WOOLWORTHS LIMITED

27 February 2009 **PRESS RELEASE**

Profit report and dividend announcement for the 27 weeks ended 4 January 2009

- **8.8% INCREASE IN SALES TO $26.1 BILLION**
- **11.7% INCREASE IN EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION**
- **10.2% INCREASE IN EARNINGS BEFORE INTEREST AND TAX TO $1,515.2 MILLION**
- **10.3% INCREASE IN NET PROFIT AFTER TAX TO $983.3 MILLION**
- **9.3% INCREASE IN EARNINGS PER SHARE TO 80.9 CENTS**
- **9.1% INCREASE IN INTERIM DIVIDEND PER SHARE TO 48 CENTS**

"This is a strong result reflecting increasing customer acceptance of our retail offer underpinned by the continued investment in all our businesses.

I am confident that we are well positioned to take advantage of growth opportunities as they arise and to meet future challenges.

Woolworths has invested almost $1 billion of capital in this half year to add new stores, improve existing stores, add services, deliver value and create an even better shopping experience for our customers.

We created 9,000 jobs in the half year and expect to create another 7,000 jobs in the second half.

We continue to refine and improve all our brands to meet customer expectations that change over time and to seek new opportunities to continue the positive momentum in our business.

Our balance sheet, debt profile and the strength of our credit ratings ensure we are very well positioned in the current environment".

- Michael Luscombe, CEO

Summary of Results

The Board of Woolworths Limited today released the interim profit and dividend announcement of Woolworths Limited and its controlled entities for the 27 weeks ended 4 January 2009.

Woolworths Limited Managing Director and CEO, Michael Luscombe said, "Today we are pleased to report a net profit increase of 10.3% to $983.3 million for the half year ended 4 January 2009. This is a strong result reflecting increasing customer acceptance of our retail offer underpinned by the continued investment in all our businesses. I am confident that we are well positioned to take advantage of growth opportunities as they arise and to meet future challenges.

Woolworths has invested almost $1 billion of capital in this half year to improve our stores, create jobs, add services, deliver value and create an even better shopping experience for our customers. We continue to refine and improve all our brands to meet customer expectations that change over time and to seek new opportunities to continue the positive momentum that exists in our business". he said.

Commenting on the result, the Chairman of Woolworths Limited, James Strong said, "Woolworths is focussed on our core businesses in Australia and New Zealand and continues to re-invest in each of the businesses. Woolworths remains focussed on creating shareholder value".

Earnings Before Interest and Tax (EBIT)

($ million)	**2008 Statutory (27 weeks)**	**2009 Statutory (27 weeks)**	**Change %**
Food and Liquor	998.7	1,164.2	16.6%
Petrol	43.5	45.7	5.1%
Australian Supermarkets	**1,042.2**	**1,209.9**	**16.1%**
New Zealand Supermarkets (NZD)	***99.7***	***91.9***	***(7.8)%***
New Zealand Supermarkets	86.6	68.4	(21.0)%
BIG W	129.2	142.2	10.1%
Consumer Electronics - Aust/NZ	43.1	31.6	(26.7)%
Consumer Electronics - India	(2.3)	(2.7)	17.4%
Consumer Electronics - Total	**40.8**	**28.9**	**(29.2)%**
General Merchandise - Total	**170.0**	**171.1**	**0.6%**
Hotels	**120.6**	**125.1**	**3.7%**
Total Trading Result	**1,419.4**	**1,574.5**	**10.9%**
Property Income/(Expense)	8.9	(0.8)	(109.0)%
Central Overheads	(55.6)	(60.9)	9.5%
Continuing Operations	**1,372.7**	**1,512.8**	**10.2%**
Wholesale Division	2.2	2.4	9.1%
Group EBIT	**1,374.9**	**1,515.2**	**10.2%**

Highlights for the half year

Achievements made in the half year were:

- Continuing **focus on our customers**, their evolving needs and expectations and converting this understanding into our stores by improving the shopping experience, improving our range and implementing new merchandising initiatives.
- **Reinvested in all our businesses**. In the first half of the financial year we opened 122 new stores and refurbished 190 stores. This investment is a key driver of our organic growth and it also creates employment opportunities in our stores for new staff and for the contracting companies undertaking the work.
- Significant **investment in price, range, merchandise and quality** across all brands. In the half year our gross margin declined, reflecting a significant level of price re-investment. All businesses continued to invest significantly in price and continue to focus on delivering real value to our customers.
- The expansion of our range continues with our **Homebrand, Select, Freefrom, Naytura and Organics ranges** gaining strong customer acceptance. The growth in sales in private label products exceeds our overall grocery performance, which is a strong endorsement by our customers. We have gained the trust of our customers through a consistent quality and value message with strong repeat purchases.
- Our investment in our supply **chain continues to deliver financial benefits**. The intellectual property we have developed in our supply chain teams, IT systems and distribution centres is now being applied to other businesses in Woolworths, including New Zealand Supermarkets, BWS, Dan Murphy, BIG W and Dick Smith Electronics.
- We opened two new **liquor distribution centres** in Sydney (July 2008) and Melbourne (September 2008) and completed the **rollout of AutoStockR** (store forecast based replenishment) into our Free Standing Liquor Stores (BWS and Dan Murphy's). These initiatives will deliver tangible benefits to the liquor business in the coming years.
- We have made good progress in **developing our customer engagement strategy**. The **"Everyday Rewards" program** is already proving to be very successful with 2.8 million cards registered. This program **replaces paper petrol dockets** with a convenient card-based system. The learnings from this activity are assisting us in directing relevant offers to a large portion of our customers. We have made and will continue to make progress on initiatives that are enhancing our understanding of what our customer wants. The strategic alliance linking our "**Everyday Rewards Card"** with Qantas Frequent Flyer will significantly enhance these capabilities.
- We continue to invest in our **financial services capabilities** with the launch of our **Everyday Money credit card** in September 2008. The strength of this offer was confirmed when it was awarded "Best Innovative Product for 2009" by Australian Money Magazine.
- New Zealand Supermarkets are being repositioned for future growth. The major business transformation involving the **conversion to Woolworths core systems** has been completed on time which will provide the platform for this growth. This milestone and other initiatives currently underway provide a strong platform for this business moving forward.
- The investment in our **BIG W business** continues to pay dividends with another strong result and demonstrates the attractiveness of our offer to our customers.
- In **Consumer Electronics** we are taking a similar path to that taken with our BIG W business and have completed a strategic review of this business. Results achieved in our new format Dick Smith stores have been extremely pleasing reflecting strong customer acceptance of the new refreshed offer with rollout now underway.

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

2008 – 2009 First Half Business Performance

The consistent delivery of quality results is fundamental to our success. The first half result for the Group was pleasing, with a solid performance against our long terms targets. In the first half we have again exceeded our Sales, EBIT and CODB targets.

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

In the current half year, Sales grew in the upper single digits (8.8%); EBIT again grew faster than sales (up 10.2%) and we achieved a CODB reduction of 31bps. If we exclude Hotels, Petrol and the prior year development profits (H1 2008 : $9.2m), we delivered a CODB reduction in excess of 20 bps. If we exclude the prior year development profits (H1 2008: $9.2m) the first half EBIT growth would improve from 10.2% to 10.9%.

EBIT margin increased by 7 bps, with a significant portion of the CODB gains, being re-invested in lower prices, delivering greater value to our customers. This price reinvestment is evident in the gross margins for the group which have decreased 24 bps. When we exclude Hotels, which has a different gross margin structure, gross margins have decreased 17 bps to 23.97%.

Australian Food & Liquor, BIG W, Petrol and Hotels businesses all delivered strong growth in sales and earnings during the period. Consumer Electronics sales result was solid however the EBIT result was down on last year reflecting a repositioning of this business in range, merchandise and price and a weak New Zealand economy. New Zealand Supermarkets were affected by the macroeconomic conditions, which combined with additional labour and repositioning costs, produced a profit result down on last year in NZ dollars.

We continue to target a reduction in our cost of doing business by at least 20bps per annum (excluding Petrol and Hotels). This will enable us to continue to provide lower prices and better value to our customers and further reward shareholders.

We have completed a substantial portion of the end-to-end supply chain program in Australian Supermarkets and the financial benefits of this program will continue over future years. All our new distribution centres (except Brisbane which is still to reach maturity) have achieved or are exceeding their Business Case operating ratios.

Our IT platform (including AutoStockR and Stocksmart) continues to perform exceptionally well. This provides Woolworths with an enhanced ability to plan and manage volumes across the distribution and store network, providing lower costs and improved in-stock positions. We continue to refine and improve our IT capabilities, which will continue to provide further benefits.

Inventory levels continue to be well managed. The December inventory balance has increased by 8.0% (vs Dec 2007) which compares favourably to the first half sales increase of 8.8%. When we exclude the impact of incremental imported inventory and the incremental liquor inventory associated with our new liquor DCs, the reduction in average inventory across the group was 0.7 days (0.1 days including these). Our target is to reduce inventory holdings by 1 day per year.

2008 – 2009 First Half Business Performance (continued)

Cash flow provided by operating activities was impacted by the timing of the period end close which has distorted the result. After adjusting for this timing impact, cashflows provided by operating activities were flat reflecting higher interest payments (on higher debt levels to fund planned capital expenditure) and higher tax payments (due to a higher level of tax instalments and a one off tax deduction taken last year).

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

Our capital structure going forward will preserve our capital strength to continue to reinvest in the business and to retain flexibility to pursue further growth opportunities. Capital management remains a matter constantly under review, however given the current uncertainty in the debt and equity markets, it is considered more prudent to defer any capital management initiatives at this time.

Our balance sheet, debt profile and the strength of our credit ratings ensure we are very well positioned in the current environment.

Australian Supermarkets (including Liquor and Petrol)

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

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

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

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

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

Australian Food and Liquor

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

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

- the success of our new format 2010c stores, which deliver an improved shopping experience for our customers
- our price rollback campaigns which deliver excellent value to our customers for an extended period (3 or 6 months)
- the success of Woolworths private label. Our focus on product quality and value in high loyalty segments has delivered strong results. A greater focus by customers on value during tighter economic conditions has assisted our private label growth
- the continued re-investment in price

Australian Food and Liquor (continued)

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

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

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

Liquor

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

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

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

Petrol

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

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

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

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

New Zealand Supermarkets (Progressive)

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

(1) Excludes intercompany charges.

New Zealand Supermarkets achieved sales of NZD 2.57 billion for the half year, which represents a 3.5% increase (1.2% decline in AUD) on the prior half year. Comparable sales for the half year were 3.0% (in NZD). Overall food inflation was 5.8% in the half (prior half year 2.7%).

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

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

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

It was critical that we establish the right business platform from which to grow this business. Key initiatives were completed within the 3 years we set ourselves from when we acquired the business. Most significant of these is the completion of the conversion to Woolworths core systems. These core support systems include merchandising, front of store (point of sale), replenishment (Stocksmart and AutostockR) and finance. They will provide significant opportunities to improve store and distribution efficiencies, thereby reducing costs and achieve greater levels of in stock performance and overall merchandising improvements. This combined with the other areas of focus (below) will underpin growth in future years in the New Zealand Supermarkets business.

New Zealand Supermarkets (Progressive) (continued)

- **Improvements to Range**: The Select, Naytura, Organics and Freefrom ranges are being gradually introduced into New Zealand. The HomeBrand rollout is complete and has been well received by customers.
- **Improvements to store layouts and merchandising:** We have initiated a major refurbishment program to improve our offer to customers. Our 2010c format store has been very successful in Australia and we have commenced its rollout in New Zealand. We are very pleased with the performance of our initial trial stores in Greenlane and Botany Downs in Auckland, and plan to have a further seven stores in this format by the end of the financial year. In addition 31 stores have been fitted with Woolworths standard racking which allows stores to carry an increased range. A further 18 stores are planned to be re-racked in the second half of the financial year.
- **Supply chain strategy**: We have developed a supply chain strategy for New Zealand that will improve the service and cost performance of our logistics operations which will be progressively implemented over the next three years.
- **Improvements to property pipeline**: To date our property team has identified and secured 18 sites for future development. During the half year we closed two stores and plan to open three stores in the second half of the financial year. Improvements in the trading area are also expected in 2009, through expansion and refurbishments.

BIG W

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

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

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

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

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

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

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

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

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

Consumer Electronics (Australia and New Zealand) [1]

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

[1] Excludes India sales and costs – refer below

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

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

- **Rollout of new format store**: Results achieved in our new format Dick Smith stores have been extremely pleasing reflecting strong customer acceptance of the new refreshed offer. Comparable sales growth in the 33 stores we have completed was well in excess of the network. We plan to have 79 stores in this new format by the end of this financial year.
- **Improvements to our range**: As we did in BIG W, we have commenced repositioning our range to be more relevant to the consumer.
- **New price promise: "**Best price and you'll pay no more for the right advice" builds on an existing strength being our product knowledge and expert advice and re-enforces the value of our offering.
- **New Branding:** we have commenced the rollout of a more contemporary logo and signage across the business. The "Dick Smith – Talk to the Techxperts" logo and signage has a more contemporary look and feel and is being rolled out across our network. Over the next two years we will transition out of the Powerhouse and Tandy brands and consolidate under Dick Smith.
- **Investment in our people:** Improvements in recruitment, retention initiatives, training and support for our people are underway. A new staff training program focussed on sales techniques and customer service has delivered genuine results ensuring our staff are trusted and knowledgeable.

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

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

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

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

Consumer Electronics (India)

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

Hotels

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

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

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

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

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

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

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

Central Overheads, Net Property Income

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

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

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

Net Financing costs and Tax Expense

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

Tax expense has remained constant at 29.4%.

Supply Chain and Logistics Initiatives

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

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

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

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

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

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

Liquor

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

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

BIG W

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

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

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

Dick Smith Electronics

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

We currently have four distribution centres operating in India.

Global Sourcing

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

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

Balance Sheet and Cash Flow

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

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

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

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

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

Key balance sheet movements are explained as follows:

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

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

Capital Management

Objectives

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

Capital Returns

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

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

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

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

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

Current trading

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

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

Future Outlook

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

Subject to the uncertainty regarding these factors:

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

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

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

For further information contact:

Ms Clare Buchanan (Public Relations Manager)	(02) 8885 1032	Media
Mr Tom Pockett (Finance Director)	(02) 8885 1105	Investors/Analysts

Profit And Loss For The 27 Weeks Ended 4 January 2009

	HY08 (27 weeks) ($m)	HY09 (27 weeks) ($m)	Change
Sales			
Australian Food and Liquor	15,495	16,897	9.0%
New Zealand Supermarkets	2,158	2,132	(1.2)%
Petrol	2,671	3,072	15.0%
Supermarket Division	**20,324**	**22,101**	**8.7%**
BIG W	2,187	2,406	10.0%
Consumer Electronics (1)	815	929	14.0%
General Merchandise Division	**3,002**	**3,335**	**11.1%**
Hotels	**586**	**592**	**1.0%**
Continuing Operations	**23,912**	**26,028**	**8.8%**
Wholesale Division	80	86	7.5%
Group Sales	**23,992**	**26,114**	**8.8%**
Margins			
Gross Profit	25.56%	25.32%	(0.24)%pts
Cost of Doing Business	19.83%	19.52%	(0.31)%pts
EBIT to sales	5.73%	5.80%	0.07%pts
Profit			
Earnings before interest, tax, depreciation amortisation & rent (EBITDAR)	2,346.4	2,600.6	10.8%
Rent	(656.5)	(712.9)	8.6%
Earnings before interest, tax, depreciation & amortisation (EBITDA)	**1,689.9**	**1,887.7**	**11.7%**
Depreciation (and amortisation)	(315.0)	(372.5)	18.3%
Earnings before interest & tax (EBIT)	**1,374.9**	**1,515.2**	**10.2%**
Net financing costs (2)	(91.3)	(101.5)	11.2%
Operating income tax expense	(377.6)	(415.3)	10.0%
Net operating profit after income tax	**906.0**	**998.4**	**10.2%**
Minority interests	(14.7)	(15.1)	2.7%
Total profit after tax & minority interests	**891.3**	**983.3**	**10.3%**
Funds employed (period end)	7,600.0	8,990.9	18.3%
ROFE (3)	17.85%	17.51%	(0.34)pts
Weighted average ordinary shares on issue (million)	1,203.4	1,215.1	1.0%
Ordinary earnings per share (cents)	74.06	80.93	9.3%
Diluted earnings per share (cents)	73.32	80.48	9.8%
Interim dividend per share (cents) (4)	44	48	9.1%

(1) Includes operations in Australia, New Zealand and India
(2) Interest capitalisation $8.9 million (LY: $2.3 million)
(3) ROFE is EBIT as a percentage of average (opening and closing) funds employed.
(4) Interim dividend payable on 24 April 2009 will be fully franked at 30%.

Group Balance Sheet as at 04 January 2009

	HY08 30 December 2007 ($m)	HY09 04 January 2009 ($m)	FY08 29 June 2008 ($m)
Funds Employed			
Inventory	3,230.3	3,488.5	3,010.0
Trade Payables	(4,553.6)	(4,270.3)	(3,878.1)
Net Investment in Inventory	(1,323.3)	(781.8)	(868.1)
Receivables	699.4	736.2	641.4
Other Creditors	(2,096.9)	(2,328.2)	(2,118.1)
Working Capital	**(2,720.8)**	**(2,373.8)**	**(2,344.8)**
Fixed Assets and Investments	5,278.9	6,393.5	5,825.5
Intangibles	5,041.9	4,971.2	4,835.2
Total Funds Employed	**7,600.0**	**8,990.9**	**8,315.9**
Net Tax Balances	97.5	176.2	100.5
Net Assets Employed	**7,697.5**	**9,167.1**	**8,416.4**
Cash and Borrowings (1)	(1,444.4)	(2,611.7)	(2,019.6)
Hedge Assets and liabilities (1)	(57.5)	211.7	(161.5)
Net Repayable Debt	**(1,501.9)**	**(2,400.0)**	**(2,181.1)**
Net Assets	**6,195.6**	**6,767.1**	**6,235.3**
Minority Interest	239.8	247.3	242.4
Shareholders Equity	5,955.8	6,519.8	5,992.9
Total Equity	**6,195.6**	**6,767.1**	**6,235.3**
Average Inventory Days (Based on COGS) (2)	32.5	32.4	31.7
Creditor Days (Based on Sales) (3)	52.4	47.8	47.3

(1) Part of the increase in borrowings is the mark to market of the USD debt (movement HY09 to HY08 $341m). Whilst this is fully hedged the equivalent movement in the hedging asset is recorded in hedge assets and liabilities.
(2) Inventory days reflect the use of rolling inventory over a 13 month period.
(3) Creditor days is distorted by the timing of period end close.

Group Cash Flow

	HY08 (27 weeks) ($m)	HY09 (27 weeks) ($m)	
EBITDA	1,689.9	1,887.7	11.7%
Net interest paid (incl. cost of income notes) (1)	(112.1)	(123.7)	
Taxation paid (2)	(301.3)	(456.8)	
	1,276.5	1,307.2	2.4%
Working capital items	676.0 (3)	20.0	
Total cash provided by operating activities (3)	**1,952.5**	**1,327.2**	(32.0%)
Payments for the purchase of businesses – Other (4)	(215.3)	(98.1)	
Payments for normal capex	(719.1)	(913.0)	
Proceeds on disposal of property plant & equipment	109.5	11.9	
Dividends received	10.8	1.4	
Total cash used in investing activities	**(814.1)**	**(997.8)**	
Free cash	**1,138.4**	**329.4**	
Net operating profit after tax	906.0	998.4	
Free cash flows as a % of NPAT	**126%**	**33%**	

(1) The higher interest payments reflect the higher debt levels necessary to fund planned capital expenditure.
(2) The higher tax payments reflect a higher level of tax instalments and a one off tax deduction taken last year.
(3) At HY08 we stated that normalising for the timing impact of year end creditor payments, cashflows from operating activities would have more closely approximated EBITDA growth. At HY09 the working capital movement has been distorted due to the different reporting dates (HY09 (4. Jan 09); HY08 (30 Dec 07)). A proforma cashflow normalising for these adjustments has been presented on the next page.
(4) Other purchases of businesses relate to individual hotel & store acquisitions.

Group Cash Flow (Proforma)

Adjusted for timing of period end close

	HY08 (27 weeks) ($m)	HY09 (27 weeks) ($m)	
EBITDA	1,689.9	1,887.7	11.7%
Net interest paid (incl. cost of income notes) (1)	(112.1)	(123.7)	
Taxation paid (2)	(301.3)	(456.8)	
	1,276.5	1,307.2	2.4%
Working capital items (normalised) (3)	***379.0***	***360.1***	
Total cash provided by operating activities (3)	**1,655.5**	**1,667.3**	0.7%
Payments for the purchase of businesses – Other (4)	(215.3)	(98.1)	
Payments for normal capex	(719.1)	(913.0)	
Proceeds on disposal of property plant & equipment	109.5	11.9	
Dividends received	10.8	1.4	
Total cash used in investing activities	**(814.1)**	**(997.8)**	
Free cash	**841.4**	**669.5**	
Net operating profit after tax	906.0	998.4	
Free cash flows as a % of NPAT	**93%**	**67%**	

(1) The higher interest payments reflect the higher debt levels necessary to fund planned capital expenditure
(2) The higher tax payments reflect a higher level of tax instalments and a one off tax deduction taken last year.
(3) At HY08 we stated that Normalising for the timing impact of year end creditor payments, cashflows from operating activities would have more closely approximated EBITDA growth. At HY09 the working capital movement has been distorted due to the different reporting date (HY09 (4 Jan 09); HY08 (30 Dec 07))
(4) Other purchases of businesses relate to individual hotel & store acquisitions.

Woolworths Limited

ACN 88 000 014 675

Interim Financial Report for the Financial Half Year Ended 4 January 2009

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 2008 Annual financial report and any announcements made to the market during the period.

Woolworths Limited

Interim Financial Report
for the Financial Half Year Ended 4 January 2009

Page Number

Woolworths Limited

Appendix 4D Additional Information
For the Financial Half Year Ended 4 January 2009

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 4 January 2009 (27 weeks)

Previous Corresponding Period: Financial Half Year ended 30 December 2007 (27 weeks)

Woolworths Limited

Appendix 4D Additional Information
For the Financial Half Year Ended 4 January 2009

Results For Announcement To The Market
For the Financial Half Year Ended 4 January 2009

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount $'M
Revenue from ordinary activities	up	8.8	to	26,256.1
Profit/(loss) from ordinary activities after tax attributable to members	up	10.3	to	983.3
Net profit/(loss) attributable to members	up	10.3	to	983.3

Dividends (Distributions)

	Amount per security	Franked amount per security
Final dividend	N/A	N/A
Interim dividend	48 cents	48 cents
Record date for determining entitlements to the dividend:	Interim Dividend: 27 March 2009	

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	2009	24 April 2009	48	-
	2008	24 April 2008	44	-

Interim dividend (distribution) per security

	Current Period ¢	Previous Corresponding Period ¢
Ordinary securities (each class separately)	48	44
Preference securities (each class separately)	NIL	NIL
Other equity instruments (each class separately)	NIL	NIL

Interim dividend (distribution) on all securities

	Current Period $m	Previous Corresponding Period $m
Ordinary securities (each class separately)	588.3	534.5
Preference securities (each class separately)	-	-
Other equity instruments (each class separately)	-	-
Total	588.3	534.5

Any other disclosures in relation to dividends (distributions).

The interim dividends in respect of ordinary shares for the financial half years ended 4 January 2009 and 30 December 2007 have not been recognised in this report because the interim dividends were not declared, determined or publicly recommended as at 4 January 2009 or at 30 December 2007, 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	27 March 2009

II. Net Tangible Assets Per Security

	Current Period ¢ per share	Previous Corresponding Period ¢ per share
Net tangible assets per security	126.4	75.2
Add:		
Brand names, liquor and gaming licences and property development rights	157.9	156.8
Net tangible assets per security adjusted for brand names, licences and property development rights	284.3	232.0

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

Control gained over entities

Name of entity (or group of entities)	NOT APPLICABLE
Date control gained	NOT APPLICABLE

	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.	-

Name of entity (or group of entities)	NOT APPLICABLE
Date control gained	NOT APPLICABLE

	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.	-

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	-	-	-	-
Joint Venture Entities	-	-	-	-
	-	-	-	-
Aggregate Share of Profits	-	-	-	-

Appendix 4D Additional Information
For the Financial Half Year Ended 4 January 2009

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

DIRECTORS' REPORT

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

DIRECTORS

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

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

REVIEW AND RESULTS OF OPERATIONS

Woolworths Limited Managing Director and CEO, Michael Luscombe said, "Today we are pleased to report a net profit increase of 10.3% to $983.3 million for the half year ended 4 January 2009. This is a strong result reflecting increasing customer acceptance of our retail offer underpinned by the continued investment in all our businesses. I am confident that we are well positioned to take advantage of growth opportunities as they arise and to meet future challenges.

Woolworths has invested almost $1 billion of capital in this half year to improve our stores, create jobs, add services, deliver value and create an even better shopping experience for our customers. We continue to refine and improve all our brands to meet customer expectations that change over time and to seek new opportunities to continue the positive momentum that exists in our business". he said.

Commenting on the result, the Chairman of Woolworths Limited, James Strong said, "Woolworths is focussed on our core businesses in Australia and New Zealand and continues to re-invest in each of the businesses. Woolworths remains focussed on creating shareholder value".

Earnings Before Interest and Tax (EBIT)

($ million)	2008 Statutory (27 weeks)	2009 Statutory (27 weeks)	Change %
Food and Liquor	998.7	1,164.2	16.6%
Petrol	43.5	45.7	5.1%
Australian Supermarkets	**1,042.2**	**1,209.9**	**16.1%**
New Zealand Supermarkets (NZD)	***99.7***	***91.9***	***(7.8)%***
New Zealand Supermarkets	86.6	68.4	(21.0)%
BIG W	129.2	142.2	10.1%
Consumer Electronics - Aust/NZ	43.1	31.6	(26.7)%
Consumer Electronics - India	(2.3)	(2.7)	17.4%
Consumer Electronics - Total	**40.8**	**28.9**	**(29.2)%**
General Merchandise - Total	**170.0**	**171.1**	**0.6%**
Hotels	**120.6**	**125.1**	**3.7%**
Total Trading Result	**1,419.4**	**1,574.5**	**10.9%**
Property Income/(Expense)	8.9	(0.8)	(109.0)%
Central Overheads	(55.6)	(60.9)	9.5%
Continuing Operations	**1,372.7**	**1,512.8**	**10.2%**
Wholesale Division	2.2	2.4	9.1%
Group EBIT	**1,374.9**	**1,515.2**	**10.2%**

Highlights for the half year

Achievements made in the half year were:

- Continuing **focus on our customers**, their evolving needs and expectations and converting this understanding into our stores by improving the shopping experience, improving our range and implementing new merchandising initiatives.
- **Reinvested in all our businesses**. In the first half of the financial year we opened 122 new stores and refurbished 190 stores. This investment is a key driver of our organic growth and it also creates employment opportunities in our stores for new staff and for the contracting companies undertaking the work.
- Significant **investment in price, range, merchandise and quality** across all brands. In the half year our gross margin declined, reflecting a significant level of price re-investment. All businesses continued to invest significantly in price and continue to focus on delivering real value to our customers.
- The expansion of our range continues with our **Homebrand, Select, Freefrom, Naytura and Organics ranges** gaining strong customer acceptance. The growth in sales in private label products exceeds our overall grocery performance, which is a strong endorsement by our customers. We have gained the trust of our customers through a consistent quality and value message with strong repeat purchases.
- Our investment in our supply **chain continues to deliver financial benefits**. The intellectual property we have developed in our supply chain teams, IT systems and distribution centres is now being applied to other businesses in Woolworths, including New Zealand Supermarkets, BWS, Dan Murphy, BIG W and Dick Smith Electronics.
- We opened two new **liquor distribution centres** in Sydney (July 2008) and Melbourne (September 2008) and completed the **rollout of AutoStockR** (store forecast based replenishment) into our Free Standing Liquor Stores (BWS and Dan Murphy's). These initiatives will deliver tangible benefits to the liquor business in the coming years.
- We have made good progress in **developing our customer engagement strategy**. The **"Everyday Rewards" program** is already proving to be very successful with 2.8 million cards registered. This program **replaces paper petrol dockets** with a convenient card-based system. The learnings from this activity are assisting us in directing relevant offers to a large portion of our customers. We have made and will continue to make progress on initiatives that are enhancing our understanding of what our customer wants. The strategic alliance linking our "**Everyday Rewards Card"** with Qantas Frequent Flyer will significantly enhance these capabilities.
- We continue to invest in our **financial services capabilities** with the launch of our **Everyday Money credit card** in September 2008. The strength of this offer was confirmed when it was awarded "Best Innovative Product for 2009" by Australian Money Magazine.
- New Zealand Supermarkets are being repositioned for future growth. The major business transformation involving the **conversion to Woolworths core systems** has been completed on time which will provide the platform for this growth. This milestone and other initiatives currently underway provide a strong platform for this business moving forward.
- The investment in our **BIG W business** continues to pay dividends with another strong result and demonstrates the attractiveness of our offer to our customers.
- In **Consumer Electronics** we are taking a similar path to that taken with our BIG W business and have completed a strategic review of this business. Results achieved in our new format Dick Smith stores have been extremely pleasing reflecting strong customer acceptance of the new refreshed offer with rollout now underway.

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

2008 – 2009 First Half Business Performance

The consistent delivery of quality results is fundamental to our success. The first half result for the Group was pleasing, with a solid performance against our long terms targets. In the first half we have again exceeded our Sales, EBIT and CODB targets.

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

In the current half year, Sales grew in the upper single digits (8.8%); EBIT again grew faster than sales (up 10.2%) and we achieved a CODB reduction of 31bps. If we exclude Hotels, Petrol and the prior year development profits (H1 2008 : $9.2m), we delivered a CODB reduction in excess of 20 bps. If we exclude the prior year development profits (H1 2008: $9.2m) the first half EBIT growth would improve from 10.2% to 10.9%.

EBIT margin increased by 7 bps, with a significant portion of the CODB gains, being re-invested in lower prices, delivering greater value to our customers. This price reinvestment is evident in the gross margins for the group which have decreased 24 bps. When we exclude Hotels, which has a different gross margin structure, gross margins have decreased 17 bps to 23.97%.

Australian Food & Liquor, BIG W, Petrol and Hotels businesses all delivered strong growth in sales and earnings during the period. Consumer Electronics sales result was solid however the EBIT result was down on last year reflecting a repositioning of this business in range, merchandise and price and a weak New Zealand economy. New Zealand Supermarkets were affected by the macroeconomic conditions, which combined with additional labour and repositioning costs, produced a profit result down on last year in NZ dollars.

We continue to target a reduction in our cost of doing business by at least 20bps per annum (excluding Petrol and Hotels). This will enable us to continue to provide lower prices and better value to our customers and further reward shareholders.

We have completed a substantial portion of the end-to-end supply chain program in Australian Supermarkets and the financial benefits of this program will continue over future years. All our new distribution centres (except Brisbane which is still to reach maturity) have achieved or are exceeding their Business Case operating ratios.

Our IT platform (including AutoStockR and Stocksmart) continues to perform exceptionally well. This provides Woolworths with an enhanced ability to plan and manage volumes across the distribution and store network, providing lower costs and improved in-stock positions. We continue to refine and improve our IT capabilities, which will continue to provide further benefits.

Inventory levels continue to be well managed. The December inventory balance has increased by 8.0% (vs Dec 2007) which compares favourably to the first half sales increase of 8.8%. When we exclude the impact of incremental imported inventory and the incremental liquor inventory associated with our new liquor DCs, the reduction in average inventory across the group was 0.7 days (0.1 days including these). Our target is to reduce inventory holdings by 1 day per year.

2008 – 2009 First Half Business Performance (continued)

Cash flow provided by operating activities was impacted by the timing of the period end close which has distorted the result. After adjusting for this timing impact, cashflows provided by operating activities were flat reflecting higher interest payments (on higher debt levels to fund planned capital expenditure) and higher tax payments (due to a higher level of tax instalments and a one off tax deduction taken last year).

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

Our capital structure going forward will preserve our capital strength to continue to reinvest in the business and to retain flexibility to pursue further growth opportunities. Capital management remains a matter constantly under review, however given the current uncertainty in the debt and equity markets, it is considered more prudent to defer any capital management initiatives at this time.
Our balance sheet, debt profile and the strength of our credit ratings ensure we are very well positioned in the current environment.

Australian Supermarkets (including Liquor and Petrol)

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

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

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

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

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

Australian Food and Liquor

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

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

- the success of our new format 2010c stores, which deliver an improved shopping experience for our customers
- our price rollback campaigns which deliver excellent value to our customers for an extended period (3 or 6 months)
- the success of Woolworths private label. Our focus on product quality and value in high loyalty segments has delivered strong results. A greater focus by customers on value during tighter economic conditions has assisted our private label growth
- the continued re-investment in price

Australian Food and Liquor (continued)

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

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

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

Liquor

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

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

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

Petrol

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

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

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

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

New Zealand Supermarkets (Progressive)

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

(1) Excludes intercompany charges.

New Zealand Supermarkets achieved sales of NZD 2.57 billion for the half year, which represents a 3.5% increase (1.2% decline in AUD) on the prior half year. Comparable sales for the half year were 3.0% (in NZD). Overall food inflation was 5.8% in the half (prior half year 2.7%).

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

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

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

It was critical that we establish the right business platform from which to grow this business. Key initiatives were completed within the 3 years we set ourselves from when we acquired the business. Most significant of these is the completion of the conversion to Woolworths core systems. These core support systems include merchandising, front of store (point of sale), replenishment (Stocksmart and AutostockR) and finance. They will provide significant opportunities to improve store and distribution efficiencies, thereby reducing costs and achieve greater levels of in stock performance and overall merchandising improvements. This combined with the other areas of focus (below) will underpin growth in future years in the New Zealand Supermarkets business.

New Zealand Supermarkets (Progressive) (continued)

- **Improvements to Range**: The Select, Naytura, Organics and Freefrom ranges are being gradually introduced into New Zealand. The HomeBrand rollout is complete and has been well received by customers.
- **Improvements to store layouts and merchandising:** We have initiated a major refurbishment program to improve our offer to customers. Our 2010c format store has been very successful in Australia and we have commenced its rollout in New Zealand. We are very pleased with the performance of our initial trial stores in Greenlane and Botany Downs in Auckland, and plan to have a further seven stores in this format by the end of the financial year. In addition 31 stores have been fitted with Woolworths standard racking which allows stores to carry an increased range. A further 18 stores are planned to be re-racked in the second half of the financial year.
- **Supply chain strategy**: We have developed a supply chain strategy for New Zealand that will improve the service and cost performance of our logistics operations which will be progressively implemented over the next three years.
- **Improvements to property pipeline**: To date our property team has identified and secured 18 sites for future development. During the half year we closed two stores and plan to open three stores in the second half of the financial year. Improvements in the trading area are also expected in 2009, through expansion and refurbishments.

BIG W

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

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

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

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

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

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

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

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

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

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

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

[(1)] Excludes India sales and costs – refer below

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

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

- **Rollout of new format store**: Results achieved in our new format Dick Smith stores have been extremely pleasing reflecting strong customer acceptance of the new refreshed offer. Comparable sales growth in the 33 stores we have completed was well in excess of the network. We plan to have 79 stores in this new format by the end of this financial year.
- **Improvements to our range**: As we did in BIG W, we have commenced repositioning our range to be more relevant to the consumer.
- **New price promise: "**Best price and you'll pay no more for the right advice" builds on an existing strength being our product knowledge and expert advice and re-enforces the value of our offering.
- **New Branding:** we have commenced the rollout of a more contemporary logo and signage across the business. The "Dick Smith – Talk to the Techxperts" logo and signage has a more contemporary look and feel and is being rolled out across our network. Over the next two years we will transition out of the Powerhouse and Tandy brands and consolidate under Dick Smith.
- **Investment in our people:** Improvements in recruitment, retention initiatives, training and support for our people are underway. A new staff training program focussed on sales techniques and customer service has delivered genuine results ensuring our staff are trusted and knowledgeable.

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

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

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

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

Consumer Electronics (India)

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

Hotels

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

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

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

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

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

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

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

Central Overheads, Net Property Income

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

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

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

Net Financing costs and Tax Expense

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

Tax expense has remained constant at 29.4%.

Supply Chain and Logistics Initiatives

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

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

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

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

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

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

Liquor

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

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

BIG W

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

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

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

Dick Smith Electronics

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

We currently have four distribution centres operating in India.

Global Sourcing

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

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

Balance Sheet and Cash Flow

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

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

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

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

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

Key balance sheet movements are explained as follows:

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

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

Capital Management

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

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

Woolworths' capital management strategy has enhanced EPS growth whilst allowing Woolworths to take advantage of growth opportunities.
Capital management remains a matter constantly under review, however given the current uncertainty in the debt and equity markets, it is considered more prudent to defer any capital management initiatives at this time.

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

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

Current trading

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

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

Future Outlook

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

Subject to the uncertainty regarding these factors:

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

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

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

Rounding of amounts

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/0100 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 27 and forms part of the Directors’ Report for the 27 weeks ended 4 January 2009.

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

James Strong

JAMES STRONG
Director

MICHAEL LUSCOMBE
CEO/Managing Director

Deloitte.

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The Chairman
The Audit, Risk Management and Compliance Committee
Woolworths Limited
1 Woolworths Way
Bella Vista NSW 2153

27 February 2009

Dear Directors

Woolworths Limited

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

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

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rod Smith
Partner
Chartered Accountants

Deloitte.

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

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Woolworths Limited, which comprises the balance sheet as at 4 January 2009, and the income statement, cash flow statement, statement of recognised income and expense for the 27 weeks ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the period or from time to time during the period as set out on page 30 to 39.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

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

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

Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rod Smith
Partner
Chartered Accountants
Sydney, 27 February 2009

DIRECTORS' DECLARATION

The directors declare that:

(a) in the 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
Chairman

MICHAEL LUSCOMBE
CEO/Managing Director

27 February 2009

INTERIM CONSOLIDATED INCOME STATEMENT

For the 27 weeks ended **$m**	**04 Jan 09**	**30 Dec 07**
Revenue from the sale of goods	26,113.9	23,992.2
Other operating revenue	58.3	64.8
Total revenue from operations	**26,172.2**	**24,057.0**
Cost of sales	(19,561.3)	(17,925.1)
Gross profit	6,610.9	6,131.9
Other revenue	83.9	65.9
Branch expenses	(3,959.8)	(3,726.5)
Administration expenses	(1,219.8)	(1,096.4)
Earnings before interest and tax	**1,515.2**	**1,374.9**
Financial expense	(129.8)	(118.7)
Financial income	28.3	27.4
Net financing cost	(101.5)	(91.3)
Net profit before income tax expense	**1,413.7**	**1,283.6**
Income tax expense	(415.3)	(377.6)
Profit after income tax expense	**998.4**	**906.0**
Net profit attributable to:		
Equity holders of the parent entity	983.3	891.3
Minority interest	15.1	14.7
	998.4	906.0
Earnings per share (EPS)		
Basic EPS (cents per share)	80.9	74.1
Diluted EPS (cents per share)	80.5	73.3
Weighted average number of shares used in the calculation of basic EPS (million)	1,215.1	1,203.4

The interim consolidated income statement should be read in conjunction with the notes to the interim financial statements set out on pages 35 to 39.

INTERIM CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the 27 weeks ended **$m**	**04 Jan 09**	**30 Dec 07**
Movement in translation of foreign operations taken to equity	73.7	(55.9)
Movement in the fair value of available for sale assets	(31.8)	(7.8)
Movement in fair value of cash flow hedges	379.6	99.1
Actuarial losses on defined benefit plans	(54.7)	-
Tax effect of items recognised directly to equity	33.2	22.9
Net income/(expense) recognised directly in equity	400.0	58.3
Transfer to income statement cash flow hedges	(457.1)	41.0
Profit for the period	998.4	906.0
Total recognised income and expense for the period	941.3	1,005.3
Attributable to:		
Equity holders of the parent	926.2	990.6
Minority interest	15.1	14.7
	941.3	1,005.3

The interim consolidated statement of recognised income and expense should be read in conjunction with the notes to the interim financial statements set out on pages 35 to 39.

INTERIM CONSOLIDATED BALANCE SHEET

As at $m	04 Jan 09	29 Jun 08	30 Dec 07
Current assets			
Cash	960.0	754.6	1,309.9
Trade and other receivables	733.1	637.8	693.3
Inventories	3,488.5	3,010.0	3,230.3
Assets held for sale	16.7	34.7	65.6
Other financial assets	57.3	65.1	54.5
Total current assets	**5,255.6**	**4,502.2**	**5,353.6**
Non-current assets			
Trade and other receivables	3.1	3.6	6.0
Other financial assets	470.5	262.0	264.5
Property, plant and equipment	6,254.1	5,638.8	5,059.3
Intangibles	4,971.2	4,835.2	5,041.9
Deferred tax assets	466.5	430.7	358.9
Total non-current assets	**12,165.4**	**11,170.3**	**10,730.6**
Total assets	**17,421.0**	**15,672.5**	**16,084.2**
Current liabilities			
Trade and other payables	5,343.6	4,804.9	5,496.2
Borrowings	689.3	550.2	414.8
Current tax liabilities	290.3	330.2	261.2
Other financial liabilities	77.2	61.9	42.3
Provisions	702.9	677.2	650.1
Total current liabilities	**7,103.3**	**6,424.4**	**6,864.6**
Non-current liabilities			
Borrowings	2,882.4	2,224.0	2,339.5
Other financial liabilities	116.3	274.7	180.2
Provisions	365.1	380.0	404.8
Other	186.8	134.1	99.5
Total non-current liabilities	**3,550.6**	**3,012.8**	**3,024.0**
Total liabilities	**10,653.9**	**9,437.2**	**9,888.6**
Net assets	**6,767.1**	**6,235.3**	**6,195.6**
Equity			
Issued capital	3,772.7	3,627.1	3,551.2
Shares held in trust	(52.9)	(60.0)	(63.8)
Reserves	(121.1)	(133.9)	84.3
Retained earnings	2,921.1	2,559.7	2,384.1
Equity attributable to the members of Woolworths Limited	**6,519.8**	**5,992.9**	**5,955.8**
Minority interest	247.3	242.4	239.8
Total equity	**6,767.1**	**6,235.3**	**6,195.6**

The interim consolidated balance sheet should be read in conjunction with the interim notes to the financial statements set out on pages 35 to 39.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the 27 weeks ended **$m**	**04 Jan 09**	**30 Dec 07**
Cash flows from operating activities		
Receipts from customers	27,968.4	25,843.6
Receipts from vendors and tenants	20.6	20.9
Payments to suppliers and employees	(26,081.4)	(23,498.6)
Interest and costs of finance paid	(139.5)	(122.6)
Interest received	15.9	10.5
Income tax paid	(456.8)	(301.3)
Net cash provided by operating activities	**1,327.2**	**1,952.5**
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	11.9	109.5
Payments for property, plant and equipment	(913.0)	(719.1)
Payments for the purchase of intangibles	(1.4)	(10.0)
Dividends received	1.4	10.8
Payments for purchase of businesses	(96.7)	(205.3)
Net cash used in investing activities	**(997.8)**	**(814.1)**
Cash flows from financing activities		
Proceeds from issue of equity securities	69.4	68.7
Proceeds from external borrowings	7,574.6	3,415.8
Repayment of external borrowings	(7,254.7)	(3,695.2)
Dividends paid	(502.7)	(402.1)
Dividends paid to minority interest	(17.7)	(14.3)
Net cash used in financing activities	**(131.1)**	**(627.1)**
Net increase in cash held	198.3	511.3
Effects of exchange rate changes on balance of cash held in foreign currencies	7.1	(0.2)
Cash at the beginning of the financial period	754.6	798.8
Cash at the end of the financial period	**960.0**	**1,309.9**

The interim consolidated statement of cash flows should be read in conjunction with the interim notes to the financial statements set out on pages 35 to 39.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 Significant accounting policies

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

Statement of compliance

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

Basis of preparation

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

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

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2 Segment Information

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3 Significant Transactions

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

4 Business Acquisitions

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

5 Subsequent Events

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

6 Dividends Paid

$m	**4 Jan 09**	**29 Jun 08**	**30 Dec 07**
27 weeks ended			
Final dividend in respect of 2008 year of 48 cents (2007:39 cents) per fully paid ordinary share 100% franked at 30% tax rate (2007:100%)	586.0	-	471.9
Interim dividend in respect of 2008 year of 44 cents (2007:35 cents) per fully paid ordinary share 100% franked at 30% tax rate (2007:100%)	-	534.5	-
Total dividends paid	586.0	534.5	471.9

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

7 Contingent Liabilities

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

$m	4 Jan 09	29 Jun 08
Bank guarantees[1]	52.8	51.6
Workers compensation self-insurance guarantees	448.5	425.9
Other (outstanding letters of credit issued to suppliers)	16.3	11.2
	517.6	**488.7**

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

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

8 Explanation of significant balance sheet movements

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9 Overall equity reconciliation attributable to members

$m	4 Jan 09	29 Jun 08	30 Dec 07
Equity at the beginning of the period	5,992.9	5,275.3	5,275.3
Issue of shares under employee share plan	7.2	11.6	7.8
Issue of shares as a result of dividend reinvestment plan	83.3	143.9	67.5
Issue of shares as a result of options exercised under executive share option plans	65.4	63.3	62.7
Items recognised directly in equity as disclosed in the statement of recognised income and expense	(57.1)	(171.9)	99.3
Net profit attributable to equity holders of the parent	983.3	1,626.8	891.3
Total dividends provided for or paid	(586.0)	(1,006.4)	(471.9)
Share based payments expense	31.7	48.5	23.3
Other	(0.9)	1.8	0.5
Closing equity	6,519.8	5,992.9	5,955.8