HY10

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR
ENDED 3 JANUARY 2010

WOOLWORTHS LIMITED

ABN 88 000 014 675

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 28 June 2009 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*.

March
15 Interest Payment on Woolworths Income Notes
26 Record Date for Interim Dividend

April
23 Payment of Interim Dividend
30 Announcement of 3rd Quarter Sales Results

June
15 Interest Payment on Woolworths Income Notes

August
26 Preliminary Full Year Results and
Final Dividend Announcement

September
15 Interest Payment on Woolworths Income Notes

October
TBA Payment of Final Dividend

November
18 Annual General Meeting Brisbane
State Library of Queensland
Cultural Centre, Stanley Place, South Bank

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

SALES INCREASED TO $27.2 BILLION

+6.0%

EXCLUDING PETROL
(INCLUDING PETROL, +4.2%)

NET PROFIT AFTER TAX INCREASED TO $1,095.6 MILLION

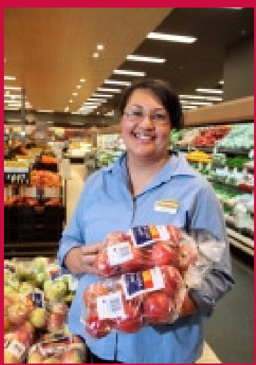
+11.4%

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION

+10.7%

EARNINGS BEFORE INTEREST AND TAX INCREASED TO $1,683.2 MILLION

+11.1%



EARNINGS PER SHARE INCREASED TO 89.1 CENTS

+10.0%

INTERIM DIVIDEND INCREASED TO 53 CENTS PER SHARE OR $657.2 MILLION

+10.4%

CASH GENERATED BY OPERATING ACTIVITIES INCREASED TO $1.8 BILLION

+38.9%

3,500 PRICES IN OUR AUSTRALIAN SUPERMARKETS LOWER THAN A YEAR AGO

RECOMMENCEMENT OF CAPITAL MANAGEMENT – ON-MARKET SHARE BUY-BACK TO RETURN UP TO $400 MILLION TO SHAREHOLDERS

Excellent Platform for Continued Investment in Future Growth

Investment in our core businesses

Woolworths has continued to **focus on customers** and their evolving needs and expectations and is deploying this knowledge into our core business by improving stores, enhancing the shopping experience, developing our range and implementing new merchandising initiatives.

– Our major business, **Food and Liquor** in Australia and New Zealand has had strong growth in Sales and Earnings Before Interest and Tax (EBIT), and has grown both customers and market share.
– Initiatives commenced early last year have enabled good progress to be made in achieving better efficiencies across the entire business. This allows for **reinvestment in price reductions, growth initiatives and earnings**.
– **Refurbishment activity** in Supermarkets, BIG W and Consumer Electronics is making an important contribution to an enhanced shopping experience for customers. At the time of this report, approximately 47% of Australian Supermarkets, 33% of New Zealand Supermarkets, 27% of Consumer Electronics and 38% of BIG W have been converted to the new formats. We will continue to evolve these new formats to ensure they meet changing customer needs.
– The development of our **private label range and controlled brands** continues, with all ranges gaining stronger customer acceptance. The growth in private label products exceeds our overall sales growth, which is a strong endorsement of their quality and value for money, yet also demonstrates good levels of repeat purchase. The recent launch of the Macro Wholefood Market range in Supermarkets has been successful, with good customer feedback and strong sales.
– **New Zealand Supermarkets** are now seeing the benefits of operational improvements and cost efficiencies driven by the major business transformation undertaken in recent years, with a 24.3% New Zealand Dollar (NZD) improvement in the trading EBIT for the half.
– The investment in **BIG W** continues to achieve good results. The BIG W offer was very well positioned to take advantage of the government stimulus packages in FY09 and has been able to continue to grow while cycling this stimulus, achieving a two year sales Compound Annual Growth Rate (CAGR) of 6.1%.
– In **Consumer Electronics** the results achieved in Australian Dick Smith stores incorporating the new format, have been extremely pleasing. This reflects strong customer acceptance of the new refreshed offer. The Australian Dick Smith business has seen EBIT increase by 28.5% and the benefits of the rollout will continue to be seen in future periods.

EXCELLENT PLATFORM FOR CONTINUED INVESTMENT IN FUTURE GROWTH

Investment in customer innovations

- The **Everyday Rewards** program grew at a rapid pace during the half, prompted by the Qantas Frequent Flyer affiliation. The program now has 4.6 million registered members, of whom, 2.1 million have also registered to earn Qantas Frequent Flyer points. The program now operates in Woolworths Supermarkets, BIG W, BWS and Dick Smith. Card holders also receive a range of personalised and targeted offers from participating Woolworths Group stores. While we are in the early stages of utilising the information we now have available, our focus over the next few years will be to develop expertise in targeting our customers with compelling offers, making ranging and merchandising decisions and communicating more effectively with customers.
- In addition to the very successful **WISH gift cards**, we introduced specific store-branded cards into the range and launched a full Gift Card Mall offer across Supermarkets, BIG W, Dick Smith and Petrol prior to Christmas 2009.
- The **Woolworths Everyday Money** credit card continues to grow despite the trend in customer preference towards debit card payment. The card has won five awards reflecting the excellent value for money offer.
- We have continued to see savings in **payments acceptance costs** and improvements in customer service at the check-outs as we fully leverage our payments processing infrastructure.
- **Woolworths Everyday Mobile** is proving a hit among customers and their families, particularly those who find the enhanced simplicity and value of the product appealing. Sales are tracking slightly above budget.
- **Shopping online** is becoming an increasingly important part of the Woolworths' business with strategies developing across all trading divisions. We have recently refreshed Australian Supermarkets and Consumer Electronics online shopping sites to create better shopping experiences and have received very pleasing feedback from customers. As a result online channel sales increased 41% for the half. We will continue to invest in this rapidly growing channel to drive incremental sales and profitability.
- **BIG W** has continued to roll out its **optical** offer which is now located in 23 stores (27 by 30 June 2010) and complements our focus on home and family. It is a full service optical offer staffed by qualified optometrists and providing a good range of strong branded frames at very competitive prices.

Supply Chain Continues to Deliver Financial Benefits

- The intellectual property developed in the supply chain teams, IT systems and distribution centres for our Australian Supermarkets business is now being applied to other Woolworths' businesses, including New Zealand Supermarkets, BWS, Dan Murphy, BIG W and Consumer Electronics.
- The successful commissioning of **liquor distribution centres** in both Melbourne and Sydney provides significant ongoing capacity to respond to changing market conditions. Our Brisbane Liquor Distribution Centre (DC) will be commissioned in the last quarter of FY10.
- We recently announced the construction of a new **BIG W DC** and a new Consumer Electronics DC at Hoxton Park in Sydney. This work is expected to be completed in FY12 and will enable us to improve service and reduce costs.
- Our **global sourcing** business continues to develop rapidly, delivering substantial benefits. We have grown our direct buying volume by 55% during the half and expanded our geographic reach throughout South-East Asia and the Subcontinent region.

SUPPLY CHAIN CONTINUES TO DELIVER FINANCIAL BENEFITS

Strategic Investments

- During the half Woolworths announced our entry into the retail hardware sector, together with joint venture partner Lowe's, through a multi-format strategy designed to meet the everyday **home improvement** needs of Australian consumers. As part of this strategy we completed the acquisition of Danks Holdings Limited, Australia's second largest hardware distributor, supplying 595 Home Timber & Hardware, Thrifty-Link Hardware and Plants Plus Garden Centre stores and over 900 independent hardware stores.
- During the half we purchased a 25% stake in **Gage Roads Brewery** which has positioned us well to continue increasing our private label offer in beer.
- During the half we also completed the acquisition of **Macro Wholefoods**, consisting of seven existing store leases and a development site. This purchase enabled the expansion of the Thomas Dux format in Sydney and Melbourne and provided ranging opportunities for the Macro Wholefoods label within Supermarkets.
- Woolworths will continue to be disciplined in its approach to investments, including acquisitions, to **drive value for shareholders**.

STRATEGIC INVESTMENTS

Establishing Leadership in Corporate Responsibility

During the year, we had some important achievements in **Corporate Responsibility**. In November 2009, we published our annual Corporate Responsibility Report for FY09, detailing our Sustainability Strategy (2007–2015) achievements. This report is available at www.woolworthslimited.com.au. Highlights include:

- Continued reduction of **carbon emissions** through initiatives such as green store design to achieve 25% CO_2 reduction per square metre, change over of company cars to a new fuel efficient fleet and logistics enhancements to carbon emissions through reductions in kilometres travelled by better planning and reverse logistics, driver behaviour, improved aerodynamics in trailer design, use of alternative fuels and more fuel efficient technology. Woolworths Supermarkets and BIG W stores have also implemented a Water Wise Project to reduce water usage.
- Woolworths continues to maintain focus and drive to achieve best practice in safety and health performance. The goal for safety within Woolworths is "**Destination ZERO**", zero harm to our people, our property and our community. In the first half, we achieved a reduction in our Lost Time Injury Frequency Rate (LTIFR) of 30% from the previous year and the number of Lost Time Injuries is down by 48%. We have also reduced the number of customer related claims by 31% for the same period.
- Our **support of the community** has remained strong, demonstrated by extensive community investment, which includes the Woolworths Fresh Food Kids Hospital Appeal, Woolworths Fresh Food Kids Community Grants supporting children's health and wellbeing, Woolworths Fresh Food Farming program supporting farming communities and sustainable farming, Woolworths Fresh Food Rescue programs and our ongoing support of the expanding Australia Day Ambassadors Program.

ESTABLISHING LEADERSHIP IN CORPORATE RESPONSIBILITY

CHAIRMAN'S REPORT

THE HALF YEAR IN REVIEW

On behalf of the Woolworths Limited Board, I am pleased to report on a very solid half year result in which Net Profit After Tax (NPAT) increased by 11.4% to $1,095.6 million.

During a period of economic challenges, the company has once again leveraged the strength of its core business strategy to deliver value back into the hands of both customers and shareholders. This double loop effect has been a significant contributor to Woolworths' achievements in recent years and now provides the platform for continued success.

ACHIEVING SUSTAINABLE RESULTS

Woolworths' ability to create growth on growth over a sustained period of time is a testament to the management team's focus on efficiency while maintaining high levels of customer service.

The NPAT result is within the guidance range and clearly demonstrates the strong performance-driven culture inherent within the business. Earnings Per Share (EPS) increased by 10% to 89.1 cents. Sales in the majority of divisions were particularly pleasing, given the fact that stores were cycling the effects of the Government's stimulus payments in the 2009 financial year. Headline sales increased 4.2% to $27.2 billion and 6.0% excluding Petrol.

SHAREHOLDER RETURNS

The sustainable return of profits to shareholders remains a fundamental priority for Woolworths. In addition to a 10.4% increase in the interim dividend per share to 53 cents, the company also announced its intention to recommence a capital management program with an initial $400 million on-market buy-back.

ACTIVATING GROWTH PLANS

Woolworths continues to develop a range of growth initiatives across all areas of the business. Plans to enter the Home Improvement sector are progressing well and the company looks forward to opening the first store in the latter half of the 2011 calendar year.

EMBEDDING A RESPONSIBLE CULTURE

The company continues to drive towards a sustainable future, not just for our business but also for the communities we serve, and is quickly developing a global reputation for excellence in environmental responsibility. In addition to Woolworths' existing suite of community and environmental projects, a number of landmark programs have been initiated already this year to address issues such as food waste and sustainable agriculture.

During the last year, Woolworths received a number of accolades. These included:

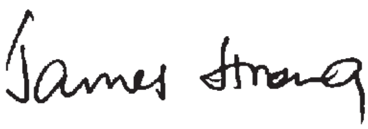
- **ACCA** – Best report in the retail sector at the 2008 Australia/New Zealand Association of Certified Chartered Accountants (ACCA) sustainability reporting awards.
- **Carbon Disclosure Project (CDP)** – One of only seven Australian companies, and the only Australian retailer, listed in the Carbon Disclosure Global Leadership Index in 2009. CDP represents 475 institutional investors with $55 trillion in assets under management.
- **GS Sustain** – One of only six companies globally on the Goldman Sachs 2009 GS Sustain – Retail & Apparel focus list, highlighted as "well placed to sustain industry leadership" in terms of return on capital, industry positioning and social, environmental and governance performance.
- **Business Review Weekly** – Second in BRW's 2009 most respected companies list.
- **Asian Sustainability Rating** – Ranked in the top 10 in CSR Asia's Asian Sustainability Rating benchmark of the top 200 companies across 10 Asian markets.
- **The Wall Street Journal** – Won three categories in the 2009 Wall Street Journal Asia 200 Awards, including:
  - Number 1 overall company in Australia
  - Number 1 Australian company for corporate reputation
  - Number 1 Australian company for innovation.
- Banksia Environmental Awards 2009 – Finalist in the sustainability leadership category.

BUILT TO LAST

Woolworths celebrated its 85th year during the half and it is clear that the business has carved out a very strong position. As we look ahead to the next 85 years of trading, there are many new and exciting opportunities still to be realised.

The dedication of the highly experienced senior management team, under the leadership of Michael Luscombe, is one of the company's most valuable assets and this interim result is a real credit to their efforts.

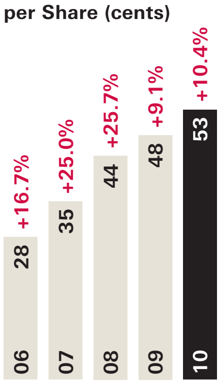
My thanks also to the more than 191,000 team members in our stores, hotels, service stations, distribution centres and support offices who are the lifeblood of the organisation. On behalf of the Board of Directors, I would like to acknowledge their commitment and contribution to our ongoing success.



JAMES STRONG
CHAIRMAN

Dividend per share and EBIT HY10

Interim Dividend per Share (cents)



Interim EBIT ($m)

MANAGING DIRECTOR'S REPORT

The first half of 2010 was characterised by unusual retail conditions in our core Australian and New Zealand markets as we cycled the economic effects of the previous year. Despite this, our businesses performed well and further cemented our objectives to deliver long term, sustainable rewards for customers and shareholders.

STRONG BUSINESS PERFORMANCE

Our core Australian Food and Liquor operation performed well during the half despite very low levels of inflation. The business grew market share, improved gross margin and progressed growth initiatives such as customer engagement, price reinvestment and private label development.

In Petrol, while total sales fell due to lower prices, volume sales increased, reflecting the strength of our offer to customers.

New Zealand Supermarkets were a strong performer during the half, reflecting the hard work invested to date in transforming this business. EBIT has improved markedly and, despite tight economic conditions, we have grown market share.

The fact that BIG W achieved growth against a stimulus fuelled 2009, is indicative of the underlying resilience of the customer value proposition.

The repositioning of Dick Smith is progressing well with customers responding to a more relevant and compelling offer. New branding, services, range and store formats are improving the business and we are delighted with the results to date.

The hotel sector overall experienced a challenging six months and was significantly impacted by the stimulus cycling. Relative to the sector, however, our hotels performed well and we added six new properties to our portfolio.

THE FIRST CHOICE FOR CUSTOMERS

Woolworths' commitment to delivering the best possible value for customers is stronger than ever. Keen pricing is a mainstay of all our retail brands, but Australian supermarkets entered a new phase of price leadership during the half with a program of shelf price reductions across 3,500 everyday grocery lines. This program is the final phase of the decade-long Project Refresh, whereby cost efficiencies are now being transformed into genuinely lower prices for our customers.

Above all, our success hinges on our ability to meet our customers' needs. In the first half of 2010, loyalty rewards have joined range, value, convenience and quality as a reason for people to shop at Woolworths' brands. The alliance with Qantas Frequent Flyer has added considerable momentum to the Everyday Rewards program, with more than four million members now registered. The program is not only driving sales, but the resulting data analysis is providing us with a far richer understanding of our customers which will, in turn, drive further business benefits.

LOWERING COSTS BUSINESS-WIDE

For a high volume, low margin business, reducing the Cost of Doing Business (CODB) is a pivotal contributor to success. Woolworths remains a highly cost-oriented business with a firm internal culture of cost awareness. As we move into the next phase of Project Refresh by directly passing on cost savings to customers and shareholders, we will continue to drive costs out of our business wherever and whenever we can.

A DYNAMIC AND GROWING BUSINESS

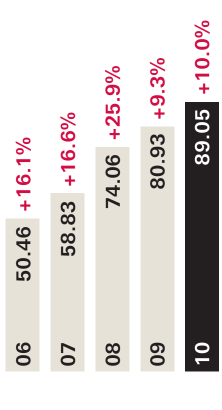
At 85 years of age, Woolworths is still very much in its infancy in terms of its potential. Growth opportunities abound within our core businesses and there are still many new adjacency avenues to be explored. Our home improvement venture in partnership with Lowe's will add a whole new dimension to our retail offer and we look forward to launching something totally new to the Australian market in the 2011 calendar year.

As I look around at the many exciting projects under development across our business, I am confident that Woolworths will continue to create value for both customers and shareholders for the long term. Essentially, our past performance and our future success are directly attributable to the talent and enthusiasm of our more than 191,000 employees, both in stores and in support areas. Their commitment to achieving the right result for our customers each and every day is the absolute foundation of our business performance.

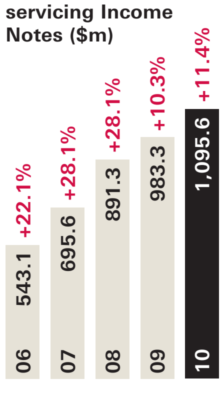
MICHAEL LUSCOMBE
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Earnings per share and Profit HY10

Interim EPS (cents)



Profit after tax and servicing Income Notes ($m)



The Directors of Woolworths Limited submit herewith the interim financial report for the half year ended 3 January 2010. 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 3 January 2010 and up to the date of this Report.

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

BUSINESS PERFORMANCE

Earnings Before Interest and Tax (EBIT)

The consistent delivery of quality results is fundamental to Woolworths' success as a long-term sustainable business. The first half result for the Group was pleasing, with a solid performance against long-term targets. In the first half we again achieved Sales and EBIT targets.

We have successfully maintained our financial strength and flexibility as reflected in the maintenance of our strong long-term credit ratings for Standard & Poors (A- since 2001) and Moody's (A3 since 2005) which are important to our debt investors.

In the current half year, sales (excluding Petrol) grew in the upper single digits at 6.0%. Supermarkets achieved solid volume and market share growth while experiencing lower levels of inflation in Australia and New Zealand, and while cycling the anniversary of the Australian Government stimulus payments. Our General Merchandise and Hotels businesses achieved good sales levels as they also cycled the stimulus package in the prior year.

Gross margins for the Group increased 56bps, reflecting the impact of moving from direct to store delivery model to distribution centres in Liquor, the benefits of global buying, improved shrinkage rates, increasing sales of private label products and the success of new store formats.

CODB increased by 17bps. Excluding the distorting impacts of Hotels and Petrol, a solid reduction in CODB was delivered, however not quite achieving the target of 20bps due to the significant drop in inflation during the period.

EBIT again grew faster than sales, up 11.1% and EBIT margin increased by 39bps. A significant portion of gross margin and CODB gains were reinvested in lower prices, delivering greater value to customers. This reinvestment enables us to continue to provide lower prices and better value to customers and further reward shareholders.

NPAT for the half increased by 11.4%. This is a strong result in the current economic environment, demonstrating our robust business model and clear strategies.

Cash flow and the balance sheet remained strong, underpinned by solid earnings growth. Cash flow from operating activities was up 38.9% on the previous year. This result is higher than the prior year which, as previously stated, had been impacted by the timing of creditor payments.

Inventory days have increased by 1.5 days (HY09: 0.1 days reduction). Inventory days have been impacted by additional imported inventory across the Group, additional inventory due to the two new Liquor DCs and the distorting impact of changing petrol prices. When we exclude these impacts, inventory days decreased by 0.8 days, reflecting continuing improvements in the retail business inventory management. While indent stock levels have and will continue to increase, the additional holding costs are offset by improved gross margin.

The on-market share buy-back announced is part of the recommencement of an ongoing capital management program. This program may in the future include a range of initiatives and will be assessed in light of growth opportunities, the capital markets environment and our focus on maintaining strong credit ratings. Following completion of a $400 million on-market share buy-back, Woolworths' balance sheet and credit metrics will remain strong. We will retain sufficient capacity to invest capital and pursue growth opportunities to enhance shareholder value.

Australian Supermarkets (including Liquor and Petrol)

	HY09	*HY10*	*Change*
Sales			
– Food and Liquor ($ million)	16,983	18,143	6.8%
– Petrol ($ million)	3,072	2,781	(9.5%)
– Total ($ million)	20,055	20,924	4.3%
Gross Margin (%)	23.69	24.41	72bps
Cost of Doing Business (%)	17.65	17.96	31bps
EBIT to sales (%)	6.04	6.45	41bps
EBIT ($ million)	1,212.3	1,350.6	11.4%
Funds Employed ($ million)	3,036.7	3,293.9	8.5%

For the half year, Food and Liquor sales in Australia grew 6.8% and Petrol sales declined 9.5% due to lower sell prices. EBIT grew faster than sales, increasing by 11.4%.

The increase in funds employed reflects the store openings and refurbishment activity. Inventory levels continue to be well managed. Excluding the impact of incremental imported inventory, the impact of incremental liquor stock in the new warehouses and Petrol, inventory days reduced by 0.9 days.

Australian Food and Liquor

Australian Food and Liquor delivered another solid result with sales increasing by $1,160 million or 6.8% (HY09: 9.0%). This result was achieved in a quarter that has seen very low price inflation and cycling of the impacts on consumer spending of the federal government's stimulus package in December 2008.

Comparable sales in Australian Food and Liquor increased 4.8% (HY09: 6.6%) with gains in volumes and market share during the half year. Inflation levels were lower than last year at 1.6% (HY09: 4.1%). The lower level of inflation reflected deflation in produce, perishables and zero inflation in liquor and proprietary bread. The difference between comparable sales growth and inflation for the half year improved to 3.2% up from 2.5% in the first half of the prior year.

Customer focused initiatives have contributed to this result. These include the rollout of the 2010 store format, the Everyday Rewards Program with Qantas Frequent Flyer points, improved range/offer and substantial price re-investment. Over 3,500 shelf prices are lower than they were a year ago. These initiatives have resulted in increased customer numbers, increased items sold and increased basket sizes.

During the half we refurbished 42 supermarkets to the 2010c format (HY09: 98). Approximately 47% of stores are now in the new format with plans to have over 50% completed by the end of FY10.

The expansion of our private label range has continued with the introduction of the Macro Wholefoods Market range into our supermarkets to add to our existing private label brands, Homebrand, Select and Essentials. These ranges continue to gain strong customer acceptance.

Woolworths continues to focus on its objective of building and maintaining a sustainable business by reducing costs, improving value and lowering prices. The improvement of Australian Food and Liquor gross margin is attributable to several factors, including continued focus on:

- Further reductions in direct store deliveries particularly in Liquor.
- Improvements in buying, including the benefits gained by increased activity through overseas buying offices.
- Improvements in freight costs, as a direct result of freight saving initiatives.
- Expansion and improvement of the private label ranges.
- Rollout of 2010 formats.

Australian Food and Liquor (excluding Petrol) achieved a solid CODB reduction. This was achieved through good cost control in an environment where low food sell price inflation resulted in fixed cost fractionalisation being lower than it has been historically.

During the half year, 14 new supermarkets were opened, compared with 15 in the first half last year. A further 11 stores are planned to open in the second half of the year.

Liquor

Dan Murphy's, BWS and Woolworths 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 $3.1 billion (HY09: $2.8 billion).

During FY09 we commissioned the Melbourne and Sydney Liquor DCs. The Liquor DC network is maturing ahead of expectations and has been driving excellent inventory management, resulting in lower inventory levels and higher in-stock positions. Brisbane Liquor DC will be fully operational by June 2010.

We continue to expand our range of private label and exclusive brands. During the half we launched our own full strength beer called Dry Dock, which has been manufactured by Gage Road Breweries (in which we hold a 25% interest).

Dan Murphy's opened ten stores in the half year bringing the total number of Dan Murphy's stores to 114. A further six stores are planned to be opened in the second half. Dan Murphy's provides customers with excellent value for money, extensive product ranging, personalised service and expertise.

At the end of December 2009, Woolworths Limited operated 1,187 liquor retail outlets.

Petrol

Petrol sales for the half year were $2.8 billion, a decrease of 9.5%. Petrol comparable sales during the half decreased by 11.2%. The lower dollar sales reflected sell prices for fuel being well below the prior year (HY10: $1.22/litre; HY09: $1.38/litre). However, comparable volumes increased 0.9%, reflecting strong customer acceptance of our offer.

At the end of the half year, there were 551 petrol stations, including 132 Caltex Woolworths alliance sites.

We opened an additional ten petrol canopies during the half.

Petrol EBIT of $51.2 million increased by 12.0%. The EBIT margin increased from 1.49% to 1.84%.

The pay at pump facility called epump is now available at more than 420 Caltex Woolworths Petrol locations. The service continues to provide exclusive convenience to Everyday Money credit cardholders by reducing the time taken to fill up and pay.

New Zealand Supermarkets

	HY09 NZD	*HY10 NZD*	*Change*
Sales ($ million)	2,571	2,686	4.5%
Gross Margin (%)	21.38	22.10	72bps
Cost of Doing Business (%)[1]	17.54	17.53	(1)bps
EBIT to Sales (%)[1]	3.84	4.57	73bps
Trading EBIT ($ million)	98.8	122.8	24.3%
Less intercompany charges ($ million)	(6.9)	(6.2)	(10.1)%
Reported EBIT ($ million)	91.9	116.6	26.9%
Funds Employed ($ million)	2,820.5	2,989.6	6.0%

(1) Excludes intercompany charges.

New Zealand Supermarkets achieved sales of NZD 2.69 billion for the half year, a 4.5% increase (1.4% increase in Australian Dollar (AUD)) on the prior half year. Comparable sales for the half year were 4.2% (in NZD). Overall food inflation was 2.7% in the half (prior half year 5.8%). The difference between comparable store growth and inflation was positive for the half at 1.5%, reflecting volume and market share growth. This compares to negative growth in the prior year.

The sales performance has been solid with market share growth despite the continuing tight macroeconomic conditions in New Zealand.

Trading EBIT increased 24.3%, with EBIT margins improving to 4.6% (HY09: 3.8%). This is a significant improvement and reflects the results of our planned repositioning of the New Zealand business with the business foundation transformation now complete. We have made progress in reducing the price differential between our business and the equivalent offerings from our main competitor.

While reinvestment in price has continued, gross profit margins have also improved as we realise the benefits of the merchandising, front of store (point of sale) and replenishment (StockSmart and AutostockR) core support systems which completed implementation in the first half of 2009. There have been significant improvements in shelf stock availability and reductions in shrinkage.

CODB has reduced marginally, with cost savings more than offsetting an increase in depreciation resulting from capital expenditure on new stores, refurbishment, shelving and the rebranding program. One new Countdown store was added during the first half, in addition to 19 refurbishments. Two further new stores will open in the next six months with a further 11 refurbishments planned. Trading area has increased by just under 5% in the last six months. At the end of December 2009, just over half our stores were branded Countdown. It is expected that by year end this will have risen to 100. Customers are responding well to the rebrands and refurbishments.

BIG W

	HY09	*HY10*	*Change*
Sales ($ million)	2,406	2,462	2.3%
Gross Margin (%)	28.89	29.07	18bps
Cost of Doing Business (%)	22.98	22.94	(4)bps
EBIT to sales (%)	5.91	6.13	22bps
EBIT ($ million)	142.2	150.8	6.0%
Funds Employed ($ million)	533.9	600.4	12.5%

BIG W sales grew 2.3% during the half (HY09: 10.0%), increasing 5.8% in the first quarter (Q109: 10.7%) and decreasing 0.3% in the second quarter (Q209: 9.5% increase). Sales for the half grew despite the significant benefit from the government stimulus package in December 2008.

Comparable store sales increased 0.4% for the half (HY09: 5.6%), increasing 3.9% in the first quarter (Q109: 4.4%) and decreasing 2.1% in the second quarter (Q209: 6.4% increase).

The two year CAGR for BIG W sales is 6.1%, a solid result. The repositioning of BIG W in prior years places it in an ideal position to offer customers a great range of merchandise at low prices. This repositioning resulted in BIG W strongly benefiting from the government stimulus payments in the prior year.

In the current environment the consumer is focused on value and we are confident that customers who shop with us recognise the BIG W value proposition. We continue to maintain BIG W's everyday low price position and continue to lead the market on price.

EBIT grew faster than sales, increasing by 6.0% (HY09: 10.1%).

The increase in gross margin of 18bps primarily reflects the benefits of strong inventory management with reduced markdown activity required to clear seasonal stock and improved buying.

Costs were well controlled with CODB reducing 4bps.

During the half year we continued to improve the standard of our stores, fully refurbishing nine stores (HY09: 11) and completing 25 part refurbishments. Three BIG W stores were opened in the half year, taking the total number of stores in the division to 159. We plan to open two additional new stores in the second half.

The increase in funds employed reflects the store openings and acceleration of refurbishment activity.

Average inventory levels were well managed, being 1.5 days lower than last year (excluding indent inventory).

Consumer Electronics (Australia, New Zealand and India)

	HY09	*HY10*	*Change*
Sales ($ million)	929	984	5.9%
Gross Margin (%)	23.33	24.32	99bps
Cost of Doing Business (%)	20.22	20.78	56bps
EBIT to sales (%)	3.11	3.54	43bps
EBIT ($ million)	28.9	34.8	20.4%
Funds Employed ($ million)	349.9	394.1	12.6%

Consumer Electronics achieved sales of $984 million, up 5.9% on last half year. Sales were up 13.2% in the first quarter and increased 0.2% in the second quarter.

Consumer Electronics Australia

	HY09	*HY10*	*Change*
Sales ($ million)	681	710	4.3%
Gross Margin (%)	25.72	27.50	178bps
Cost of Doing Business (%)	22.58	23.63	105bps
EBIT to sales (%)	3.14	3.87	73bps
EBIT ($ million)	21.4	27.5	28.5%

Australian Consumer Electronics sales grew 4.3% during the half (HY09: 11.1%), with sales up 9.3% in the first quarter (Q109: 10.2%) and up 0.3% in the second quarter (Q209: 11.8%). This sales result was achieved against a background of cycling the benefits from the first government stimulus package in December 2008.

As previously advised, this business is currently being repositioned. Good progress has been made and an update on key initiatives that are part of this strategy are set out below:

- **Rollout of new format stores:** Results achieved in the new format Dick Smith stores continue to be extremely pleasing, reflecting strong customer acceptance of the new refreshed offer and their improved size and locations. Comparable sales growth in the 107 stores completed in Australia was well in excess of the 12.2% comparable sales growth reported for the Australian Dick Smith stores (excluding Tandy and ex Powerhouse stores) in the half year. We plan to have an additional 47 stores in this new format by the end of this financial year.
- **Branding, price promise and range:** Our new contemporary logo and signage, "Dick Smith – Talk to the Techxperts", continues to roll out across the business in conjunction with our price promise "Always the best price and right Techxpert advice". Our range has been repositioned to be more compelling and relevant to the consumer. We will continue to exit the Tandy and Powerhouse brands over the next two years.
- **Investment in our people:** We have made a significant investment in improvements to our recruitment, retention, training and support initiatives for our people. A new staff training program focused on sales techniques and customer service is delivering genuine results, ensuring our staff are trusted and knowledgeable. New e-learning courses on technical product information are increasing our sales staff's confidence and ability to sell the latest technology to customers.
- **Techxpert services:** Our Mobile Techxperts service, offering delivery, installation, troubleshooting and support, was launched in July 2009. The Mobile Techxperts are available to visit customers to simplify technology in everyday life and perform services, such as mounting flat panel TVs and troubleshooting. The service is available wherever a Dick Smith store is located and is seeing rapid growth in sales.
- **Online:** Our website, www.dicksmith.com.au, has undergone a significant overhaul and was relaunched in August 2009. The refreshed site has created a much improved online shopping experience, with pleasing feedback from customers in relation to the ease of use. As a result we made good progress in online channel sales in the Christmas trading period, doubling those achieved last year.

Gross margins have increased 178bps reflecting a more focused promotional approach and improvements in our trading terms. Costs increased 105bps primarily due to the start up of our new format stores in the period before reaching maturity.

Nine Dick Smith stores were opened during the half in Australia and 14 Dick Smith and Tandy stores were closed, taking total stores in Australia to 362.

Consumer Electronics New Zealand

	HY09 NZD	*HY10 NZD*	*Change*
Sales ($ million)	191	187	(2.1)%
Gross Margin (%)	25.10	26.42	132bps
Cost of Doing Business (%)	18.56	21.61	305bps
EBIT to sales (%)	6.54	4.81	(173)bps
EBIT ($ million)	12.5	9.0	(28.0)%

New Zealand Consumer Electronics was challenged with the difficult economic environment impacting discretionary retailers in New Zealand. These trading conditions have resulted in sales 2.1% lower than last year and EBIT reducing to NZ$9.0 million (HY09: NZ$12.5 million).

We will reposition this business in a similar way to the Australian business. This process has recently commenced, with seven new format stores completed in the half (four new stores and three refurbishments). These new format stores have produced solid sales results. This brings the total of new format stores in New Zealand to eight.

Funds employed (Australia and New Zealand)

The increase in funds employed reflects the acceleration of refurbishment activity, as well as increased inventory with the continued trend to high value items such as flat panel TVs as part of revised store formats. This is reflected in average inventory levels which were up 4.5 days from last year.

India

Our business venture with TATA in India now services 40 retail stores operating under the Croma brand and has produced sales of $124 million. The business in this half has produced a small profit for the first time. 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.

Hotels

	HY09	HY10	Change
Sales ($ million)	592	591	(0.2)%
Gross margin (%)	83.17	82.39	(78)bps
Cost of Doing Business (%)	62.03	63.00	97bps
EBIT to sales (%)	21.14	19.39	(175)bps
EBIT ($ million)	125.1	114.6	(8.4)%

Our Hotel business weathered a challenging period with sales of $591 million decreasing by 0.2%, a good result relative to the sector. Comparable sales decreased by 2.5% for the half, impacted by the cycling of the government stimulus payments and the increased regulatory environment, in particular the impact of reduced trading hours in Queensland. Comparable gaming sales for the half declined 3.8% (HY09: 2.4% increase). The second half will continue to be affected by these issues which will be cycled in 2011.

EBIT decreased 8.4% to $114.6 million reflecting a change in mix of business, with the lower gross margin and higher CODB food business increasing and gaming declining. In addition, CODB was impacted by a change of accounting standards where venue acquisition costs may no longer be capitalised, resulting in a charge for the half of $2.1 million.

Relative to the hotel sector performance our Hotel business continues to prove reasonably resilient, reflecting the overall quality of our management team and Hotel portfolio.

The 2012 changes to the Victorian gaming arrangements are well underway. The new structure which allows us to own the licences (10 year) for gaming machines will be beneficial for our Hotel business.

A further six properties were added in the half, taking the total number of hotels and clubs to 286 and a total of 1,353 accommodation rooms.

Home Improvement

Good progress has been made in establishing our Home Improvement business in partnership with Lowe's. Some of the milestones include:

- We have more than 40 sites in the pipeline, the majority of which have been secured, and are well on the way to obtain 150 sites over five years. The sites are prime retail sites, well located in good trading zones. We are on track to open our first store in the second half of 2011.
- The Home Improvement team is now well established. We have assembled a team with excellent backgrounds and experience in Home Improvement which comprises both domestic and international experience.
- Store design, layout and merchandising are well developed. The partnership with Lowe's together with the local experience of the Danks team are proving to be invaluable assets.
- Development of the supply chain strategy is well progressed.
- We are in the process of establishing IT systems for the Home Improvement business that leverage the IT systems in place in the Lowe's business.
- Establishment of supply arrangements is underway. Negotiations have commenced with both international and domestic vendors.
- Danks integration is progressing to plan.

Central Overheads

Central overheads have increased $4.3 million and include costs associated with various business development activities.

Net Financing Costs and Tax Expense

Net Financing costs of $110.0 million have increased from the prior half year (2009: $101.5 million) reflecting foreign exchange gains in the prior year of $18.4 million (HY10: $1.4 million gain).

Interest paid was flat on last half reflecting strong cash control.

Tax expense has increased marginally to 29.5% (HY09: 29.4%).

Supply Chain and Logistics Initiatives

Food and Liquor

Driving the transformation of our Supermarket supply chain have been our unique systems StockSmart (DC forecast based replenishment), AutoStockR (store forecast based replenishment), Warehouse Management Systems and Transport Management Systems. We will continue to create a competitive advantage in this area as we invest in systems which further enhance our supply chain capability. We are actively transferring this intellectual property across the Woolworths Group.

The financial performance of our Supply Chain program continues to benefit the bottom line and further returns will continue as the DC infrastructure reaches greater efficiency levels. These benefits will underpin our targeted and consistent reduction in CODB.

The continuing development of our Food and Liquor Supply Chain will result in further productivity improvements.

The successful commissioning of both the Melbourne and Sydney Liquor DCs gives significant ongoing capacity and ability to respond to changing market conditions. A Brisbane Liquor DC will be commissioned in the last quarter of FY10. Design and tender processes will shortly be completed for the construction of the Tasmanian Regional Distribution Centre (RDC) which will begin later this quarter.

Woolworths will invest in the re-engineering of the two National Distribution Centres (NDC) located in Mulgrave (Melbourne) and Yennora (Sydney). This will involve significant software and hardware upgrades and increase capacity on the site with an extension of existing automation. These changes will significantly improve pick rate efficiency and immediately reduce costs. Work has already commenced in Mulgrave with completion expected by the end of FY11 and a Yennora review is underway. The refurbishment of our two automated sites at Hume (VIC) and Minchinbury (NSW) has progressed well and we are on target to complete this work before the end of FY11 which significantly extends the life of these DCs.

The rollout of the outbound Metro Transport Model (MTM) continues and the next phase is planned for Perth and Brisbane. This involves Woolworths' ownership of specifically designed trailers and the deployment of industry leading capacity planning, optimisation and freight tracking systems. We have also developed a new Rail strategy and are working closely with providers to deliver a more cost effective 'end to end' solution.

BIG W, Consumer Electronics & New Zealand Supermarkets

Woolworths is now well advanced in transforming the remaining part of the network in BIG W, Consumer Electronics and New Zealand Supermarkets.

New Zealand Supermarkets

The ongoing process of rolling out a supply chain strategy in New Zealand Supermarkets is progressing well, delivering improved service and lower cost. This year we will embark on an NDC/RDC strategy starting in Auckland where we have commenced a new NDC project which is expected to complete during FY11. The AutoStockR replenishment system has delivered a major increase in product availability.

BIG W

The Quicksilver program is focused on transforming the flow of merchandise to stores to support BIG W in delivering the right product, to the right stores, at the right time. The program is progressing on schedule with significant progress made on a number of key initiatives.

The most significant of these initiatives is the development and implementation of a more advanced store forecast based replenishment system that builds on the capabilities of AutoStockR. Rollout across the entire BIG W store network is expected to be complete by the end of the third quarter.

Plans for a third BIG W DC are progressing well, with a site at Hoxton≈Park in Sydney secured.

Other initiatives include enhancing our merchandise planning capability.

These initiatives are necessary to support BIG W's future business growth.

Consumer Electronics

Consumer Electronics has undertaken a comprehensive review of its Australian Supply Chain, utilising the work done in Australian Supermarkets. This has led to the announcement of a new DC at Hoxton Park in Sydney to service the entire store network.

The DCs in India continue to deliver efficiency improvements and benefits from International Logistics. We are well placed to support the retail expansion. The next program of work will involve a review of forecasting and our replenishment approach.

Global sourcing

Our global sourcing business has continued strongly with our direct buying volume increasing by 55%. We are operating sourcing offices in Hong Kong and Shanghai to cover the China and South-East Asia region and have established a presence in India to cover the Subcontinent region.

Progress continues to develop our international logistics capability to support our growth plans.

This includes a major review of our international logistics network which resulted in a reduction in the number of consolidation partners to two. We have also increased the number of consolidation facilities employed to support an improved flow of merchandise and introduced a single, comprehensive order tracking system. Further development will continue.

Balance Sheet and Cash Flow

Our cash flow and balance sheet remain strong.

Cash generated by operating activities was $1.8 billion, up 38.9% on the previous year, reflecting strong earnings growth and benefits from working capital.

Key balance sheet movements are explained as follows:

- The net investment in inventory fell by $335 million compared to the prior half year, largely reflecting the timing of creditor payments last year. Inventory days have increased by 1.5 days (HY09: 0.1 days reduction). Inventory days have been impacted by additional imported inventory across the Group, additional stock due to the two new Liquor DCs and the distorting impact of changing petrol prices. When we exclude these impacts, inventory days have decreased by 0.8 days.
- Receivables have increased by $228 million compared to the prior half year due to the acquisition of Danks, additional funding of property developments and timing of collections of receivables.
- As a result of the above, negative working capital has benefited, decreasing a further $307 million to negative $2,681 million relative to previous half year.
- Fixed assets and investments have increased, reflecting capital expenditure for the half year offset by depreciation.
- Intangibles have increased by $96 million compared to June 2009 due to the acquisition of Danks, Macro and various retail liquor and hotel acquisitions.
- Cash and borrowings have decreased $539 million compared to June 2009 reflecting the impact of restatement of the United States Dollar (USD) borrowing to market value ($184 million) and repayment of borrowings and additional cash balances ($316 million) from strong operating cashflows. The movement in the foreign debt is fully hedged and the equivalent movement in the hedge is recorded in financial assets and liabilities.
- Other financial assets and liabilities have decreased $171 million relative to June 2009 primarily as a result of the impact of the restatement of USD borrowings to market value.

Capital Management

Objectives

Woolworths currently sets its capital structure with the objective of enhancing shareholder value through optimising its weighted average cost of capital while retaining flexibility to pursue growth and capital management opportunities. Consistent with this objective, Woolworths has targeted, achieved and maintained its strong credit ratings of A– from Standard and Poors and A3 from Moody's Investor Services, which underpin our debt profile.

Capital returns

To the extent consistent with this objective and target ratings, Woolworths undertakes capital return strategies. Since July 2001, over $7 billion, comprising off and on-market buy-backs and dividends, has been returned to shareholders (including the interim dividend payable in April 2010 and excluding the proposed on-market share buy-back).

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

Capital management activity over the recent past was not pursued (except for dividends) due to various acquisitions and the global financial crisis.

The on-market share buy-back announced is part of the recommencement of an ongoing capital management program.

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

Woolworths was one of the few major ASX-listed companies not to have raised capital over the last 18 months and the recommencement of our capital management program, albeit modestly to start with, is a sign of our belief in the strong future outlook of the business, balanced by the uncertainties that still exist in the global financial markets.

Woolworths believes that in the current environment, returning $400 million to shareholders is a modest start that achieves an appropriate balance between returning capital, retaining sufficient flexibility to invest capital, pursuing growth and retaining strong credit ratings. An on-market share buy-back is the most effective mechanism for achieving this initial return, allowing all shareholders to participate and being low cost and straightforward to implement.

The share buy-back is planned to improve key metrics such as earnings per share and return on equity for the benefit of shareholders.

This ongoing program may in future include a range of initiatives and will, as in the past, be assessed in light of investment and growth opportunities, the capital markets environment and our focus on maintaining our strong credit ratings. Future initiatives may include distribution of franking credits. Franking credits available for distribution after 3 January 2010 are estimated to be $1,304 million (following payment of the interim dividend in April 2010).

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 $A350 million in March 2011.

Rounding of Amounts

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/0100, 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 23 and forms part of the Directors' Report for the 27 weeks ended 3 January 2010.

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 26th day of February 2010.

James Strong

JAMES STRONG
Director

MICHAEL LUSCOMBE
Managing Director and
Chief Executive Officer

Deloitte.

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

26 February 2010

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 3 January 2010, 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 sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants

Deloitte.

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

We have reviewed the accompanying half-year financial report of Woolworths Limited, which comprises the balance sheet as at 3 January 2010, and the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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 pages 31 to 42.

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 Interim and Other Financial Reports 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 Woolworths Limited's financial position as at 3 January 2010 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.

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 3 January 2010 and of its performance for the 27 weeks ended on that date; and

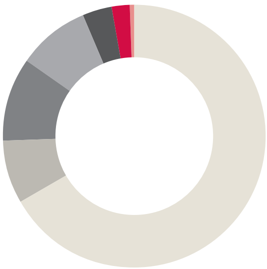
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

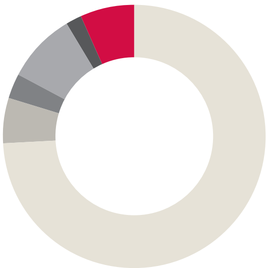
Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 26 February 2010



SEGMENT SALES

- 66.7% Australian Food & Liquor
- 7.9% New Zealand Supermarkets
- 10.2% Petrol
- 9.0% BIG W
- 3.6% Consumer Electronics
- 2.2% Hotels
- 0.4% Unallocated



EBIT – RETAIL OPERATIONS

- 74.3% Australian Food & Liquor
- 5.6% New Zealand Supermarkets
- 2.9% Petrol
- 8.6% BIG W
- 2.0% Consumer Electronics
- 6.6% Hotels

STORE ANALYSIS

Total number of stores at 3 January 2010

Supermarket Division	
Supermarkets in Australia	813
Supermarkets in New Zealand	150
Total Supermarkets	**963**
Thomas Dux	10
Freestanding Liquor (including Dan Murphy's)	271
ALH Retail Liquor Outlets	476
Caltex/Woolworths Petrol	132
Woolworths Petrol – Australia	419
Woolworths Petrol/Convenience – New Zealand	22
Total Supermarket Division	**2,293**
General Merchandise	
BIG W	159
Dick Smith	354
Tandy	79
Total General Merchandise Division	**592**
Hotels(1)	286
Danks (Home Improvement Retail)	1
Total Group	**3,172**
Wholesale Customers Stores	
Dick Smith	29
Progressive	54
Croma (India CEG)	40
Danks (Home Improvement Wholesale)	595
Statewide Independent Wholesale	220
Total Wholesale customers stores	**938**
Trading Area (sqm)	
Supermarket Division – Australia(2)	2,089,625
Supermarket Division – New Zealand(3)	318,177
General Merchandise(4)	1,055,987

(1) Includes 8 clubs.

(2) Australian Supermarkets Division trading area (excluding Petrol and ALH BWS outlets and including Australian ex-FAL stores) has increased by 2.55% (HY09: 2.32%).

(3) Excludes Gull and franchise stores.

(4) Excludes Woolworths India.

Weeks	A-IFRS HY10 27	A-IFRS HY09 27	A-IFRS HY08 27	A-IFRS HY07 27	A-IFRS HY06 27
PROFIT AND LOSS					
Sales ($m)					
Australian Food and Liquor[1]	**18,143.4**	16,983.3	15,575.6	14,416.3	13,234.5
Supermarkets NZ	**2,161.7**	2,132.3	2,158.2	1,989.4	778.8
Petrol	**2,781.2**	3,071.8	2,671.0	2,509.8	2,205.9
Total Supermarkets	**23,086.3**	22,187.4	20,404.8	18,915.5	16,219.2
BIG W	**2,461.6**	2,405.8	2,186.6	1,933.5	1,796.4
Consumer Electronics[2]	**983.7**	928.8	814.7	703.4	641.0
General Merchandise	**3,445.3**	3,334.6	3,001.3	2,636.9	2,437.4
Hotels	**591.2**	591.9	586.1	539.8	405.9
Home Improvement	**79.7**	–	–	–	–
Total Group	**27,202.5**	26,113.9	23,992.2	22,092.2	19,062.5
Earnings Before Interest and Tax ($m)					
Australian Food and Liquor[1]	**1,299.4**	1,166.6	1,000.9	838.2	647.8
Supermarkets NZ	**96.9**	68.4	86.6	69.3	34.0
Petrol	**51.2**	45.7	43.5	41.9	22.4
Total Supermarkets	**1,447.5**	1,280.7	1,131.0	949.4	704.2
BIG W	**150.8**	142.2	129.2	107.6	104.5
Consumer Electronics[2]	**34.8**	28.9	40.8	38.6	36.9
General Merchandise	**185.6**	171.1	170.0	146.2	141.4
Hotels	**114.6**	125.1	120.6	109.5	81.2
Total trading operations	**1,747.7**	1,576.9	1,421.6	1,205.1	926.8
Net property income/(expense)	**0.7**	(0.8)	8.9	(9.9)	17.3
Central Overheads/Unallocated	**(65.2)**	(60.9)	(55.6)	(49.6)	(41.7)
Total unallocated	**(64.5)**	(61.7)	(46.7)	(59.5)	(24.4)
Total Group	**1,683.2**	1,515.2	1,374.9	1,145.6	902.4
EBIT to Sales %					
Supermarkets	**6.27**	5.77	5.54	5.02	4.34
BIG W	**6.13**	5.91	5.91	5.57	5.82
Consumer Electronics	**3.54**	3.11	5.01	5.49	5.76
Hotels	**19.39**	21.14	20.58	20.29	20.01
Total	**6.19**	5.80	5.73	5.19	4.73
PROFIT & LOSS DETAIL ($m)					
Sales	**27,202.5**	26,113.9	23,992.2	22,092.2	19,062.5
Cost of goods sold	**(20,162.8)**	(19,503.0)	(17,860.3)	(16,523.2)	(14,331.1)
Gross profit	**7,039.7**	6,610.9	6,131.9	5,569.0	4,731.4
Gross profit margin %	***25.88***	*25.32*	*25.56*	*25.21*	*24.82*
Cost of doing business (CODB)	**(5,356.5)**	(5,095.7)	(4,757.0)	(4,423.3)	(3,829.0)
CODB %	***19.69***	*19.52*	*19.83*	*20.02*	*20.09*
Selling, general and admin expenses (excluding, rent, Depreciation & amortisation)	**(4,187.7)**	(4,010.3)	(3,785.5)	(3,496.1)	(3,053.7)
EBITDAR	**2,852.0**	2,600.6	2,346.4	2,072.9	1,677.7
EBITDAR margin %	***10.48***	*9.96*	*9.78*	*9.38*	*8.80*
Rent (including fitout rent)	**(762.8)**	(712.9)	(656.5)	(631.8)	(522.9)
EBITDA	**2,089.2**	1,887.7	1,689.9	1,441.1	1,154.8
EBITDA margin (%)	***7.68***	*7.23*	*7.04*	*6.52*	*6.06*
Depreciation	**(406.0)**	(372.5)	(315.0)	(295.5)	(252.4)
EBIT	**1,683.2**	1,515.2	1,374.9	1,145.6	902.4
EBIT margin (%)	***6.19***	*5.80*	*5.73*	*5.19*	*4.73*
Net financing costs	**(110.0)**	(101.5)	(91.3)	(131.1)	(112.1)
Profit before tax and abnormal items	**1,573.2**	1,413.7	1,283.6	1,014.5	790.3
Taxation	**(464.0)**	(415.3)	(377.6)	(305.9)	(241.1)
Profit after tax and before abnormal items	**1,109.2**	998.4	906.0	708.6	549.2
Outside equity interest	**(13.6)**	(15.1)	(14.7)	(13.0)	(6.1)
Profit attributable to members of Woolworths Limited after tax and Hybrid Notes	**1,095.6**	983.3	891.3	695.6	543.1

Weeks	A-IFRS HY10 27	A-IFRS HY09 27	A-IFRS HY08 27	A-IFRS HY07 27	A-IFRS HY06 27
BALANCE SHEET ($m)					
Funds Employed					
Inventory	**3,718.9**	3,488.5	3,230.3	3,043.3	2,832.1
Accounts Payable	**(4,836.1)**	(4,270.3)	(4,553.6)	(3,792.8)	(3,484.2)
Net investment in inventory	**(1,117.2)**	(781.8)	(1,323.3)	(749.5)	(652.1)
Fixed assets and investments	**7,304.3**	6,393.5	5,278.9	4,643.2	4,502.4
Intangibles	**5,029.6**	4,971.2	5,041.9	4,947.4	4,557.2
Receivables	**964.1**	736.2	699.4	748.2	543.7
Other creditors	**(2,527.5)**	(2,328.2)	(2,096.9)	(1,985.7)	(1,695.6)
Total funds employed(3)	**9,653.3**	8,990.9	7,600.0	7,603.6	7,255.6
Net tax balances	**182.4**	176.2	97.5	212.7	209.9
Net assets employed	**9,835.7**	9,167.1	7,697.5	7,816.3	7,465.5
Cash and borrowings(4)	**(1,873.4)**	(2,611.7)	(1,444.4)	(2,465.0)	(3,421.8)
Other financial assets and liabilities	**(221.6)**	211.7	(57.5)	(51.5)	9.9
Net assets	**7,740.7**	6,767.1	6,195.6	5,299.8	4,053.6
Outside shareholders' equity	**252.8**	247.3	239.8	235.2	223.8
Shareholders' equity	**7,487.9**	6,519.8	5,955.8	5,064.6	3,829.8
Total equity	**7,740.7**	6,767.1	6,195.6	5,299.8	4,053.6
CASH FLOW ($m)					
EBITDA	**2,089.2**	1,887.7	1,689.9	1,441.1	1,154.8
Movement in net investment in inventory	**324.2**	(90.4)	787.6	279.0	246.1
Other operating cash flows	**18.4**	110.4	(111.6)	71.4	(40.5)
Net interest paid (including cost of income notes)	**(125.9)**	(123.7)	(112.1)	(129.9)	(113.3)
Tax paid	**(462.6)**	(456.8)	(301.3)	(252.1)	(229.2)
Operating cash flow	**1,843.3**	1,327.2	1,952.5	1,409.5	1,017.9
Payments for property plant and equipment	**(873.1)**	(913.0)	(719.1)	(551.7)	(791.1)
Proceeds on disposal of property plant and equipment	**30.8**	11.9	109.5	584.4	288.4
Major acquisitions debt funded	**–**	–	–	–	(895.7)
Other investing cash flows	**(142.3)**	(96.7)	(204.5)	(293.0)	(73.1)
Free cash flow	**858.7**	329.4	1,138.4	1,149.2	(453.6)
Movement in gross debt	**(55.6)**	319.9	(279.4)	(909.9)	699.7
Issue of subsidiary shares to minority interest	**42.7**	–	–	–	–
Dividends paid	**(598.2)**	(502.7)	(402.1)	–	–
Dividends paid to minority interests	**(6.8)**	(17.7)	(14.3)	(7.7)	–
New shares issued	**75.2**	69.4	68.7	46.1	26.6
Effects of exchange rate changes on balance of cash held in foreign currencies	**(1.2)**	7.1	(0.2)	3.3	–
Net cash flow	**314.8**	205.4	511.1	281.0	272.7

Weeks	*A-IFRS HY10 27*	*A-IFRS HY09 27*	*A-IFRS HY08 27*	*A-IFRS HY07 27*	*A-IFRS HY06 27*
SHAREHOLDER VALUE					
ROFE (Pre-tax return on funds employed) (%)[5]					
Normal	**17.74**	17.51	17.85	14.87	15.71
Du Pont Analysis (abnormals excluded) (%)					
EBIT to sales	**6.19**	5.80	5.73	5.19	4.73
Service burden[6]	**93.46**	93.30	93.36	88.56	87.58
Tax burden[7]	**70.51**	70.62	70.58	69.85	69.50
Asset turn[8]	**1.46**	1.50	1.49	1.50	1.41
Financial leverage[9]	**2.49**	2.67	2.70	2.90	3.53
Return on equity[10]	**14.63**	15.08	14.97	13.74	14.18
Earnings Per Share					
Ordinary share price closing ($)	**28.00**	26.11	33.90	23.90	16.85
Market capitalisation ($m)	**34,720.0**	31,994.1	41,174.0	28,772.6	19,610.1
Weighted average shares on issue	**1,230.3**	1,215.1	1,203.4	1,182.6	1,076.3
Normal basic EPS[11]	**89.05**	80.93	74.06	58.83	50.46
Interim dividend ($m)[12]	**657.2**	588.3	534.5	421.7	326.3
Interim dividend (cents per share)	**53.0**	48.0	44.0	35.0	28.0
Payout ratio (before abnormals) (%)	**59.99**	59.83	59.96	60.62	60.07
Price/cash flow ratio (times)	**18.67**	23.95	20.89	20.05	17.93
Growth Rates (% increase)					
Sales	**4.17**	8.84	8.60	15.89	18.37
Sales per equivalent week	**4.17**	8.84	8.60	15.89	18.37
EBITDA	**10.67**	11.70	17.26	24.79	31.01
EBIT	**11.09**	10.20	20.01	26.95	31.47
Profit before tax and abnormal items	**11.28**	10.14	26.52	28.38	25.45
Normal basic EPS	**10.03**	9.28	25.90	16.58	16.48
FINANCIAL STRENGTH					
Service cover ratio (times)[13]	**15.30**	14.93	15.06	8.74	7.97
Fixed charges cover (times)[14]	**3.19**	3.08	3.06	2.74	2.64
Sales to inventory[15]	**7.76**	8.04	7.65	7.52	7.24
Capital expenditure to EBITDA (%)	**41.79**	48.36	42.55	38.28	43.53
Operating cash flow per share	**1.50**	1.09	1.62	1.19	0.94
Serviced gearing (%)[16]	**20.97**	26.18	19.51	32.20	45.70
Current assets to current liabilities (%)	**80.81**	73.99	77.99	78.00	72.93

1 Includes FAL results since 2nd November 2005 and Taverner retail results from 6 February 2006. Includes the Wholesale division that was previously reported seperately.

2 Includes India wholesale results since October 2006. (HY10 Sales $124.0 million, EBIT $0.2 million, HY09 Sales $89.8 million EBIT (–$2.7 million))

3 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.

4 Cash and Borrowings is gross debt less cash on hand, cash at bank and cash on short-term deposit.

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

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

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

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

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

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

11 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.

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

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

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

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

16 Serviced gearing is cash and borrowings together with the hedging related to those borrowings divided by cash and borrowings together with the hedging related to those borrowings plus total equity.

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

JAMES STRONG
Director

MICHAEL LUSCOMBE
Managing Director
and Chief Executive Officer

26 February 2010

INTERIM CONSOLIDATED INCOME STATEMENT

For the half year ended	*Consolidated* 3 Jan 2010 $m	*Consolidated* 4 Jan 2009 $m
Revenue from the sale of goods	**27,202.5**	26,113.9
Other operating revenue	**44.1**	58.3
Total revenue from operations	**27,246.6**	26,172.2
Cost of sales	**(20,206.9)**	(19,561.3)
Gross profit	**7,039.7**	6,610.9
Other revenue	**85.2**	83.9
Share of profits of associated and jointly controlled entities accounted for using the equity method	**0.5**	–
Branch expenses	**(4,163.7)**	(3,959.8)
Administration expenses	**(1,278.5)**	(1,219.8)
Earnings Before Interest and Taxes (EBIT)	**1,683.2**	1,515.2
Financial expense	**(123.5)**	(129.8)
Financial income	**13.5**	28.3
Net financing costs	**(110.0)**	(101.5)
Net profit before income tax expense	**1,573.2**	1,413.7
Income tax expense	**(464.0)**	(415.3)
Profit after income tax expense	**1,109.2**	998.4
Net profit attributable to:		
Equity holders of the parent entity	**1,095.6**	983.3
Minority interest	**13.6**	15.1
	1,109.2	998.4
Earnings Per Share (EPS)		
Basic EPS (cents per share)	**89.1**	80.9
Diluted EPS (cents per share)	**88.6**	80.5
Weighted average number of shares used in the calculation of basic EPS (million)	**1,230.3**	1,215.1

The interim consolidated income statement should be read in conjunction with the notes to the interim financial statements set out on pages 37 to 42.

For the half year ended	*3 Jan 2010 $m*	*4 Jan 2009 $m*
Profit for the period	**1,109.2**	998.4
Other comprehensive income		
Exchange differences taken to equity	**23.7**	73.6
Movement in the fair value of financial assets to be taken directly to equity	**15.6**	(31.8)
Movement in the fair value of cash flow hedges	**(130.6)**	379.6
Transfer to income statement cash flow hedges	**183.7**	(457.1)
Actuarial losses on defined benefit plans	**–**	(54.6)
Tax effect of items recognised directly to equity	**(19.4)**	33.2
Other comprehensive income for the period (net of tax)	**73.0**	(57.1)
Total comprehensive income for the period	**1,182.2**	941.3
Attributable to:		
Equity holders of the parent	**1,168.6**	926.2
Minority interest	**13.6**	15.1
	1,182.3	941.3

Income Tax on Other Comprehensive Income

For the half year ended 3 Jan 2010	*Before Tax $m*	*Tax (expense)/ benefit $m*	*Net of Tax $m*
Exchange differences taken to equity	**23.7**	**(3.5)**	**20.2**
Movement in the fair value of financial assets to be taken directly to equity	**15.6**	**–**	**15.6**
Movement in the fair value of cash flow hedges	**(130.6)**	**39.2**	**(91.4)**
Transfer to income statement cash flow hedges	**183.7**	**(55.1)**	**128.6**
	92.4	**(19.4)**	**73.0**

For the half year ended 4 Jan 2009	*Before Tax $m*	*Tax (expense)/ benefit $m*	*Net of Tax $m*
Exchange differences taken to equity	73.6	(6.4)	67.2
Movement in the fair value of financial assets to be taken directly to equity	(31.8)	–	(31.8)
Movement in the fair value of cash flow hedges	379.6	(113.9)	265.7
Transfer to income statement cash flow hedges	(457.1)	137.1	(320.0)
Actuarial losses on defined benefit plans	(54.6)	16.4	(38.3)
	(90.3)	33.2	(57.1)

The interim consolidated statement of comprehensive income should be read in conjunction with the notes to the interim financial statements set out on pages 37 to 42.

INTERIM CONSOLIDATED BALANCE SHEET

As at	3 Jan 2010 $m	Consolidated 28 Jun 2009 $m	4 Jan 2008 $m
Current assets			
Cash	**1,069.0**	762.6	960.0
Trade and other receivables	**928.0**	664.2	733.1
Inventories	**3,718.9**	3,292.6	3,488.5
Assets held for sale	**44.1**	36.9	16.7
Other financial assets	**86.0**	102.9	57.3
Total current assets	**5,846.0**	4,859.2	5,255.6
Non-current assets			
Trade and other receivables	**36.1**	2.7	3.1
Other financial assets	**172.0**	155.4	470.5
Property, plant and equipment	**7,115.0**	6,653.9	6,254.1
Intangibles	**5,029.6**	4,933.1	4,971.2
Deferred tax assets	**464.2**	480.6	466.5
Total non-current assets	**12,816.9**	12,225.7	12,165.4
Total assets	**18,662.9**	17,084.9	17,421.0
Current liabilities			
Trade and other payables	**6,012.3**	5,110.0	5,343.6
Borrowings	**136.0**	188.6	689.3
Current tax liabilities	**281.8**	279.5	290.3
Other financial liabilities	**44.4**	99.3	77.2
Provisions	**759.9**	737.2	702.9
Total current liabilities	**7,234.2**	6,414.6	7,103.3
Non-current liabilities			
Borrowings	**2,806.4**	2,986.3	2,882.4
Other financial liabilities	**290.0**	78.4	116.3
Provisions	**396.3**	362.3	365.1
Other	**195.1**	186.0	186.8
Total non-current liabilities	**3,687.8**	3,613.0	3,550.6
Total liabilities	**10,922.2**	10,027.6	10,653.9
Net assets	**7,740.7**	7,057.3	6,767.1
Equity			
Issued capital	**4,025.4**	3,858.6	3,772.7
Shares held in trust	**(48.9)**	(51.2)	(52.9)
Reserves	**(73.1)**	(173.5)	(121.1)
Retained earnings	**3,584.5**	3,178.6	2,921.1
Equity attributable to the members of Woolworths Limited	**7,487.9**	6,812.5	6,519.8
Minority interest	**252.8**	244.8	247.3
Total equity	**7,740.7**	7,057.3	6,767.1

The interim consolidated balance sheet should be read in conjunction with the interim notes to the financial statements set out on pages 37 to 42.

For the half year ended 3 January 2010

	Consolidated										
	Issued Capital $m	Shares held in trust $m	Hedging Reserve $m	Foreign Currency Translation Reserve $m	Remuneration Reserve $m	Asset Revaluation Reserve $m	Fair value through other comprehensive income Reserve $m	Retained Earnings $m	Equity attributable to members of Woolworths Limited $m	Non-controlling Interest $m	Total Equity
Balance at 29 June 2009	3,858.6	(51.2)	44.5	(305.6)	157.5	16.4	(86.3)	3,178.6	6,812.5	244.8	7,057.3
Profit after income tax expense	–	–	–	–	–	–	–	1,095.6	1,095.6	13.6	1,109.2
Other comprehensive income for the period (net of tax)	–	–	37.2	20.2	–	–	15.6	–	73.0	–	73.0
Total Comprehensive Income for the period	–	–	37.2	20.2	–	–	15.6	1,095.6	1,168.6	13.6	1,182.2
Dividend paid	–	–	–	–	–	–	–	(692.0)	(692.0)	(6.8)	(698.8)
Issue of shares as a result of options exercised under Executive Share Option Plans	73.8	–	–	–	–	–	–	–	73.8	–	73.8
Issue of shares as a result of dividend reinvestment plan	93.8	–	–	–	–	–	–	–	93.8	–	93.8
Issue of shares under Employee Share Plan	–	2.3	–	–	–	–	–	–	2.3	–	2.3
Issue of shares to Minority Interest	–	–	–	–	–	–	–	–	–	42.7	42.7
Other	(0.8)	–	–	–	–	–	–	2.3	1.5	–	1.5
Compensation on share based payments	–	–	–	–	27.4	–	–	–	27.4	–	27.4
Reclassification of non-controlling interest to financial liability	–	–	–	–	–	–	–	–	–	(41.5)	(41.5)
Balance at 3 January 2010	4,025.4	(48.9)	81.7	(285.4)	184.9	16.4	(70.7)	3,584.5	7,487.9	252.8	7,740.7

For the half year ended 4 January 2009

	Issued Capital $m	Shares held in trust $m	Hedging Reserve $m	Foreign Currency Translation Reserve $m	Remuneration Reserve $m	Asset Revaluation Reserve $m	Fair value through other comprehensive income Reserve $m	Retained Earnings $m	Equity attributable to members of Woolworths Limited $m	Non-controlling Interest $m	Total Equity
Balance at 30 June 2008	3,627.1	(60.0)	122.1	(300.6)	94.0	16.4	(65.8)	2,559.7	5,992.9	242.4	6,235.3
Profit after income tax expense	–	–	–	–	–	–	–	983.3	983.3	15.1	998.4
Other comprehensive income for the period (net of tax)	–	–	(54.3)	67.2	–	–	(31.8)	(38.2)	(57.1)	–	(57.1)
Total Comprehensive Income for the period	–	–	(54.3)	67.2	–	–	(31.8)	945.1	926.2	15.1	941.3
Dividend paid	–	–	–	–	–	–	–	(586.0)	(586.0)	(10.2)	(596.2)
Issue of shares as a result of options exercised under Executive Share Option Plans	65.4	–	–	–	–	–	–	–	65.4	–	65.4
Issue of shares as a result of dividend reinvestment plan	83.3	–	–	–	–	–	–	–	83.3	–	83.3
Issue of shares under Employee Share Plan	–	7.1	–	–	–	–	–	–	7.1	–	7.1
Other	(3.1)	–	–	–	–	–	–	2.3	(0.8)	–	(0.8)
Compensation on share based payments	–	–	–	–	31.7	–	–	–	31.7	–	31.7
Balance at 3 January 2010	3,772.7	(52.9)	67.8	(233.4)	125.7	16.4	(97.6)	2,921.1	6,519.8	247.3	6,767.1

The consolidated statement of changes in equity should be read in conjunction with the interim notes to the financial statements set out on pages 37 to 42.

For the half year ended	*3 Jan 2010 $m*	*4 Jan 2009 $m*
Cash flows from operating activities		
Receipts from customers	**28,976.9**	27,968.4
Receipts from vendors and tenants	**21.1**	20.6
Payments to suppliers and employees	**(26,566.2)**	(26,081.4)
Interest and costs of finance paid	**(131.1)**	(139.5)
Interest received	**5.2**	15.9
Income tax paid	**(462.6)**	(456.8)
Net cash provided by operating activities	**1,843.3**	1,327.2
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	**30.8**	11.9
Payments for property, plant and equipment	**(873.1)**	(913.0)
(Payments) for purchase or proceeds from sale of investments	**3.0**	–
Payments for the purchase of intangibles	**(1.0)**	(1.4)
Dividends received	**6.4**	1.4
Payments for purchase of businesses	**(150.7)**	(96.7)
Net cash used in investing activities	**(984.6)**	(997.8)
Cash flows from financing activities		
Proceeds from issue of equity securities	**75.2**	69.4
Proceeds from issue of equity securities to minority interest	**42.7**	–
Proceeds from external borrowings	**6,159.9**	7,574.6
Repayment of external borrowings	**(6,215.5)**	(7,254.7)
Dividends paid	**(598.2)**	(502.7)
Dividends paid to minority interest	**(6.8)**	(17.7)
Net cash used in financing activities	**(542.7)**	(131.1)
Net increase in cash held	**316.0**	198.3
Effects of exchange rate changes on balance of cash held in foreign currencies	**(1.2)**	7.1
Cash at the beginning of the financial period	**746.7**	754.6
Cash at the end of the financial period	**1,061.5**	960.0

The interim consolidated statement of cash flows should be read in conjunction with the interim notes to the financial statements set out on pages 37 to 42.

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 3 January 2010 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 3 January 2010 ("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 52 weeks ended 28 June 2009, 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 fair value thorugh other comprehensive income. 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.

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 2009 annual financial report for the financial year ended 28 June 2009, except as discussed below.

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 2009.

The adoption of these new and revised accounting standards other than AASB 3 *Business Combinations*, has not resulted in any significant impact on the financial results as the standards and amendments are primarily concerned with disclosures.

The Group has adopted AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards* during the period. These amendments relate primarily with the presentation of the financial statements, and have resulted in the inclusion of two new financial statements being the Statement of Comprehensive Income and the Statement of Changes in Equity.

AASB 3 *Business Combinations* was applied for the first time in the current period. It applies prospectively to business combinations for which the acquisition date is on or after 29 June 2009 and alters the manner in which business combinations and changes in ownership interest in subsidiaries are accounted for. Accordingly, while its adoption has no impact on previous acquisitions made by the Group, the application of the Standard has affected the accounting for the acquisition of Danks Holdings Limited and all other acquisitions in the current period with all acquisition expenses now recorded in the Consolidated Income Statement.

The Group has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards* arising from AASB 8 with effect from 29 June 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance. In contrast, the predecessor Standard (AASB 114 *Segment reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result of applying AASB 8 the number of individually reported segments has expanded to include Australian Food and Liquor, New Zealand Supermarkets and Petrol, (previously reported under Supermarkets), and the measure of segment profit has been defined as earnings before interest and tax (EBIT). The comparative period has been restated to reflect these changes.

The Group has early adopted AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards* arising from AASB 9 during the current period. AASB 9 provides an option to designate and measure an investment in equity instruments at fair value with changes recognised in other comprehensive income with only dividends being recognised in profit or loss. The Group has elected to apply this option. The application of this standard affects the accounting for the investments in The Warehouse and ALE Property Group, both of which have been designated as fair value through other comprehensive income. These changes have been adopted retrospectively with no impact on retained earnings in the current or previous financial years.

The Half Year Financial Report was approved by the Board of Directors on 26 February 2010.

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

	Australian Food & Liquor		New Zealand Supermarkets		Petrol		BIG W		Consumer Electronics		Hotels		Unallocated		Consolidated	
	2010 $m	2009 $m	2010 $m	2009 $m	2010 $m	2009 $m	2010 $m	2009 $m	2010 $m	2009 $m	2010 $m	2009 $m	2010 $m	2009 $m	2010 $m	2009 $m
Segment disclosures Reportable segments																
Sales to customers	18,143.4	16,983.3	2,161.7	2,132.3	2,781.2	3,071.8	2,461.6	2,405.8	983.7	928.8	591.2	591.9	79.7	–	27,202.5	26,113.9
Other operating revenue	40.1	47.7	4.0	10.6	–		–		–		–		–		44.1	58.3
Inter-segment revenue	–	–	–	–	–	–	–	–	–	0.1	–	–	138.0	101.8	138.0	101.9
Segment revenue	18,183.5	17,031.0	2,165.7	2,142.9	2,781.2	3,071.8	2,461.6	2,405.8	983.7	928.9	591.2	591.9	217.7	101.8	27,384.6	26,274.1
Eliminations										(0.1)			(138.0)	(101.8)	(138.0)	(101.9)
Unallocated revenue/ (expenses)[1]													85.2	83.9	85.2	83.9
Total revenue	18,183.5	17,031.0	2,165.7	2,142.9	2,781.2	3,071.8	2,461.6	2,405.8	983.7	928.8	591.2	591.9	164.9	83.9	27,331.8	26,256.1
Segment earnings before interest and tax	1,299.4	1,166.6	96.9	68.4	51.2	45.7	150.8	142.2	34.8	28.9	114.6	125.1	(64.5)	(61.7)	1,683.2	1,515.2
Net financing cost															(110.0)	(101.5)
Profit before tax															1,573.2	1,413.7
Income tax expense															(464.0)	(415.3)
Profit after tax															1,109.2	998.4
Segment depreciation and amortisation	238.2	228.0	33.0	27.7	15.1	12.7	36.6	33.5	13.8	13.5	39.5	32.7	29.8	24.4	406.0	372.5
Capital expenditure	357.3	513.7	93.9	91.5	24.3	41.3	58.2	62.7	19.1	26.4	96.1	107.5	354.7	168.6	1,003.6	1,011.7

(1) Unallocated revenue comprise rent and other revenue from operating activities.

2. SEGMENT INFORMATION

The Group has seven reportable segments. The reportable segments were identified on the basis of internal reports on the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance.

In addition, these business units offer different products and services and are managed separately because they require different technology and marketing strategies. The Group's reportable segments are as follows:

- **Australian Food and Liquor** – procurement of Food and Liquor and products for resale to customers in Australia
- **New Zealand Supermarkets** – procurement of Food and Liquor and products for resale to customers in New Zealand
- **Petrol** – procurement of Petroleum products for resale to customers in Australia
- **BIG W** – procurement of discount general merchandise products for resale to customers in Australia
- **Consumer Electronics** – procurement for electronic products for resale to global customers
- **Hotels** – provision of leisure and hospitality services including food and alcohol, accommodation, entertainment and gaming
- **Unallocated** – consists of the Group's other operating segments that are not separately reportable (including Home Improvements) as well as various support functions including Property and Head office costs

3. SIGNIFICANT TRANSACTIONS

Woolworths Enters the Hardware Sector

On 25 August 2009, Woolworths Limited announced that it had entered into a joint venture agreement (Agreement) with leading US Home Improvement retailer Lowe's Companies Inc (Lowe's) to launch a home improvement store network with a target to secure in excess of 150 stores in the next five years. Woolworths Limited owns 66.7% of the joint venture entity, Hydrox Holdings Pty Limited (Hydrox). The terms of the Agreement include exit provisions that may be exercised after the fourth anniversary of the Agreement. As a result, the minority interest has been recorded as a non-current other financial liability as required by Australian Accounting Standards.

On 11 November 2009, Hydrox acquired Danks Holdings Limited (Danks), Australia's second largest hardware distributor supplying 583 Home Timber & Hardware, Thrifty-Link Hardware, and Plants Plus Garden Centre stores plus 939 independent hardware stores.

Under the terms of the joint venture agreement, this was funded by Lowe's and Woolworths Limited in proportion to their respective equity interest in Hydrox.

Consideration transferred

Total consideration for the acquisition of the Danks shares was satisfied wholly in cash of $87.6 million representing $13.50 per share.

Acquisition-related costs amounting to $2.1 million have been excluded from the consideration paid and have been recognised as an expense in the period, within the administration expenses line item in the interim consolidated statement of comprehensive income.

Over the course of the half year, the consolidated entity acquired various hotel venues and other businesses. Each acquisition was for 100% of the respective enterprise. Total consideration paid was $152.9 million. Details of the net assets acquired are presented in the table below, and include goodwill on acquisition of $43.7 million. Goodwill has arisen on acquisition of these businesses primarily because of their capacity to generate recurring revenue streams in the future. Acquisition costs totalling $5.5 million were recognised in the income statement.

Name of Business Acquired	*Principal Activity*	*Date of Acquisition*	*Proportion Acquired*	*Cost of Acquisition $m*
Danks Holdings Limited(1)	Hardware wholesale	11 November 2009	100%	87.6
Miscellaneous business	Hotels, Grocery and Liquor Retail	various	100%	65.3
Total				**152.9**

(1) Danks Holdings Limited was 100% acquired by Hydrox Holdings Pty Limited. Woolworths Limited has a 66.7% ownership in Hydrox Holdings Pty Limited.

For the half year ended 3 January 2010	*Fair-Value $m*
Acquisition of businesses	
Details of the aggregate cash outflow relating to the acquisition of businesses and the aggregate assets and liabilities of those businesses as at the date of the acquisition were as follows:	
– Property, plant and equipment	42.8
– Inventories	36.3
– Liquor and gaming licences and other intangibles	21.9
– Brand names	8.4
– Cash acquired	2.2
– Trade and other receivables	96.8
– Other assets	4.8
– Interest bearing liabilities	(15.2)
– Accounts payable	(66.9)
– Provisions	(11.8)
– Other liabilities	(10.1)
Net assets acquired	**109.2**
– Goodwill on acquisition	43.7
Fair Value of net assets acquired	**152.9**
Consideration	
– Cash paid	152.9
Total Consideration	**152.9**
Cash Paid	152.9
Less: cash balances acquired	(2.2)
Cash Consideration paid this year	**150.7**

The fair value of receivables acquired includes a provision of $2.2 million for impaired receivables.

5. DIVIDENDS PAID

27 weeks ended	*3 Jan 10 $m*	*28 Jun 09 $m*	*4 Jan 09 $m*
Final dividend in respect of 2009 year of 56 cents (2008:48 cents) per fully paid ordinary share 100% franked at 30% tax rate (2008:100%)	**692.0**	–	586.0
Interim dividend in respect of 2009 year of 48 cents (2008:44 cents) per fully paid ordinary share 100% franked at 30% tax rate (2008:100%)	**–**	588.3	–
Total dividends paid	**692.0**	–	586.0

On 26 February 2010, the Board of Directors declared a dividend of 53 cents (2009: 48 cents) per share. The amount that will be paid on 23 April 2010 will be approximately $657.2 million (2009: $588.3 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.

6. CONTINGENT LIABILITIES

Contingent liabilities at 3 January 2010 comprising:

	3 Jan 10 $m	*28 Jun 09 $m*
Bank guarantees(1)	**45.6**	54.0
Workers compensation self-insurance guarantees	**474.2**	448.5
Other (outstanding letters of credit issued to suppliers)	**28.0**	36.0
	547.8	538.5

(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 $391.2 million (4 January 2009: $361.8 million) for self-insured risks, which includes liabilities relating to workers' compensation claims, that has been recognised in the statement of financial position.

7. GOODWILL

The intangibles balance in the consolidated balance sheet includes the following movements in Goodwill for the half years:

	3 Jan 10 $m	4 Jan 09 $m
Carrying amount at start of period	**2,991.6**	2,941.4
Additions arising from the acquisition of businesses	**43.7**	11.3
Disposals	–	(0.7)
Reclassifications	**0.3**	0.1
Effect of movements in foreign exchange rates	**20.0**	83.8
Carrying amount at end of period	**3,055.6**	3,035.9

8. ISSUED CAPITAL

	3 Jan 10 $m	4 Jan 09 $m
Issued and paid-up share capital		
1,239,999,313 fully paid ordinary shares (4 January 2009: 1,225,358,935)		
Fully paid ordinary shares carry one vote per share and the right to dividends.		
Reconciliation of fully paid share capital		
Balance at beginning of period	**3,858.6**	3,627.1
Issue of shares as a result of options exercised under Executive Share Option Plan	**73.8**	65.4
Issue of shares as a result of Dividend Reinvestment Plan	**93.8**	83.3
Adjustment to reflect final proceeds for shares issued under Employee Share Plan	**(0.8)**	(3.1)
Issue of shares as consideration for acquired entity	–	–
Balance at end of period	**4,025.4**	3,772.7
Reconciliation of fully paid share capital – number of shares		
Balance at beginning of period	**1,223.6**	1,210.5
Issue of shares as a result of options exercised under Executive Share Option Plan	**7.7**	5.3
Issue of shares as a result of Dividend Reinvestment Plan	**3.2**	3.0
Incremental number of shares as a result of shares transferred or forfeited under the Employee Share Plan	**0.3**	1.0
Issue of shares as consideration for acquired entity	–	–
Balance at end of period	**1,234.8**	1,219.8

Note: The reconciliation of fully paid share capital – number of shares is presented net of shares held in trust.

Shares Held in Trust

	3 Jan 10 $m	4 Jan 09 $m
Reconciliation of shares held in trust		
Balance at beginning of period	**(51.2)**	(60.0)
Issuance of shares under Employee Share Plan	**2.3**	7.1
Balance at end of period	**(48.9)**	(52.9)
Reconciliation of shares held in trust		
Balance at beginning of period	**5.4**	6.6
Issuance of shares under Employee Share Plan	**(0.3)**	(1.0)
Balance at end of period	**5.1**	5.6

9. EXPLANATION OF SIGNIFICANT MOVEMENTS IN THE STATEMENT OF FINANCIAL POSITION

Key balance sheet movements are explained as follows:

- The net investment in inventory fell by $335 million compared to the prior half year largely reflecting the timing of creditor payments last year. Inventory days have increased by 1.5 days (HY09: 0.1 days reduction). Inventory days have been impacted by additional imported inventory across the Group, additional stock due to the two new Liquor DCs and the distorting impact of changing petrol prices. When we exclude these impacts, inventory days have decreased by 0.8 days.
- Receivables have increased by $228 million compared to the prior half year due to the acquisition of Danks, additional funding of property developments and timing of collections of receivables.
- As a result of the above, negative working capital has benefited, decreasing a further $307 million to negative $2,681 million relative to previous half year.
- Fixed assets and investments have increased reflecting capital expenditure for the half year offset by depreciation.
- Intangibles have increased by $96 million compared to June 2009 due to the acquisition of Danks, Macro and various retail liquor and hotel acquisitions.
- Cash and borrowings have decreased $539 million compared to June 2009 reflecting the impact of restatement of the USD borrowing to market value ($184 million) and repayment of borrowings and additional cash balances ($316 million) from strong operating cash flows. The movement in the foreign debt is fully hedged and the equivalent movement in the hedge is recorded in financial assets and liabilities.
- Other financial assets and liabilities have decreased $171 million relative to June 2009 primarily as a result of the impact of the restatement of USD borrowings to market value.

10. 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.

AUD	Australian Dollar
CAGR	Compound Annual Growth Rate
CODB	Cost of Doing Business
DC	Distribution Centre
DRP	Dividend Reinvestment Plan
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest and Tax, Depreciation and Amortisation
EBITDAR	Earnings Before Interest and Tax, Depreciation, Amortisation and Rent
EPS	Earnings Per Share
LTIFR	Lost Time Injury Frequency Rate
NDC	National Distribution Centre
NPAT	Net Profit After Tax
NZD	New Zealand Dollar
RDC	Regional Distribution Centre
ROFE	Return on Funds Employed
USD	United States Dollar

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