

WOOLWORTHS LIMITED

ABN 88 000 014 675

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 4 JANUARY 2009

09

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This interim consolidated financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 29 June 2008 and any public announcements made by Woolworths Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

SHAREHOLDERS' CALENDAR 2009

March
16 Interest Payment on Woolworths Income Notes
27 Record date for Interim Dividend

April
17 Announcement of 3rd Quarter Sales Results
24 Payment of Interim Dividend

June
15 Interest Payment on Woolworths Income Notes

July
16 Announcement of 4th Quarter Sales Results

August
27 Preliminary Full Year Results and
Final Dividend Announcement

September
15 Interest Payment on Woolworths Income Notes

October
20 Announcement of 1st Quarter Sales Results
TBA Payment of Final Dividend

November
26 Annual General Meeting Sydney

December
15 Interest Payment on Woolworths Income Notes

Please note: Timing of events may be subject to change.

Shareholders' information
For any queries about your Woolworths shareholding please visit the Shareholder Centre at:

www.woolworthslimited.com.au

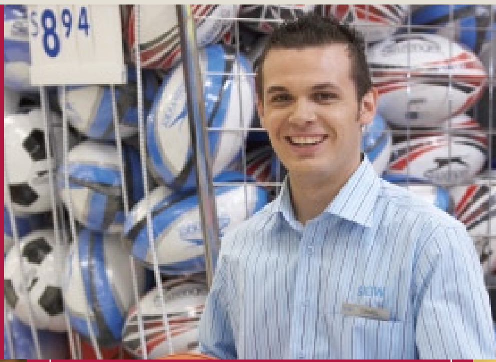
or contact:

Woolworths Limited Share Registry
c/- Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

Telephone: 1300 368 664
Facsimile: (02) 8234 5050
www.computershare.com.au

HIGHLIGHTS FOR THE HALF YEAR

8.8% ↑
Increase in sales to $26.1 billion



9.3% ↑
Increase in earnings per share to 80.9 cents

10.3% ↑
Increase in net profit after tax to $983.3 million

11.7% ↑
Increase in earnings before interest, tax, depreciation and amortisation

10.2% ↑
Increase in earnings before interest and tax to $1,515.2 million

9.1% ↑
Increase in interim dividend per share to 48 cents

HIGHLIGHTS FOR THE HALF YEAR

Achievements made in the half year were:

– Continuing **focus on our customers**, their evolving needs and expectations and converting this understanding into our stores by improving the shopping experience, improving our range and implementing new merchandising initiatives.

– **Reinvested in all our businesses.** In the first half of the financial year we opened 122 new stores and refurbished 190 stores. This investment is a key driver of our organic growth and it also creates employment opportunities in our stores for new staff and for the contracting companies undertaking the work.

– Significant **investment in price, range, merchandise and quality** across all brands. In the half year our gross margin declined, reflecting a significant level of price reinvestment. All businesses continued to invest significantly in price and continue to focus on delivering real value to our customers.

– The expansion of our range continues with our **Homebrand, Select, Freefrom, Naytura and Organics ranges** gaining strong customer acceptance. The growth in sales in private label products exceeds our overall grocery performance, which is a strong endorsement by our customers. We have gained the trust of our customers through a consistent quality and value message with strong repeat purchases.

– Our investment in our supply **chain continues to deliver financial benefits**. The intellectual property we have developed in our supply chain teams, IT systems and distribution centres is now being applied to other businesses in Woolworths, including New Zealand Supermarkets, BWS, Dan Murphy's, BIG W and Dick Smith Electronics.

– We opened two new **liquor distribution centres** in Sydney (July 2008) and Melbourne (September 2008) and completed the **rollout of AutoStockR** (store forecast based replenishment) into our Free Standing Liquor Stores (BWS and Dan Murphy's). These initiatives will deliver tangible benefits to the liquor business in the coming years.

– We have made good progress in **developing our customer engagement strategy**. The **"Everyday Rewards" program** is already proving to be very successful with 2.8 million cards registered. This program **replaces paper petrol dockets** with a convenient card-based system. The learnings from this activity are assisting us in directing relevant offers to a large portion of our customers. We have made and will continue to make progress on initiatives that are enhancing our understanding of what our customer wants. The strategic alliance linking our **"Everyday Rewards Card"** with Qantas Frequent Flyer will significantly enhance these capabilities.

– We continue to invest in our **financial services capabilities** with the launch of our **Everyday Money credit card** in September 2008. The strength of this offer was confirmed when it was awarded "Best Innovative Product for 2009" by Australian Money Magazine.

– New Zealand Supermarkets are being repositioned for future growth. The major business transformation involving the **conversion to Woolworths' core systems** has been completed on time which will provide the platform for this growth. This milestone and other initiatives currently underway provide a strong platform for this business moving forward.

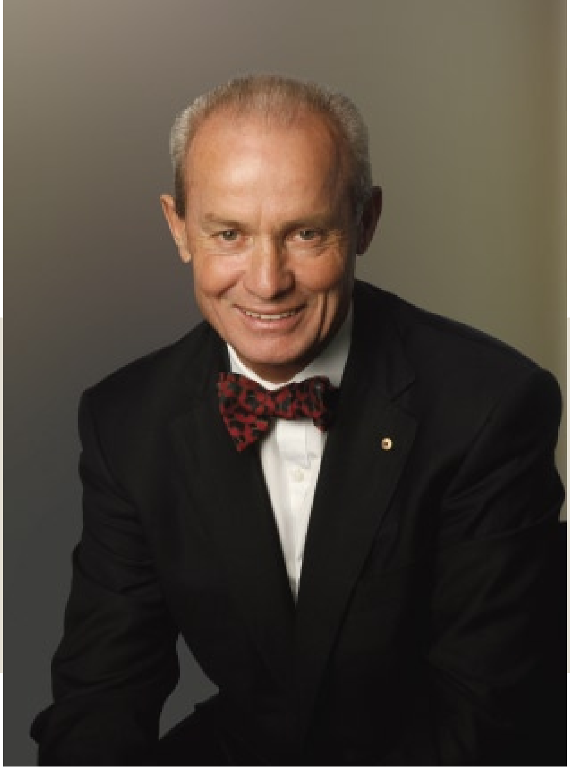
– The investment in our **BIG W business** continues to pay dividends with another strong result and demonstrates the attractiveness of our offer to our customers.

– In **Consumer Electronics** we are taking a similar path to that taken with our BIG W business and have completed a strategic review of this business. Results achieved in our new format Dick Smith stores have been extremely pleasing, reflecting strong customer acceptance of the new refreshed offer with rollout now underway.

We are confident that these initiatives will all contribute to driving future growth.

CHAIRMAN'S REPORT

	Interim Dividend per Share (cents)		Interim EBIT ($m)	
05	24	+14.3%	686.4	+11.8%
06	28	+16.7%	902.4	+31.5%
07	35	+25.0%	1,145.6	+27.0%
08	44	+25.7%	1,374.9	+20.0%
09	48	+9.1%	1,515.2	+10.2%



I am pleased to present the interim report for the half year ended 4 January 2009.

Continuing investment in our core businesses has been a key driver behind our steady growth this half, with an increase in Earnings Before Interest and Tax (EBIT) of 10.2%.

For many businesses, the current economic climate represents unchartered territory. In 85 years of operation, Woolworths has seen both good times and tough times, and our continued success is largely testament to the quality of the people we have working within the business.

Woolworths team of experienced retailers and management have an outstanding track record of improving performance and delivering growth. We remain well positioned to continue to deliver value to shareholders.

We will invest in our people, our stores and our communities, and will pursue new opportunities in areas which are complementary to our existing operations.

The ongoing focus on efficiency throughout our supply chain and stores will also provide us with significant competitive advantage in a challenging and competitive market.

On behalf of the Board, I extend to each member of the Woolworths team across Australia, New Zealand, India and Asia our thanks for their contribution to the continued success of the Group.

James Strong
Chairman

MANAGING DIRECTOR'S REPORT

	Interim EPS (cents)		Profit after tax and servicing Income Notes ($m)	
05	43.45	+7.5%	444.8	+11.8%
06	50.46	+16.1%	543.1	+22.1%
07	58.83	+16.6%	695.6	+28.1%
08	74.06	+25.9%	891.3	+28.1%
09	80.93	+9.3%	983.3	+10.3%

With over 23 million transactions taking place in our stores each week, Woolworths has a frontline view of the changing dynamics of the economy and how our customers are adapting.

The challenge for Woolworths is to continue to meet the changing needs of our customers and deliver value every time they walk into one of our stores. I am therefore pleased to announce a 10.3% increase in net profit after tax to $983.3 million for the half year – this is a solid result in a tightening economic environment and shows the capability of the entire Woolworths team.

In these tougher economic times, there is one thing that is crystal clear – we can never take our customers for granted. Our promise to our customers is that we will listen to what they want, offer them a quality shopping experience and deliver them value.

To achieve this, we will continue to invest in and improve our stores, focus on service, deliver quality products and provide the best possible price for our customers' everyday needs.

During the last six months, we launched a number of customer focused initiatives that will all contribute to driving future growth within our core business. Our first financial services product under our Everyday Money brand – The Everyday Money credit card – has been recognised as one of the most innovative products in the market. We also announced our intent to create a world-leading loyalty alliance to link our Everyday Rewards card with the Qantas Frequent Flyer program. This program will significantly enhance our customer engagement capability and provide further value to loyal customers across our brands.

We also undertook our first update to our flagship Supermarket brand in 21 years with the launch of Australia's new symbol for fresh food – our new Woolworths logo. Our Dick Smith brand has also been revamped with a contemporary new look to compliment our new store format and customer offer.

Over the next six months, we will continue to seek new growth opportunities to maintain the positive momentum in our business. We are well placed for future growth both organically and through acquisitions.

Retailing is a people focused business and our people are critical to our success. We will continue to develop talent within our business through apprenticeships and training and development programs.

This financial year we estimate that Woolworths will create 16,000 new jobs in local communities across Australia and New Zealand and we are committed to creating employment opportunities in the foreseeable future. By continuing to invest in new stores, we will also contribute to local economies indirectly through development of public infrastructure, the creation of jobs and opportunities for local tradespeople during store construction.

As we move into a difficult economic climate, I am confident we have a team that is well positioned to meet the challenges ahead in the best interests of the community, our shareholders and our customers.

Michael Luscombe
Managing Director
and Chief Executive Officer

DIRECTORS' REPORT

The directors of Woolworths Limited submit herewith the interim financial report for the half year ended 4 January 2009. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

Set out below are the names of the Woolworths Limited directors holding office during the entire half year ended 4 January 2009 and up to the date of this Report, unless otherwise stated.

J A Strong	Chairman
J F Astbury	
R S Deane	
D J Grady	
L M L'Huillier	
I J Macfarlane	
A M Watkins	
M G Luscombe	Chief Executive Officer and Managing Director
T W Pockett	Finance Director

BUSINESS PERFORMANCE

Australian Supermarket Division (including Liquor and Petrol)

	HY08	*HY09*	*Change*
Sales ($ million)	18,166.3	19,969.1	9.9%
Gross Margin (%)	23.69	23.71	2bps
Cost of Doing Business (%)	17.95	17.65	(30)bps
EBIT to sales (%)	5.74	6.06	32bps
EBIT ($ million)	1,042.2	1,209.9	16.1%
Funds Employed ($ million)	2,518.9	3,036.7	20.6%

For the half year, Australian Supermarket division sales increased 9.9%, of which Food and Liquor sales in Australia grew 9.0%. EBIT grew faster than sales, increasing by 16.1%. The Australian Supermarket division's EBIT margin increased from 5.74% last half year to 6.06% this half year, an increase of 32bps.

The result includes $10 million of transition costs (H1 2008: $20 million) associated with moving to our new supply chain arrangements, including our new liquor distribution centres (DCs) which were commissioned during this half year.

When the impact of incremental owned imported inventory is excluded, the reduction in average inventory days for the Australian Supermarket division was 0.6 days (0.1 including imported inventory). If we also exclude the impact of incremental inventory associated with the new liquor DCs, the reduction in average inventory would have been 0.9 days.

The increase in funds employed reflects the store openings and acceleration of refurbishment activity since 30 December 2007, the higher inventory levels associated with our new liquor distribution centres and the timing of period end close which impacted creditor balances.

Australian Food and Liquor

Australian Food and Liquor delivered another solid result with gains in customer numbers and market share leading to comparable sales growth of 6.6% during the half year. (HY08: 6.8%). Inflation levels were higher than last year at 4.1% (HY08: 2.0%).

The Supermarkets result for this half year reflects the success of a number of customer focused initiatives that have delivered further improvements in price, range, merchandise and quality. These include:

- the success of our new format 2010c stores, which deliver an improved shopping experience for our customers;
- our price rollback campaigns which deliver excellent value to our customers for an extended period (three or six months);
- the success of Woolworths private label. Our focus on product quality and value in high loyalty segments has delivered strong results. A greater focus by customers on value during tighter economic conditions has assisted our private label growth; and
- the continued reinvestment in price.

Gross margin has increased due to some of the above factors as well as the continued improvements in buying and the benefits flowing from the reduction of direct to store deliveries, particularly relating to our new liquor distribution centres.

Australian Food and Liquor has achieved a CODB reduction of in excess of 20bps per annum. This was achieved through cost control and fractionalisation of fixed costs through strong sales growth. CODB includes incremental operating expenditure associated with increased refurbishment activity.

During the half year, 15 new supermarkets were opened, compared with 19 in the first half last year. A further 11 stores are planned to be opened in the second half of the year.

Liquor

Dan Murphy's, BWS and attached liquor, all continue to perform very well with strong growth in both sales and profits. Group liquor sales (including ALH Group liquor sales) for the first half totalled $2.8 billion (HY08: $2.5 billion). We continue to expand our range of exclusive brands and control labels. In July 2008, we launched our own low-carb beer called "Platinum Blonde", which has performed very well.

Dan Murphy's opened nine stores in the half year, bringing the total number of Dan Murphy's stores to 97. A further seven stores are planned to be opened in the second half. We plan to have approximately 150 Dan Murphy's around Australia within the next three years. Dan Murphy's provides customers with excellent value for money, extensive product ranging, personalised service and expertise.

At the end of December 2008, Woolworths Limited operated 1,129 liquor outlets.

Petrol

Petrol sales for the half year were $3.1 billion, an increase of 15.0%. Petrol comparable sales increased by 11.2% during the half, with comparable volumes increasing 1.9%, reflecting the strength of our offer. Petrol pump prices reduced in the second quarter relative to last year (Q2 2009: $1.22/litre; Q2 2008: $1.31/litre).

At the end of the half year, there were 537 petrol stations including 133 Woolworths/Caltex alliance sites. We opened an additional 15 petrol canopies during the half year and plan to open five in the second half.

Petrol EBIT of $45.7 million increased by 5.1%. The EBIT margin decreased slightly from 1.6% to 1.5%, reflecting the high level of competition in the market.

An exciting initiative in our Petrol business that complements our new credit card is "epump". The credit card will have a high level of security which will enable the launch of a non-contact "pay at pump" facility called "epump" at Woolworths petrol locations. This will provide an exclusive convenience to our customers by reducing the time taken to fill up and pay, helping ease congestion at our popular sites. Trials of this initiative have commenced with rollout planned in 2009.

New Zealand Supermarkets (Progressive)

	HY08 NZD	HY09 NZD	Change
Sales ($ million)	2,483.8	2,571.0	3.5%
Gross Margin (%)	21.42	21.38	(4)bps
Cost of Doing Business (%)(1)	17.12	17.54	42bps
EBIT to Sales (%)(1)	4.30	3.84	(46)bps
Trading EBIT ($ million)	106.8	98.8	(7.5)%
Less intercompany charges ($ million)	(7.1)	(6.9)	(2.8)%
Reported EBIT ($ million)	99.7	91.9	(7.8)%
Funds Employed ($ million)	2,469.9	2,820.5	14.2%

(1) Excludes intercompany charges.

New Zealand Supermarkets achieved sales of NZD2.57 billion for the half year, which represents a 3.5% increase (1.2% decline in AUD) on the prior half year. Comparable sales for the half year were 3.0% (in NZD). Overall food inflation was 5.8% in the half (prior half year 2.7%).

The sales and EBIT performance reflects the tighter macroeconomic conditions in New Zealand, which we expect to continue in the near term.

Gross profit margins remained consistent with the first half of 2008 with continued reinvestment in price in the New Zealand market. We have made progress in reducing the price differential between our business and the equivalent offerings from our main competitor.

The CODB increase includes costs necessary for the rollout of new core systems including depreciation and the investment in training and support. In addition, we have increased the minimum youth wage and increased our post-retirement payments to contribute over and above the minimum obligation under the "Kiwisaver" scheme.

It was critical that we establish the right business platform from which to grow this business.

Key initiatives were completed within the three years we set ourselves from when we acquired the business. Most significant of these is the completion of the conversion to Woolworths' core systems. These core support systems include merchandising, front of store (point of sale), replenishment (StockSmart and AutoStockR) and finance. They will provide significant opportunities to improve store and distribution efficiencies, thereby reducing costs and achieve greater levels of in stock performance and overall merchandising improvements. This combined with the other areas of focus (below) will underpin growth in future years in the New Zealand Supermarkets business.

– **Improvements to range:** The Select, Naytura, Organics and Freefrom ranges are being gradually introduced into New Zealand. The Homebrand rollout is complete and has been well received by customers.

– **Improvements to store layouts and merchandising:** We have initiated a major refurbishment program to improve our offer to customers. Our 2010c format store has been very successful in Australia and we have commenced its rollout in New Zealand. We are very pleased with the performance of our initial trial stores in Greenlane and Botany Downs in Auckland, and plan to have a further seven stores in this format by the end of the financial year. In addition, 31 stores have been fitted with Woolworths' standard racking which allows stores to carry an increased range. A further 18 stores are planned to be re-racked in the second half of the financial year.

– **Supply chain strategy:** We have developed a supply chain strategy for New Zealand that will improve the service and cost performance of our logistics operations which will be progressively implemented over the next three years.

– **Improvements to property pipeline:** To date our property team has identified and secured 18 sites for future development. During the half year we closed two stores and plan to open three stores in the second half of the financial year. Improvements in the trading area are also expected in 2009, through expansion and refurbishments.

BIG W

	HY08	*HY09*	*Change*
Sales ($ million)	2,186.6	2,405.8	10.0%
Gross Margin (%)	30.10	28.89	(121)bps
Cost of Doing Business (%)	24.19	22.98	(121)bps
EBIT to sales (%)	5.91	5.91	–
EBIT ($ million)	129.2	142.2	10.1%
Funds Employed ($ million)	307.3	533.9	73.7%

BIG W has delivered an excellent first half result with the division reporting double digit growth in both revenue and earnings. Sales grew by 10.0% during the half year with comparable store sales increasing by 5.6%. EBIT has grown faster than sales, increasing by 10.1%.

This result demonstrates the attractiveness of our offer to our customers. A significant amount of changes have been made to this business over the last three years to reposition the offer and improve the shopping experience for our customers. BIG W has had nine consecutive quarters of positive comparable sales results which is a clear endorsement by our customers of the improvements that we have made.

Our offer was well placed to take advantage of the government stimulus package in December 2008. Results in childrenswear, everyday needs and home entertainment categories were particularly pleasing.

During the half year, we continued the acceleration of our refurbishment activities, completing 11 stores (H1 2008: 11) and retrofitting a number of our key merchandising initiatives across our network. By the end of the current financial year we plan to have implemented these initiatives in approximately 80% of our network of stores.

We continue to maintain BIG W's everyday low price position and continue to lead the market on price. The decrease in gross margin of 121bps reflects changes in sales mix, significant price reinvestment in a number of key areas and the decline in the Australian dollar. Opportunities to offset the decline in the Australian dollar through further volumes in our overseas buying offices and reductions in other input costs remain (including fuel and overseas logistics costs). The significant investment in price was made possible by a continued emphasis on cost control, which is reflected in the reduction in CODB of 121bps.

The increase in funds employed reflects the store openings and acceleration of refurbishment activity since 30 December 2007 and is distorted by the timing of period end close impacting creditor balances, offset by the improved inventory levels.

Average inventory levels were well managed being 3.2 days lower than last year (3.0 days when incremental indent is included). Seasonal stock levels are significantly better than December 2007.

Four BIG W stores were opened in the half year, taking the total number of stores in the division to 155. We plan to open one additional new store in the second half.

Consumer Electronics (Australia and New Zealand)[(1)]

	HY08	*HY09*	*Change*
Sales ($ million)	769.0	838.9	9.1%
Gross Margin (%)	27.39	25.59	(180)bps
Cost of Doing Business (%)	21.79	21.82	3bps
EBIT to sales (%)	5.60	3.77	(183)bps
EBIT ($ million)	43.1	31.6	(26.7)%
Funds Employed ($ million)	270.8	343.5	26.8%

(1) Excludes India sales and costs – refer below.

Consumer Electronics reported solid sales growth for the half year with sales for the half year reaching $838.9 million, up 9.1% on last half year and comparable store sales increasing by 5.8% (normalised for movements in exchange rates).[(2)]

Earlier this year we commenced a review of the positioning and ranging within this business and having completed this review we have commenced implementing a number of key findings from this strategic review. These include:

– **Rollout of new format store:** Results achieved in our new format Dick Smith stores have been extremely pleasing, reflecting strong customer acceptance of the new refreshed offer. Comparable sales growth in the 33 stores we have completed was well in excess of the network. We plan to have 79 stores in this new format by the end of this financial year.

– **Improvements to our range:** As we did in BIG W, we have commenced repositioning our range to be more relevant to the consumer.

– **New price promise:** "Best price and you'll pay no more for the right advice" builds on an existing strength being our product knowledge and expert advice and reinforces the value of our offering.

– **New branding:** We have commenced the rollout of a more contemporary logo and signage across the business. The "Dick Smith – Talk to the Techxperts" logo and signage has a more contemporary look and feel and is being rolled out across our network. Over the next two years we will transition out of the Powerhouse and Tandy brands and consolidate under Dick Smith.

– **Investment in our people:** Improvements in recruitment, retention initiatives, training and support for our people are underway. A new staff training program focused on sales techniques and customer service has delivered genuine results ensuring our staff are trusted and knowledgeable.

Gross margins have declined 180bps as we transition out of certain categories and experience both changes in sales mix and a highly competitive market. Costs remain well controlled with a modest increase of 3bps.

29 Dick Smith Electronics stores and 3 Powerhouse stores were opened during the half taking total stores to 433. Average inventory levels were up 0.2 days from that last year.

The increase in funds employed reflects the store openings and acceleration of refurbishment activity since 30 December 2007 and is distorted by the timing of period end close which impacted creditor balances.

Consumer Electronics (India)

Our business venture with TATA in India now services 26 retail stores operating under the Croma brand and has produced sales of $90 million and an operating loss of $2.7 million for the half year. The business is performing in line with expectations. As part of this venture Woolworths Limited provides buying, wholesale, supply chain and general consulting services to TATA.

(2) Unadjusted for exchange rate movements, comparable sales for the half year were 4.7%.

Hotels

	HY08	*HY09*	*Change*
Sales ($ million)	586.1	591.9	1.0%
Gross margin (%)	82.27	83.17	90bps
Cost of Doing Business (%)	61.69	62.03	34bps
EBIT to sales (%)	20.58	21.14	56bps
EBIT ($ million)	120.6	125.1	3.7%

Our Hotels business enjoyed modest growth with sales in the first half increasing by 1.0% to $592 million, a good result relative to the sector performance. Comparable sales increased by 0.1% during the half year. Comparable gaming sales for the half were 2.4% (H1 2008: 3.7%).

EBIT grew faster than sales, increasing by 3.7%. This is a pleasing result, which shows the strength of our hotel portfolio and the capability and experience of our management team.

Gross margins have increased 90bps, reflecting the shift in sales mix, with gaming revenues improving as we cycle the introduction of smoking bans.[1]

CODB has increased 34bps, reflecting higher depreciation offset by continued emphasis on cost control at a venue level.

A further seven properties were added to the portfolio in the half taking the total hotels and clubs to 276 and a total of 1,377 accommodation rooms.

(1) Note: Full smoking bans were introduced into South Australia from 31 October 2007. Full smoking bans were applied in NSW and Victoria from 1 July 2007. Full smoking bans were previously in force in Queensland, Western Australia and Tasmania.

Central Overheads, Net Property Income

Central overheads have increased $5.3 million and include costs associated with various business development activities.

The reduction in the result reported for the Property division reflects the profit on sale of certain properties in the prior year of $9.2 million (2009: Nil).

It should be noted that the full year result in 2008 included profits on sale of certain properties totalling $49.7 million which are not expected to reoccur in the current environment.

Net Financing Costs and Tax Expense

Net Financing costs of $101.5 million has increased from the prior half year ($91.3 million), mainly reflecting the increased capital expenditure over the last year.

Tax expense has remained constant at 29.4%.

Supply Chain and Logistics Initiatives

Woolworths has completed a substantial proportion of the end-to-end supply chain program in Australian Supermarkets. The intellectual property we have developed in our supply chain teams, IT systems and DCs is now being applied to other businesses in Woolworths, including New Zealand Supermarkets, Liquor, BIG W and Dick Smith Electronics.

The principal systems that have driven the transformation of our supply chain are: StockSmart (DC forecast based replenishment), AutoStockR (store forecast based replenishment), Warehouse Management Systems and Transport Management Systems. These systems have clearly improved productivity enabling higher levels of "in stock" performance.

Supermarket DCs have been reduced from 31 DCs to seven Regional Distribution Centres (RDCs), two National Distribution Centres (NDCs) and two Liquor Distribution Centres. The development of our Supermarkets' supply chain is now largely complete, with the opening of our largest DC in Brisbane in March 2007. In Victoria, the Chilled and Frozen supply chain arrangements with an external provider have been confirmed until 2013.

The financial benefits of this program will continue over future years as the DC infrastructure reaches mature efficiency levels and we put the transition costs behind us. The DCs located in Perth, Adelaide, Wyong and Wodonga are already exceeding their initial projected business case. These benefits will underpin our targeted reduction in CODB of 20bps per annum (excluding Petrol and Hotels).

For stores, the introduction of time phased replenishment, store restocking capabilities along with store ready unit load devices such as shelf ready trays and roll cages, is reducing overall costs. We have engaged an external provider to continue the rollout of produce crates in our stores commencing in the first half of the 2009 calendar year.

The efficiency of inbound freight is being improved by Woolworths' management of inbound freight volumes into DCs by using our Transport Management System (TMS). Woolworths transport for inbound freight has been very effective, outperforming industry benchmarks.

Liquor

We have commissioned new liquor distribution centres in Melbourne and Sydney and we have completed the rollout of AutoStockR (store forecast based replenishment) into our Free Standing Liquor Stores (BWS and Dan Murphy's). These initiatives will deliver tangible benefits to the liquor business in the coming years.

We have identified an opportunity to consolidate our Liquor distribution for South East Queensland into a Liquor DC located in the Brisbane area and are sourcing a suitable location.

BIG W

The Quicksilver program has been established in BIG W to develop our end-to-end supply chain capabilities that will support the business's growth to over 200 stores. The initiatives currently underway include:

- design and developing the third BIG W distribution centre;
- developing and implementing more advanced store forecast based replenishment systems that build on the capabilities of AutoStockR; and
- developing our capabilities in overseas logistics.

Quicksilver is a business transformation program that focuses on the effectiveness of the end-to-end flow of merchandise through our business.

Dick Smith Electronics

We will explore opportunities for improvement in our Consumer Electronics business as a result of the strategic review process. As part of this review, a new national distribution centre is being considered.

We currently have four distribution centres operating in India.

Global Sourcing

We have made significant progress in developing our global sourcing strategy that will provide the platform for future growth in direct sourcing. This strategy encompasses effective buying, efficient management and control of inventory, focus on product quality and key ethical sourcing considerations.

Our global sourcing offices in Hong Kong and Shanghai are operating well with 80 staff in place currently.

Balance Sheet and Cash Flow

Cash flow provided by operating activities was impacted by the timing of the period end close (HY09 (4 Jan 09); HY08 (30 Dec 07)) which has distorted the result. In the prior year this resulted in a higher creditors balance and this year had the opposite effect of having a lower creditors balance.

In the prior half year we stated that if we normalised for the timing impact of period end creditor payments, cash flows from operating activities would have more closely approximated EBITDA growth.

After adjusting for this timing impact, cash flows provided by operating activities were flat, reflecting higher interest payments (on higher debt levels to fund planned capital expenditure) and higher tax payments (due to a higher level of tax instalments and a one off tax deduction taken last year).

Cash used in investing activities was up $184 million to $998 million as a result of increased capital expenditure primarily due to the increased investment in our business, in particular the acceleration of our refurbishment activity.

For the full year, we expect to fund capital expenditure and dividend payments out of cash flows from operating activities with only a small drawdown on debt required.

Key balance sheet movements are explained as follows:

- Inventory growth of 8.0% (HY08 to HY09) compares favourably to the sales growth of 8.8% and includes the impact of higher indent stock levels and additional inventory associated with the new liquor distribution centres.
- Trade payables are lower relative to December 2007 and have been distorted by the timing of period end close.
- Other creditors have increased by $231.3 million compared to December 2007, reflecting increases in employee provisions, superannuation liabilities and general accruals.
- Negative working capital of $2,373.8 million is consistent with the June 2008 position.
- Net repayable debt (which includes cash) has increased by $218.9 million since June 2008 to $2,400.0 million, reflecting the increased capital expenditure activity and the timing of period end close.
- Part of the increase in borrowings is the mark to market of the USD debt (movement HY09 to HY08 $341 million). Whilst this is fully hedged the equivalent movement in the hedging asset is recorded in hedge assets and liabilities.
- Fixed assets and investments have increased, reflecting capital expenditure for the half year offset by depreciation.

The carrying value of our property and intangible assets has been reviewed for impairment with no issues identified.

Capital Management

Objectives

Woolworths currently sets its capital structure with the objectives of enhancing shareholder value through optimising its weighted average cost of capital whilst retaining flexibility to pursue growth and capital management opportunities. Consistent with these objectives, Woolworths has targeted, achieved and maintained its credit ratings of A- from Standard & Poor's and A3 from Moody's Investor Services.

Capital Returns

To the extent consistent with these objectives and target ratings, Woolworths undertakes capital return strategies that seek to increase EPS and distribute franking credits to shareholders, mainly through ordinary dividends and share buybacks. Since 2002, over $5,700 million, comprising off and on-market buybacks and dividends, has been returned to shareholders (including the interim dividend payable in April 2009).

Woolworths' capital management strategy has enhanced EPS growth whilst allowing Woolworths to take advantage of growth opportunities.

Capital management remains a matter constantly under review; however, given the current uncertainty in the debt and equity markets, it is considered more prudent to defer any capital management initiatives at this time.

Franking credits available for distribution after 30 December 2008 are estimated to be $1,094 million (following payment of the interim dividend in April 2009).

The maturity profile of our debt facilities is such that there is no immediate need to refinance any long-term debt in the current financial year, with the next maturity being in 2011. To further strengthen our financial position we will replace uncommitted working capital facilities with committed facilities in the near future.

Current Trading

Trading overall, in the third quarter has continued along similar trends to that experienced in the first half.

Each of our businesses has the flexibility to adapt to further changes in the economic environment. We have completed a review of capital expenditure plans and are committed to the continued investment in new stores and refurbishments across all our businesses. Capital expenditure that is more discretionary in nature has been deferred or ceased.

Future Outlook

We are mindful that discretionary spending continues to be influenced by macroeconomic factors and by recent events in global financial markets. Factors such as inflation, fluctuating petrol prices, interest rates (including the non-cash impact on certain discounted balance sheet provisions), rising unemployment and consumer confidence levels are very difficult to predict in the current environment.

Subject to the uncertainty regarding these factors:

We expect sales from continuing operations to grow in the upper single digits (excluding Petrol Sales) on a 52 week basis.

We expect that EBIT will continue to grow faster than sales in FY09.

We expect net profit after tax for FY09 to grow in the range of 11% to 14% (on a 52 week comparative basis) or 9% to 12% on a 52 vs. 53 week basis.

Rounding of Amounts

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998, relating to the "rounding off" of amounts in Financial Reports and Directors' Reports. In accordance with that Class Order, amounts therein have been rounded off to the nearest tenth of a million dollars except where otherwise indicated.

Lead Auditor's Independence Declaration under section 307c of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 18 and forms part of the Directors' Report for the 27 weeks ended 4 January 2009.

This Report is made in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the *Corporations Act 2001* and is signed for and on behalf of the Board this 27th day of February 2009.

James Strong

JAMES STRONG
Director

MICHAEL LUSCOMBE
Managing Director and
Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Board of Directors
Woolworths Limited
1 Woolworths Way
Bella Vista NSW 2153

27 February 2009

Dear Board Members

Woolworths Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Woolworths Limited.

As lead audit partner for the review of the financial statements of Woolworths Limited for the 27 weeks ended 4 January 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rod Smith
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1217 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent Auditor's Review Report to the Members of Woolworths Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Woolworths Limited, which comprises the balance sheet as at 4 January 2009, and the income statement, cash flow statement, statement of recognised income and expense for the 27 weeks ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the period or from time to time during the period as set out on page 21 and pages 27 to 34.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 4 January 2009 and its performance for the 27 weeks ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Woolworths Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF WOOLWORTHS LIMITED

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Woolworths Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 4 January 2009 and of its performance for the 27 weeks ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rod Smith
Partner
Chartered Accountants
Sydney, 27 February 2009

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

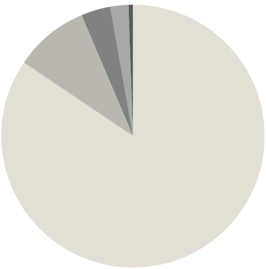
On behalf of the Directors

JAMES STRONG
Chairman

MICHAEL LUSCOMBE
Managing Director
and Chief Executive Officer

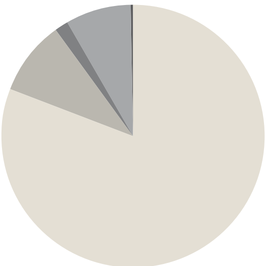
27 February 2009

SEGMENT ANALYSIS AND STORES



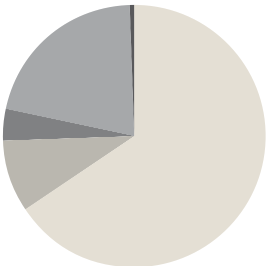
SEGMENT SALES

- 84.6% Supermarkets
- 9.2% BIG W
- 3.6% Consumer Electronics
- 2.3% Hotels
- 0.3% Wholesale



EBIT – RETAIL OPERATIONS

- 81.1% Supermarkets
- 9.0% BIG W
- 1.8% Consumer Electronics
- 7.9% Hotels
- 0.2% Wholesale



SEGMENT ASSETS

- 65.8% Supermarkets
- 8.8% BIG W
- 3.8% Consumer Electronics
- 21.1% Hotels
- 0.5% Wholesale

STORE ANALYSIS

Total number of stores at 4 January 2009

Supermarket division	
Supermarkets in Australia	792
Supermarkets in New Zealand (incl. franchise)	199
Total Supermarkets	**991**
Freestanding Liquor (including Dan Murphy's)	250
ALH Retail Liquor Outlets	453
Caltex/Woolworths Petrol	133
WOW Petrol – Australia	404
WOW Petrol/Convenience – New Zealand	22
Total Supermarket Division	**2,253**
General Merchandise	
BIG W	155
Dick Smith Electronics	313
Dick Smith Powerhouse	23
Tandy	97
Total General Merchandise Division	**588**
Hotels (includes 8 clubs)	276
Total Group	**3,117**
Trading Area (sqm)	
Supermarket Division – Australia(1)	1,990,804
Supermarket Division – New Zealand(2)	299,534
General Merchandise(3)	1,026,511

(1) Australian Supermarkets Division trading area (excluding Petrol and ALH BWS outlets and including Australian ex-FAL stores) has increased by 2.32% (HY08: 2.68%).
(2) Excludes Gull and franchise stores.
(3) Excludes Woolworths India.

FIVE YEAR SUMMARY

Weeks	*A-IFRS H-2009 27*	*A-IFRS H-2008 27*	*A-IFRS H-2007 27*	*A-IFRS H-2006 27*	*A-IFRS H-2005 27*
PROFIT AND LOSS					
Sales ($m)					
Food and Liquor[1]	**19,029.6**	17,653.4	16,329.5	13,938.5	12,090.5
Petrol	**3,071.8**	2,671.0	2,509.8	2,205.9	1,627.2
Total Supermarkets	**22,101.4**	20,324.4	18,839.3	16,144.4	13,717.7
BIG W	**2,405.8**	2,186.6	1,933.5	1,796.4	1,669.9
Consumer Electronics[2]	**928.8**	814.7	703.4	641.0	545.8
General Merchandise	**3,334.6**	3,001.3	2,636.9	2,437.4	2,215.7
Hotels	**591.9**	586.1	539.8	405.9	97.5
Continuing operations	**26,027.9**	23,911.8	22,016.0	18,987.7	16,030.9
Wholesale	**86.0**	80.4	76.2	74.8	73.8
Total Group	**26,113.9**	23,992.2	22,092.2	19,062.5	16,104.7
Earnings Before Interest and Tax ($m)					
Food and Liquor[1]	**1,232.6**	1,085.3	906.2	681.0	553.1
Petrol	**45.7**	43.5	41.9	22.4	22.2
Total Supermarkets	**1,278.3**	1,128.8	948.1	703.4	575.3
BIG W	**142.2**	129.2	107.6	104.5	100.6
Consumer Electronics[2]	**28.9**	40.8	38.6	36.9	31.2
General Merchandise	**171.1**	170.0	146.2	141.4	131.8
Hotels	**125.1**	120.6	109.5	81.2	7.3
Total trading operations	**1,574.5**	1,419.4	1,203.8	926.0	714.4
Net property income/(expense)	**(0.8)**	8.9	(9.9)	17.3	10.8
Head office overheads	**(60.9)**	(55.6)	(49.6)	(41.7)	(40.2)
Total unallocated[3]	**(61.7)**	(46.7)	(59.5)	(24.4)	(29.4)
Continuing operations	**1,512.8**	1,372.7	1,144.3	901.6	685.0
Wholesale	**2.4**	2.2	1.3	0.8	1.4
Total Group	**1,515.2**	1,374.9	1,145.6	902.4	686.4
EBIT to Sales (%)					
Supermarkets	**5.78**	5.55	5.03	4.36	4.18
BIG W	**5.91**	5.91	5.57	5.82	6.03
Consumer Electronics	**3.11**	5.01	5.49	5.76	5.72
Hotels	**21.14**	20.58	20.29	20.01	7.49
Wholesale	**2.79**	2.74	1.71	1.12	1.95
Total	**5.80**	5.73	5.19	4.73	4.26
PROFIT AND LOSS DETAIL ($m)					
Sales	**26,113.9**	23,992.2	22,092.2	19,062.5	16,104.7
Cost of goods sold	**(19,503.0)**	(17,860.3)	(16,523.2)	(14,331.1)	(12,158.0)
Gross profit	**6,610.9**	6,131.9	5,569.0	4,731.4	3,946.7
Gross profit margin (%)	***25.32***	*25.56*	*25.21*	*24.82*	*24.51*
Cost of doing business (CODB)	**(5,095.7)**	(4,757.0)	(4,423.3)	(3,829.0)	(3,260.1)
CODB (%)	***19.52***	*19.83*	*20.02*	*20.09*	*20.25*
Selling, general and admin expenses (excluding, rent, Depreciation & amortisation)	**(4,010.3)**	(3,785.5)	(3,496.1)	(3,053.7)	(2,613.3)
EBITDAR	**2,600.6**	2,346.4	2,072.9	1,677.7	1,333.2
EBITDAR margin (%)	***9.96***	*9.78*	*9.38*	*8.80*	*8.28*
Rent (including fitout rent)	**(712.9)**	(656.5)	(631.8)	(522.9)	(451.8)
EBITDA	**1,887.7**	1,689.9	1,441.1	1,154.8	881.4
EBITDA margin (%)	***7.23***	*7.04*	*6.52*	*6.06*	*5.47*
Depreciation	**(372.5)**	(315.0)	(295.5)	(252.4)	(195.0)
EBIT	**1,515.2**	1,374.9	1,145.6	902.4	686.4
EBIT margin (%)	***5.80***	*5.73*	*5.19*	*4.73*	*4.26*
Interest and other net financing costs	**(75.8)**	(66.9)	(108.7)	(88.3)	(33.2)
WINs and Woolworths Notes interest	**(25.7)**	(24.4)	(22.4)	(23.8)	(23.2)
Profit before tax	**1,413.7**	1,283.6	1,014.5	790.3	630.0
Taxation	**(415.3)**	(377.6)	(305.9)	(241.1)	(186.1)
Profit after tax	**998.4**	906.0	708.6	549.2	443.9
Minority interest	**(15.1)**	(14.7)	(13.0)	(6.1)	0.9
Profit attributable to members of Woolworths Limited after tax	**983.3**	891.3	695.6	543.1	444.8

FIVE YEAR SUMMARY

Weeks	A-IFRS H-2009 27	A-IFRS H-2008 27	A-IFRS H-2007 27	A-IFRS H-2006 27	A-IFRS H-2005 27
BALANCE SHEET ($m)					
Funds employed					
Inventory	**3,488.5**	3,230.3	3,043.3	2,832.1	2,433.7
Accounts Payable	**(4,270.3)**	(4,553.6)	(3,792.8)	(3,484.2)	(2,913.5)
Net investment in inventory	**(781.8)**	(1,323.3)	(749.5)	(652.1)	(479.8)
Fixed assets and investments	**6,393.5**	5,278.9	4,643.2	4,502.4	3,259.2
Intangibles	**4,971.2**	5,041.9	4,947.4	4,557.2	1,990.5
Receivables	**736.2**	699.4	748.2	543.7	464.1
Other creditors	**(2,328.2)**	(2,096.9)	(1,985.7)	(1,695.6)	(1,434.5)
Total funds employed[4]	**8,990.9**	7,600.0	7,603.6	7,255.6	3,799.5
Net tax balances	**176.2**	97.5	212.7	209.9	131.7
Net assets employed	**9,167.1**	7,697.5	7,816.3	7,465.5	3,931.2
Net repayable debt[5]	**(2,400.0)**	(1,501.9)	(2,516.5)	(3,411.9)	(2,314.8)
Net assets	**6,767.1**	6,195.6	5,299.8	4,053.6	1,616.4
Minority shareholders' equity	**247.3**	239.8	235.2	223.8	32.8
Shareholders' equity	**6,519.8**	5,955.8	5,064.6	3,829.8	1,583.6
Total equity	**6,767.1**	6,195.6	5,299.8	4,053.6	1,616.4

CASH FLOW ($m)					
EBITDA	**1,887.7**	1,689.9	1,441.1	1,154.8	881.4
Movement in net investment in inventory	**(90.4)**	787.6	279.0	246.1	67.3
Other operating cash flows	**110.4**	(111.6)	71.4	(40.5)	1.2
Net interest paid (including cost of income notes)	**(123.7)**	(112.1)	(129.9)	(113.3)	(65.7)
Tax paid	**(456.8)**	(301.3)	(252.1)	(229.2)	(201.8)
Operating cash flow	**1,327.2**	1,952.5	1,409.5	1,017.9	682.4
Payments for property, plant and equipment	**(913.0)**	(719.1)	(551.7)	(791.1)	(534.4)
Proceeds on disposal of property, plant and equipment	**11.9**	109.5	584.4	288.4	8.0
Major acquisitions debt funded	–	–	–	(895.7)	(1,191.8)
Other investing cash flows	**(96.7)**	(204.5)	(293.0)	(73.1)	6.0
Free cash flow	**329.4**	1,138.4	1,149.2	(453.6)	(1,029.7)
Movement in gross debt	**319.9**	(279.4)	(909.9)	699.7	1,207.2
Dividends paid	**(502.7)**	(402.1)	–	–	(201.9)
Dividends paid to minority interests	**(17.7)**	(14.3)	(7.7)	–	–
New shares issued	**69.4**	68.7	46.1	26.6	104.5
Effects of exchange rate changes on balance of cash held in foreign currencies	**7.1**	(0.2)	3.3	–	–
Net cash flow	**205.4**	511.1	281.0	272.7	80.1

FIVE YEAR SUMMARY

Weeks	*A-IFRS H-2009 27*	*A-IFRS H-2008 27*	*A-IFRS H-2007 27*	*A-IFRS H-2006 27*	*A-IFRS H-2005 27*
SHAREHOLDER VALUE					
ROFE (Pre-tax return on funds employed) (%)[6]					
Normal	**17.51**	17.85	14.87	15.71	23.04
Du Pont Analysis (abnormals excluded) (%)					
EBIT to sales	**5.80**	5.73	5.19	4.73	4.26
Service burden[7]	**93.30**	93.36	88.56	87.58	91.79
Tax burden[8]	**70.62**	70.58	69.85	69.50	70.47
Asset turn[9]	**1.50**	1.49	1.50	1.41	1.83
Financial leverage[10]	**2.67**	2.70	2.90	3.53	5.56
Return on equity[11]	**15.08**	14.97	13.74	14.18	28.09
Earnings Per Share					
Ordinary share price closing ($)	**26.11**	33.90	23.90	16.85	15.01
Market capitalisation ($m)	**31,994.1**	41,174.0	28,772.6	19,610.1	15,670.4
Weighted average shares on issue	**1,215.1**	1,203.4	1,182.6	1,076.3	1,023.8
Normal basic EPS[12]	**80.93**	74.06	58.83	50.46	43.45
Interim dividend ($m)[13]	**588.3**	534.5	421.7	326.3	251.0
Interim dividend (cents per share)	**48.0**	44.0	35.0	28.0	24.0
Payout ratio (%)	**59.83**	59.96	60.62	60.07	56.44
Price/cash flow ratio (times)	**23.95**	20.89	20.05	17.93	22.74
Growth rates (% increase)					
Sales	**8.84**	8.60	15.89	18.37	7.01
Sales per equivalent week	**8.84**	8.60	15.89	18.37	9.25
EBITDA	**11.70**	17.26	24.79	31.01	8.25
EBIT	**10.20**	20.01	26.95	31.47	11.83
Profit before tax	**10.14**	26.52	28.38	25.45	11.58
Normal basic EPS	**9.28**	25.90	16.58	16.48	10.06
FINANCIAL STRENGTH					
Service cover ratio (times)[14]	**14.93**	15.06	8.74	7.97	11.05
Fixed charges cover (times)[15]	**3.08**	3.06	2.74	2.64	2.59
Sales to inventory[16]	**8.04**	7.65	7.52	7.24	7.20
Capital expenditure to EBITDA (%)	**48.36**	42.55	38.28	43.53	59.71
Operating cash flow per share	**1.09**	1.62	1.19	0.94	0.66
Serviced gearing (%)[17]	**26.18**	19.51	32.20	45.70	59.38
Current assets to current liabilities (%)	**73.99**	77.99	78.00	72.93	68.80

FIVE YEAR SUMMARY
NOTES TO STATISTICS

1 Includes FAL results since 2 November 2005 and Taverner retail results from 6 February 2006.

2 Includes India wholesale results since October 2006. (HY09 Sales $89.8 million, EBIT (–$2.7 million), HY08 Sales $45.6 million EBIT (–$2.3 million).)

3 Unallocated expense represents corporate costs relating to the Woolworths Group as a whole, and income and expense derived by the Group's corporate property division including the disposal of development properties. These amounts are not identifiable against any particular operating segment and accordingly they remain unallocated, as required by Accounting Standard AASB 114 Segment Reporting.

4 Funds employed is net assets excluding net tax balances, provision for dividends, net debt, and assets and liabilities as a result of hedging per AASB 139 Financial Instruments: Recognition and Measurement.

5 Net repayable debt is gross debt less cash on hand, cash at bank, cash on short-term deposit and includes hedge assets and liabilities.

6 Return on funds employed (ROFE) is EBIT as a percentage of average (of opening and closing) funds employed for the year.

7 Service burden is net operating profit before income tax expressed as a percentage of EBIT before abnormal items.

8 Tax burden is normal profit after income tax expressed as a percentage of normal profit before income tax.

9 Asset turn is total sales divided by total assets for the half year.

10 Financial leverage is total assets divided by total shareholders' funds for the half year.

11 Return on equity is profit after income tax attributable to shareholders, divided by shareholders' funds at the end of the period.

12 Normal basic earnings per share (Normal EPS) is profit after tax and servicing Hybrid Notes before abnormal items divided by the weighted average number of ordinary shares on issue during the period. The weighted average number of shares on issue has been calculated in accordance with Accounting Standard AASB 133 Earnings per Share.

13 The current year figure represents the dividend value given the shares on issue as at balance date. This figure will change if there are any shares issued between balance date and the ex-dividend date.

14 Service cover ratio is EBIT divided by the sum of net financing cost and Hybrid Notes interest.

15 Fixed charges cover is rent and interest costs divided by EBITDAR. It excludes foreign exchange gains/losses and dividend income.

16 Sales to inventory is total sales divided by average (of opening and closing) inventory.

17 Serviced gearing is net repayable debt divided by net repayable debt plus total equity.

INTERIM CONSOLIDATED INCOME STATEMENT

For the 27 weeks ended	*4 Jan 2009 $m*	*30 Dec 2007 $m*
Revenue from the sale of goods	**26,113.9**	23,992.2
Other operating revenue	**58.3**	64.8
Total revenue from operations	**26,172.2**	24,057.0
Cost of sales	**(19,561.3)**	(17,925.1)
Gross profit	**6,610.9**	6,131.9
Other revenue	**83.9**	65.9
Branch expenses	**(3,959.8)**	(3,726.5)
Administration expenses	**(1,219.8)**	(1,096.4)
Earnings before interest and tax	**1,515.2**	1,374.9
Financial expense	**(129.8)**	(118.7)
Financial income	**28.3**	27.4
Net financing cost	**(101.5)**	(91.3)
Net profit before income tax expense	**1,413.7**	1,283.6
Income tax expense	**(415.3)**	(377.6)
Profit after income tax expense	**998.4**	906.0
Net profit attributable to:		
Equity holders of the parent entity	**983.3**	891.3
Minority interest	**15.1**	14.7
	998.4	906.0
Earnings Per Share (EPS)		
Basic EPS (cents per share)	**80.9**	74.1
Diluted EPS (cents per share)	**80.5**	73.3
Weighted average number of shares used in the calculation of basic EPS (million)	**1,215.1**	1,203.4

The interim consolidated income statement should be read in conjunction with the notes to the interim financial statements set out on pages 31 to 34.

INTERIM CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the 27 weeks ended	*4 Jan 2009 $m*	*30 Dec 2007 $m*
Movement in translation of foreign operations taken to equity	**73.7**	(55.9)
Movement in the fair value of available for sale assets	**(31.8)**	(7.8)
Movement in the fair value of cash flow hedges	**379.6**	99.1
Actuarial losses on defined benefit plans	**(54.7)**	–
Tax effect of items recognised directly to equity	**33.2**	22.9
Net income/(expense) recognised directly in equity	**400.0**	58.3
Transfer to income statement cash flow hedges	**(457.1)**	41.0
Profit for the period	**998.4**	906.0
Total recognised income and expense for the period	**941.3**	1,005.3
Attributable to:		
Equity holders of the parent	**926.2**	990.6
Minority interest	**15.1**	14.7
	941.3	1,005.3

The interim consolidated statement of recognised income and expense should be read in conjunction with the notes to the interim financial statements set out on pages 31 to 34.

INTERIM CONSOLIDATED BALANCE SHEET

As at	*4 Jan 2009 $m*	*29 Jun 2008 $m*	*30 Dec 2007 $m*
Current assets			
Cash	**960.0**	754.6	1,309.9
Trade and other receivables	**733.1**	637.8	693.3
Inventories	**3,488.5**	3,010.0	3,230.3
Assets held for sale	**16.7**	34.7	65.6
Other financial assets	**57.3**	65.1	54.5
Total current assets	**5,255.6**	4,502.2	5,353.6
Non-current assets			
Trade and other receivables	**3.1**	3.6	6.0
Other financial assets	**470.5**	262.0	264.5
Property, plant and equipment	**6,254.1**	5,638.8	5,059.3
Intangibles	**4,971.2**	4,835.2	5,041.9
Deferred tax assets	**466.5**	430.7	358.9
Total non-current assets	**12,165.4**	11,170.3	10,730.6
Total assets	**17,421.0**	15,672.5	16,084.2
Current liabilities			
Trade and other payables	**5,343.6**	4,804.9	5,496.2
Borrowings	**689.3**	550.2	414.8
Current tax liabilities	**290.3**	330.2	261.2
Other financial liabilities	**77.2**	61.9	42.3
Provisions	**702.9**	677.2	650.1
Total current liabilities	**7,103.3**	6,424.4	6,864.6
Non-current liabilities			
Borrowings	**2,882.4**	2,224.0	2,339.5
Other financial liabilities	**116.3**	274.7	180.2
Provisions	**365.1**	380.0	404.8
Other	**186.8**	134.1	99.5
Total non-current liabilities	**3,550.6**	3,012.8	3,024.0
Total liabilities	**10,653.9**	9,437.2	9,888.6
Net assets	**6,767.1**	6,235.3	6,195.6
Equity			
Issued capital	**3,772.7**	3,627.1	3,551.2
Shares held in trust	**(52.9)**	(60.0)	(63.8)
Reserves	**(121.1)**	(133.9)	84.3
Retained earnings	**2,921.1**	2,559.7	2,384.1
Equity attributable to the members of Woolworths Limited	**6,519.8**	5,992.9	5,955.8
Minority interest	**247.3**	242.4	239.8
Total equity	**6,767.1**	6,235.3	6,195.6

The interim consolidated balance sheet should be read in conjunction with the interim notes to the financial statements set out on pages 31 to 34.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the 27 weeks ended	*4 Jan 2009 $m*	*30 Dec 2007 $m*
Cash flows from operating activities		
Receipts from customers	**27,968.4**	25,843.6
Receipts from vendors and tenants	**20.6**	20.9
Payments to suppliers and employees	**(26,081.4)**	(23,498.6)
Interest and costs of finance paid	**(139.5)**	(122.6)
Interest received	**15.9**	10.5
Income tax paid	**(456.8)**	(301.3)
Net cash provided by operating activities	**1,327.2**	1,952.5
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	**11.9**	109.5
Payments for property, plant and equipment	**(913.0)**	(719.1)
Payments for the purchase of intangibles	**(1.4)**	(10.0)
Dividends received	**1.4**	10.8
Payments for the purchase of businesses	**(96.7)**	(205.3)
Net cash used in investing activities	**(997.8)**	(814.1)
Cash flows from financing activities		
Proceeds from issue of equity securities	**69.4**	68.7
Proceeds from external borrowings	**7,574.6**	3,415.8
Repayment of external borrowings	**(7,254.7)**	(3,695.2)
Dividends paid	**(502.7)**	(402.1)
Dividends paid to minority interest	**(17.7)**	(14.3)
Net cash used in financing activities	**(131.1)**	(627.1)
Net increase in cash held	**198.3**	511.3
Effects of exchange rate changes on balance of cash held in foreign currencies	**7.1**	(0.2)
Cash at the beginning of the financial period	**754.6**	798.8
Cash at the end of the financial period	**960.0**	1,309.9

The interim consolidated statement of cash flows should be read in conjunction with the interim notes to the financial statements set out on pages 31 to 34.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Woolworths Limited (the "Company") is a company domiciled in Australia. The interim consolidated financial report of the Company for the 27 weeks ended 4 January 2009 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

Statement of compliance

The interim consolidated financial report for the 27 weeks ended 4 January 2009 ("Half Year Financial Report"), is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reports and the *Corporations Act 2001*. The consolidated Half Year Financial Report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the 53 weeks ended 29 June 2008, and any public announcements by Woolworths Limited and its subsidiaries during the half year in accordance with continuous disclosure obligations under the *Corporations Act 2001*.

Basis of preparation

The Half Year Financial Report has been prepared on the basis of historical cost, except for derivative financial instruments and financial instruments classified as available for sale which have been measured at fair value. The carrying value of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair value attributable to the risks that are being hedged.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008. The effect of the adoption of these new and revised Standards and Interpretations was not material.

The accounting policies and methods of computation adopted in the preparation of the Half Year Financial Report are consistent with those adopted and disclosed in the Company's 2008 annual financial report for the financial year ended 29 June 2008.

The Half Year Financial Report was approved by the Board of Directors on 27 February 2009.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest tenth of a million dollars, unless otherwise stated.

2. SEGMENT INFORMATION

For the half year	*Supermarkets* (1) *2009*	*2008*	*BIG W 2009*	*2008*	*Consumer Electronics* (2) *2009*	*2008*	*Hotels* (3) *2009*	*2008*	*Wholesale* (4) *2009*	*2008*	*Consolidated 2009*	*2008*
A$ million												
Segment disclosures												
Business segments												
Sales to customers	22,101.4	20,324.4	2,405.8	2,186.6	928.8	814.7	591.9	586.1	86.0	80.4	26,113.9	23,992.2
Other operating revenue	58.3	64.8	–	–	–	–	–	–	–	–	58.3	64.8
Inter-segment revenue	–	–	–	–	0.1	0.3	–	–	149.2	133.5	149.3	133.8
Segment revenue	**22,159.7**	**20,389.2**	**2,405.8**	**2,186.6**	**928.9**	**815.0**	**591.9**	**586.1**	**235.2**	**213.9**	**26,321.5**	**24,190.8**
Eliminations											(149.3)	(133.8)
Unallocated revenue/ (expenses) (5)											83.9	65.9
Total revenue											**26,256.1**	**24,122.9**
Segment result before tax	1,278.3	1,128.8	142.2	129.2	28.9	40.8	125.1	120.6	2.4	2.2	1,576.9	1,421.6
Unallocated revenue/ (expenses)												
– Property											(0.8)	8.9
– Head Office											(60.9)	(55.6)
Net financing cost											(101.5)	(91.3)
Profit before tax											**1,413.7**	**1,283.6**
Income tax expense											**(415.3)**	**(377.6)**
Profit after tax											**998.4**	**906.0**
Segment assets	9,464.2	8,842.7	1,264.5	1,147.7	544.0	588.8	3,038.4	2,811.1	63.7	55.0	14,374.8	13,445.3
Unallocated (6)											3,046.2	2,638.9
Total assets											**17,421.0**	**16,084.2**
Segment liabilities	4,056.3	3,917.5	712.5	820.2	210.9	259.9	154.8	173.8	52.3	47.8	5,186.8	5,219.2
Unallocated (6)											5,467.1	4,669.4
Total liabilities											**10,653.9**	**9,888.6**
Capital expenditure	644.7	525.7	62.7	59.9	26.4	20.2	107.5	214.4	1.8	0.8	843.1	821.0
Unallocated (6)											168.6	104.1
Acquisition of assets											**1,011.7**	**925.1**
Segment depreciation and amortisation	267.6	225.3	33.5	26.5	13.5	13.1	32.7	28.1	0.8	0.7	348.1	293.7
Unallocated (6)											24.4	21.3
Total depreciation and amortisation											**372.5**	**315.0**
Segment other non cash expenses	19.7	14.7	3.2	2.4	1.1	0.6	1.4	0.9	–	–	25.4	18.6
Unallocated (7)											74.3	49.7
Total other non cash expenses											**99.7**	**68.3**

(1) Supermarkets comprise supermarket stores, liquor stores and petrol canopies in Australia and New Zealand.
(2) Consumer Electronics includes Woolworths Wholesale India.
(3) Hotels comprise on-premise liquor sales, food, accommodation, gaming and venue hire.
(4) Wholesale comprises Statewide Independent Wholesalers (SIW).
(5) Unallocated revenue comprises rent and other revenue from operating activities.
(6) Unallocated comprises corporate head office and property division.
(7) Includes non cash transactions including the Defined Benefit Liability movement, Employee Shares Scheme expenses and Unrealised Foreign Exchange Losses.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT TRANSACTIONS

There were no significant transactions during the current half year period.

4. BUSINESS ACQUISITIONS

Over the course of the half year, the Group acquired various hotel venues and other businesses. Each acquisition was for 100% of the respective enterprise. Total consideration paid was $97.0 million comprising property, plant and equipment ($45.1 million); liquor and gaming licences ($34.1 million) and other working capital balances ($6.5 million), with goodwill on acquisition of $11.3 million. Goodwill has arisen on acquisition of these businesses primarily because of their capacity to generate recurring revenue streams in the future.

5. SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of these operations, or the state of affairs of the consolidated entity in future years.

6. DIVIDENDS PAID

27 weeks ended	*4 Jan 2009 $m*	*29 Jun 2008 $m*	*30 Dec 2007 $m*
Final dividend in respect of 2008 year of 48 cents (2007: 39 cents) per fully paid ordinary share 100% franked at 30% tax rate (2007: 100%)	**586.0**	–	471.9
Interim dividend in respect of 2008 year of 44 cents (2007: 35 cents) per fully paid ordinary share 100% franked at 30% tax rate (2007: 100%)	**–**	534.5	–
Total dividends paid	**586.0**	534.5	471.9

On 27 February 2009, the Board of Directors declared a dividend of 48 cents (2008: 44 cents) per share. The amount that will be paid on 24 April 2009 will be approximately $588.3 million (2008: $534.5 million). No provision for the dividend has been made in the Half Year Financial Report in line with the requirements of AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

7. CONTINGENT LIABILITIES

Contingent liabilities at 4 January 2009 were $517.6 million (29 June 2008: $488.7 million) comprising:

	4 Jan 2009 $m	*29 Jun 2008 $m*
Bank guarantees[1]	**52.8**	51.6
Workers compensation self-insurance guarantees	**448.5**	425.9
Other (outstanding letters of credit issued to suppliers)	**16.3**	11.2
	517.6	488.7

(1) This item mainly comprises guarantees relating to conditions set out in development applications and for the sale of properties in the normal course of business.

No provision has been made in the Half Year Financial Report in respect of these contingencies; however, there is a provision of $361.8 million (30 December 2007: $380.6 million) for self-insured risks, which includes liabilities relating to workers' compensation claims, that has been recognised in the balance sheet.

8. EXPLANATION OF SIGNIFICANT BALANCE SHEET MOVEMENTS

– Inventory growth of 8.0% (HY08 to HY09) compares favourably to the sales growth of 8.8% and includes the impact of higher indent stock levels and additional inventory associated with the new liquor distribution centres.

– Trade payables are lower relative to December 2007 and have been distorted by the timing of period end close.

– Other creditors have increased by $231.3 million compared to December 2007, reflecting increases in employee provisions, superannuation liabilities and general accruals.

– Negative working capital of $2,373.8 million is consistent with the June 2008 position.

– Net repayable debt (which includes cash) has increased by $218.9 million since June 2008 to $2,400.0 million, reflecting the increased capital expenditure activity and the timing of period end close.

– Part of the increase in borrowings is the mark to market of the USD debt (movement HY09 to HY08 $341 million). While this is fully hedged the equivalent movement in the hedging asset is recorded in hedge assets and liabilities.

– Fixed assets and investments have increased, reflecting capital expenditure for the half year offset by depreciation.

9. OVERALL EQUITY RECONCILIATION ATTRIBUTABLE TO MEMBERS

	4 Jan 2009 *$m*	*29 Jun 2008* *$m*	*30 Dec 2007* *$m*
Equity at the beginning of the period	**5,992.9**	5,275.3	5,275.3
Issue of shares under employee share plan	**7.2**	11.6	7.8
Issue of shares as a result of dividend reinvestment plan	**83.3**	143.9	67.5
Issue of shares as a result of options exercised under executive share option plans	**65.4**	63.3	62.7
Items recognised directly in equity as disclosed in the statement of recognised income and expense	**(57.1)**	(171.9)	99.3
Net profit attributable to equity holders of the parent	**983.3**	1,626.8	891.3
Total dividends provided for or paid	**(586.0)**	(1,006.4)	(471.9)
Share based payments expense	**31.7**	48.5	23.3
Other	**(0.9)**	1.8	0.5
Closing equity	**6,519.8**	5,992.9	5,955.8

GLOSSARY OF TERMS

GP	Gross Profit
CODB	Cost of Doing Business
EBIT	Earnings Before Interest and Tax
ROFE	Return on Funds Employed
EPS	Earnings Per Share
DRP	Dividend Reinvestment Plan
EBITDAR	Earnings Before Interest and Tax, Depreciation, Amortisation and Rent
EBITDA	Earnings Before Interest and Tax, Depreciation and Amortisation

COMPANY DIRECTORY

WOOLWORTHS LIMITED

Principal registered office in Australia
1 Woolworths Way
Bella Vista NSW 2153
Telephone: (02) 8885 0000
www.woolworthslimited.com.au

BIG W
www.bigw.com.au

National Supermarkets
www.woolworths.com.au

Woolworths Petrol
Telephone: 1300 655 055
www.woolworthspetrol.com.au

BWS
www.beerwinespirits.com.au

Dan Murphy's
789 Heidelberg Road
Alphington VIC 3078
Telephone: (03) 9497 3388
Facsimile: (03) 9497 2782
www.danmurphys.com.au

Dick Smith Electronics/Tandy
2 Davidson Street
Chullora NSW 2190
Telephone: (02) 9642 9100
Facsimile: (02) 9642 9111
www.dse.com.au

Progressive Enterprises Limited
80 Favona Road
Mangere 2024 Auckland
New Zealand
Telephone: +64 (9) 275 2788
Facsimile: +64 (9) 275 3074
www.progressive.co.nz

ALH Group Pty Ltd
– **Registered Office**
1 Woolworths Way
Bella Vista NSW 2153
Telephone: (02) 8885 0000
www.alhgroup.com.au

– **Victorian Office**
Ground Floor
16–20 Claremont Street
South Yarra VIC 3141
Telephone: (03) 9829 1000

– **Queensland Office**
Level 1
152 Oxford Street
Bulimba QLD 4171
Telephone: (07) 3909 4800

Company Secretary
Peter Horton

Share Registrar
Computershare Investor Services
Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Telephone: 1300 368 664
Facsimile: (02) 8234 5050
www.computershare.com.au

Auditor
Deloitte Touche Tohmatsu
225 George Street
Sydney NSW 2000
www.deloitte.com.au

precinct.com.au