,129.8	+9.3%
Gross margin (%)	24.16	23.36	23.32	-0.84%pts
Cost of Doing Business (%)	20.10	19.18	19.14	-0.96%pts
EBIT to sales (%)	4.06	4.18	4.18	+0.12%pts
EBIT (after goodwill) ($ million)	525.3	573.2	590.6	+12.4%
EBIT (before goodwill) ($ million)	538.0	586.2	603.7	+12.2%
Funds Employed ($ million) [3]	1,031.0	650.6	1,100.4	+6.7%
Return on Funds Employed (%)[3]	50.95	88.10	53.67	+2.72%pts

(1) Excluding ALH retail liquor and adjusted to reflect a comparable 28 week half.
(2) Includes ALH retail liquor results for November and December 2004.
(3) Excluding ALH.

Supermarket sales (including petrol) rose 9.3%. Food and Liquor sales grew 4.9% with comparable sales growing 2.9% in the half. First quarter comparable sales increased by 2.8% and by 3.0% in the second quarter. Inflation in the second quarter decreased by approximately 0.5% compared to that of the first quarter.

The market remains highly competitive, however with the passing of the anniversary of a competitor's fuel offer, we continue to see a better than average improvement in comparable store sales in Victoria and of more recent times, in NSW and Queensland. This trend has been confirmed in recent market releases.

Cost savings were vigorously pursued resulting in a reduction in the cost of doing business by 0.96% of sales, even after we expensed $6 million of conversion costs associated with moving to our new Supply Chain arrangements. 88% of these cost savings were reinvested in lower selling prices with the balance going to increase EBIT margin. EBIT (after goodwill) grew faster than sales, increasing by 12.4% compared with sales growth of 9.3%. EBIT margin increased from 4.06% last year to 4.18%, a rise of 12bpts.

During the half year, 13 new supermarkets were opened, mostly towards the end of the half, compared with 8 last half year. A further 10 stores are planned to be opened in the second half of this year, most of which will open late in the fourth quarter FY05.

Inventory levels at the half year for the Supermarket Group were 0.04 days up on a 28 week comparable basis due to a planned increase in stock levels to accommodate post Christmas trading needs. Furthermore, our average stock position has continued to decline. We will achieve our budgeted reduction of 1-2 days by the end of FY05.

As noted previously, we gained control of ALH during the second half and have consolidated ALH from 1 November 2004. We have included the ALH Retail Liquor results for the period since acquisition (31 October 2004) within the Supermarkets Group 2005 Statutory (27 week) results as shown above. The ALH Hotel results are shown as a separate division. Further commentary on ALH's results and synergies is included later in this release.

All our existing liquor operations, including Dan Murphy's, BWS, First Estate and attached liquor, continue to perform well and record strong growth in both sales and profits. Group liquor sales for the first half, including our jointly owned liquor business MGW, and 2 months of ALH liquor sales totalled $1.4 billion. Combining the liquor business of ALH, MGW, BMG and Woolworths, we anticipate that total liquor sales for the Group will exceed $3.0 billion on an annualised basis, which well exceeds our previously stated objective of achieving $2.5 billion liquor sales. Our new target is now $3.5 billion in total liquor sales.

Sales for the half year in MGW which have not been consolidated into the Woolworths Group, increased by 41% to $189.5 million. MGW has been consolidated from the end of the first half of 2005.

Dan Murphy's has expanded its operations in the half year with 9 stores opened bringing the total number of Dan Murphy stores to 35. A further 5 stores are planned to be opened in the second half. Dan Murphy's continues to attract customers with extensive product ranges at very competitive prices.

At the end of the half year Woolworths Limited had 937 liquor outlets.

Petrol sales increased by 57% in the half year with volumes in the closing week of the half reaching 69 million litres per week. During the half year 76 new canopies were opened including 62 Woolworths / Caltex alliance sites. As at the end of the first half, we had 435 sites including 106 alliance sites. We continue to be well on track to reach our initial target of 470 canopies by the end of FY05. As need dictates this number will increase further. Total petrol sales in alliance sites are recognised in Woolworths group sales.

BIG W

	2004 Statutory[1] (27 weeks)	**2005 Statutory[1] (27 weeks)**	**Change**
Sales ($ million)	1,559.0	1,669.9	+7.1%
Gross margin (%)	29.39	29.34	-0.05%pts
Cost of Doing Business (%)	23.37	23.31	-0.06%pts
EBIT to sales (%)	6.02	6.03	+0.01%pts
EBIT ($ million)	93.8	100.6	+7.3%
Funds Employed ($ million)	275.1	330.9	+20.3%
Return on Funds Employed (%)	34.10	30.40	-3.70%pts

[1] BIG W results for this half and last year's first half are both based on a 27 week period.

BIG W has recorded a solid result despite an increasingly competitive market. Our Everyday Low Prices strategy, predicated on ongoing cost reductions, is a key driver behind continuing solid growth both in sales and profits.

BIG W sales for the half year grew 7.1%. Comparable sales for the half year rose 2.4% (comparable sales first quarter 4.3%, second quarter 1.2%). Comparable sales in the second quarter reflected particularly weak market trading conditions in November. Trading conditions improved in December, however still slightly below the level of the first quarter, but were still below anticipated levels. January strengthened significantly on December. February has further strengthened with period to date comparable sales in excess of 3.5%. The market however, remains highly competitive with home entertainment and computers continuing to be the standout categories.

Three BIG W stores were opened in the half (3 last year), taking the total number of stores in the division to 114. We are on track to open approximately nine new stores during the full year ending June 2005.

BIG W's CODB reduced by 0.06%pts during the half year, the majority of which was invested back into lower selling prices.

Inventory levels at the end of the first half were up 7.4 days due to investment buys and weaker trading conditions referred to above. Stocks as planned have been reduced since Christmas. We are confident of achieving our planned reduction by the end of FY05 of at least 1 day.

Consumer Electronics

	2004 Statutory (28 weeks)	**2005** Statutory (27 weeks)	**2005** Proforma[1] (28 weeks)	**Change** (28 weeks)
Sales ($ million)	487.0	545.8	565.1	+16.0%
Gross margin (%)	31.46	29.67	29.59	-1.87%pts
Cost of Doing Business (%)	26.35	24.28	24.30	-2.05%pts
EBIT to sales (%)	5.11	5.39	5.29	+0.18%pts
EBIT (after goodwill) ($ million)	24.9	29.4	29.9	+20.1%
EBIT (before goodwill) ($ million)	27.1	31.5	32.1	+18.5%
Funds Employed ($ million)	240.9	262.6	262.1	+8.8%
Return on Funds Employed (%)	10.30	11.20	11.41	+1.11%pts

(1) Adjusted to reflect a comparable 28 week half

An excellent result all round with the division reporting double digit growth in both revenue and earnings. Sales for the 28 weeks increasing by 16.0% and for the second quarter (14 weeks basis) increasing by 15.8%. Comparable sales growth for the 28 weeks was 14.0% (first quarter 14.4%, second quarter 13.8%) which is up on last year's comparable growth of 10.0%. Computers, Digital Cameras, and Home Entertainment categories continued to achieve strong sales growth. During the half year, 23 new Dick Smith Electronics stores were opened with a plan to open a further 12 during the second half.

Cost of doing business reduced 2.05%pts from 26.35% to 24.30%. This enabled us to reduce prices with gross margin falling 1.87%pts. As a result, EBIT (after goodwill) has risen faster than sales at 20.1%.

Funds employed has increased due to an increase in inventory combined with timing of creditor payments.

Australian Leisure & Hospitality Group (ALH)

During the second quarter of FY05, we secured control of ALH and have consolidated their results into the Woolworths Group from the end of October 2004. ALH is 99% owned by Bruandwo Pty Ltd, which in turn is owned 75% by Woolworths and 25% by the Bruce Mathieson Group (BMG). Bruandwo owns 100% of MGW and is presently completing the acquisition of the Victoria hotel, club and liquor retailing assets of BMG. These will not be consolidated until later in the third quarter as previously stated.

ALH has a portfolio of 135 hotels in 5 States and is Australia's largest hotel operator of Electronic Gaming Machines ("EGMs"), with 5,981 machines distributed across four States. It also has a 4% share of the retail liquor market operating 266 retail liquor outlets comprising: 103 drive-in outlets, 117 detached bottle shops ("DBS"), 28 liquor barns and 18 walk-in retail outlets. Additionally, 44 of ALH's venues offer motel style accommodation.

Bruandwo (ALH, BMG, MGW) will operate 396 bottle shops, 203 hotels and clubs and 9,384 EGMs and offer motel style accommodation in 44 venues.

Key benefits of the ALH acquisition

The acquisition of ALH provides Woolworths with a unique opportunity. We expect that the integration of ALH, MGW, BMG and Woolworths will take approximately 12 months with acquisition synergies flowing over the next 3 years. We are confident we will exceed our targeted acquisition synergies.

Benefits of the acquisition include:

- **Acquired an additional 4% of the retail liquor market in a single portfolio of assets with strong growth potential.**
- **Immediate larger scale exposure to the Queensland market**: Queensland has been the fastest growing hotel and gaming market in Australia for several years and is expected to grow at comparable historical rates subject to the one off impact of smoking bans which have been fully factored into our projections. The gaming market has grown at around 15% over the last 12 months. The historical growth rate of ALH's liquor businesses over the last 12 months is below that achieved by MGW in the Queensland market. The acquisition of ALH provides Woolworths with a broader base of on-premise and off-premise locations that facilitate significant expansion in retail liquor sales. ALH has the capacity to expand the number of its DBS's by up to 54 outlets.
- **Excellent base to expand**: The retail liquor and hotel markets in Australia are still highly fragmented and there is potential for further industry consolidation. The combined group portfolio now consists of 203 hotels and clubs and 951 retail liquor outlets, providing an excellent base from which to further expand and participate in the ongoing consolidation of the industry.
- **Opportunities arising from the application of the Woolworths and Mathieson business models**: The ALH business will benefit from Woolworths' proven expertise in liquor retail merchandising in the areas of product range, presentation, promotions and store layout. The application of BMG's extensive expertise in managing hotels and gaming operations and the roll out of a focused on-site management model will enhance the operating performance of the ALH hotel portfolios.

- **Additional scale and improved buying and distribution efficiencies**: The combination of the liquor retailing operations of ALH with Woolworths' existing liquor retailing activities will achieve greater scale on a national basis. Improved buying terms and distribution efficiencies will result in significant cost savings. ALH has already moved onto Woolworths buying terms.
- **Property opportunities**: The addition of the ALH hotel portfolio provides Woolworths with access to a number of sites that have surplus land on which present opportunities for development, such as development into new Dan Murphy's sites or other Woolworths non-liquor formats. Woolworths has already identified a minimum of 30 potential new Dan Murphy's sites.
- **Other cost savings**: The integration of ALH into the operations of Bruandwo and Woolworths will allow streamlining and sharing of information technology, administration, procurement, accounting and support systems with duplicate activities eliminated. This process is well underway and on track with many duplicated functions already removed.

Half Year Results of ALH

As noted previously, we have included ALH's retail liquor results into Supermarkets' Food and Liquor results which is consistent with the treatment of our other retail liquor operations.

With respect to ALH's other operations, namely on-premise liquor, food and accommodation and gaming we have categorised these into one segment which we have called "Hotels". The MGW and BMG Victorian assets that are Hotel related will also be included into this category. MGW's and BMG's retail liquor results will be included within Supermarkets' Food and Liquor.

ALH's Hotel results for the period 1 November 2004 and 2 January 2005 (which are included in the Woolworths Group) are as follows. ALH's 6 months results are shown for information only.

Hotels	**2005 (2 months)**	**2004 (6 months)**	**2005 (6 months)**	**Change**
Sales ($ million)	97.5	261.5	274.8	+5.1%
Gross margin (%)	82.33	82.08	82.29	+0.21%pts
Cost of Doing Business (%)	67.05	68.43	68.07	-0.36%pts
EBIT to sales (%)	15.28	13.65	14.22	+0.57%pts
EBIT (after goodwill) ($ million)	14.9	35.7	39.1	+9.5%
EBIT (before goodwill) ($ million)	17.4	36.5	40.0	+9.6%

Sales for ALH hotels have been driven by continued strong growth in major markets including Queensland and Victoria.

EBIT excludes the impact of takeover defence costs incurred by ALH which were expensed prior to Bruandwo gaining control. The $44 million spent on takeover defence costs, included payments to Goldman Sachs JBWere of approximately $21 million, Newbridge of approximately $11 million and Coles Myer of approximately $6 million.

Central Overheads and Net Property Income

With respect to the statutory 27 weeks, central overheads has decreased by 10.8% due largely to the $3.7 million dividend received in relation to the investment in ALH. In the proforma 28 weeks the change on last year is minimal.

Net Property income was $1.3 million less than the previous half year. This is due to a number of properties being sold during late FY04 and HY05.

Balance Sheet and Cash Flow

Over the past five and a half years, more than $3.5 billion has been returned to shareholders through share buy-backs and dividends. Our capital management strategy over this time has helped drive growth in Earnings Per Share whilst not precluding us from taking advantage of many growth opportunities such as the ALH acquisition.

Our cash flow and balance sheet remain strong following the acquisition of ALH. Inventory levels at the half year were 0.87 days up on a 28 week comparable basis mainly due to planned increase in stock levels, primarily to accommodate additional Christmas merchandising activities, and weaker Christmas trading conditions in BIG W. Stock levels since the end of December 2004 have declined as planned. Furthermore, our average stock position has continued to decline. We will achieve our budgeted reduction of 1-2 days by the end of FY05.

Trade creditors and other creditors increased in line with sales, with days creditors increasing from the previous half year of 42.1 days to 50.6 days. This is due to timing differences in the cycle of creditor payments when comparing statutory 27 weeks HY05 to the statutory 28 weeks HY04. On a proforma basis, days creditors has reduced to 44.9 days.

Fixed assets and investments have increased from $2,636 million last half year to $3,413 million. This is mainly due to fixed assets acquired as a result of the acquisition of ALH, the purchase of additional properties as part of the expanded distribution network along with the addition of the Norwest facility.

Intangibles have increased from $563 million at the last half year to $1,978 million. This increase has been largely driven by the acquisition of ALH and MGW resulting in the acquisition of liquor licences, gaming licences and property development rights, with a fair value of $1,006 million and goodwill of $417 million.

Net repayable debt increased by $1,707 million to $2,315 million compared with the previous corresponding half year, of $608 million. This increase has arisen as a result of the debt acquired for the acquisition of ALH ($1,261 million) and debt in the books of ALH of $189 million and MGW of $300 million. The $600 million Woolworths income notes are now included as debt on the Balance Sheet.

ROFE will decline in the FY05 period as a sole consequence of the acquisition of ALH, BMG and MGW with funds employed being fully included, however the returns will relate to part of the year only.

Project Refresh and Costs

Since 1999, Project “Refresh I” initiatives have provided substantially improved efficiency of our operations and have delivered cost savings amounting to 4.03% of sales. Measured in dollars, this represents a cumulative saving over the last five and a half years of $3.2 billion.

Our target, including Project Refresh Level II, is to reduce our costs by a minimum of 20 basis points per annum for the foreseeable future.

Significant progress on Project Refresh Level II (Supply Chain Improvement Program) has been made to date with the implementation of many critical IT facilities now complete or well progressed. As a consequence, major changes have been made and will be progressed over the next 2 years as construction of our facilities progresses. A brief overview is provided below.

Replenishment

Our inventory replenishment program is progressing well.

Stocksmart (Distribution Centre forecast based replenishment) is fully operational in our DC’s, with resultant improved DC inventory and service levels.

AutostockR (store forecast based replenishment) is fully implemented in long life departments in all stores. As a result, reduced inventory levels have allowed us to re-merchandise our stores adding an improved range to our customers.

The successful introduction of Stocksmart and AutoStockR has reduced the technology risk associated with the overall program and has been well accepted by DC and operational stores employees. With the outstanding success of AutoStockR, other areas of application are now becoming apparent which will provide further opportunities for productivity and efficiency improvements.

Distribution Centres

The temperature controlled section of the Perth RDC (Regional Distribution Centre) was commissioned in November 2004 with the Ambient temperature section currently being commissioned.

Cross docking and flow through processes in DC operations have been successfully trialled and are in operation at our Perth RDC. The new warehouse management system (WMS) has been successfully implemented in the Perth RDC with greater than expected operational efficiencies supported by new technology including Voice Pick and RF receiving and loading.

The Adelaide RDC is on target for a commissioning date of July 2005 and construction has commenced on the new RDC’s at the Wyong and Wodonga sites. The building contract for the Brisbane RDC is currently being awarded.

Re-ranging of stock for the National DC’s will be finalised by November 2005. Mulgrave is already operating as an NDC and Yennora is expected to be operating as an NDC before the end of calendar 2005.

Stores

For stores, the introduction of time phased replenishment restocking capabilities along with store-ready unit load devices such as Shelf-ready trays and Roll Cages will reduce overall costs. Roll Cages have been successfully implemented in WA, with pilot stores and DC's operating with Roll Cages in QLD, Victoria and NSW since September 2004. SA will commence piloting from March 2005. A full roll-out is expected to be implemented across these States from the first half of FY06.

Shelf-Ready Trays enable product to be placed directly onto the shelf. Store training packages have been delivered to all stores.

Unit-Load Devices are purpose built units that are filled with one product (eg carbonated drinks) and can be 'rolled in' straight into shelf space without manual shelf-filling requirements. Unit load devices continue to be evaluated in collaboration with key vendors. Prototypes have been trialled in pilot stores for high volume products including carbonated beverages and milk.

Transport

By improving the direct involvement in Primary and Secondary freight, Woolworths is seeking to leverage synergies and deliver stock to all stores consistent with customer demand.

Specifically, Primary Freight allows us to manage the transport from the Supplier to the DC and Secondary Freight is the effective delivery of stock from the DC to stores and DC to DC.

The cost of inbound freight will be reduced by Woolworths' management of inbound freight volumes into our DC and utilising a Transport Management System (TMS). With the TMS now implemented for Primary Freight, a new Secondary Freight system is being implemented to ensure the optimisation of transport loads and routes and visibility of stock-in-transit at any point in time. The Freight Management System has been developed by Woolworths and is working well.

There are now over 100 vendors on Primary Freight with volumes expected to double within the next six months. In-bound service levels have improved since the introduction of Primary Freight.

Vendors

Woolworths values its relationships with its suppliers and aims to work with them to improve efficiencies across the supply chain. We will do this through collaboration with our vendors, sharing information, requesting feedback on areas to improve and by harnessing innovation so that mutually beneficial outcomes are achieved.

Workshops have been conducted nationally with our vendors. Approximately 1,400 of our vendors have been involved in these interactive sessions which have developed collaborative business plans to deliver key enablers.

Overall our supply chain initiatives are being implemented successfully through careful planning, piloting and execution.

Growth

We anticipate overall sales growth for the full year FY05 to be in the low double digits due to the recent acquisition of ALH. Our long term objective remains in the upper single digits, given the continuation of current economic, business and retail conditions.

We see a considerable number of opportunities for continuing growth in both sales and earnings within our current business activities.

The Australian food, liquor and grocery (FLG) market continues to be very competitive by world standards. According to Dimasi Strategic Research, the Australian FLG market is approximately $75 billion. Of this market, Woolworths has 28.5% market share with the smaller chains together with other independent grocers and speciality food stores holding approximately 50%.

By world standards we have a relatively low share of the FLG market and in particular in the fresh food business. The majority of bread, meat, fruit and vegetables are sold through the independent retailers. We have a large proportion of our stores in the early stage of their life with significant potential for growth. We will continue to develop our fresh food business on the range, quality and strong brand position we already possess in this segment.

Following the ALH acquisition, there is still significant scope to grow our liquor and hotel businesses.

Our major emphasis is to continue to drive our core businesses to world class standards of execution at all levels. The Group over the last five years has established and grown numerous new categories, in particular, petrol, liquor, electronics and hotels, and has significantly expanded existing categories such as fresh offers including meat, seafood and produce. The Group is focused on continuing this successfully into the future; bringing to our customers diverse, interesting and wide ranges of merchandise, always fresh and at fair, low and consistent prices. Our range features the major industry brands and the Company's respected 'Fresh Food' offer. While retaining a strong commitment to branded merchandise, it must be recognised that Woolworths "Homebrand" continues to be Australia's largest supermarket grocery brand.

Woolworths is currently developing its own Premium private label range of merchandise. These products will be at least equal to or better than the best branded product in that category in terms of quality but at a lower price. These will commence rolling out during calendar 2005.

We will have a continued focus on improving in-store execution and service together with delivering best quality at the best prices.

The continued flow on effect of Project Refresh Level I and the success of Project Refresh Level II will deliver cost savings that will result in continuous reductions in prices to our customers.

The trend toward gradual deregulation of trading hours continues to assist sales.

It is anticipated that we will continue to open 15 to 25 supermarkets each year for the foreseeable future, which, together with the continued profitable expansion of existing stores should increase trading area by more than 3%. BIG W has the ability to expand its chain in the order of 6 to 10 stores each from 114 today, to at least 150. The Petrol business presently has 435 outlets and will grow to approximately 470 canopies. Dan Murphy's is expected to open between 6 and 12 destination liquor outlets per annum, with the opportunity to further expand our roll out programme given our recent acquisition of ALH. Our high sales per square metre makes our stores highly attractive to landlords. Our store expansion program is supported by detailed plans and strategies for the next two to three years.

The Group will continue to seek appropriate bolt-on acquisitions that are value accretive and fit overall strategy. The Group has a disciplined approach to any acquisition including rigorous financial disciplines. Over the last five years the Group has successfully acquired and integrated Franklins, Tandy and numerous liquor acquisitions including but not limited to Dan Murphy's, Booze Bros, Liberty Liquor, and Supa Cellars. We also entered into the MGW joint venture which has acquired 32 hotels and 116 liquor stores including 4 Dan Murphy's. More recently, we have acquired ALH which comprises of 266 retail outlets and 135 hotels and clubs.

ALH was a unique acquisition that provides an excellent platform for further growth. The strength of our balance sheet allows us to address acquisitions should they become available.

We remain confident that Woolworths will deliver its indicated growth targets to shareholders.

Current Trading and Future Outlook

Since year end, Food and Liquor sales growth has continued along similar trends to those seen during the second quarter, with comparable growth continuing to strengthen.

BIG W sales have improved, with January and February comparable store sales in excess of 3.5%.

Consumer electronics sales continue to remain strong since the end of the half year, with comparable store sales in the low double digits.

We anticipate overall Group sales growth for the full year FY05 to be in the low double digits after taking into account an expanded liquor and hotel business through Bruandwo (ALH, MGW, BMG).

We also anticipate that EBIT will continue to grow faster than sales in FY05.

Our long term EPS objective is to outperform EBIT growth, assisted by capital management. However, in circumstances where we undertake a major acquisition (such as ALH) which results in the need to defer our normal ongoing capital management initiatives for a period of time, EPS over this time will not necessarily outperform EBIT growth. Additionally, during the period 18.5 million shares were issued under the Woolworths Executive Option Plan.

With respect to our earnings guidance for the full year FY05, we anticipate that the increase in NPAT (including Bruandwo) will be in the 12-15% range. EPS after goodwill amortisation, will be in the low double digits. ALH, is expected to be EPS accretive for the full year.

This guidance is given subject to current retail trading patterns and the present business, competitive and economic climate continuing.

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Summary of Results
($ millions)

	HY04 Statutory (28 weeks)	HY05 Statutory (27 weeks)	HY05 Proforma[2] (28 weeks)	Change[2]
Sales				
Supermarkets and Liquor	11,860.0	12,090.5[1]	12,446.8	4.95%
Petrol	1,069.0	1,627.2	1,683.0	57.44%
Supermarkets Division	**12,929.0**	**13,717.7**	**14,129.8**	9.29%
BIG W General Merchandise [3]	1,559.0	1,669.9	1,669.9	7.11%
Consumer Electronics	487.0	545.8	565.1	16.04%
General Merchandise Division	**2,046.0**	**2,215.7**	**2,235.0**	9.24%
Hotels (ALH) [4]	-	97.5	-	-
Continuing Operations	**14,975.0**	**16,030.9**	**16,364.8**	9.28%
Wholesale Division	74.0	73.8	76.6	3.51%
Group Sales	**15,049.0**	**16,104.7**	**16,441.4**	9.25%
Margins				
Gross Profit	24.90%	24.51%	24.12%	-0.78%pts
Cost of Doing Business	20.82%	20.22%	19.92%	-0.90%pts
EBIT to sales	4.08%	4.29%	4.20%	+0.12%pts
Profit				
Earnings before interest, tax, depreciation amortisation & rent (EBITDAR)	1,241.3	1,359.4	1,363.9	9.88%
Property rent - base	349.9	377.8	379.9	8.56%
Property rent – turnover contingent	44.7	44.2	45.8	2.54%
Fitout rent	32.4	32.6	33.8	4.32%
Earnings before interest, tax, depreciation & amortisation (EBITDA)	**814.3**	**904.8**	**904.4**	11.06%
Depreciation	185.5	196.1	198.3	6.95%
Goodwill Amortisation	15.0	17.6	15.3	1.80%
Earnings before interest & tax (EBIT)	**613.8**	**691.1**	**690.7**	**12.54%**
WINS distribution	22.2	-	-	-100.00%
Net interest expense [5]	27.0	60.0	45.1	67.04%
Operating income tax expense	166.6	188.7	193.0	15.87%
Net operating profit after income tax	**398.0**	**442.4**	**452.6**	**13.72%**
Outside equity interests	(0.2)	(1.5)	(0.4)	100.00%
Total profit after tax, abnormal items & outside equity interests	**397.8**	**440.9**	**452.2**	**13.67%**
Funds employed	2,496.1	4,065.9	2,827.7	13.28%
ROFE	24.59	17.00	24.43	-0.16%pts
Fixed charges ratio (times)	2.59	2.61	2.67	
Weighted average ordinary shares on issue (million)	1021.4	1,037.7	1037.7	1.60%
Ordinary earnings per share (cents)	38.95	42.49	43.58	11.89%
Diluted earnings per share (cents)	38.50	42.32	43.40	12.73%
Earnings per share pre Goodwill (cents)	40.41	44.18	45.05	11.48%
Interim dividend per share (cents) [6]	21	24	24	14.29%

[1] Includes ALH retail liquor results for November and December 2004.
[2] Excluding ALH and adjusted to reflect a comparable 28 week half.
[3] Big W sales for this half and last half years have been based on a 27 week period.
[4] Represents ALH Hotel sales for November and December 2004.
[5] Interest capitalisation $5.7M (LY $2.1m).
[6] Interim dividend payable 29 April 2005 will be fully franked at 30%.

Group Balance Sheet as at 2 January 2005

	HY04 11 January 2004 $ Millions	HY05 2 January 2005 $ Millions
Funds Employed		
Inventory	2,042.7	2,441.8
Trade Payables	(2,032.4)	(2,913.5)
Net investment in inventory	10.3	(471.7)
Receivables	490.0	546.0
Other creditors	(1,203.3)	(1,400.8)
Working Capital	(703.0)	(1,326.5)
Fixed assets and Investments	2,636.0	3,413.9
Intangibles	563.1	1,978.5
Total Funds Employed	**2,496.1**	**4,065.9**
Net Tax Balances	43.7	98.0
Net Assets Employed	**2,539.8**	**4,163.9**
Net Repayable Debt	(608.2)	(2,315.3)
Net Assets	**1,931.6**	**1,848.6**
Perpetual notes (WIN's)	583.0	-
Outside Equity Interest	5.0	42.2
Shareholders Equity	1,343.6	1,806.4
Total Equity	**1,931.6**	**1,848.6**
Inventory Days (Based on COGS)	35.4	38.10
Creditor Days (Based on Sales)	42.1	50.6
Return on funds employed (ROFE)	24.59%	17.00%

GROUP CASH FLOW

	HY04 Statutory (28 weeks)	HY05 Statutory[1] (27 weeks)	HY05 Proforma[2] (28 weeks)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	814.3	904.8	904.4
Net interest paid (including WINs)	(51.3)	(65.7)	(50.8)
Taxation paid	(188.8)	(201.8)	(201.8)
Net reduction/(increase) in working capital [3]	(262.9)	48.6	(370.0)
Other non cash items	1.0	(3.5)	(3.5)
Total cash provided by operating activities	**312.3**	**682.4**	**278.3**
Acquisition of other businesses	(32.9)	(1,191.8)	(8.8)
Capital expenditure	(342.4)	(534.4)	(554.6)
Advances to/ repayments from associate (MGW)	-	-	-
Dividend received from related entities (MGW)	1.1	6.1	6.1
Proceeds on disposal of property plant & equipment	11.6	8.0	8.0
Payments for purchase of investments	-	-	-
Repayment of employee loans	6.9	8.3	8.3
Total cash used in investing activities	**(355.7)**	**(1,703.8)**	**(541.0)**
Free Cash	**(43.4)**	**(1,021.4)**	**(262.7)**

(1) Includes ALH results for November and December 2004 and Bruandwo interest and amortisation charges for the same period.

(2) Excluding Bruandwo and adjusted to reflect a comparable 28 week half.

(3) Half year cash flows typically show increases in working capital. This is due to seasonal factors which see inventory levels in June significantly lower than those in December. In HY05 there was one fewer payment run due to the reduction to 27 weeks and hence a higher number of creditors at 2 January 2005. This has been adjusted in the Proforma 28 week numbers.