WOOLWORTHS LIMITED

25 February 2011 **PRESS RELEASE**

PROFIT REPORT AND DIVIDEND ANNOUNCEMENT FOR THE 27 WEEKS ENDED 2 JANUARY 2011

Net profit after tax up 6.0 % to $1,161.7 million

- **SALES OF $28.3 BILLION, UP 4.0% (EXCLUDING PETROL, UP 3.8%)**
- **6.6% INCREASE IN EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION**
- **6.2% INCREASE IN EARNINGS BEFORE INTEREST AND TAX TO $1,787.0 MILLION**
- **6.0% INCREASE IN NET PROFIT AFTER TAX TO $1,161.7 MILLION**
- **6.9% INCREASE IN EARNINGS PER SHARE TO 95.2 CENTS**
- **7.5% INCREASE IN INTERIM DIVIDEND TO 57 CENTS PER SHARE OR $693.3 MILLION**
- **$1.9 BILLION CASH GENERATED BY OPERATING ACTIVITIES**

"Woolworths Limited today reported an increase in earnings per share of 6.9% and net profit after tax of 6.0%. This is a sound result delivered in a period of challenging conditions across the retail sector in both Australia and New Zealand. We are focussed on sustainable, long-term profitable growth that delivers enhanced value to customers and shareholders, through all economic cycles"

- Michael Luscombe, Managing Director and CEO

Summary of Results

The Board of Woolworths Limited today approved and released the interim profit and dividend announcement of Woolworths Limited and its controlled entities for the 27 weeks ended 2 January 2011.

Woolworths Limited Managing Director and CEO, Michael Luscombe said, “This is a sound result given the macro economic and market challenges. In Australia, consumer spending tightened, with increased individual savings levels, interest rate increases and sharp rises in household utility costs. Consumers have benefited from deflation in average food and liquor prices as well as key categories of general merchandise. The deflation effect has been intensified by a sustained strong Australian dollar and high levels of price competition. Overlaying these economic conditions is unseasonably poor weather in Australia in the last quarter curtailing summer spending in December.

“Woolworths is in a unique position because of our strong growth over the past 20 years and the development of a robust business model. In recent years sales growth was accelerated with the Government stimulus payments. Despite the recent challenges, our businesses continued to focus on improving range, merchandising and formats whilst investing strongly in price by leveraging the capability of our business model. As a result we have grown market share. During this half we served an additional 18.5 million customers in our retail outlets, an increase of 2.6%, reflecting strong customer acceptance of our offers.”

Mr Luscombe said, “There are six key opportunities that we will continue to focus on to improve our core business over the medium term:

1. Building on the **best customer offer** in range and price, not only through branded product but also through our stable of exclusive brands and innovative, quality-driven private label, combined with a strong emphasis on fresh food.
2. Delivering the most contemporary and **leading retail formats** across all our business divisions which pay absolute attention to meeting customers’ needs in service, presentation and convenience.
3. **Enhancing our loyalty program** which offers customers recognition and a dividend for their loyalty while growing our understanding of their needs.
4. Further enhancements to our **supply chain** including next generation replenishment, continued improvement in distribution centre systems, IT platforms and a world-class merchandising system.
5. Ongoing investment in our **stores rollout** leveraging our strong balance sheet to deliver in the current market.
6. **Cost of doing business reductions** through our group-wide 5 year Quantum initiative, which is delivering saving and synergies from all our businesses.

“In addition we plan to deliver new long term growth initiatives through new businesses and categories. The development of our Home Improvement business to compete in a $36 billion market is progressing well and will be operating by the first half of next financial year. Further, Woolworths Limited has today announced it will acquire The Cellarmasters Group (Cellarmasters) for $340 million. Cellarmasters is one of Australia’s largest direct marketing wine sellers and providers of contract bottling and wine services.

"Our Balance Sheet and Cash Flow remain strong. The maintenance of our dividend payout ratio and the recent capital management initiatives with over $1 billion of share buy backs in 2010 reflects the confidence we have in the future of the Woolworths business. Following these capital management initiatives Woolworths has the capacity to continue to invest capital in our business and pursue growth opportunities with a focus on enhancing long term shareholder value. In particular our strategy of using the strength of Woolworths Balance Sheet to ensure the pipeline of new stores continues to grow is one that will pay dividends into the future."

Commenting on the result, the Chairman of Woolworths Limited, James Strong said, "Whilst the year has seen significant challenges for the retail sector, Woolworths has a sound business model which is focussed on sustaining long term profitable growth. This focus together with the strength of Woolworths' financial position, its retail offers and talented team will allow it to steer through these challenges to deliver sustainable growth to shareholders. The team at Woolworths, which is close to 200,000, have the skills, experience and depth of talent to deliver through continually changing economic and business cycles and conditions. Woolworths has clear strategies, strong market positions and good growth prospects. The Board of Woolworths is pleased to announce a 7.5% increase in Dividends per Share (DPS) to 57c from 53c in the prior half year. This increase exceeds earnings growth".

Highlights for the half year

Woolworths has continued its long-term strategy to achieve sustainable sales and profit growth through a **focus on customers** and meeting their evolving needs and expectations in each retail sector.

Food and Liquor

Our largest business, **Food and Liquor** in Australia and New Zealand, has had solid growth in Sales and EBIT, and has grown both customer transactions and market share, particularly in Fresh and Liquor. We have achieved this through key initiatives:

- Delivering the most contemporary and innovative store formats with a revitalised market fresh offer, a presentation focus on key market categories such as seafood, meat and fresh bakery and an expanding ready-to-eat meal solutions range. We are building on our credentials as the **Fresh Food People** as we move to the next level for full-line supermarket retailing. Our 2015 format and offer is obtaining outstanding customer response.
- Focused on service, our stores continue to lead on service metrics from mystery shopper store visits.
- We will maintain real price leadership. We were the first to reduce prices in over 5,000 products and the first to move to national pricing. This real price leadership is recognised by our customers.
- The **New Zealand Supermarkets** transformation to new generation Countdown continues to deliver very pleasing results, with a 13.1% (NZD) improvement in the trading EBIT for the half.
- Woolworths and Countdown exclusive brands continue to lead both markets in terms of innovation and market share. The expansion of our Macro Wholefood Market range has established a key position in the fast growing ‘good-for-you’ food category, with very strong sales and enables Woolworths to deliver customers better quality and value.
- Exclusive labels in beer and wine have also brought enhanced range, value and competition to the market, cementing our key brands as leaders in this market.
- All new stores and refurbished stores are exceeding our environmental and resource efficiency benchmarks, while scoring high customer and staff approval ratings. Approximately 55% of Australian Supermarkets fleet are new or refurbished (5% 2015 format, 50% 2010 format), while 55% of New Zealand Supermarkets are new generation Countdown.

BIG W

- **BIG W** has continued to drive its position as the destination for our customers, their home and family as we continue to offer the lowest prices on the widest range of quality and branded product everyday. This is demonstrated in apparel with the launch of Mambo (an iconic Australian surf brand) and in electronics with a strong market share achieved in Apple products including iPad, iPod and accessories.
- In addition we are delighted with the success of our toy offer including the launch of our Tinkers exclusive label toy brand. Toys have delivered double digit sales growth.
- 65% of BIG W stores have been refreshed to give a new look and feel while 33 now have instore optical sites.

Consumer Electronics

- In **Dick Smith** the team has focussed on enhancing the range, best price and right techxpert advice.
- The laptop and tablet category has seen strong growth through more competitive pricing, new improved range and presentation in new format stores.
- Dick Smith's signature 'techxpert' offer (a national after sales service package that includes onsite installation, internet security and remote access and phone support) continues to value add in a category that has fierce price deflation and competition.
- We have significantly improved our offer in the Gaming category with interactive areas in new format stores increasing market share through the launch of new gaming consoles. Dick Smith has performed solidly in the Mobile phone space, and is now well-positioned to provide a competitive communications solution in the growing smartphone market.
- The refreshed online website has resulted in strong customer trading.
- 55% of Australian Dick Smith stores are now in the new format and work has commenced in New Zealand.

Loyalty

- Engaging our customers with **rewards and offers** is a critical component of growing and retaining customers. The **Everyday Rewards** program grew at a rapid pace during the half, driven by customer desires for loyalty dividends and recognition. The program now has 5.6 million registered members, of whom 3.2 million have also registered to earn Qantas Frequent Flyer points. In New Zealand our Onecard has 1.9 million members.
- A QFF points alternative offer was introduced to petrol, opening up rewards to a wider group of motorists.
- Loyalty insights drove good increases in take-up of direct offers across all divisions.

Multi-channel Online

- Online channel sales increased 75% for the half. Shopping **online** is becoming an increasingly important part of the Woolworths business with strategies developing across all trading divisions. We have recently refreshed the Woolworths and Dick Smith online sites to create fast, interactive and leading shopping experiences and have received very pleasing feedback from customers.
- BIG W online was launched in May 2010 and has had strong growth and driven market reach, with new and expanded product ranges continuing to be added. We will continue to invest further in this rapidly growing channel to drive incremental sales and profitability.
- Our customers will have the ability in March 2011 to purchase online from our Dan Murphy's website.

Quantum

We have made considerable progress in identifying significant opportunities for reducing costs and improving efficiencies right across the company. The recurring theme across all our Quantum initiatives has been to leverage our scale to create synergies and translating "best in breed" practices across all our businesses and support functions.

We have begun the roll out of a number of initiatives already and plans are in place to implement others in the coming months. These encompass the following areas:

- Supply chains of our businesses
- Major support functions such as IT, Finance and Call Centres
- Not for resale procurement
- Operational work practices
- Global direct sourcing

As with Project Refresh, benefits will be realised in cost of doing business as well as gross margin and assist us in increasing our competitiveness in a tough retail market.

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’s, BIG W and Consumer Electronics.
- The successful commissioning of Liquor Distribution Centres in Brisbane, Melbourne and Sydney provides significant ongoing capacity to respond to changing market conditions and lower unit costs.
- The re-engineering of the National Distribution Centre (NDC) located in Mulgrave Victoria is substantially completed. The changes have resulted in increased capacity on the site, improved pick rate efficiency and reduced costs.
- The development of the new **BIG W Distribution Centre (DC), Consumer Electronics DC** and **Home Improvement DC** at Hoxton Park in Sydney is progressing well. This work is expected to be completed in FY12 and will enable us to improve service and reduce costs.
- Our **global sourcing** business had another strong year and continues to develop rapidly, delivering substantial benefits. We have grown our direct buying volume by more than 50% during the half and expanded our activities into more countries and product categories as we continue to develop our international logistics capability to support growth plans.

Financial Services

- As gifting through our **Gift Card Mall** offer has become very popular, we have introduced a wide range of third-party gift cards. As we further expand and refine our range to cater to this new growing business, including online vouchers, we are expecting customer transactions will continue to increase.
- In November 2010, we launched the **Woolworths Everyday Rewards- Qantas Credit Card** which generated a strong customer response with new accounts tracking ahead of plan. The card combines platinum-equivalent Qantas Frequent Flyer points rewards, epump and the 4cpl petrol discount all in one.

- The introduction of a range of new **Prepaid MasterCard** cards (targeted at the online shopper, traveller, youth, and increasingly frugal customer segments) has been well received. Being the first national retailer in Australia to launch these products, we are achieving sales significantly exceeding the targets set.
- Woolworths processes 500 million card transactions per year and has an outstanding **payment platform** that has resulted in 100% uptime and quick payment transactions for customers at queues despite continued growth in card volumes and transaction growth at check outs. We have continued to see savings in **payments acceptance costs** and improvements in customer service at the check outs as we leverage fully our payments processing infrastructure.

Strategic Investment for Growth

- Very good progress has been made on our entry into the retail home improvement sector, together with our joint venturer Lowe's. Our aim is to deliver a multi format strategy designed to meet the everyday **Home Improvement** needs of Australian customers. In addition to our recent acquisitions of Danks and Gunns Retail Division in Tasmania, during the half we have purchased Becks Timber and Hardware (including four hardware stores and a truss manufacturing plant in Tasmania), Magnet Mart (including five hardware stores in ACT and NSW) and Flatman's Timber and Hardware (including two hardware stores in Melbourne).
- **Cellarmasters** represents an attractive and complementary bolt-on to Woolworths' existing liquor portfolio, which includes successful brands such as Dan Murphy's, BWS, Woolworths Liquor and Langton's. Cellarmasters has a direct marketing business model which has seen it become a leading provider of wine plans and wine sales through its outbound direct contact and online platform. Cellarmasters' proven expertise in direct wine marketing will add a new and complementary customer channel to the Woolworths Liquor Group, reflecting the multiple ways in which customer now search for and purchase wine. Importantly, Cellarmasters' multi-banner platform covers all customer types:
    - Premium Wine – Cellarmasters and NZ Wine Society
    - Fine Wine – WineIQ and CellarForce
    - Value Wine – WineMarket.com.au

  Cellarmasters also has a winemaking operation, Dorrien, which produces a range of wines which are distributed through the Cellarmasters direct channel. In addition, Cellarmasters provides a range of services to the winemaking community such as bottling, packaging, storage, filtration and testing.

  Cellarmasters' portfolio of innovative businesses and brands will benefit from the added value of Woolworths' logistical and distribution capabilities. In return, this acquisition will accelerate growth in our liquor business through new and enhanced capabilities in production and operational services, enable us to serve a whole new customer segment in the direct marketing channel and enhance our capability in production of private label wine products. This combination fits with our strategy to innovate in line with evolving customer trends through a multi-channel, multi-brand and multi-platform liquor offer and will help Cellarmasters to further cement its strong reputation as a direct wine business and realise its future growth potential.
- Woolworths will continue to be disciplined in its approach to investments, including acquisitions, to **drive value for shareholders**.

Establishing Leadership in Corporate Responsibility

During the year, important achievements were made in **Corporate Responsibility**. Our 2010 annual Corporate Responsibility Report was published in November, detailing our Sustainability Strategy (2007 – 2015) achievements. The report is available at www.woolworthslimited.com.au.

To date this financial year, Woolworths has undertaken a record level of community investment activities, reflecting the extraordinary events over the Australian summer. Over $26 million has been raised or donated to:

- The Salvation Army Flood Appeal - over $17 million raised by Woolworths Supermarkets, BIG W and Dick Smith customers to support those affected by floods. This included dollar for dollar matching by Woolworths from 1st to 21st January which saw a total corporate donation of $7.9 million.
- Fresh Food Kids Hospital Appeal – raised $6.7 million for children's hospitals around the country.
- Fresh Food Rescue - $2 million of grants distributed to food relief organisations. This includes 10 vans for key partners around the country.
- Queensland Dairy Farmers Fund Appeal – donation of $1 million from 5c for every litre sold from 6th to 19th February.

Earnings Before Interest and Tax (EBIT)

($ million)	**2010 Statutory (27 weeks)**	**2011 Statutory (27 weeks)**	**Change %**
Food and Liquor	1,299.4	1,404.8	8.1%
Petrol	51.2	63.4	23.8%
Australian Supermarkets	**1,350.6**	**1,468.2**	**8.7%**
New Zealand Supermarkets (NZD)	***116.6***	***134.3***	***15.2%***
New Zealand Supermarkets	96.9	108.6	12.1%
BIG W	150.8	125.0	(17.1)%
Consumer Electronics - Aust/NZ	34.6	20.0	(42.2) %
Consumer Electronics - India	0.2	2.3	n.m
Consumer Electronics - Total	**34.8**	**22.3**	**(35.9)%**
General Merchandise - Total	**185.6**	**147.3**	**(20.6)%**
Hotels	**114.6**	**111.9**	**(2.4)%**
Total Trading Result	**1,747.7**	**1,836.0**	**5.1%**
Property Income	0.7	6.7	n.m
Central Overheads	(65.2)	(55.7)	14.6%
Group EBIT	**1,683.2**	**1,787.0**	**6.2%**

2010-2011 First Half Business Performance

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 a sound performance in EBIT and NPAT, achieved in a period of challenging conditions across the retail sector in both Australia and New Zealand. In Australia, consumer spending has tightened with the absence of flow on effects of the Australian government stimulus experienced in the prior year, with increased individual savings, four interest rate increases, including the unexpected November increase and sharp increases in utility costs. Deflation in average Food and Liquor prices has continued while significant deflation in key categories of general merchandise has been intensified by a strong Australian dollar. Overlaying these economic conditions has been unseasonably poor weather in Australia in the last quarter curtailing spending in December.

In the current half year, Sales grew 4.0%. Supermarkets achieved volume and market share growth whilst experiencing low levels of inflation in Australia and New Zealand. Our General Merchandise businesses were impacted by price deflation in key categories with price reductions being passed on to the customer. Hotels achieved a better than expected result this half.

Gross margins for the group increased 16bps reflecting the impact of moving from a direct to store delivery model to distribution centres in liquor, the benefits of global buying, improved shrinkage rates, increasing sales of exclusive brand products and the success of new store formats, after significant price investment. We continue to re-invest in lower prices, delivering greater value to customers.

CODB has been well controlled in dollar terms in a challenging trading period with low to negative sell price inflation. CODB increased by 4bps.

EBIT again grew faster than sales, up 6.2% and EBIT margin increased by 12 bps.

NPAT for the half increased by 6.0%. This is a sound 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.

Average inventory days have decreased by 0.1 days (HY10: 1.5 days increase). Inventory days have been impacted by additional imported inventory across the group and the distorting impact of changing petrol prices. When we exclude these impacts, average inventory days decreased by 0.5 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.

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).

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.

Australian Supermarkets (including Liquor and Petrol)

	HY10	HY11	Change
Sales – Food and Liquor ($ million)	18,143	18,772	3.5%
– Petrol ($ million)	2,781	2,945	5.9%
– Total ($ million)	20,924	21,717	3.8%
Gross Margin (%)	24.41	24.80	39bps
Cost of Doing Business (%)	17.96	18.04	8bps
EBIT to sales (%)	6.45	6.76	31bps
EBIT ($ million)	1,350.6	1,468.2	8.7%
Funds Employed ($ million)	3,293.9	3,509.8	6.6%

For the half year, Australian Food and Liquor sales in Australia grew 3.5% and Petrol sales increased 5.9%. EBIT grew faster than sales, increasing by 8.7%.

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, average inventory days reduced by 0.7 days.

Australian Food and Liquor

Australian Food and Liquor delivered another solid result with sales increasing by $629 million or 3.5% (HY10: 6.8%). This half year has seen very different trading conditions compared to the same period in the prior year with tightened consumer spending, increased interest rates and higher utility prices. There has also been unseasonably poor weather subduing sales growth. In a highly competitive and challenging retail environment, our strategies, including price reductions, have continued to ensure we have grown market share and in particular we have maintained our strong market position in groceries and increased market share in fresh and liquor. Customer numbers, basket size and items sold have also grown.

Comparable sales in Australian Food and Liquor increased 2.2% (HY10: 4.8%). Excluding tobacco, Food and Liquor sales growth was impacted by deflation and our price investment particularly in the grocery, general merchandise and liquor categories. The standard shelf price movement index remained low at 0.5% for the half year, excluding the impact of the increased tobacco exercise. Including tobacco the price index was 2.2%[1] for the half year (HY 2010: 1.6%). However our average prices have experienced deflation, when the effects of promotions and volumes are included, of 4.3% excluding tobacco (3.8% deflation including tobacco). Part of this has been through Woolworths lowering its prices for the benefit of customers in a dynamic market.

Woolworths Food and Liquor customers are benefiting from significantly reduced shelf prices, improved ranges, focus on fresh foods, great rewards from our Everyday Rewards program and an enhanced shopping experience from our refurbished stores.

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[1] The standard shelf price movement index is calculated by comparing the number of products sold in the current year using the current year prices to the number of products sold in the current year using the prior year prices. The price used for this comparison is the standard shelf price. Products on promotion are excluded from the calculation (i.e. the volume of these items sold is removed from both years' sales). The calculation removes the impact of any changes in volumes and the distortion of promotional activity.

The difference between total sales and comparable sales of 1.3% is lower than the first half of the previous year of 2.0% due to two less stores opening in this half and the timing of the opening of stores during the periods. Sales per square metre for comparative stores have increased during the half however overall sales per square metre have declined slightly in this low inflationary environment due to the timing of store openings during the period.

During the half we refurbished 10 supermarkets to the 2010 format and 31 in the 2015 market format (HY10: 42 in the 2010 format). Approximately 50% of stores are now in the 2010 format and 5% in the 2015 format, with plans to have over 11% completed in the 2015 format by the end of FY11.

During the half year, 12 new supermarkets were opened, compared with 14 in the first half last year. A further 10 stores are planned to open in the second half of the year.

The expansion of our exclusive brand range has continued with the expansion of the Macro Wholefoods Market range in our supermarkets to add to our existing exclusive 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 exclusive brand ranges; and
- rollout of new formats

Australian Supermarkets, in a deflationary environment, has maintained costs which increased slightly by 8 bps.

Liquor

Dan Murphy’s, BWS and Woolworths Liquor all continue to perform well with sound growth in sales, profits and market share despite challenging market conditions, including low inflation. Group liquor sales (including ALH Group liquor sales) for the first half totalled $3.2 billion (HY10: $3.1 billion).

The liquor distribution network is maturing ahead of expectation and has resulted in lower store inventory levels and higher in stock positions.

We continue to expand our range of exclusive brands. During the half we launched our Sail & Anchor Clipper light beer and Castaway cider, which are both manufactured by Gage Road Breweries (in which we hold a 25% interest).

Dan Murphy’s opened 12 stores in the half year bringing the total number of Dan Murphy’s stores to 133. A further eight 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 2010, Woolworths Limited operated 1,249 liquor retail outlets.

Petrol

Petrol sales for the half, including Woolworths/Caltex Alliance sites, increased by 5.9% to $2.9 billion, reflecting average fuel sell prices being above the prior year (HY 2011: 124.0 cpl, HY 2010: 121.7 cpl). Petrol volumes were up 2.3% for the half. Petrol sales growth in the second quarter was 8.7% reflecting higher fuel prices with Petrol volumes up 3.1%.

Petrol comparable sales increased 3.5% during the half and 6.4% in the second quarter. Comparable volumes increased 0.1% in the half and increased 1.1% in the second quarter.

Petrol maintained its customer price guarantee to match the lowest price in each site's market and both fuel and non fuel / merchandise market shares increased.

At the end of the half year, there were 570 petrol stations including 132 Woolworths/Caltex alliance sites. We opened an additional nine petrol canopies during the half.

Petrol EBIT of $63.4 million increased by 23.8%. The EBIT margin increased from 1.84% to 2.15% obtained as a result of buying benefits achieved together with our supply partner Caltex, well managed CODB and significantly improved merchandise trading performance.

New Zealand Supermarkets

	HY10 NZD	HY11 NZD	Change
Sales ($ million)	2,686	2,795	4.1%
Gross Margin (%)	22.10	22.41	31 bps
Cost of Doing Business (%) [1]	17.53	17.44	(9) bps
EBIT to Sales (%) [1]	4.57	4.97	40bps
Trading EBIT ($ million)	122.8	138.9	13.1%
Less Intercompany charges ($ million)	(6.2)	(4.6)	25.8%
Reported EBIT ($ million)	116.6	134.3	15.2%
Funds Employed ($ million)	2,989.6	3,211.8	7.4%

(1) Excludes intercompany charges.

New Zealand Supermarkets achieved sales of NZ$2.8 billion for the half year, a 4.1% increase (1.0% increase in AUD) on the prior half year. Comparable sales for the half year were 3.5% (in NZD). Overall food inflation was 0.6% in the half (prior half year 2.7%).

This result was achieved in challenging economic conditions and an environment of low food inflation in New Zealand. It reflects the continued success of the improved customer offer in New Zealand as we continue to rollout new format stores, convert stores to the value positioned Countdown brand and improve ranging and private label offers. Customers are responding well to the rebranding and refurbishments with average sales growth of re-branded stores significantly higher than the average sales growth for New Zealand Supermarkets.

Trading EBIT increased 13.1%, with EBIT margins improving to 4.97% (HY10: 4.57%). This improvement 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. Whilst the re-investment 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 continued reductions in shrinkage.

CODB has reduced 9bps with cost savings more than offsetting an increase in depreciation resulting from capital expenditure on new stores (including the purchase of six stores that were previously wholesale customers), refurbishment, shelving and the rebranding program.

Eight new Countdown stores (including the purchase of six stores that were previously wholesale customers) were added during the first half in addition to 13 refurbishments. At the end of December 2010, just over 80% our stores were branded Countdown.

Funds Employed reflects the new store and refurbishment activity offset by depreciation and a reduction in inventory holdings.

BIG W

	HY10	HY11	Change
Sales ($ million)	2,462	2, 392	(2.8)%
Gross Margin (%)	29.07	29.52	45 bps
Cost of Doing Business (%)	22.94	24.29	135 bps
EBIT to sales (%)	6.13	5.23	(90) bps
EBIT ($ million)	150.8	125.0	(17.1)%
Funds Employed ($ million)	600.4	717.8	19.6%

BIG W sales declined 2.8% during the half and declined 2.9% for the second quarter. Comparable store sales decreased by 4.2% in the half and declined 4.5% for the second quarter.

This result reflects two main impacts, firstly lower consumer spending levels and subdued sales due to the impact of colder and wet weather experienced over the peak Christmas trading period, particularly affecting sales in key categories such as summer apparel, outdoor and everyday needs. Secondly, the continued effects of significant price deflation in categories including home entertainment and apparel negatively impacted sales dollars. The primary cause of the price deflation has been the strong Australian dollar with cost price reductions being passed on to the customer. Price deflation is expected to continue in the second half.

BIG W is the destination for our customers, their home and family, because we continue to offer the lowest prices on the widest range of quality and branded product everyday. This is key to our strategy and in the half BIG W achieved an increase in customer numbers and units sold, demonstrating the strong customer acceptance of the BIG W offer. Unfortunately unit growth was more than offset by deflation which for the half year across a BIG W basket was 6% to 10%.

We are passionate about winning on value everyday, by offering the lowest prices on quality products. This is evident in our stores and the range and brands we offer at an everyday low price. We are pleased with the success of Mambo (an iconic Australian surf brand) and the strong market share in Apple products including iPad, iPod and accessories. In addition we are delighted with the success of our Tinkers exclusive label toy brand which offers great value and has contributed to the strong double digit sales growth in toys in this half year.

Global sourcing volumes continue to grow and represent an opportunity in supporting BIG W's price leadership position.

Our investment in stores continues to ensure our customers enjoy their shopping experience at BIG W. During the half year we continued to improve the standard of our stores, fully refurbishing nine stores to the new look and feel (HY10: Nine). Three BIG W stores were opened in the half year, taking the total number of stores in the division to 164. We plan to open two additional new stores in the second half and we have enough potential sites to open up to 20 stores in the next 3 years.

To support this growth in stores and ensure BIGW's success in future years, we are investing in developing a best practice supply chain, leveraging the intellectual property and investment in systems and processes from our Supermarket business, including the building of a third DC and ensuring quality and consistency of execution.

Our newly launched online business provides a market leading offer with over 9000 items available online. www.bigw.com.au will deliver a multichannel offer to our customers for years to come.

We are confident we understand our customers' needs and that our customers know that shopping at BIG W means they can Live Big for Less.

These strategic initiatives are important for the continued growth of the BIG W business.

In this period of challenging conditions across the retail sector, particularly in General Merchandise, BIG W delivered an EBIT result of $125 million, a decrease of 17.1% (HY10: 6.0% increase).

The increase in Gross Margin of 45bps primarily reflects the benefits of strong inventory management with reduced markdown activity required to clear seasonal stock and improved buying.

Strong cost control saw CODB dollars at similar levels to last year however they increased as a percentage of sales by 135bps due to lower sales.

The increase in funds employed reflects the store openings, acceleration of refurbishment activity and the increased year end inventory levels as December sales fell short of expectations. Average inventory levels were 8.6 days higher than last year (excluding indent inventory). Inventory levels have improved significantly in January and this improvement will continue.

Consumer Electronics (Australia, New Zealand and India)

	HY10	HY11	Change
Sales ($ million)	984	1,045	6.2%
Gross Margin (%)	24.32	22.27	(205) bps
Cost of Doing Business (%)	20.78	20.13	(65) bps
EBIT to sales (%)	3.54	2.13	(141) bps
EBIT ($ million)	34.8	22.3	(35.9) %
Funds Employed ($ million)	394.1	449.5	14.1 %

Consumer Electronics achieved sales of $1,045 million, up 6.2% on last half year. Sales were up 4.1% in the first quarter and increased 8.0% in the second quarter.

Consumer Electronics Australia

	HY10	HY11	Change
Sales ($ million)	710	726	2.3%
Gross Margin (%)	27.50	26.35	(115) bps
Cost of Doing Business (%)	23.63	23.93	30 bps
EBIT to sales (%)	3.87	2.42	(145) bps
EBIT ($ million)	27.5	17.6	(36.0) %

Consumer Electronics Australia sales grew 2.3% during the half. Comparable store sales for the half were up 4.1%. Consumer Electronics continues to be impacted by tightened consumer spending in Australia and significant price deflation in key products which has been intensified by the strong Australian dollar.

Australian Dick Smith stores (excluding Tandy and ex Powerhouse stores) achieved comparable sales growth of 6.5% for the half. The result reflects the strong customer acceptance of the continued roll out of our new refreshed Dick Smith offer and significant investment in price reductions which has resulted in market share growth in key categories such as computers, navigation and LCD TVs. As previously stated the Dick Smith business is in the middle of transitioning into a modern consumer electronics business.

Total sales growth is lower than comparable sales growth due to ongoing transitioning of the business and the subsequent closure of smaller unprofitable stores.

EBIT in Australian Consumer Electronics, whilst below the prior period, has improved significantly on the second half of FY10. However the EBIT result still remained below expectations due to the requirement for strong price investment combined with the significant price deflation in consumer electronics products generally. The impact of these factors was exacerbated by the transitioning of our network of stores, as we continue to reposition the Dick Smith business.

We are confident in our new format stores as they have strong customer acceptance and are performing relatively better in terms of sales and EBIT. Sales in the new formats for the year increased 16%.

The management team continue to focus on improving performance in FY11, however the significant task of repositioning the business will continue during the year. The key initiatives are:

- **Rollout of new format stores:** Results achieved in the new format Dick Smith stores continue to outperform the older concept stores in both sales and EBIT with 55% of stores now in the new format. We will complete the exit of the Tandy store brand during FY12.
- **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.
- **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, ensures 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 & support, was launched in July 2009. The Mobile Techxperts provide in-home consultation helping customers to simplify technology in everyday life. The service is available across the Dick Smith network and is seeing rapid growth in sales.
- **Online:** Our website, www.dicksmith.com.au, has undergone a significant overhaul and was recently relaunched. The refreshed site has created a much improved online shopping experience with pleasing feedback from customers in relation to the ease of use. We continue to gain significant momentum in this sales channel.
- **Merchandise:** We have increased the focus on the Computer category with competitive pricing, new improved extended range and presentation in new format stores and a nationwide after sales service package that includes onsite installation, internet security and remote access phone support. As a result, by leveraging our staff knowledge we have experienced strong market share growth in this category. Dick Smith has significantly improved its offer in the Gaming category with interactive areas in new format stores increasing market share through the launch of new gaming consoles. We continue to offer the latest technology in the TV panel market with the introduction of internet TV and 3D TV and performed solidly in the mobile phone space where we are well positioned to provide a competitive communications solution.

Gross margins have decreased 115 bps. This reflects the strong price investment coupled with price deflation in the consumer electronics category.

Costs have been well controlled on a low sales base with CODB increasing 30 bps.

27 Dick Smith stores were opened during the half in Australia, 25 Dick Smith and 10 Tandy stores were closed during the half and five Tandy stores were rebranded as Dick Smith taking total stores in Australia to 337.

Consumer Electronics New Zealand

	HY10 NZD	HY11 NZD	Change
Sales ($ million)	187	179	(4.3)%
Gross Margin (%)	26.42	24.41	(201) bps
Cost of Doing Business (%)	21.61	22.68	107 bps
EBIT to sales (%)	4.81	1.73	(308) bps
EBIT ($ million)	9.0	3.1	(65.6)%

New Zealand Consumer Electronics continued to be challenged with the weak economic environment impacting discretionary retailers in New Zealand with particular pressure on the consumer electronics market resulting in increasing price competition and lower margins. Combined with significant price deflation in key categories, these trading conditions have resulted in sales 4.3% lower than last year and EBIT reducing to NZ$3.1 million (HY10: NZ$9.0 million).

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 2.4 days from last year.

India

Our business venture with TATA in India now services 61 retail stores operating under the Croma brand and has produced sales of $177 million for the half year. The business is performing above expectations, with EBIT increasing significantly to $2.3 million for the half, compared to $0.2 million last year. As part of this venture Woolworths Limited provides buying, wholesale, supply chain and general consulting services to TATA.

Hotels

	HY10	HY11	Change
Sales ($ million)	591	612	3.6%
Gross margin (%)	82.39	81.60	(79) bps
Cost of Doing Business (%)	63.00	63.32	32 bps
EBIT to sales (%)	19.39	18.28	(111) bps
EBIT ($ million)	114.6	111.9	(2.4) %

Relative to the broader hotel sector performance our Hotel business continues to prove resilient reflecting the overall quality of our management team and Hotel portfolio. The Hotel business has provided us with a strong platform for our successful growth in the liquor market and it will continue to do so as we selectively expand this business. During this half our 50th Dan Murphy's store on a Hotel site was opened.

Sales for the first half in our Hotel business increased 3.6% to $612 million and comparable sales increased by 3.4%. Comparable gaming sales for the half increased 2.3% (HY10: 3.8% decrease). This result has been achieved in a difficult economic climate and reflects a focus by the team on improving the food and entertainment offers. Hotels continue to be impacted, although to a lesser extent, by the increased regulatory environment.

EBIT decreased 2.4% to $111.9 million reflecting a change in mix of business, with the lower gross margin and higher CODB resulting from a change in the sales mix towards food and bars with a continued focus on customer value. Whilst EBIT was slightly down on last year the half year result was above our expectations. CODB was impacted by higher occupancy costs resulting from sale and leaseback of freehold properties in the half.

The continued cycling of recent regulatory impacts and the 2012 changes to the Victorian gaming arrangements which are well underway, will be beneficial for our Hotel business.

A further two properties were added in the half, taking the total number of hotels and clubs to 284 and a total of 1,359 accommodation rooms.

Home Improvement

We continue to make good progress on our Home Improvement business Joint Venture with Lowe's Some of the milestones include:

- We have recruited our first group of Store Managers and they bring a wealth of experience with them from retail businesses across Australia. These store managers and other members of the Home Improvement team have undertaken training at Lowe's facilities.
- Our DC in Hoppers Crossing Victoria has commenced operation and we are working closely with suppliers from right across Australia and internationally.
- Of the 150 sites we plan to secure over the next 5 years, we are well underway and have now commenced construction on our first group of stores.
- Our experienced team of buyers are on track, having carefully selected and negotiated approximately 40,000 items that will be sold throughout our stores.
- We are pleased with the progress being made to develop our IT systems, training programs and most recently, recruitment for our first group of stores.
- We are on track to deliver our first store in the second half of calendar year 2011 as planned.
- Approximately 15-20 stores will open in the 18 months following the first store opening.

Central Overheads

Central overheads have decreased $9.5 million and include costs associated with various business development activities and the Home Improvement business. The reduction reflects the inclusion of Danks profits for a full half year and reduction in central costs.

Net Financing costs and Tax Expense

Net Financing costs of $132 million have increased from the prior half year (HY10: $110 million) as a result of higher debt levels reflecting the funding of planned capital expenditure and the completed on-market and off-market buy-backs in 2010 which returned over $1 billion to shareholders.

Tax expense has decreased marginally to 29.0% (HY10: 29.5%).

Balance Sheet and Cash Flow

Our cashflow and balance sheet remain strong.

Cash generated by operating activities was $1,865.8 million, up 1.2% on the previous year. This compares to a growth in EBITDA of 6.6%, with the variance largely reflective of the higher net inventory position at December resulting from lower than expected December trading. Inventory levels are on target to return to normal levels in the second half.

Net interest paid rose 20.3% as a result of higher debt levels reflecting the share buy-backs and increased property development expenditure. Tax payments are down $39.5 million reflecting the lower final tax adjustment required following relatively higher instalments paid during the last tax year.

Key balance sheet movements relative to the prior half year are explained as follows:

- Whilst average inventory was slightly down on last year at 33.8 days, year end inventory balances were 7.3% higher than last year reflecting the impact of lower than expected December trading. Inventory is on target to return to normal levels by the end of the second half.
- Trade creditor balances have increased by 1.7%. This reflects timing of purchasing, particularly through the latter half of December as purchasing slowed in response to consumer spending tightening.
- Negative working capital decreased by $291.7 million to $2,388.9 million. This is largely due to the increase in the net investment in inventory as outlined above as well as the timing of property related receivables.
- Fixed assets and investments increased by $992.5 million to $8,296.8 million, primarily reflecting the increase in capital expenditure offset by depreciation. Capital expenditure for the half was $1,009 million compared to $855 million in the prior half year. The increase was due to additional property development activity, the building of a new Data Centre in Sydney, commencement of construction of the BIG W, Consumer Electronics, Home Improvement and New Zealand DCs as well as Melbourne NDC re-engineering. Capital expenditure forecast for the full year (excluding property development) has reduced by $78 million.
- Intangibles decreased $54.6 million to $4,975.0 million, reflecting foreign exchange movements in respect of New Zealand intangibles partially offset by goodwill and intangibles related to the acquisition of various Home Improvement retail outlets, stand alone supermarkets particularly in New Zealand, free standing liquor stores and various hotels.
- Two separate share buy-backs have occurred since HY10, an on-market buy-back in June 2010 for $325 million and an off-market buy-back in October 2010 for $704 million.
- Net repayable debt (which includes cash, borrowings, financial assets and liabilities) has increased by $1,532.6 million to $3,627.6 million reflecting the increased borrowings to fund capital expenditure and the two share buy-backs.

Capital Management

Objectives

Woolworths 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 undertake capital management initiatives. Consistent with this objective, Woolworths has targeted, achieved and maintained its strong credit ratings of A- from Standard and Poor's and A3 from Moody's Investor Services, which underpin our debt profile.

Capital Returns

Woolworths will seek to return capital to shareholders when that is consistent with its capital structuring objectives and where it will enhance shareholder value. Since July 2001, over $9.5 billion has been returned to shareholders through dividends, on-market and off-market buy-backs (including the interim dividend for the half year ending 2 January 2011).

Following the $704 million off-market share buy-back completed in October 2010, Woolworths returned over $1 billion of capital (excluding dividends) to shareholders in the 2010 calendar year.

The off-market share buy-back and payment of the October 2010 and April 2011 dividends will return over $0.8 billion in franking credits to Shareholders. Woolworths expects that after these events there will be approximately $1.3 billion of franking credits available for future distribution.

Financing Transactions

In September 2010, Woolworths issued US$1.25 billion of notes into the US144A market. The issue comprised 2 maturity tranches of 5 years (US$500 million) and 10 years (US$750 million). The currency exposure was fully hedged at A$1.32 billion.

Proceeds of the US debt raising were used to ultimately fund the above share buy-backs totalling $1 billion and to pre-fund an A$350 million medium term note maturing in March 2011.

Refinancing requirements immediately following this include an A$600 million hybrid note (a perpetual instrument whose non-call period ends in September 2011), followed by US$300 million in US 144A notes (hedged at A$410 million) maturing in November 2011. In April and May 2012, two syndicated bank loan facilities totalling A$1.7 billion will mature. Of this, approximately A$546 million is currently drawn. A refinancing plan for these maturities is currently in process of implementation.

Property Sales Program

Woolworths has a history of developing Marketplace style retail centres through its property development arm. To enable the continued roll out of its store network during the Global Financial Crisis, Woolworths has increased its involvement in the development of sites using its own balance sheet, which has resulted in the ownership of a larger (than historically) portfolio of retail centres. Woolworths is generally not a long term holder of property assets and is currently in the process of marketing these retail sites on the basis of a sale and long term leaseback transaction. The potential sale of these properties is progressing well with several parties interested in either a portfolio of sites or individual sites. We expect sales of property of approximately $300 – 700 million to be completed by the end of the year.

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.

Supply Chain and Logistics Initiatives

Food and Liquor

Driving the transformation of our Supermarket supply chain have been our unique systems StockSmart (distribution centre 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, with AutoStockR now implemented across BIG W stores, New Zealand Supermarkets and our liquor stores. Development of the Next Generation Replenishment solution is progressing well which will optimise order flow not normally done in replenishment, continue to reduce days inventory as well as save costs in Stores, DCs and Transport.

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

The continuing development of our Food and Liquor Supply Chain and the use of optimisation tools such as labour planning and performance monitoring will result in further productivity improvements.

The liquor distribution network has been further developed by the successful commissioning of the Brisbane Liquor DC in the last quarter of FY10 which complements the Melbourne and Sydney Liquor DCs, commissioned in the previous financial year. The network is now well positioned to support continued growth of our liquor business.

Woolworths has substantially completed the re-engineering of the National Distribution Centre located in Mulgrave (VIC). Significant software and hardware upgrades have increased capacity on the site with an extension of existing automation. These changes have significantly improved pick rate efficiency and reduced costs. The refurbishment of our two automated sites at Hume (VIC) and Minchinbury (NSW) is complete which significantly extends the life of these DCs.

Construction of the Tasmanian Regional Distribution Centre has commenced in the first half of this financial year, with completion planned in 2012. Development of the Bunbury (WA) Meat processing and distribution operation has commenced and is planned to be completed in second half of FY12. This will improve the efficiency of both the meat processing and distribution to our WA supermarkets.

The rollout of the outbound Metro Transport Model is complete with Brisbane going live in the first half of FY11. 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 the first phase of which was implemented in the last quarter of FY10 on the Adelaide to Northern Territory corridor. We are working closely with rail providers to deliver a more cost effective 'end to end' solution with work on the east-west corridors now complete and operational.

New Zealand Supermarkets

Despite some disruption from the earthquake in New Zealand, the ongoing process of rolling out the supply chain strategy in New Zealand Supermarkets continues to progress well, delivering improved service and lower cost. In Auckland we are well advanced with a new NDC project which is expected to be complete during FY11. The AutoStockR replenishment system has delivered a major increase in product availability and warehouse management systems are now fully operational.

BIG W

The Quicksilver program, commenced in 2007, is focussed 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. The accelerated rollout across the entire BIG W store network was successfully completed in FY10 and delivered an improved in-stock position through the busy Christmas trading period.

The development of a third BIG W DC at Hoxton Park in Sydney is progressing well with the site planned to be operational in the second half of FY12. The Hoxton Park site will be shared by BIG W, Consumer Electronics and Home Improvement.

We continue to strengthen our merchandise financial planning capabilities to manage the flow of merchandise through our business.

These initiatives are important foundations for BIG W's future business growth.

Consumer Electronics

Consumer Electronics continues to leverage off work completed by Australian Supermarkets Supply Chain implementing a range of initiatives that have driven costs down. New DC capacity at Hoxton Park is expected to drive further cost reductions in FY12 and beyond.

The DCs in India continue to deliver efficiency improvements and benefits from International Logistics. We are now well placed to support further retail expansion. We are currently working through improvements in forecasting and changes to our replenishment approach.

Home Improvement

Design of the future Home Improvement Supply Chain Network has been completed and implementation of the first phases has commenced. Much of the design involves leveraging Lowe's current operations and processes and leveraging the systems and decision support tools currently used in our Food and Liquor and General Merchandise supply chains. Home Improvement's first DC is located at Hoppers Crossing in Victoria. The new DC facility at Hoxton Park will service Home Improvement and is planned to be operational in the second half of FY12.

Global Sourcing

Global Sourcing has had another strong year, growing our direct buying volumes by over 50% and expanding our activities into more countries and product categories. Significant opportunities are available to continue to grow this business, improving the quality of goods and further reducing our costs.

We continue to develop our international logistics capability to support our growth plans with an increased number of consolidation facilities employed to support an improved flow of merchandise and the implementation of trading systems and decision support tools for order optimisation.

Future Outlook

As advised on 24 January 2011, whilst Woolworths has continued to experience growth in the first six months of the trading year, the extent of the negative impact of consumer confidence levels, inflation, interest rates and global economic conditions has been greater than expected particularly on discretionary spending.

Given the experience of the recent six months a degree of uncertainty exists over the next six months trading. The market is expected to remain competitive with a less confident consumer who is spending less whilst having a greater propensity to save. This combined with the uncertainty around the level of inflation going forward, the risks of future interest rate rises, and a continuing strong dollar provides a platform for a potentially subdued trading environment particularly in the discretionary sectors.

This uncertainty, together with incurring costs, not covered by insurance, associated with the NZ earthquakes and the Australian floods resulted in Woolworths amending its full year guidance for Net Profit After Tax growth for the full year, which is now expected to be in the range of 5% to 8% and EPS growth for the full year of 6% to 9%.

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Profit And Loss For The 27 Weeks Ended 02 January 2011

	HY10 (27 weeks) ($m)	HY11 (27 weeks) ($m)	Change
Sales			
Australian Food and Liquor	18,143	18,772	3.5%
New Zealand Supermarkets	2,162	2,183	1.0%
Petrol	2,781	2 945	5.9%
Supermarket Division	**23,086**	**23,900**	**3.5%**
BIG W	2,462	2,392	(2.8)%
Consumer Electronics [(1)]	984	1,045	6.2%
General Merchandise Division	**3,446**	**3,437**	**(0.3)%**
Hotels	**591**	**612**	**3.6%**
Home Improvement	**80**	**354**	**n.m**
Group Sales	**27,203**	**28,303**	**4.0%**
Group Sales – excluding Petrol	**24,422**	**25,358**	**3.8%**
Margins			
Gross Profit	25.88%	26.04%	16 bps
Cost of Doing Business	19.69%	19.73%	4 bps
EBIT to sales	6.19%	6.31%	12 bps
Profit			
Earnings before interest, tax, depreciation amortisation & rent (EBITDAR)	2,852.0	3,022.8	6.0%
Rent	(762.8)	(795.5)	4.3%
Earnings before interest, tax, depreciation & amortisation (EBITDA)	**2,089.2**	**2,227.3**	**6.6%**
Depreciation (and amortisation)	(406.0)	(440.3)	8.4%
Earnings before interest & tax (EBIT)	**1,683.2**	**1,787.0**	**6.2%**
Net financing costs [(2)]	(110.0)	(132.0)	20.0%
Operating income tax expense	(464.0)	(479.4)	3.3%
Net operating profit after income tax	**1,109.2**	**1,175.6**	**6.0%**
Minority interests	(13.6)	(13.9)	2.2%
Total profit after tax & minority interests	**1,095.6**	**1,161.7**	**6.0%**
Funds employed (period end)	9,653.3	10,882.9	12.7%
ROFE [(3)]	17.74%	16.66%	(108) bps
Weighted average ordinary shares on issue (million)	1,230.3	1,220.3	(0.8)%
Ordinary earnings per share (cents)	89.05	95.20	6.9%
Diluted earnings per share (cents)	88.60	94.66	6.8%
Interim dividend per share (cents) [(4)]	53	57	7.5%

[(1)] Includes operations in Australia, New Zealand and India

[(2)] Breakdown of net financing costs

Interest expense	(130.4)	(161.0)	23.5%
Less Interest Capitalised	12.6	22.5	78.6%
Net Interest expense [(5)]	(117.8)	(138.5)	17.6%
Dividend Income	6.4	5.3	(17.2)%
Foreign Exchange Gain	1.4	1.2	(14.3)%
Net financing costs	**(110.0)**	**(132.0)**	**20.0%**

[(3)] ROFE is EBIT as a percentage of average (opening and closing) funds employed.

[(4)] Interim dividend payable on 29 April 2011 will be fully franked at 30%.

[(5)] Interest capitalised has increased reflecting higher levels of development activity capitalised as required under Australian Accounting Standards.

Group Balance Sheet as at 02 January 2011

	HY10 03 January 2010 ($m)	HY11 02 January 2011 ($m)	FY10 27 June 2010 ($m)
Funds Employed			
Inventory	3,718.9	3,989.6	3,438.8
Trade Payables	(4,836.1)	(4,917.8)	(4,211.2)
Net Investment in Inventory	(1,117.2)	(928.2)	(772.4)
Receivables	964.1	1,106.8	930.1
Other Creditors	(2,527.5)	(2,567.5)	(2,455.9)
Working Capital	**(2,680.6)**	**(2,388.9)**	**(2,298.2)**
Fixed Assets and Investments	7,304.3	8,296.8	7,802.9
Intangibles	5,029.6	4,975.0	5,071.0
Total Funds Employed	**9,653.3**	**10,882.9**	**10,575.7**
Net Tax Balances	182.4	238.6	233.6
Net Assets Employed	**9,835.7**	**11,121.5**	**10,809.3**
Cash and Borrowings	(1,873.4)	(2,929.6)	(2,828.7)
Other Financial assets and liabilities	(221.6)	(698.0)	(162.9)
Net Repayable Debt	**(2,095.0)**	**(3,627.6)**	**(2,991.6)**
Net Assets	**7,740.7**	**7,493.9**	**7,817.7**
Minority Interest	252.8	256.8	247.3
Shareholders Equity	7,487.9	7,237.1	7,570.4
Total Equity	**7,740.7**	**7,493.9**	**7,817.7**
Average Inventory Days (Based on COGS) [(1)]	33.9	33.8	33.3
Creditor Days (Based on Sales)	51.2	50.0	46.9

(1) Inventory days reflect the use of rolling inventory over a 13 month period. Inventory days have been impacted by additional imported inventory across the group, additional stock due to our Liquor DCs and the distorting impact of changing petrol prices.

Group Cash Flow

	HY10 (27 weeks) ($m)	HY11 (27 weeks) ($m)	Change
EBITDA	2,089.2	2,227.3	6.6%
Net (decrease)/increase in Creditors	712.2	741.7	
Net (increase)/decrease in Inventory (1)	(388.0)	(553.0)	
Net change in other working capital and non cash (2)	18.4	24.4	
Cash from Operating Activities before interest and tax	**2,431.8**	**2,440.4**	**0.4 %**
Net interest paid (incl. cost of income notes) (3)	(125.9)	(151.5)	
Taxation paid (4)	(462.6)	(423.1)	
Total cash provided by operating activities	**1,843.3**	**1,865.8**	**1.2 %**
Payments for the purchase of businesses – Other (5)	(148.7)	(113.4)	
Payments for normal capex	(873.1)	(1,020.0)	
Proceeds on disposal of property plant & equipment	30.8	68.4	
Dividends received	6.4	5.3	
(Advances)/ repayments of property related receivables	-	(20.2)	
Total cash used in investing activities	**(984.6)**	**(1,079.9)**	
Free cash	**858.7**	**785.9**	
Net operating profit after tax	1,109.2	1,175.6	
Free cash flows as a % of NPAT	**77%**	**67%**	

(1) Inventory growth was higher as a result of lower than expected December trading. Inventory levels are on target to return to normal levels by the end of the June 2011.
(2) Non cash items include amongst other things share based payments expense and gains/losses of sales of fixed assets.
(3) Interest paid reflects higher average debt levels from funding of share buy-backs in April and October 2010 and capital expenditure program including acquisitions and property development.
(4) Tax payments are down reflecting the lower final tax adjustment required following the relatively higher instalments paid during the tax year.
(5) HY10 included the impact of the Danks acquisition.

Appendix 1

	New Stores*	Refurbishments
First Half		
Australian Supermarkets	12	41
Thomas Dux	-	-
Liquor	41	31
New Zealand Supermarkets	8	13
Petrol	9	-
BIG W	3	9
Consumer Electronics – Aust / NZ	31	17
Hotels	2	28
Danks- Retail	9	-
Total first half	**115**	**139**

** Reflects Gross store openings*

Appendix 2

Woolworths Limited	2011 HALF YEAR	2010 FULL YEAR	2009 FULL YEAR	2008 FULL YEAR	2007 FULL YEAR
STORES (number)					
NSW & ACT	251	248	241	234	237
QLD	191	189	186	177	168
VIC	203	200	192	187	183
SA & NT	75	74	72	72	72
WA	83	83	82	81	79
TAS	29	29	29	29	27
Supermarkets in Australia (1)	832	823	802	780	766
New Zealand Supermarkets	159	152	149	149	149
Total Supermarkets	991	975	951	929	915
Thomas Dux	11	11	3	1	-
Freestanding Liquor (incl. Dan Murphy)	299	281	256	233	212
ALH Retail Liquor Outlets	492	480	463	434	424
Caltex/WOW Petrol	132	132	133	133	134
Woolworths Petrol – Australia	438	429	409	389	371
Woolworths Petrol/Convenience – New Zealand	20	22	22	22	22
Total Supermarket Division	**2,383**	**2,330**	**2,237**	**2,141**	**2,078**
BIG W	164	161	156	151	142
Dick Smith	402	394	349	310	277
Tandy	7	22	87	106	123
Total General Merchandise Division	573	577	592	567	542
Hotels (includes 8 clubs)	284	284	280	271	263
Danks (Home Improvement Retail)	19	8	-	-	-
Total Group	**3,259**	**3,199**	**3,109**	**2,979**	**2,883**
Wholesale customer stores					
Dick Smith	5	18	35	43	55
Progressive	51	54	53	52	50
Croma (India CEG)	61	50	33	22	5
Danks (Home Improvement Wholesale)	562	581	-	-	-
Statewide Independent Wholesale	220	220	218	216	217
Total Wholesale customer stores	**899**	**923**	**339**	**333**	**327**
Trading Area (sqm)					
Supermarkets Division – Australia (2)	2,173,956	2,127,195	2,037,680	1,945,641	1,848,792
Supermarkets Division – New Zealand (3)	338,159	325,256	303,889	296,549	291,092
General Merchandise Division(4)	1,080,234	1,061,934	1,038,561	989,767	930,288

(1) Supermarket Store Movements July - Dec 2010	
New Stores – incremental	12
Closures - permanent	(2)
Closures – for re-development	(1)
Net New Stores	**9**

(2) Australian Supermarkets Division trading area (excluding Petrol and ALH BWS outlets and including the Australian Ex-FAL stores) has increased by 2.20% (HY10: 2.55%)
(3) Excludes Gull and franchise stores
(4) Excludes Woolworths India

Woolworths Limited

ACN 000 014 675

Interim Financial Report for the Financial Half Year Ended 2 January 2011

This Half Year financial report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3 and should be read in conjunction with the 2010 Annual financial report and any announcements made to the market during the period.

Woolworths Limited

Interim Financial Report
for the Financial Half Year Ended 2 January 2011

Woolworths Limited

Appendix 4D Additional Information
For the Financial Half Year Ended 2 January 2011

This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3.

Current Reporting Period: Financial Half Year ended 2 January 2011 (27 weeks)

Previous Corresponding Period: Financial Half Year ended 3 January 2010 (27 weeks)

Woolworths Limited

Appendix 4D Additional Information
For the Financial Half Year Ended 2 January 2011

Results For Announcement To The Market
For the Financial Half Year Ended 2 January 2011

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount $'M
Revenue from ordinary activities	up	4.2	to	28,484.8
Profit/(loss) from ordinary activities after tax attributable to members	up	6.0	to	1,161.7
Net profit/(loss) attributable to members	up	6.0	to	1,161.7

Dividends (Distributions)

	Amount per security	Franked amount per security
Final dividend	N/A	N/A
Interim dividend	57 cents	57 cents
Record date for determining entitlements to the dividend:	Interim Dividend: 25 March 2011	

Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

Refer to press release

I. Details Relating to Dividends (Distributions)

		Date dividend payable	Amount per security ¢	Amount per security of foreign sourced dividend ¢
Interim dividend	2011	29 April 2011	57	-
	2010	23 April 2010	53	-

Interim dividend (distribution) per security

	Current Period ¢	Previous Corresponding Period ¢
Ordinary securities	57	53
Preference securities	NIL	NIL
Other equity instruments	NIL	NIL

Interim dividend (distribution) on all securities

	Current Period $m	Previous Corresponding Period $m
Ordinary securities	693.3	657.2
Preference securities	-	-
Other equity instruments	-	-
Total	693.3	657.2

Any other disclosures in relation to dividends (distributions).

The interim dividends in respect of ordinary shares for the financial half years ended 2 January 2011 and 3 January 2010 have not been recognised in this report because the interim dividends were not declared, determined or publicly recommended as at 2 January 2011 or at 3 January 2010, respectively.

I. Details Relating to Dividends/(Distributions) (continued)

Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

Dividend Reinvestment Plan (DRP)

Under the terms and conditions of the DRP, eligible shareholders may elect to participate in the Plan in respect to all or part of their shareholding, subject to any maximum and/or minimum number of shares to participate in the Plan that the Directors may specify. There is currently no minimum number of shares which a shareholder may designate as participating in the Plan. The maximum number of shares which a shareholder (other than broker's nominees and certain trustees) may designate as participating in the Plan is 20,000.

The last date(s) for receipt of election notices for the dividend or distribution plans	25 March 2011

II. Net Tangible Assets Per Security

	Current Period ¢ per share	Previous Corresponding Period ¢ per share
Net tangible assets per security[1]	187.0	199.0
Add:		
Brand names, liquor and gaming licences and property development rights	165.4	159.9
Net tangible assets per security adjusted for brand names, licences and property development rights[1]	352.4	358.9

[1] Net tangible asset per security has been impacted by the $706.3 million (27.5 million shares) off-market share buy-back completed in October 2010 and $326.3 million (12.1 million shares) on- market share buy-back completed March to June 2010. Adjusting for the impact of the buybacks on net assets and share numbers, the net tangible asset per security would have been 263.7 cents per share, and net tangible asset per security adjusted for brand names, licences and property development rights would have been 423.91 cents per share.

III. Details of Entities Over Which Control Has Been Gained or Lost

Control gained over entities

Name of entity (or group of entities)	Fabsky Pty Ltd
Date control gained	16 November 2010

	Current Period $m
Contribution of the controlled entity (or group of entities) to profit/(loss) after tax from ordinary activities during the period, from the date of gaining control.	0.0

IV. Details of Associates and Joint Venture Entities

Name of Entity	Ownership Interest		Contribution to net profit	
	Current Period %	Previous Corresponding Period %	Current Period $m	Previous Corresponding Period $m
Associates		-		-
Gage Roads Brewing Co Limited	25%	25%	(0.1)	0.5

Appendix 4D Additional Information
For the Financial Half Year Ended 2 January 2011

V. Information on Audit or Review

This half-year report is based on accounts to which one of the following applies.

☐	The accounts have been audited.	✓	The accounts have been subject to review.
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have not yet been audited or reviewed.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

NOT APPLICABLE

Description of dispute or qualification if the accounts have been audited or subjected to review.

NOT APPLICABLE

Woolworths Limited

Appendix 4D Additional Information
For the Financial Half Year Ended 2 January 2011

DIRECTORS' REPORT

The directors of Woolworths Limited submit herewith the interim financial report for the half-year ended 2 January 2011. 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 at any time during the half year ended 2 January 2011 and up to the date of this Report.

JA Strong	Chairman
MG Luscombe	Managing Director and Chief Executive Officer
TW Pockett	Finance Director
JF Astbury	
JR Broadbent	(appointed 28 January 2011)
RS Deane	
DJ Grady	(retired 18 November 2010)
CJ Hrdlicka	(appointed 10 August 2010)
LM L'Huillier	
IJ Macfarlane	
RG Waters	(appointed 28 January 2011)
AM Watkins	(retired 31 July 2010)

REVIEW AND RESULTS OF OPERATIONS

Woolworths Limited Managing Director and CEO, Michael Luscombe said, "This is a sound result given the macro economic and market challenges. In Australia, consumer spending tightened, with increased individual savings levels, interest rate increases and sharp rises in household utility costs. Consumers have benefited from deflation in average food and liquor prices as well as key categories of general merchandise. The deflation effect has been intensified by a sustained strong Australian dollar and high levels of price competition. Overlaying these economic conditions is unseasonably poor weather in Australia in the last quarter curtailing summer spending in December.

"Woolworths is in a unique position because of our strong growth over the past 20 years and the development of a robust business model. In recent years sales growth was accelerated with the Government stimulus payments. Despite the recent challenges, our businesses continued to focus on improving range, merchandising and formats whilst investing strongly in price by leveraging the capability of our business model. As a result we have grown market share. During this half we served an additional 18.5 million customers in our retail outlets, an increase of 2.6%, reflecting strong customer acceptance of our offers."

Mr Luscombe said, "There are six key opportunities that we will continue to focus on to improve our core business over the medium term:

1. Building on the **best customer offer** in range and price, not only through branded product but also through our stable of exclusive brands and innovative, quality-driven private label, combined with a strong emphasis on fresh food.
2. Delivering the most contemporary and **leading retail formats** across all our business divisions which pay absolute attention to meeting customers' needs in service, presentation and convenience.
3. **Enhancing our loyalty program** which offers customers recognition and a dividend for their loyalty while growing our understanding of their needs.

4. Further enhancements to our **supply chain** including next generation replenishment, continued improvement in distribution centre systems, IT platforms and a world-class merchandising system.
5. Ongoing investment in our **stores rollout** leveraging our strong balance sheet to deliver in the current market.
6. **Cost of doing business reductions** through our group-wide 5 year Quantum initiative, which is delivering saving and synergies from all our businesses.

“In addition we plan to deliver new long term growth initiatives through new businesses and categories. The development of our Home Improvement business to compete in a $36 billion market is progressing well and will be operating by the first half of next financial year. Further, Woolworths Limited has today announced it will acquire The Cellarmasters Group (Cellarmasters) for $340 million. Cellarmasters is one of Australia’s largest direct marketing wine sellers and providers of contract bottling and wine services.

“Our Balance Sheet and Cash Flow remain strong. The maintenance of our dividend payout ratio and the recent capital management initiatives with over $1 billion of share buy backs in 2010 reflects the confidence we have in the future of the Woolworths business. Following these capital management initiatives Woolworths has the capacity to continue to invest capital in our business and pursue growth opportunities with a focus on enhancing long term shareholder value. In particular our strategy of using the strength of Woolworths Balance Sheet to ensure the pipeline of new stores continues to grow is one that will pay dividends into the future.”

Commenting on the result, the Chairman of Woolworths Limited, James Strong said, “Whilst the year has seen significant challenges for the retail sector, Woolworths has a sound business model which is focussed on sustaining long term profitable growth. This focus together with the strength of Woolworths’ financial position, its retail offers and talented team will allow it to steer through these challenges to deliver sustainable growth to shareholders. The team at Woolworths, which is close to 200,000, have the skills, experience and depth of talent to deliver through continually changing economic and business cycles and conditions. Woolworths has clear strategies, strong market positions and good growth prospects. The Board of Woolworths is pleased to announce a 7.5% increase in Dividends per Share (DPS) to 57c from 53c in the prior half year. This increase exceeds earnings growth”.

Woolworths Limited

Appendix 4D Additional Information
For the Financial Half Year Ended 2 January 2011

Highlights for the half year

Woolworths has continued its long-term strategy to achieve sustainable sales and profit growth through a focus on customers and meeting their evolving needs and expectations in each retail sector.

Food and Liquor

Our largest business, Food and Liquor in Australia and New Zealand, has had solid growth in Sales and EBIT, and has grown both customer transactions and market share, particularly in Fresh and Liquor. We have achieved this through key initiatives:

- Delivering the most contemporary and innovative store formats with a revitalised market fresh offer, a presentation focus on key market categories such as seafood, meat and fresh bakery and an expanding ready-to-eat meal solutions range. We are building on our credentials as the **Fresh Food People** as we move to the next level for full-line supermarket retailing. Our 2015 format and offer is obtaining outstanding customer response.

- Focused on service, our stores continue to lead on service metrics from mystery shopper store visits.

- We will maintain real price leadership. We were the first to reduce prices in over 5,000 products and the first to move to national pricing. This real price leadership is recognised by our customers.

- The **New Zealand Supermarkets** transformation to new generation Countdown continues to deliver very pleasing results, with a 13.1% (NZD) improvement in the trading EBIT for the half.

- Woolworths and Countdown exclusive brands continue to lead both markets in terms of innovation and market share. The expansion of our Macro Wholefood Market range has established a key position in the fast growing 'good-for-you' food category, with very strong sales and enables Woolworths to deliver customers better quality and value.

- Exclusive labels in beer and wine have also brought enhanced range, value and competition to the market, cementing our key brands as leaders in this market.

- All new stores and refurbished stores are exceeding our environmental and resource efficiency benchmarks, while scoring high customer and staff approval ratings. Approximately 55% of Australian Supermarkets fleet are new or refurbished (5% 2015 format, 50% 2010 format), while 55% of New Zealand Supermarkets are new generation Countdown.

BIG W

- **BIG W** has continued to drive its position as the destination for our customers, their home and family as we continue to offer the lowest prices on the widest range of quality and branded product everyday. This is demonstrated in apparel with the launch of Mambo (an iconic Australian surf brand) and in electronics with a strong market share achieved in Apple products including iPad, iPod and accessories.

- In addition we are delighted with the success of our toy offer including the launch of our Tinkers exclusive label toy brand. Toys have delivered double digit sales growth.

- 65% of BIG W stores have been refreshed to give a new look and feel while 33 now have instore optical sites.

Consumer Electronics

- In **Dick Smith** the team has focussed on enhancing the range, best price and right techxpert advice.

- The laptop and tablet category has seen strong growth through more competitive pricing, new improved range and presentation in new format stores.

- Dick Smith's signature 'techxpert' offer (a national after sales service package that includes onsite installation, internet security and remote access and phone support) continues to value add in a category that has fierce price deflation and competition.

- We have significantly improved our offer in the Gaming category with interactive areas in new format stores increasing market share through the launch of new gaming consoles. Dick Smith has performed solidly in the Mobile phone space, and is now well-positioned to provide a competitive communications solution in the growing smartphone market.

- The refreshed online website has resulted in strong customer trading.

- 55% of Australian Dick Smith stores are now in the new format and work has commenced in New Zealand.

Loyalty

- Engaging our customers with **rewards and offers** is a critical component of growing and retaining customers. The **Everyday Rewards** program grew at a rapid pace during the half, driven by customer desires for loyalty dividends and recognition. The program now has 5.6 million registered members, of whom 3.2 million have also registered to earn Qantas Frequent Flyer points. In New Zealand our Onecard has 1.9 million members.

- A QFF points alternative offer was introduced to petrol, opening up rewards to a wider group of motorists.

- Loyalty insights drove good increases in take-up of direct offers across all divisions.

Multi-channel Online

- Online channel sales increased 75% for the half. Shopping online is becoming an increasingly important part of the Woolworths business with strategies developing across all trading divisions. We have recently refreshed the Woolworths and Dick Smith online sites to create fast, interactive and leading shopping experiences and have received very pleasing feedback from customers.

- BIG W online was launched in May 2010 and has had strong growth and driven market reach, with new and expanded product ranges continuing to be added. We will continue to invest further in this rapidly growing channel to drive incremental sales and profitability.

- Our customers will have the ability in March 2011 to purchase online from our Dan Murphy's website.

Quantum

We have made considerable progress in identifying significant opportunities for reducing costs and improving efficiencies right across the company. The recurring theme across all our Quantum initiatives has been to leverage our scale to create synergies and translating "best in breed" practices across all our businesses and support functions.

We have begun the roll out of a number of initiatives already and plans are in place to implement others in the coming months. These encompass the following areas:

- Supply chains of our businesses
- Major support functions such as IT, Finance and Call Centres
- Not for resale procurement
- Operational work practices
- Global direct sourcing

As with Project Refresh, benefits will be realised in cost of doing business as well as gross margin and assist us in increasing our competitiveness in a tough retail market.

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's, BIG W and Consumer Electronics.

- The successful commissioning of Liquor Distribution Centres in Brisbane, Melbourne and Sydney provides significant ongoing capacity to respond to changing market conditions and lower unit costs.

- The re-engineering of the National Distribution Centre (NDC) located in Mulgrave Victoria is substantially completed. The changes have resulted in increased capacity on the site, improved pick rate efficiency and reduced costs.

- The development of the new **BIG W Distribution Centre (DC), Consumer Electronics DC** and **Home Improvement DC** at Hoxton Park in Sydney is progressing well. This work is expected to be completed in FY12 and will enable us to improve service and reduce costs.

- Our **global sourcing** business had another strong year and continues to develop rapidly, delivering substantial benefits. We have grown our direct buying volume by more than 50% during the half and expanded our activities into more countries and product categories as we continue to develop our international logistics capability to support growth plans.

Financial Services

- As gifting through our **Gift Card Mall** offer has become very popular, we have introduced a wide range of third-party gift cards. As we further expand and refine our range to cater to this new growing business, including online vouchers, we are expecting customer transactions will continue to increase.

- In November 2010, we launched the **Woolworths Everyday Rewards- Qantas Credit Card** which generated a strong customer response with new accounts tracking ahead of plan. The card combines platinum-equivalent Qantas Frequent Flyer points rewards, epump and the 4cpl petrol discount all in one.

- The introduction of a range of new **Prepaid MasterCard** cards (targeted at the online shopper, traveller, youth, and increasingly frugal customer segments) has been well received. Being the first national retailer in Australia to launch these products, we are achieving sales significantly exceeding the targets set.

- Woolworths processes 500 million card transactions per year and has an outstanding **payment platform** that has resulted in 100% uptime and quick payment transactions for customers at queues despite continued growth in card volumes and transaction growth at check outs. We have continued to see savings in **payments acceptance costs** and improvements in customer service at the check outs as we leverage fully our payments processing infrastructure.

Strategic Investment for Growth

- Very good progress has been made on our entry into the retail home improvement sector, together with our joint venturer Lowe's. Our aim is to deliver a multi format strategy designed to meet the everyday **Home Improvement** needs of Australian customers. In addition to our recent acquisitions of Danks and Gunns Retail Division in Tasmania, during the half we have purchased Becks Timber and Hardware (including four hardware stores and a truss manufacturing plant in Tasmania), Magnet Mart (including five hardware stores in ACT and NSW) and Flatman's Timber and Hardware (including two hardware stores in Melbourne).

- **Cellarmasters** represents an attractive and complementary bolt-on to Woolworths' existing liquor portfolio, which includes successful brands such as Dan Murphy's, BWS, Woolworths Liquor and Langton's. Cellarmasters has a direct marketing business model which has seen it become a leading provider of wine plans and wine sales through its outbound direct contact and online platform. Cellarmasters' proven expertise in direct wine marketing will add a new and complementary customer channel to the Woolworths Liquor Group, reflecting the multiple ways in which customer now search for and purchase wine. Importantly, Cellarmasters' multi-banner platform covers all customer types:
  - Premium Wine – Cellarmasters and NZ Wine Society
  - Fine Wine – WineIQ and CellarForce
  - Value Wine – WineMarket.com.au

  Cellarmasters also has a winemaking operation, Dorrien, which produces a range of wines which are distributed through the Cellarmasters direct channel. In addition, Cellarmasters provides a range of services to the winemaking community such as bottling, packaging, storage, filtration and testing.

  Cellarmasters' portfolio of innovative businesses and brands will benefit from the added value of Woolworths' logistical and distribution capabilities. In return, this acquisition will accelerate growth in our liquor business through new and enhanced capabilities in production and operational services, enable us to serve a whole new customer segment in the direct marketing channel and enhance our capability in production of private label wine products. This combination fits with our strategy to innovate in line with evolving customer trends through a multi-channel, multi-brand and multi-platform liquor offer and will help Cellarmasters to further cement its strong reputation as a direct wine business and realise its future growth potential.

- Woolworths will continue to be disciplined in its approach to investments, including acquisitions, to **drive value for shareholders**.

Establishing Leadership in Corporate Responsibility

During the year, important achievements were made in **Corporate Responsibility**. Our 2010 annual Corporate Responsibility Report was published in November, detailing our Sustainability Strategy (2007 – 2015) achievements. The report is available at www.woolworthslimited.com.au.

To date this financial year, Woolworths has undertaken a record level of community investment activities, reflecting the extraordinary events over the Australian summer. Over $26 million has been raised or donated to:

- The Salvation Army Flood Appeal - over $17 million raised by Woolworths Supermarkets, BIG W and Dick Smith customers to support those affected by floods. This included dollar for dollar matching by Woolworths from 1st to 21st January which saw a total corporate donation of $7.9 million.

- Fresh Food Kids Hospital Appeal – raised $6.7 million for children's hospitals around the country.

- Fresh Food Rescue - $2 million of grants distributed to food relief organisations. This includes 10 vans for key partners around the country.

- Queensland Dairy Farmers Fund Appeal – donation of $1 million from 5c for every litre sold from 6th to 19th February.

Woolworths Limited

Appendix 4D Additional Information
For the Financial Half Year Ended 2 January 2011

Earnings Before Interest and Tax (EBIT)

($ million)	**2010 Statutory (27 weeks)**	**2011 Statutory (27 weeks)**	**Change %**
Food and Liquor	1,299.4	1,404.8	8.1%
Petrol	51.2	63.4	23.8%
Australian Supermarkets	**1,350.6**	**1,468.2**	**8.7%**
New Zealand Supermarkets (NZD)	***116.6***	***134.3***	***15.2%***
New Zealand Supermarkets	96.9	108.6	12.1%
BIG W	150.8	125.0	(17.1)%
Consumer Electronics - Aust/NZ	34.6	20.0	(42.2) %
Consumer Electronics - India	0.2	2.3	n.m
Consumer Electronics - Total	**34.8**	**22.3**	**(35.9)%**
General Merchandise - Total	**185.6**	**147.3**	**(20.6)%**
Hotels	**114.6**	**111.9**	**(2.4)%**
Total Trading Result	**1,747.7**	**1,836.0**	**5.1%**
Property Income	0.7	6.7	n.m
Central Overheads	(65.2)	(55.7)	14.6%
Group EBIT	**1,683.2**	**1,787.0**	**6.2%**

Woolworths Limited

Appendix 4D Additional Information
For the Financial Half Year Ended 2 January 2011

2010-2011 First Half Business Performance

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 a sound performance in EBIT and NPAT, achieved in a period of challenging conditions across the retail sector in both Australia and New Zealand. In Australia, consumer spending has tightened with the absence of flow on effects of the Australian government stimulus experienced in the prior year, with increased individual savings, four interest rate increases, including the unexpected November increase and sharp increases in utility costs. Deflation in average Food and Liquor prices has continued while significant deflation in key categories of general merchandise has been intensified by a strong Australian dollar. Overlaying these economic conditions has been unseasonably poor weather in Australia in the last quarter curtailing spending in December.

In the current half year, Sales grew 4.0%. Supermarkets achieved volume and market share growth whilst experiencing low levels of inflation in Australia and New Zealand. Our General Merchandise businesses were impacted by price deflation in key categories with price reductions being passed on to the customer. Hotels achieved a better than expected result this half.

Gross margins for the group increased 16bps reflecting the impact of moving from a direct to store delivery model to distribution centres in liquor, the benefits of global buying, improved shrinkage rates, increasing sales of exclusive brand products and the success of new store formats, after significant price investment. We continue to re-invest in lower prices, delivering greater value to customers.

CODB has been well controlled in dollar terms in a challenging trading period with low to negative sell price inflation. CODB increased by 4bps.

EBIT again grew faster than sales, up 6.2% and EBIT margin increased by 12 bps.

NPAT for the half increased by 6.0%. This is a sound 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.

Average inventory days have decreased by 0.1 days (HY10: 1.5 days increase). Inventory days have been impacted by additional imported inventory across the group and the distorting impact of changing petrol prices. When we exclude these impacts, average inventory days decreased by 0.5 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.

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).

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.

Appendix 4D Additional Information
For the Financial Half Year Ended 2 January 2011

Australian Supermarkets (including Liquor and Petrol)

	HY10	HY11	Change
Sales – Food and Liquor ($ million)	18,143	18,772	3.5%
– Petrol ($ million)	2,781	2,945	5.9%
– Total ($ million)	20,924	21,717	3.8%
Gross Margin (%)	24.41	24.80	39bps
Cost of Doing Business (%)	17.96	18.04	8bps
EBIT to sales (%)	6.45	6.76	31bps
EBIT ($ million)	1,350.6	1,468.2	8.7%
Funds Employed ($ million)	3,293.9	3,509.8	6.6%

For the half year, Australian Food and Liquor sales in Australia grew 3.5% and Petrol sales increased 5.9%. EBIT grew faster than sales, increasing by 8.7%.

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, average inventory days reduced by 0.7 days.

Australian Food and Liquor

Australian Food and Liquor delivered another solid result with sales increasing by $629 million or 3.5% (HY10: 6.8%). This half year has seen very different trading conditions compared to the same period in the prior year with tightened consumer spending, increased interest rates and higher utility prices. There has also been unseasonably poor weather subduing sales growth. In a highly competitive and challenging retail environment, our strategies, including price reductions, have continued to ensure we have grown market share and in particular we have maintained our strong market position in groceries and increased market share in fresh and liquor. Customer numbers, basket size and items sold have also grown.

Comparable sales in Australian Food and Liquor increased 2.2% (HY10: 4.8%). Excluding tobacco, Food and Liquor sales growth was impacted by deflation and our price investment particularly in the grocery, general merchandise and liquor categories. The standard shelf price movement index remained low at 0.5% for the half year, excluding the impact of the increased tobacco exercise. Including tobacco the price index was 2.2%[2] for the half year (HY 2010: 1.6%). However our average prices have experienced deflation, when the effects of promotions and volumes are included, of 4.3% excluding tobacco (3.8% deflation including tobacco). Part of this has been through Woolworths lowering its prices for the benefit of customers in a dynamic market.

Woolworths Food and Liquor customers are benefiting from significantly reduced shelf prices, improved ranges, focus on fresh foods, great rewards from our Everyday Rewards program and an enhanced shopping experience from our refurbished stores.

The difference between total sales and comparable sales of 1.3% is lower than the first half of the previous year of 2.0% due to two less stores opening in this half and the timing of the opening of stores during the periods. Sales per square metre for comparative stores have increased during the half however overall sales per square metre have declined slightly in this low inflationary environment due to the timing of store openings during the period.

[2] The standard shelf price movement index is calculated by comparing the number of products sold in the current year using the current year prices to the number of products sold in the current year using the prior year prices. The price used for this comparison is the standard shelf price. Products on promotion are excluded from the calculation (i.e. the volume of these items sold is removed from both years' sales). The calculation removes the impact of any changes in volumes and the distortion of promotional activity.

During the half we refurbished 10 supermarkets to the 2010 format and 31 in the 2015 market format (HY10: 42 in the 2010 format). Approximately 50% of stores are now in the 2010 format and 5% in the 2015 format, with plans to have over 11% completed in the 2015 format by the end of FY11.

During the half year, 12 new supermarkets were opened, compared with 14 in the first half last year. A further 10 stores are planned to open in the second half of the year.

The expansion of our exclusive brand range has continued with the expansion of the Macro Wholefoods Market range in our supermarkets to add to our existing exclusive 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 exclusive brand ranges; and
- rollout of new formats

Australian Supermarkets, in a deflationary environment, has maintained costs which increased slightly by 8 bps.

Liquor

Dan Murphy's, BWS and Woolworths Liquor all continue to perform well with sound growth in sales, profits and market share despite challenging market conditions, including low inflation. Group liquor sales (including ALH Group liquor sales) for the first half totalled $3.2 billion (HY10: $3.1 billion).

The liquor distribution network is maturing ahead of expectation and has resulted in lower store inventory levels and higher in stock positions.

We continue to expand our range of exclusive brands. During the half we launched our Sail & Anchor Clipper light beer and Castaway cider, which are both manufactured by Gage Road Breweries (in which we hold a 25% interest).

Dan Murphy's opened 12 stores in the half year bringing the total number of Dan Murphy's stores to 133. A further eight 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 2010, Woolworths Limited operated 1,249 liquor retail outlets.

Appendix 4D Additional Information
For the Financial Half Year Ended 2 January 2011

Petrol

Petrol sales for the half, including Woolworths/Caltex Alliance sites, increased by 5.9% to $2.9 billion, reflecting average fuel sell prices being above the prior year (HY 2011: 124.0 cpl, HY 2010: 121.7 cpl). Petrol volumes were up 2.3% for the half. Petrol sales growth in the second quarter was 8.7% reflecting higher fuel prices with Petrol volumes up 3.1%.

Petrol comparable sales increased 3.5% during the half and 6.4% in the second quarter. Comparable volumes increased 0.1% in the half and increased 1.1% in the second quarter.

Petrol maintained its customer price guarantee to match the lowest price in each site's market and both fuel and non fuel / merchandise market shares increased.

At the end of the half year, there were 570 petrol stations including 132 Woolworths/Caltex alliance sites. We opened an additional nine petrol canopies during the half.

Petrol EBIT of $63.4 million increased by 23.8%. The EBIT margin increased from 1.84% to 2.15% obtained as a result of buying benefits achieved together with our supply partner Caltex, well managed CODB and significantly improved merchandise trading performance.

New Zealand Supermarkets

	HY10 NZD	HY11 NZD	Change
Sales ($ million)	2,686	2,795	4.1%
Gross Margin (%)	22.10	22.41	31 bps
Cost of Doing Business (%) [1]	17.53	17.44	(9) bps
EBIT to Sales (%) [1]	4.57	4.97	40bps
Trading EBIT ($ million)	122.8	138.9	13.1%
Less Intercompany charges ($ million)	(6.2)	(4.6)	25.8%
Reported EBIT ($ million)	116.6	134.3	15.2%
Funds Employed ($ million)	2,989.6	3,211.8	7.4%

[1] Excludes intercompany charges.

New Zealand Supermarkets achieved sales of NZ$2.8 billion for the half year, a 4.1% increase (1.0% increase in AUD) on the prior half year. Comparable sales for the half year were 3.5% (in NZD). Overall food inflation was 0.6% in the half (prior half year 2.7%).

This result was achieved in challenging economic conditions and an environment of low food inflation in New Zealand. It reflects the continued success of the improved customer offer in New Zealand as we continue to rollout new format stores, convert stores to the value positioned Countdown brand and improve ranging and private label offers. Customers are responding well to the rebranding and refurbishments with average sales growth of re-branded stores significantly higher than the average sales growth for New Zealand Supermarkets.

Trading EBIT increased 13.1%, with EBIT margins improving to 4.97% (HY10: 4.57%). This improvement 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. Whilst the re-investment 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 continued reductions in shrinkage.

CODB has reduced 9bps with cost savings more than offsetting an increase in depreciation resulting from capital expenditure on new stores (including the purchase of six stores that were previously wholesale customers), refurbishment, shelving and the rebranding program.

Eight new Countdown stores (including the purchase of six stores that were previously wholesale customers) were added during the first half in addition to 13 refurbishments. At the end of December 2010, just over 80% our stores were branded Countdown.

Funds Employed reflects the new store and refurbishment activity offset by depreciation and a reduction in inventory holdings.

BIG W

	HY10	HY11	Change
Sales ($ million)	2,462	2, 392	(2.8)%
Gross Margin (%)	29.07	29.52	45 bps
Cost of Doing Business (%)	22.94	24.29	135 bps
EBIT to sales (%)	6.13	5.23	(90) bps
EBIT ($ million)	150.8	125.0	(17.1)%
Funds Employed ($ million)	600.4	717.8	19.6%

BIG W sales declined 2.8% during the half and declined 2.9% for the second quarter. Comparable store sales decreased by 4.2% in the half and declined 4.5% for the second quarter.

This result reflects two main impacts, firstly lower consumer spending levels and subdued sales due to the impact of colder and wet weather experienced over the peak Christmas trading period, particularly affecting sales in key categories such as summer apparel, outdoor and everyday needs. Secondly, the continued effects of significant price deflation in categories including home entertainment and apparel negatively impacted sales dollars. The primary cause of the price deflation has been the strong Australian dollar with cost price reductions being passed on to the customer. Price deflation is expected to continue in the second half.

BIG W is the destination for our customers, their home and family, because we continue to offer the lowest prices on the widest range of quality and branded product everyday. This is key to our strategy and in the half BIG W achieved an increase in customer numbers and units sold, demonstrating the strong customer acceptance of the BIG W offer. Unfortunately unit growth was more than offset by deflation which for the half year across a BIG W basket was 6% to 10%.

We are passionate about winning on value everyday, by offering the lowest prices on quality products. This is evident in our stores and the range and brands we offer at an everyday low price. We are pleased with the success of Mambo (an iconic Australian surf brand) and the strong market share in Apple products including iPad, iPod and accessories. In addition we are delighted with the success of our Tinkers exclusive label toy brand which offers great value and has contributed to the strong double digit sales growth in toys in this half year.

Global sourcing volumes continue to grow and represent an opportunity in supporting BIG W's price leadership position.

Our investment in stores continues to ensure our customers enjoy their shopping experience at BIG W. During the half year we continued to improve the standard of our stores, fully refurbishing nine stores to the new look and feel (HY10: Nine). Three BIG W stores were opened in the half year, taking the total number of stores in the division to 164. We plan to open two additional new stores in the second half and we have enough potential sites to open up to 20 stores in the next 3 years.

To support this growth in stores and ensure BIGW's success in future years, we are investing in developing a best practice supply chain, leveraging the intellectual property and investment in systems and processes from our Supermarket business, including the building of a third DC and ensuring quality and consistency of execution.

Our newly launched online business provides a market leading offer with over 9000 items available online. www.bigw.com.au will deliver a multichannel offer to our customers for years to come.

We are confident we understand our customers' needs and that our customers know that shopping at BIG W means they can Live Big for Less.

These strategic initiatives are important for the continued growth of the BIG W business.

In this period of challenging conditions across the retail sector, particularly in General Merchandise, BIG W delivered an EBIT result of $125 million, a decrease of 17.1% (HY10: 6.0% increase).

The increase in Gross Margin of 45bps primarily reflects the benefits of strong inventory management with reduced markdown activity required to clear seasonal stock and improved buying.

Strong cost control saw CODB dollars at similar levels to last year however they increased as a percentage of sales by 135bps due to lower sales.

The increase in funds employed reflects the store openings, acceleration of refurbishment activity and the increased year end inventory levels as December sales fell short of expectations. Average inventory levels were 8.6 days higher than last year (excluding indent inventory). Inventory levels have improved significantly in January and this improvement will continue.

Consumer Electronics (Australia, New Zealand and India)

	HY10	HY11	Change
Sales ($ million)	984	1,045	6.2%
Gross Margin (%)	24.32	22.27	(205) bps
Cost of Doing Business (%)	20.78	20.13	(65) bps
EBIT to sales (%)	3.54	2.13	(141) bps
EBIT ($ million)	34.8	22.3	(35.9)%
Funds Employed ($ million)	394.1	449.5	14.1%

Consumer Electronics achieved sales of $1,045 million, up 6.2% on last half year. Sales were up 4.1% in the first quarter and increased 8.0% in the second quarter.

Consumer Electronics Australia

	HY10	HY11	Change
Sales ($ million)	710	726	2.3%
Gross Margin (%)	27.50	26.35	(115) bps
Cost of Doing Business (%)	23.63	23.93	30 bps
EBIT to sales (%)	3.87	2.42	(145) bps
EBIT ($ million)	27.5	17.6	(36.0)%

Consumer Electronics Australia sales grew 2.3% during the half. Comparable store sales for the half were up 4.1%. Consumer Electronics continues to be impacted by tightened consumer spending in Australia and significant price deflation in key products which has been intensified by the strong Australian dollar.

Australian Dick Smith stores (excluding Tandy and ex Powerhouse stores) achieved comparable sales growth of 6.5% for the half. The result reflects the strong customer acceptance of the continued roll out of our new refreshed Dick Smith offer and significant investment in price reductions which has resulted in market share growth in key categories such as computers, navigation and LCD TVs. As previously stated the Dick Smith business is in the middle of transitioning into a modern consumer electronics business.

Total sales growth is lower than comparable sales growth due to ongoing transitioning of the business and the subsequent closure of smaller unprofitable stores.

EBIT in Australian Consumer Electronics, whilst below the prior period, has improved significantly on the second half of FY10. However the EBIT result still remained below expectations due to the requirement for strong price investment combined with the significant price deflation in consumer electronics products generally. The impact of these factors was exacerbated by the transitioning of our network of stores, as we continue to reposition the Dick Smith business.

We are confident in our new format stores as they have strong customer acceptance and are performing relatively better in terms of sales and EBIT. Sales in the new formats for the year increased 16%.

The management team continue to focus on improving performance in FY11, however the significant task of repositioning the business will continue during the year. The key initiatives are:

- **Rollout of new format stores:** Results achieved in the new format Dick Smith stores continue to outperform the older concept stores in both sales and EBIT with 55% of stores now in the new format. We will complete the exit of the Tandy store brand during FY12.
- **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.
- **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, ensures 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 & support, was launched in July 2009. The Mobile Techxperts provide in-home consultation helping customers to simplify technology in everyday life. The service is available across the Dick Smith network and is seeing rapid growth in sales.
- **Online:** Our website, www.dicksmith.com.au, has undergone a significant overhaul and was recently relaunched. The refreshed site has created a much improved online shopping experience with pleasing feedback from customers in relation to the ease of use. We continue to gain significant momentum in this sales channel.
- **Merchandise:** We have increased the focus on the Computer category with competitive pricing, new improved extended range and presentation in new format stores and a nationwide after sales service package that includes onsite installation, internet security and remote access phone support. As a result, by leveraging our staff knowledge we have experienced strong market share growth in this category. Dick Smith has significantly improved its offer in the Gaming category with interactive areas in new format stores increasing market share through the launch of new gaming consoles. We continue to offer the latest technology in the TV panel market with the introduction of internet TV and 3D TV and performed solidly in the mobile phone space where we are well positioned to provide a competitive communications solution.

Gross margins have decreased 115 bps. This reflects the strong price investment coupled with price deflation in the consumer electronics category.

Costs have been well controlled on a low sales base with CODB increasing 30 bps.

27 Dick Smith stores were opened during the half in Australia, 25 Dick Smith and 10 Tandy stores were closed during the half and five Tandy stores were rebranded as Dick Smith taking total stores in Australia to 337.

Consumer Electronics New Zealand

	HY10 NZD	HY11 NZD	Change
Sales ($ million)	187	179	(4.3)%
Gross Margin (%)	26.42	24.41	(201) bps
Cost of Doing Business (%)	21.61	22.68	107 bps
EBIT to sales (%)	4.81	1.73	(308) bps
EBIT ($ million)	9.0	3.1	(65.6)%

New Zealand Consumer Electronics continued to be challenged with the weak economic environment impacting discretionary retailers in New Zealand with particular pressure on the consumer electronics market resulting in increasing price competition and lower margins. Combined with significant price deflation in key categories, these trading conditions have resulted in sales 4.3% lower than last year and EBIT reducing to NZ$3.1 million (HY10: NZ$9.0 million).

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 2.4 days from last year.

India

Our business venture with TATA in India now services 61 retail stores operating under the Croma brand and has produced sales of $177 million for the half year. The business is performing above expectations, with EBIT increasing significantly to $2.3 million for the half, compared to $0.2 million last year. As part of this venture Woolworths Limited provides buying, wholesale, supply chain and general consulting services to TATA.

Hotels

	HY10	HY11	Change
Sales ($ million)	591	612	3.6%
Gross margin (%)	82.39	81.60	(79) bps
Cost of Doing Business (%)	63.00	63.32	32 bps
EBIT to sales (%)	19.39	18.28	(111) bps
EBIT ($ million)	114.6	111.9	(2.4) %

Relative to the broader hotel sector performance our Hotel business continues to prove resilient reflecting the overall quality of our management team and Hotel portfolio. The Hotel business has provided us with a strong platform for our successful growth in the liquor market and it will continue to do so as we selectively expand this business. During this half our 50th Dan Murphy's store on a Hotel site was opened.

Sales for the first half in our Hotel business increased 3.6% to $612 million and comparable sales increased by 3.4%. Comparable gaming sales for the half increased 2.3% (HY10: 3.8% decrease). This result has been achieved in a difficult economic climate and reflects a focus by the team on improving the food and entertainment offers. Hotels continue to be impacted, although to a lesser extent, by the increased regulatory environment.

EBIT decreased 2.4% to $111.9 million reflecting a change in mix of business, with the lower gross margin and higher CODB resulting from a change in the sales mix towards food and bars with a continued focus on customer value. Whilst EBIT was slightly down on last year the half year result was above our expectations. CODB was impacted by higher occupancy costs resulting from sale and leaseback of freehold properties in the half.

The continued cycling of recent regulatory impacts and the 2012 changes to the Victorian gaming arrangements which are well underway, will be beneficial for our Hotel business.

A further two properties were added in the half, taking the total number of hotels and clubs to 284 and a total of 1,359 accommodation rooms.

Home Improvement

We continue to make good progress on our Home Improvement business Joint Venture with Lowe's Some of the milestones include:

- We have recruited our first group of Store Managers and they bring a wealth of experience with them from retail businesses across Australia. These store managers and other members of the Home Improvement team have undertaken training at Lowe's facilities.
- Our DC in Hoppers Crossing Victoria has commenced operation and we are working closely with suppliers from right across Australia and internationally.
- Of the 150 sites we plan to secure over the next 5 years, we are well underway and have now commenced construction on our first group of stores.
- Our experienced team of buyers are on track, having carefully selected and negotiated approximately 40,000 items that will be sold throughout our stores.
- We are pleased with the progress being made to develop our IT systems, training programs and most recently, recruitment for our first group of stores.
- We are on track to deliver our first store in the second half of calendar year 2011 as planned.
- Approximately 15-20 stores will open in the 18 months following the first store opening.

Central Overheads

Central overheads have decreased $9.5 million and include costs associated with various business development activities and the Home Improvement business. The reduction reflects the inclusion of Danks profits for a full half year and reduction in central costs.

Net Financing costs and Tax Expense

Net Financing costs of $132 million have increased from the prior half year (HY10: $110 million) as a result of higher debt levels reflecting the funding of planned capital expenditure and the completed on-market and off-market buy-backs in 2010 which returned over $1 billion to shareholders.

Tax expense has decreased marginally to 29.0% (HY10: 29.5%).

Balance Sheet and Cash Flow

Our cashflow and balance sheet remain strong.

Cash generated by operating activities was $1,865.8 million, up 1.2% on the previous year. This compares to a growth in EBITDA of 6.6%, with the variance largely reflective of the higher net inventory position at December resulting from lower than expected December trading. Inventory levels are on target to return to normal levels in the second half.

Net interest paid rose 20.3% as a result of higher debt levels reflecting the share buy-backs and increased property development expenditure. Tax payments are down $39.5 million reflecting the lower final tax adjustment required following relatively higher instalments paid during the last tax year.

Key balance sheet movements relative to the prior half year are explained as follows:

- Whilst average inventory was slightly down on last year at 33.8 days, year end inventory balances were 7.3% higher than last year reflecting the impact of lower than expected December trading. Inventory is on target to return to normal levels by the end of the second half.
- Trade creditor balances have increased by 1.7%. This reflects timing of purchasing, particularly through the latter half of December as purchasing slowed in response to consumer spending tightening.
- Negative working capital decreased by $291.7 million to $2,388.9 million. This is largely due to the increase in the net investment in inventory as outlined above as well as the timing of property related receivables.
- Fixed assets and investments increased by $992.5 million to $8,296.8 million, primarily reflecting the increase in capital expenditure offset by depreciation. Capital expenditure for the half was $1,009 million compared to $855 million in the prior half year. The increase was due to additional property development activity, the building of a new Data Centre in Sydney, commencement of construction of the BIG W, Consumer Electronics, Home Improvement and New Zealand DCs as well as Melbourne NDC re-engineering. Capital expenditure forecast for the full year (excluding property development) has reduced by $78 million.
- Intangibles decreased $54.6 million to $4,975.0 million, reflecting foreign exchange movements in respect of New Zealand intangibles partially offset by goodwill and intangibles related to the acquisition of various Home Improvement retail outlets, stand alone supermarkets particularly in New Zealand, free standing liquor stores and various hotels.
- Two separate share buy-backs have occurred since HY10, an on-market buy-back in June 2010 for $325 million and an off-market buy-back in October 2010 for $704 million.
- Net repayable debt (which includes cash, borrowings, financial assets and liabilities) has increased by $1,532.6 million to $3,627.6 million reflecting the increased borrowings to fund capital expenditure and the two share buy-backs.

Capital Management

Objectives

Woolworths 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 undertake capital management initiatives. Consistent with this objective, Woolworths has targeted, achieved and maintained its strong credit ratings of A- from Standard and Poor's and A3 from Moody's Investor Services, which underpin our debt profile.

Capital Returns

Woolworths will seek to return capital to shareholders when that is consistent with its capital structuring objectives and where it will enhance shareholder value. Since July 2001, over $9.5 billion has been returned to shareholders through dividends, on-market and off-market buy-backs (including the interim dividend for the half year ending 2 January 2011).

Following the $704 million off-market share buy-back completed in October 2010, Woolworths returned over $1 billion of capital (excluding dividends) to shareholders in the 2010 calendar year.

The off-market share buy-back and payment of the October 2010 and April 2011 dividends will return over $0.8 billion in franking credits to Shareholders. Woolworths expects that after these events there will be approximately $1.3 billion of franking credits available for future distribution.

Financing Transactions

In September 2010, Woolworths issued US$1.25 billion of notes into the US144A market. The issue comprised 2 maturity tranches of 5 years (US$500 million) and 10 years (US$750 million). The currency exposure was fully hedged at A$1.32 billion.

Proceeds of the US debt raising were used to ultimately fund the above share buy-backs totalling $1 billion and to pre-fund an A$350 million medium term note maturing in March 2011.

Refinancing requirements immediately following this include an A$600 million hybrid note (a perpetual instrument whose non-call period ends in September 2011), followed by US$300 million in US 144A notes (hedged at A$410 million) maturing in November 2011. In April and May 2012, two syndicated bank loan facilities totalling A$1.7 billion will mature. Of this, approximately A$546 million is currently drawn. A refinancing plan for these maturities is currently in process of implementation.

Property Sales Program

Woolworths has a history of developing Marketplace style retail centres through its property development arm. To enable the continued roll out of its store network during the Global Financial Crisis, Woolworths has increased its involvement in the development of sites using its own balance sheet, which has resulted in the ownership of a larger (than historically) portfolio of retail centres. Woolworths is generally not a long term holder of property assets and is currently in the process of marketing these retail sites on the basis of a sale and long term leaseback transaction. The potential sale of these properties is progressing well with several parties interested in either a portfolio of sites or individual sites. We expect sales of property of approximately $300 – 700 million to be completed by the end of the year.

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.

Supply Chain and Logistics Initiatives

Food and Liquor

Driving the transformation of our Supermarket supply chain have been our unique systems StockSmart (distribution centre 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, with AutoStockR now implemented across BIG W stores, New Zealand Supermarkets and our liquor stores. Development of the Next Generation Replenishment solution is progressing well which will optimise order flow not normally done in replenishment, continue to reduce days inventory as well as save costs in Stores, DCs and Transport.

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

The continuing development of our Food and Liquor Supply Chain and the use of optimisation tools such as labour planning and performance monitoring will result in further productivity improvements.

The liquor distribution network has been further developed by the successful commissioning of the Brisbane Liquor DC in the last quarter of FY10 which complements the Melbourne and Sydney Liquor DCs, commissioned in the previous financial year. The network is now well positioned to support continued growth of our liquor business.

Woolworths has substantially completed the re-engineering of the National Distribution Centre located in Mulgrave (VIC). Significant software and hardware upgrades have increased capacity on the site with an extension of existing automation. These changes have significantly improved pick rate efficiency and reduced costs. The refurbishment of our two automated sites at Hume (VIC) and Minchinbury (NSW) is complete which significantly extends the life of these DCs.

Construction of the Tasmanian Regional Distribution Centre has commenced in the first half of this financial year, with completion planned in 2012. Development of the Bunbury (WA) Meat processing and distribution operation has commenced and is planned to be completed in second half of FY12. This will improve the efficiency of both the meat processing and distribution to our WA supermarkets.

The rollout of the outbound Metro Transport Model is complete with Brisbane going live in the first half of FY11. 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 the first phase of which was implemented in the last quarter of FY10 on the Adelaide to Northern Territory corridor. We are working closely with rail providers to deliver a more cost effective 'end to end' solution with work on the east-west corridors now complete and operational.

New Zealand Supermarkets

Despite some disruption from the earthquake in New Zealand, the ongoing process of rolling out the supply chain strategy in New Zealand Supermarkets continues to progress well, delivering improved service and lower cost. In Auckland we are well advanced with a new NDC project which is expected to be complete during FY11. The AutoStockR replenishment system has delivered a major increase in product availability and warehouse management systems are now fully operational.

BIG W

The Quicksilver program, commenced in 2007, is focussed 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. The accelerated rollout across the entire BIG W store network was successfully completed in FY10 and delivered an improved in-stock position through the busy Christmas trading period.

The development of a third BIG W DC at Hoxton Park in Sydney is progressing well with the site planned to be operational in the second half of FY12. The Hoxton Park site will be shared by BIG W, Consumer Electronics and Home Improvement.

We continue to strengthen our merchandise financial planning capabilities to manage the flow of merchandise through our business.

These initiatives are important foundations for BIG W's future business growth.

Consumer Electronics

Consumer Electronics continues to leverage off work completed by Australian Supermarkets Supply Chain implementing a range of initiatives that have driven costs down. New DC capacity at Hoxton Park is expected to drive further cost reductions in FY12 and beyond.

The DCs in India continue to deliver efficiency improvements and benefits from International Logistics. We are now well placed to support further retail expansion. We are currently working through improvements in forecasting and changes to our replenishment approach.

Home Improvement

Design of the future Home Improvement Supply Chain Network has been completed and implementation of the first phases has commenced. Much of the design involves leveraging Lowe's current operations and processes and leveraging the systems and decision support tools currently used in our Food and Liquor and General Merchandise supply chains. Home Improvement's first DC is located at Hoppers Crossing in Victoria. The new DC facility at Hoxton Park will service Home Improvement and is planned to be operational in the second half of FY12.

Global Sourcing

Global Sourcing has had another strong year, growing our direct buying volumes by over 50% and expanding our activities into more countries and product categories. Significant opportunities are available to continue to grow this business, improving the quality of goods and further reducing our costs.

We continue to develop our international logistics capability to support our growth plans with an increased number of consolidation facilities employed to support an improved flow of merchandise and the implementation of trading systems and decision support tools for order optimisation.

Future Outlook

As advised on 24 January 2011, whilst Woolworths has continued to experience growth in the first six months of the trading year, the extent of the negative impact of consumer confidence levels, inflation, interest rates and global economic conditions has been greater than expected particularly on discretionary spending.

Given the experience of the recent six months a degree of uncertainty exists over the next six months trading. The market is expected to remain competitive with a less confident consumer who is spending less whilst having a greater propensity to save. This combined with the uncertainty around the level of inflation going forward, the risks of future interest rate rises, and a continuing strong dollar provides a platform for a potentially subdued trading environment particularly in the discretionary sectors.

This uncertainty, together with incurring costs, not covered by insurance, associated with the NZ earthquakes and the Australian floods resulted in Woolworths amending its full year guidance for Net Profit After Tax growth for the full year, which is now expected to be in the range of 5% to 8% and EPS growth for the full year of 6% to 9%.

Woolworths Limited

Appendix 4D Additional Information
For the Financial Half Year Ended 2 January 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 34 and forms part of the Directors' Report for the 27 weeks ended 2 January 2011.

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 25th day of February 2011.

James Strong

JAMES STRONG
Chairman

MICHAEL LUSCOMBE
Managing Director and Chief Executive Officer

Deloitte.

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

25 February 2011

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 2 January 2011, 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

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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 2 January 2011, 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 37 to 50.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Woolworths Limited's financial position as at 2 January 2011 and its performance for the half-year 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Woolworths Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 2 January 2011 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, 25 February 2011

DIRECTORS' DECLARATION

The directors declare that:

(a) in the director's 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 director's 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	**MICHAEL LUSCOMBE**
Chairman	Managing Director and Chief Executive Officer

25 February 2011

INTERIM CONSOLIDATED INCOME STATEMENT

For the half year ended	Consolidated	
	2-Jan-11	3-Jan-10
	$m	$m
Revenue from the sales of goods	28,302.7	27,202.5
Other operating revenue	68.2	44.1
Total revenue from operations	**28,370.9**	**27,246.6**
Cost of sales	(21,000.8)	(20,206.9)
Gross profit	**7,370.1**	**7,039.7**
Other revenue	113.9	85.2
Share of profits/ (losses) of associated and jointly controlled entities accounted for using the equity method	(0.1)	0.5
Branch expenses	(4,400.7)	(4,163.7)
Administration expenses	(1,296.2)	(1,278.5)
Earnings before interest and taxes	**1,787.0**	**1,683.2**
Financial expense	(149.7)	(123.5)
Financial income	17.7	13.5
Net financing costs	**(132.0)**	**(110.0)**
Net Profit before income tax expense	**1,655.0**	**1,573.2**
Income tax expense	(479.4)	(464.0)
Profit after income tax expense	**1,175.6**	**1,109.2**
Net profit attributable to:		
Equity holders of the parent entity	1,161.7	1,095.6
Non-controlling interest	13.9	13.6
Profit for the period	**1,175.6**	**1,109.2**
Earnings Per Share (EPS)		
Basic EPS (cents per share)	95.2	89.1
Diluted EPS (cents per share)	94.7	88.6
Weighted average number of shares used in the calculation of Basic EPS (million)	1,220.3	1,230.3

The interim consolidated income statement should be read in conjunction with the notes to the interim financial statements set out on pages 44 to 50

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended	Consolidated	
	2-Jan-11	3-Jan-10
	$m	$m
Profit for the period	1,175.6	1,109.2
Other comprehensive income		
Exchange differences taken to equity	(177.3)	23.7
Movement in the fair value of financial assets to be taken directly to equity	(3.6)	15.6
Movement in the fair value of cash flow hedges	(470.5)	(130.6)
Transfer to income statement cash flow hedges	351.7	183.7
Tax effect of items recognised directly to equity	60.6	(19.4)
Other comprehensive income for the period (net of tax)	(239.1)	73.0
Total comprehensive income for the period	**936.5**	**1,182.2**
Attributable to:		
Equity holders of the parent	922.6	1,168.6
Non-controlling interest	13.9	13.6
	936.5	**1,182.2**

Income Tax on other comprehensive income

For the half year ended 2 Jan 2011	Before tax $m	Tax (expense)/ benefit $m	Net of tax $m
Exchange differences taken to equity	(177.3)	24.4	(152.9)
Movement in the fair value of financial assets to be taken directly to equity	(3.6)	-	(3.6)
Movement in the fair value of cash flow hedges	(470.5)	141.1	(329.4)
Transfer to income statement cash flow hedges	351.7	(104.9)	246.8
	(299.7)	**60.6**	**(239.1)**

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**

The interim consolidated statement of comprehensive income should be read in conjunction with the notes to the interim financial statements set out on pages 44 to 50.

INTERIM CONSOLIDATED BALANCE SHEET

	Consolidated		
	2 Jan 2011 $m	27 June 2010 $m	3 Jan 2010 $m
Current assets			
Cash	1,139.5	713.4	1,069.0
Trade and other receivables	1,094.9	916.8	928.0
Inventories	3,989.6	3,438.8	3,718.9
Assets held for sale	17.4	37.3	44.1
Other financial assets	134.8	92.7	86.0
Total current assets	**6,376.2**	**5,199.0**	**5,846.0**
Non-current assets			
Trade and other receivables	11.9	13.3	36.1
Other financial assets	150.7	132.3	172.0
Property, plant and equipment	8,162.9	7,639.1	7,115.0
Intangibles	4,975.0	5,071.0	5,029.6
Deferred tax assets	475.9	432.6	464.2
Total non-current assets	**13,776.4**	**13,288.3**	**12,816.9**
Total assets	**20,152.6**	**18,487.3**	**18,662.9**
Current liabilities			
Trade and other payables	6,049.3	5,278.9	6,012.3
Borrowings	869.6	871.7	136.0
Current tax liabilities	237.3	199.0	281.8
Other financial liabilities	38.1	24.7	44.4
Provisions	803.4	779.1	759.9
Total current liabilities	**7,997.7**	**7,153.4**	**7,234.4**
Non-current liabilities			
Borrowings	3,199.5	2,670.4	2,806.4
Other financial liabilities	828.9	236.7	290.0
Provisions	438.6	416.3	396.3
Other	194.0	192.8	195.1
Total non-current liabilities	**4,661.0**	**3,516.2**	**3,687.8**
Total liabilities	**12,658.7**	**10,669.6**	**10,922.2**
Net assets	**7,493.9**	**7,817.7**	**7,740.7**
Equity			
Contributed equity	3,899.1	3,784.4	4,025.4
Shares held in trust	(37.3)	(41.2)	(48.9)
Reserves	(255.4)	(28.0)	(73.1)
Retained profits	3,630.7	3,855.2	3,584.5
Equity attributable to the members of Woolworths Limited	7,237.1	7,570.4	7,487.9
Non-controlling interest	256.8	247.3	252.8
Total equity	**7,493.9**	**7,817.7**	**7,740.7**

The interim consolidated balance sheet should be read in conjunction with the interim notes to the financial statements set out on pages 44 to 50.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 2 January 2011

Consolidated	Issued Capital	Shares held in trust	Hedging Reserve	Foreign Currency Translation Reserve	Remuneration Reserve	Asset Revaluation Reserve	Available-for-sale Revaluation Reserve	Retained Earnings	Equity attributable to member of Woolworths Limited	Non-controlling Interest	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Balance at 28 June 2010	3,784.4	(41.2)	107.6	(262.3)	200.6	16.4	(90.3)	3,855.2	7,570.4	247.3	7,817.7
Profit after income tax expense	-	-	-	-	-	-	-	1,161.7	1,161.7	13.9	1,175.6
Other comprehensive income for the period (net of tax)	-	-	(82.6)	(152.9)	-	-	(3.6)	-	(239.1)	-	(239.1)
Total comprehensive income for the period (net of tax)	-	-	(82.6)	(152.9)	-	-	(3.6)	1,161.7	922.6	13.9	936.5
Dividend paid	-	-	-	-	-	-	-	(766.3)	(766.3)	(4.7)	(771.0)
Issue of shares as a result of options exercised under executive share option plans	96.5	-	-	-	-	-	-	-	96.5	-	96.5
Issue of shares as a result of dividend reinvestment plan	103.9	-	-	-	-	-	-	-	103.9	-	103.9
Issue of shares under employee share plan	-	3.9	-	-	-	-	-	-	3.9	-	3.9
Shares bought back	(84.7)							(621.6)	(706.3)		(706.3)
Issue of shares to Minority Interest	-	-	-	-	-	-	-	-	-	74.6	74.6
Issue of shares as consideration for acquired entity	-	-	-	-	-	-	-	-	-	-	-
Compensation on share based payments	-	-	-	-	11.7	-	-	-	11.7	-	11.7
Reclassification of NCI for recognition of financial liability	-	-	-	-	-	-	-	-	-	(74.3)	(74.3)
Other	(1.0)	-	-	-	-	-	-	1.7	0.7	-	0.7
Balance at 2 January 2011	**3,899.1**	**(37.3)**	**25.0**	**(415.2)**	**212.3**	**16.4**	**(93.9)**	**3,630.7**	**7,237.1**	**256.8**	**7,493.9**

Consolidated	Issued Capital	Shares held in trust	Hedging Reserve	Foreign Currency Translation Reserve	Remuneration Reserve	Asset Revaluation Reserve	Available-for-sale Revaluation Reserve	Retained Earnings	Equity attributable to member of Woolworths Limited	Non-controlling Interest	Total Equity
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
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 (net of tax)	-	-	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
Issue of shares as consideration for acquired entity	-								-	-	-
Compensation on share based payments	-	-	-	-	27.4	-	-	-	27.4	-	27.4
Reclassification of NCI for recognition of financial liability	-	-	-	-	-	-	-	-	-	(41.5)	(41.5)
Other	(0.8)	-	-	-	-	-	-	2.3	1.5	-	1.5
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**

The consolidated statement of changes in equity should be read in conjunction with the interim notes to the financial statements set out on pages 44 to 50.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	2-Jan-11 $m	3-Jan-10 $m
Cash Flows From Operating Activities		
Receipts from customers	30,423.4	28,976.9
Receipts from vendors and tenants	26.9	21.1
Payments to suppliers and employees	(28,009.9)	(26,566.2)
Interest and costs of finance paid	(162.3)	(131.1)
Interest received	10.8	5.2
Income tax paid	(423.1)	(462.6)
Net cash provided by operating activities	**1,865.8**	**1,843.3**
Cash Flows From Investing Activities		
Proceeds from the sale of property, plant and equipment	68.4	30.8
Advances related to development property	(20.2)	-
Payment for property, plant and equipment	(1,018.6)	(873.1)
(Payments) for purchase or proceeds from sale of investments	-	3.0
Payments for the purchase of intangibles	(1.4)	(1.0)
Dividends received	5.3	6.4
Payments for purchase of businesses	(113.4)	(150.7)
Net cash used in investing activities	**(1,079.9)**	**(984.6)**
Cash Flows From Financing Activities		
Proceeds from issue of equity securities	97.1	75.2
Proceeds from issue of equity securities in subsidiary to non controlling interest	74.6	42.7
Payments for share buy back	(737.9)	-
Proceeds from external borrowings	8,397.1	6,159.9
Repayment of external borrowings	(7,516.7)	(6,215.5)
Dividends paid	(662.4)	(598.2)
Dividends paid to minority interest	(4.7)	(6.8)
Net cash provided by financing activities	**(352.9)**	**(542.7)**
Net Increase In Cash Held	433.0	316.0
Effect of exchange rate changes on foreign currency held	(6.9)	(1.2)
Cash At The Beginning Of The Financial Year	**713.4**	**746.7**
Cash At The End Of The Financial Year	**1,139.5**	**1,061.5**

The interim consolidated statement of cash flows should be read in conjunction with the interim notes to the financial statements set out on pages 44 to 50

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 Significant accounting policies

Woolworths Limited (the "Company") is a company domiciled in Australia. The interim consolidated financial report of the Company for the 27 weeks ended 2 January 2011 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 2 January 2011 ("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 27 June 2010, 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 through 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 Half Year Financial Report was approved by the Board of Directors on 25 February 2011.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2 Segment Information

	Australian Food & Liquor (1)		New Zealand Supermarkets		Petrol		BIG W		Consumer Electronics (2)		Hotels (3)		Unallocated (4)		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	$A million	$A million	$A million	$A million	$A million	$A million	$A million	$A million	$A million	$A million	$A million	$A million	$A million	$A million	$A million	$A million
Segment disclosures																
Business segments																
Business segments																
Sales to customers	18,771.9	18,143.4	2,183.4	2,161.7	2,944.5	2,781.2	2,392.0	2,461.6	1,044.7	983.7	611.9	591.2	354.3	79.7	28,302.7	27,202.5
Other operating revenue	62.0	40.1	6.2	4.0	-	-	-	-	-	-	-	-	-	-	68.2	44.1
Inter-segment revenue	-	-	-	-	-	-	-	-	0.3	-	-	-	192.5	138.0	192.8	138.0
Segment revenue	18,833.9	18,183.5	2,189.6	2,165.7	2,944.5	2,781.2	2,392.0	2,461.6	1,045.0	983.7	611.9	591.2	546.8	217.7	28,563.7	27,384.6
Eliminations									(0.3)				(192.5)	(138.0)	(192.8)	(138.0)
Unallocated revenue (5)													113.9	85.2	113.9	85.2
Total revenue	18,833.9	18,183.5	2,189.6	2,165.7	2,944.5	2,781.2	2,392.0	2,461.6	1,044.7	983.7	611.9	591.2	468.2	164.9	28,484.8	27,331.8
Segment earnings before interest and tax	1,404.8	1,299.4	108.6	96.9	63.4	51.2	125.0	150.8	22.3	34.8	111.9	114.6	(49.0)	(64.5)	1,787.0	1,683.2
Net financing cost															(132.0)	(110.0)
Profit before tax															1,655.0	1,573.2
Income tax expense															(479.4)	(464.0)
Profit after tax															1,175.6	1,109.2
Segment depreciation and amortisation	255.9	238.2	37.5	33.0	16.3	15.1	39.0	36.6	15.2	13.8	36.3	39.5	40.1	29.8	440.3	406.0
Capital expenditure (6)	329.1	357.3	141.1	93.9	26.1	24.3	66.0	58.2	32.1	19.1	97.2	96.1	425.1	354.7	1,116.7	1,003.6

(1) Australian Food & Liquor comprise supermarket and liquor stores and wholesale food and liquor stores in Australia
(2) Consumer Electronics includes Woolworths Wholesale India.
(3) Hotels comprise on-premise liquor sales, food, accommodation, gaming and venue hire.
(4) Unallocated comprise corporate head office, property division and home improvement division.
(5) Unallocated revenue comprises of rent and other revenue from operating activities.
(6) Capital expenditure is property, plant and equipment and intangible asset additions

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 in Australia, New Zealand and India.
- **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

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

4 Business Acquisitions

Over the course of the half year, the consolidated entity acquired various hotel venues, home improvement retail stores and other businesses. Each acquisition was for 100% of the respective enterprise. In some instances Woolworths share was only 67% where the acquisition was made through Hydrox. Total consideration paid was $113.4 million including $3.5 million of acquisition costs recognised in the income statement. Net assets acquired comprised mainly of property, plant and equipment $47.0 million; inventory $20.8 million, liquor and gaming licences $19.8 million and other negative working capital balances of $2.9 million, with goodwill on acquisition of $25.2 million. Goodwill has arisen on acquisition of these businesses primarily because of their capacity to generate recurring revenue streams in the future.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5 Dividends Paid

	2-Jan-11	27-Jun-10	3-Jan-10
27 weeks ended	**$m**	**$m**	**$m**
Final dividend in respect of 2010 year of 62 cents (2009:56 cents) per fully paid ordinary share 100% franked at 30% tax rate (2009:100%)	766.3	-	692.0
Interim dividend in respect of 2010 year of 53 cents (2009:48 cents) per fully paid ordinary share 100% franked at 30% tax rate (2009:100%)	-	657.2	-

On 25 February 2011, the board of directors declared a dividend of 57 cents (2010: 53 cents) per share. The amount that will be paid on 29 April 2011 will be approximately $693.3 million (2010: $657.2 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 2 January 2011 comprising:

	2-Jan-11	3-Jan-10
	$m	**$m**
Bank guarantees[1]	49.2	45.6
Workers compensation self-insurance guarantees	522.4	474.2
Other (outstanding letters of credit issued to suppliers)	19.0	28.0
	590.6	**547.8**

[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 $440.7 million (3 January 2010: $391.2 million) for self-insured risks, which includes liabilities relating to workers' compensation claims, that has been recognised in the statement of financial position.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7 Goodwill

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

For the half year ended 2 January 2011

	2-Jan-11	3-Jan-10
	$m	$m
Carrying amount at start of period	3,078.2	2,991.6
Additions arising from the acquisition of businesses	25.2	43.7
Disposals	-	-
Reclassifications	-	0.3
Effect of movements in foreign exchange rates	(129.2)	20.0
Carrying amount at end of period	**2,974.2**	**3,055.6**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

8 Issued Capital

For the half year ended 2 January 2011

	2-Jan-11	3-Jan-10
	$m	$m
Issued and paid up share capital		
1,212,888,209 fully paid ordinary shares		
(3 January 2010: 1,239,999,913)		
Fully paid ordinary shares carry one vote per share and the right to dividends		
Reconciliation of fully paid share capital		
Balance as at beginning of period	3,784.4	3,858.6
Issue of shares as a result of options exercised under Executive Share Option Plan	96.5	73.8
Issue of shares as a result of Dividend Reinvestment Plan	103.9	93.8
Adjustment to reflect final proceeds for shares issued under Employee Share Plan	(1.0)	(0.8)
Shares bought back	(84.7)	-
Balance at end of period	**3,899.1**	**4,025.4**

Reconciliation of fully paid share capital- (net of own shares held in trust)	**No. of shares**	**No. of shares**
Balance as at beginning of period	1,227.4	1,223.6
Issue of shares as a result of options exercised under Executive Share Option Plan	5.7	7.7
Issue of shares as a result of Dividend Reinvestment Plan	3.6	3.2
Adjustment to reflect final proceeds for shares issued under Employee Share Plan	0.4	0.3
Shares bought back	(27.5)	-
Balance at end of period	**1,209.6**	**1,234.8**

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

Shares held in trust	**$m**	**$m**
Reconciliation of shares held in trust		
Balance at beginning of period	(41.2)	(51.2)
Issue of shares under Employee Share Plan	3.9	2.3
Balance at end of period	**(37.3)**	**(48.9)**

Reconciliation of shares held in trust	**No. of shares**	**No. of shares**
Balance at beginning of period	3.8	5.4
Issue of shares under Employee Share Plan	(0.4)	(0.3)
Balance at end of period	**3.4**	**5.1**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9 Explanation of significant movements in the statement of financial position

Key balance sheet movements relative to the prior half year are explained as follows:

- Whilst average inventory was slightly down on last year at 33.8 days, year end inventory balances were 7.3% higher than last year reflecting the impact of lower than expected December trading. Inventory is on target to return to normal levels by the end of the second half.
- Trade creditor balances have increased by 1.7%. This reflects timing of purchasing, particularly through the latter half of December as purchasing slowed in response to consumer spending tightening.
- Negative working capital decreased by $291.7 million to $2,388.9 million. This is largely due to the increase in the net investment in inventory as outlined above as well as the timing of property related receivables.
- Fixed assets and investments increased by $992.5 million to $8,296.8 million, primarily reflecting the increase in capital expenditure offset by depreciation. Capital expenditure for the half was $1,009 million compared to $855 million in the prior half year. The increase was due to additional property development activity, the building of a new Data Centre in Sydney, commencement of construction of the BIG W, Consumer Electronics, Home Improvement and New Zealand DCs as well as Melbourne NDC re-engineering. Capital expenditure forecast for the full year (excluding property development) has reduced by $78 million.
- Intangibles decreased $54.6 million to $4,975.0 million, reflecting foreign exchange movements in respect of New Zealand intangibles partially offset by goodwill and intangibles related to the acquisition of various Home Improvement retail outlets, stand alone supermarkets particularly in New Zealand, free standing liquor stores and various hotels.
- Two separate share buy-backs have occurred since HY10, an on-market buy-back in June 2010 for $325 million and an off-market buy-back in October 2010 for $704 million.
- Net repayable debt (which includes cash, borrowings, financial assets and liabilities) has increased by $1,532.6 million to $3,627.6 million reflecting the increased borrowings to fund capital expenditure and the two share buy-backs.

10 Subsequent Events

On 25 February 2011, Woolworths Limited announced it will acquire 100% of The Cellarmasters Group (Cellarmasters) for $340 million, to be funded through existing debt facilities. Cellarmasters is one of Australia’s largest direct marketing wine sellers and providers of contract bottling and wine services

Completion of the acquisition is expected to occur no later than May 2011, subject to closing conditions, including no regulatory intervention.