

WOOLWORTHS LIMITED

ABN 88 000 014 675

1 Woolworths Way, Bella Vista
New South Wales 2153 Australia
Telephone +61 2 8885 0000
Facsimile +61 2 8885 0001
woolworthslimited.com.au

24 January 2011

The Manager, Companies
Australian Securities Exchange Limited
Company Announcements Office
Level 4 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

RE: Woolworths Limited –Earnings Guidance for FY11

Please find attached the FY11 earnings guidance for Woolworths Limited.

**For and on behalf of
WOOLWORTHS LIMITED**



**PETER J HORTON
COMPANY SECRETARY**

WOOLWORTHS LIMITED

24 January 2011

EARNINGS GUIDANCE

Woolworths previously issued guidance, that net profit after tax for FY11 was expected to grow between 8 and 11%. This guidance was given subject to the extent of any impact from the following:

- Consumer confidence levels
- Inflation
- Interest rates
- Global economic conditions

Woolworths has continued to experience growth in the first 6 months of the trading year, however the extent of the impact of these above factors has been greater than expected particularly on discretionary spending.

As a result our preliminary view is that we expect the half year net profit after tax to increase in the order of 5% to 6% and EPS to increase approximately 6% to 7% over the first half of last year. Solid performances in Food and Liquor, Petrol, New Zealand Supermarkets and Hotels, which met our expectations were offset by weaker than expected results in BIG W and Consumer Electronics. The half year result is subject to finalisation, verification and external audit of the financial statements.

Given the experience of the recent 6 months a degree of uncertainty exists over the next 6 months trading. The market is expected to remain competitive with a less confident consumer who is spending less whilst having a greater propensity to save. This combined with the uncertainty around the level of inflation going forward, the risks of future interest rate rises, and a continuing strong dollar provides a platform for a potentially subdued trading environment particularly in the discretionary sectors.

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

Commentary on Change of Guidance

Consumer Confidence

Following the highly stimulated consumer spending levels caused by the Government's Stimulus packages, consumers have reduced overall spending levels. This reduction has seen savings levels in Australia rise in recent months. In addition consumer spend levels have also been negatively impacted by higher interest rates, petrol prices, energy costs, health care costs etc.

Consumer confidence and spending levels are expected to remain subdued in the second half.

Natural Disasters

Woolworths operations have experienced two significant natural disasters, an earthquake in New Zealand and the recent floods in Australia.

The majority of the financial impact incurred by Woolworths will be covered by its insurance policies although there will be costs that are not covered. These costs not covered by insurance policies are the excess relating to individual policies and items not covered under normal insurance policies in these extreme natural disasters. Given the complexity of these insurance claims a clear view of these costs could take many months to complete and will impact in the second half.

Food and Liquor (Australia)

Our Food and Liquor business has strongly grown sales and EBIT over many years. This year we have continued to grow sales, with EBIT continuing to grow faster than sales for the first half with EBIT delivering within our expectations.

As inflation levels are extremely difficult to predict we have only assumed a modest increase in inflation in the second half guidance. EBIT in the second half is expected to continue to grow faster than sales.

BIG W

BIG W has produced a solid EBIT for the first half albeit one that is expected to be below last year's first half. This reduction is directly related to the lower sales levels for this half as outlined in the sales release.

The trading conditions impacting BIG W are expected to continue into the second half of the year.

Consumer Electronics

As previously advised the Dick Smith business is currently being re-positioned. As can be seen from the sales announcement the new format stores are achieving very good sales.

However strong price investment combined with significant price deflation in consumer electronics products generally, which has been exacerbated by the strong Australian dollar; and the weak performance of the old Dick Smith format stores and New Zealand, has provided a lower than expected EBIT result for the period.

The EBIT result whilst lower than our expectations is positive and is an improvement on the prior 6 months ending 30 June 2010.

The repositioning and trading conditions are expected to continue into the second half.

Other Trading Divisions

The Petrol and Hotels groups have exceeded their EBIT target for the 6 months with New Zealand supermarkets achieving its budget for the period.

It is expected these divisions will continue to trade to our expectations in the second half.

Results Announcement

Woolworths first half financial results will be announced on Friday 25 February 2011.