WOOLWORTHS LIMITED

28 February 2014

FIRST HALF PROFIT REPORT AND DIVIDEND ANNOUNCEMENT FOR THE 27 WEEKS ENDED 5 JANUARY 2014

Delivering sustainable profit growth and customer value through focus on our Strategic Priorities, led by Australian Food and Liquor

Net Profit After Tax of $1,321.7 million, up 14.5%

Earnings Per Share of 106.1 cents, up 13.4%

Net Profit After Tax From Continuing Operations Before Significant Items[1] up 6.0%

Key Financial Highlights for the FY14 Half Year

Sales

- Total Group sales of $31.8 billion, up 3.8%
- Sales from continuing operations up 6.0%

Earnings Before Interest and Tax (EBIT)

- Total Group EBIT of $2,048.0 million, up 11.3%
- EBIT from continuing operations before significant items[1] up 5.9%

Net Profit After Tax (NPAT)

- Total Group NPAT of $1,321.7 million, up 14.5%
- NPAT from continuing operations before significant items[1] up 6.0%

Earnings per Share (EPS)

- Total Group EPS up 13.4% to 106.1 cents
- EPS from continuing operations before significant items[1] up 4.9%

Dividends

- Over $0.8 billion will be returned to shareholders via the fully franked HY14 dividend of 65 cents per share, up 4.8%

Media Release

Woolworths CEO, Grant O'Brien said: "We are pleased to report a solid profit result for the first half of financial year 2014, with net profit after tax from continuing operations before significant items[1] up 6.0% on the previous half year.

"Our focus over the last two years has been to commence the transformation of our business. This result clearly demonstrates the progress we are making against each of our four Strategic Priorities.

"We have delivered 6.8% EBIT growth in our Australian Food and Liquor business, consistent with our priority to 'extend our leadership in Food and Liquor', which has been achieved in a highly competitive marketplace.

"We have continued our leadership in price and range, delivering more than $400 million in savings to customers predominantly through our 'More Savings Every Day' program.

"The Woolworths Liquor Group again delivered growth across all three formats – Dan Murphy's (Destination), BWS (Convenience) and The Wine Quarter (Online) and continues to lead the way in innovation.

"In New Zealand, we gained market share in a subdued grocery market and are in the early stages of transforming our Countdown business with the last quarter showing signs of improving momentum.

"We have commenced the transformation of BIG W's customer offer, replenishment systems and supply chain capabilities. We have much more to do and are focused on delivering profitable growth in the future.

"We are progressing our ambition to be Australia's most responsible operator of local pubs and our focus on family friendly food offerings has delivered pleasing results.

"Our Home Improvement business continues to grow rapidly and we are improving and adding to our network of stores. We are executing our plan to make Home Improvement a long-term profit contributor for the Group.

"We have been putting in place the enablers for a new era of growth. This will accelerate as we begin our next phase of supply chain enhancements to drive competitive advantage into the future.

"Online has been another highlight as we continue to provide customers with more convenient ways to shop. We exceeded $1 billion of sales ahead of our FY14 target. The acquisition of EziBuy has enhanced our online and direct retailing capabilities, and supports our position as Australasia's largest domestic online retailer.

"Data driven insights continue to assist with the transformation of our business. Through our investment in Quantium, we can better understand the needs of our customers and deliver a better shopping experience."

Woolworths Limited Chairman, Ralph Waters, said: "The Board has announced a half year dividend of 65 cents per share, a 4.8% increase, up from 62 cents in the prior year.

"This is a pleasing result for the half year and I am confident that Woolworths is in a good position to continue to reward both its customers and its shareholders into the future."

Note: This announcement contains certain non-IFRS measures that Woolworths believes are relevant and appropriate to understanding its business. Refer to Appendix One for further information.

PROGRESS AGAINST STRATEGIC PRIORITIES

In November 2011, Woolworths outlined its Strategic Priorities to deliver future growth and enhance shareholder value. Good progress has been made against each of these during the FY14 half year:

1. Extend leadership in Food and Liquor

- ✓ ***Momentum in Food and Liquor*** continues with improving comparable sales and EBIT growth. Increased market share was underpinned by strong volume, customer numbers and trading area growth
- ✓ ***Unbeatable value*** with improved communication of our value credentials through the 'More Savings Every Day' campaign, reinforcing Woolworths' price leadership among full range supermarkets. Average price deflation was 4.1% for the half year
- ✓ ***First choice for fresh food*** extending our leadership in Fresh as we further improve our offer, supported by our new Jamie Oliver partnership focused on affordable fresh food and encouraging a healthier Australia
- ✓ ***Australia's leading liquor destination, in-store and online*** with growth and innovation across all store formats and online. Dan Murphy's continues to lead multi-option innovation
- ✓ ***Improving comparable sales growth in Countdown New Zealand*** with the early stages of our business transformation there showing positive signs and the second quarter delivering the strongest reported comparable sales growth for the last 18 months

2. Act on our portfolio to maximise shareholder value

- ✓ ***BIG W commenced the transformation*** of its customer offer, replenishment systems and supply chain capabilities. This transformation is impacting short term sales and profit but will deliver profitable growth over the medium to long-term
- ✓ ***Ambition to be Australia's best and most responsible hotels*** through our industry leading hotel and gaming charter. Commenced the roll out of electronic gaming machine voluntary pre-commitment functionality
- ✓ ***Enhancing our Petrol offer*** by expanding the availability of diesel, premium fuels and fast flow pumps. Our improved merchandise offer is delivering strong results

3. Maintain our track record of building new growth businesses

- ✓ ***Growing our leadership as Australasia's largest domestic online retailer*** with Group Online sales exceeding $1 billion for the 2013 calendar year, ahead of our FY14 target
- ✓ ***Australia's fastest growing Home Improvement offer*** with 38 Masters stores trading at the end of the half. Refreshed Home Timber and Hardware[2] company stores are delivering pleasing sales growth

4. Put in place the enablers for a new era of growth

- ✓ ***Building on our world class supply chain*** with detailed planning underway for our next generation supply chain capability
- ✓ ***Driving efficiencies in stores*** has continued to deliver cost savings across our businesses
- ✓ ***Customer insights transforming our business*** leveraging Quantium to better understand our customers' needs. We now have 7.5 million Everyday Rewards and 1.8 million Onecard members
- ✓ ***Assembling a world class retail team*** blending the best local and international talent. We announced Matt Tyson as the new Managing Director of Home Improvement

BUSINESS PERFORMANCE

Earnings Before Interest and Tax (EBIT) **($ million)**	**HY13 (27 weeks)**	**HY14 (27 weeks)**	**Change**
Continuing Operations (before significant items[1])			
Australian Food and Liquor	1,583.9	1,692.1	6.8%
Petrol	71.0	74.0	4.2%
Australian Food, Liquor and Petrol	**1,654.9**	**1,766.1**	**6.7%**
New Zealand Supermarkets (NZD)	*162.3*	*164.4*	*1.3%*
New Zealand Supermarkets	**124.7**	**136.8**	**9.7%**
General Merchandise[3]	**129.5**	**120.5**	**(6.9)%**
Hotels	**140.8**	**163.9**	**16.4%**
Masters	(69.1)	(71.9)	4.1%
Home Timber and Hardware[2]	10.6	7.5	(29.2)%
Home Improvement	**(58.5)**	**(64.4)**	**10.1%**
Central Overheads	**(56.7)**	**(74.9)**	**32.1%**
Group EBIT – Continuing Operations	**1,934.7**	**2,048.0**	**5.9%**
Discontinued Operations (before significant items[1])			
Consumer Electronics – Australia, New Zealand and India	2.5	-	n.c[4]
Group EBIT – Discontinued Operations	**2.5**	**-**	**n.c[4]**
Total Group EBIT (before significant items[1])	**1,937.2**	**2,048.0**	**5.7%**
Significant Items[1] (before tax)			
One-off loss on SCA Property Group transaction	(32.8)	-	n.c
Net loss on disposal of Consumer Electronics businesses*	(63.7)	-	n.c
Total Group EBIT (after significant items[1])	**1,840.7**	**2,048.0**	**11.3%**

Net Profit After Tax (NPAT) **($ million)**	**HY13 (27 weeks)**	**HY14 (27 weeks)**	**Change**
Net profit after income tax and non-controlling interests (before significant items[1])			
Continuing Operations	1,247.2	1,321.7	6.0%
Discontinued Operations	1.8	-	n.c[4]
Total Group net profit after income tax and non-controlling interests (before significant items[1])	**1,249.0**	**1,321.7**	**5.8%**
Significant Items[1] (after tax)			
One-off loss on SCA Property Group transaction	(28.5)	-	n.c
Net loss on disposal of Consumer Electronics businesses*	(65.7)	-	n.c
Total Group net profit after income tax and non-controlling interests (after significant items[1])	**1,154.8**	**1,321.7**	**14.5%**

** After reflecting additional sale proceeds in the second half of FY13, the net gain on disposal of the Consumer Electronics businesses in FY13 was $9.9 million before tax ($7.9 million after tax)[1]*

GROUP FINANCIAL PERFORMANCE

The 6.0% increase in net profit after tax from continuing operations before significant items[1] was a solid result, supported by growth in EBIT from continuing operations before significant items[1] of 5.9%.

Sales from continuing operations were $31.8 billion, an increase of 6.0% on the previous half year. This result was underpinned by Australian Food and Liquor, reflecting continuing momentum in this business.

Gross profit as a percentage of sales from continuing operations increased 9 bps on the prior half year to 27.04%, reflecting improvements in buying, more effective promotional activity, growth in exclusive brand ranges and positive changes in sales mix. We have continued to reinvest in lower prices, delivering greater value to customers as evidenced by continued average price deflation in Australian Food and Liquor and BIG W as well as low inflation in New Zealand Supermarkets.

Cost of Doing Business (CODB) as a percentage of sales from continuing operations before significant items[1] increased 10 bps on the prior half year to 20.61%. Excluding the non-comparable additional net costs in HY14 following the SCA Property Group transaction, and the Home Improvement business which remains in start up phase, CODB as a percentage of sales for continuing operations before significant items[1] decreased 5 bps on the prior half year, which is a strong result in light of a large number of new stores. Australian Food and Liquor CODB as a percentage of sales remained flat compared to the prior half year.

EBIT from continuing operations before significant items[1] increased 5.9% on the previous half year driven by a strong result in our Australian Food and Liquor business.

Net financing costs from continuing operations decreased 7.1% on the prior half year due to a reduction in long term debt following the sale of properties to the SCA Property Group in the 2013 financial year.

NPAT from continuing operations before significant items[1] increased 6.0% on the previous half year to $1,321.7 million, with corresponding EPS up 4.9% to 106.1 cents. Total Group NPAT was up 14.5%.

Closing inventory days for continuing operations increased 0.1 days on the previous year to 38.9 days, despite new store openings and increased direct global sourcing.

Free cash flow generated by the business was $268.7 million after the payment of dividends and the acquisition of EziBuy, reflecting the ability of our business to generate strong cash flows whilst continuing to expand and improve our store network. **Cash flow from operating activities** before interest and tax decreased 4.1%. Excluding the impact of differences in the timing of creditor payments relative to the reporting dates, cash flow from operating activities before interest and tax increased approximately 8.8%.

We have maintained our investment grade credit ratings by Standard & Poor's (A- since 2001) and Moody's (A3 since 2005)[5]. Our **fixed charges cover ratio**[6] before significant items[1] of 3.1 times remains strong (HY13: 3.0 times) and our **cash realisation ratio**[7] was 110%.

AUSTRALIAN FOOD, LIQUOR AND PETROL

	HY13 (27 weeks)	HY14 (27 weeks)	Change
Sales - Food and Liquor ($ million)	20,488	21,477	4.8%
Sales - Petrol ($ million)	3,393	3,665	8.0%
Sales - Total ($ million)	**23,881**	**25,142**	**5.3%**
EBIT - Food and Liquor ($ million)	1,583.9	1,692.1	6.8%
EBIT - Petrol ($ million)	71.0	74.0	4.2%
EBIT - Total ($ million)	**1,654.9**	**1,766.1**	**6.7%**
Funds Employed ($ million)	4,122.0	4,312.8	4.6%
Gross Margin (%)	25.14	25.17	3 bps
Cost of Doing Business (%)	18.21	18.15	(6) bps
EBIT to Sales (%)	6.93	7.02	9 bps
ROFE (%)	40.65	40.89	24 bps

Trading Performance – Australian Food and Liquor (excluding Petrol)

Sales for the half year were $21.5 billion, an increase of almost $1.0 billion or 4.8% on the previous year. Comparable sales increased 3.0% for the half year, with increased momentum in the second quarter delivering comparable sales growth of 3.4%.

During the half, we increased market share, customer numbers, basket size, items sold and sales per square metre. We served on average 21.0 million customers per week, an increase of 3.9% on the previous half year. Customers continued to benefit from lower average prices as reflected by deflation of 4.1% when the effects of promotions and volumes are included.

The increase in gross margin reflects improvements in buying, more effective promotional activity and growth in our exclusive brands. This includes the expansion of our exclusive Liquor brands. Much of the benefit from these initiatives has been reinvested in price to benefit our customers.

Australian Food and Liquor CODB as a percentage of sales remained flat compared to the prior half year. This was a good result given the large number of new stores which are yet to reach mature trading levels and ongoing investment in our multi-option business.

Whilst we continued to invest in lower prices, Australian Food and Liquor EBIT of $1,692.1 million increased 6.8% on the previous half year, with the EBIT margin increasing 15 bps.

We opened 23 Australian Supermarkets (net) during the half year bringing the total to 920, employing an additional 2,000 people. We opened six Dan Murphy’s bringing the total to 181. We plan to open a further 14 Supermarkets (net) and six Dan Murphy’s in the 2014 financial year.

Return on Funds Employed (ROFE) for Australian Food, Liquor and Petrol for the half year increased 24 bps, reflecting EBIT growth of 6.7% and continued investment in the roll out of new supermarkets, liquor outlets and petrol canopies, as well as higher inventory. Closing inventory increased 0.1 days, driven by new stores, increased direct global sourcing and investment to improve our on-shelf availability.

Australian Food, Liquor and Petrol (continued)

Progress Against Objectives – Australian Supermarkets

1. First choice for fresh food

- ✓ We further improved the quality of our Fresh offer, with enhancements to our supply chain
- ✓ In line with our strategy to be the first choice for fresh food, our Fresh market share is growing faster than Grocery
- ✓ We announced a partnership with Jamie Oliver focused on affordable fresh food and encouraging a healthier Australia
- ✓ Our roll out of sushi bars and bakeries continued, with a further 40 sushi bars and 49 bakeries added to our store network. We now have 89 sushi bars and bakeries in 86% of our stores
- ✓ Customers continue to ask for more organic and free range meat and poultry, leading to strong growth in these categories

2. Unbeatable value

- ✓ We improved the communication of our value credentials through 'More Savings Every Day'
- ✓ As our key value platform, 'More Savings Every Day' delivered savings of more than $400m to customers over the half, reinforcing our price leadership position among full range supermarkets
- ✓ Customers benefited from deflation in average prices of 4.1% for the half
- ✓ Our drive to offer affordable fresh food continues with further price reductions in meat

3. Customer insights transforming our business

- ✓ Increase in Everyday Rewards members to 7.5 million, an increase of 11% on the prior half year
- ✓ Together with Quantium, we are working closely with suppliers to leverage our Everyday Rewards data to deliver insights and better decisions across pricing, ranging, promotions and store layout
- ✓ We are sending an average of 2.2 million emails and direct mails to customers each week with targeted Supermarket offers

4. Innovative new offers

- ✓ A permanent 'Gold' range has now been launched, setting a new high standard for own brand products in quality, innovation and taste
- ✓ We commenced the roll out of new in-store offers including 'Food To Go' and 'Healthy Lunchbox' ranges and continued to expand our fresh barista coffee offering
- ✓ Successful trial of 'Farmers' Own' milk produced in the Manning Valley, New South Wales, will be extended to 105 stores
- ✓ We announced new own brand Australian sourcing deals with SPC Ardmona for Select canned deciduous fruit and Simplot for Select frozen vegetables

5. Multi-option offering customers more flexibility

- ✓ The number of unique visitors to our online site has more than doubled during the half
- ✓ We deliver over three million items to customers each week, with home delivery now available to more than 95% of Australian households
- ✓ We expanded our Click & Collect network to 188 stores at HY14, including 15 drive-thrus, now offering same day collection service

Australian Food, Liquor and Petrol (continued)

Woolworths Liquor Group

Trading Performance

The Woolworths Liquor Group has delivered a strong result for the half year, with good sales growth across all three channels – Dan Murphy's (Destination), BWS (Convenience) and The Wine Quarter (Online). Total sales for the half year (including ALH Group on premise liquor sales) of $4.0 billion represent an increase of 5.1% on the previous year.

Progress Against Objectives

1. Continue to evolve Dan Murphy's

- ✓ We have expanded our footprint as Australia's premier liquor destination, with six new stores opened during the half, bringing total stores to 181
- ✓ We extended our multi-option leadership through the launch of Australia's favourite liquor App, with photo recognition technology and the addition of extra delivery options such as 'Same Day', 'Next Day' and 'Pick a Day' delivery
- ✓ We were the first major Australian retailer to launch Click & Collect nationwide, with sales through this channel more than doubling in the second quarter
- ✓ We have implemented a new store operating model which has more customer facing staff

2. Develop the BWS brand and convenience offer

- ✓ Our rebranding of Woolworths Liquor to BWS in FY13 has created Australia's most accessible liquor brand, now with 1,200 stores
- ✓ We continue to strengthen the BWS brand, benefiting from sponsorship of 'The Ashes' and 'Summer of Cricket' and the launch of the 'Today's Special' brand marketing campaign
- ✓ We continue to make progress in tailoring our ranges around shopper occasions

3. Increase own and exclusive brand penetration through Pinnacle Liquor

- ✓ Pinnacle Liquor continues to grow as our own and exclusive product and brand marketing arm
- ✓ We launched new and innovative products, with a pleasing customer response

4. Leadership in Digital and Direct via The Wine Quarter

- ✓ We have established a digital and direct business centre of excellence employing approximately 650 people, leveraging Cellarmasters' direct marketing capabilities
- ✓ Langton's continues to deliver strong sales growth, reinforcing its position as Australia's leading ultra-fine wine business

Australian Food, Liquor and Petrol (continued)

Petrol

Trading Performance

Petrol sales for the half year, including Woolworths/Caltex alliance sites, were $3.7 billion, an increase of 8.0% on the previous year. Comparable sales (dollars) increased 6.4%. Average unleaded fuel sell prices for the half year were 150.2 cpl (HY13: 141.3 cpl).

Petrol volumes increased 0.6% and comparable volumes decreased 0.6% for the half year. Whilst competitor activity was focused on ongoing increased fuel discounts, Woolworths' customers continue to be rewarded through targeted fuel offers and enhanced Supermarket offers. This impacted volumes during the half but provided positive benefits to the business overall.

Total merchandise sales increased 9.8% and comparable merchandise sales increased 6.4% for the half year reflecting our improved convenience offer and more effective promotional activity, despite lower fuel volumes.

Petrol EBIT of $74.0 million increased 4.2% on the previous half year assisted by the continuing shift towards premium unleaded and diesel fuels, and stronger merchandise sales. CODB as a percentage of sales decreased on the prior year despite costs associated with new petrol canopies.

Progress Against Objectives

1. Provide customers with a compelling fuel offer

- ✓ We continue to invest in forecourt improvements to provide customers with better access to diesel and premium fuels as well as fast flow fuel pumps
- ✓ We rebranded 32 sites to the new Woolworths signage during the half and 52 canopies and forecourts were refreshed to improve the customer experience

2. Accelerate merchandise sales

- ✓ New categories and products are adding incremental sales as part of our strong focus on improving our convenience offer

3. Increase our network profile

- ✓ We opened 14 petrol sites (net) during the half, taking the total number of Woolworths owned sites to 496. Together with Caltex/ Woolworths alliance sites, our customers now have access to 627 sites across the country
- ✓ We plan to open a further five sites (net) in the 2014 financial year

NEW ZEALAND SUPERMARKETS

$NZD *Before Significant Items*[1]	HY13 (27 weeks)	HY14 (27 weeks)	Change[8]
Sales ($ million)	2,944	3,020	2.6%
EBIT ($ million)	162.3	164.4	1.3%
Funds Employed ($ million)	3,056.0	3,137.7	2.7%
Gross Margin (%)	23.28	23.25	(3) bps
Cost of Doing Business (%)	17.77	17.81	4 bps
EBIT to Sales (%)	5.51	5.44	(7) bps
ROFE (%)	5.17	5.17	- bps

Trading Performance

New Zealand Supermarkets' sales for the half year were NZ$3.0 billion, an increase of 2.6%[8] on the previous year (15.2% increase in AUD). Comparable sales for the half increased 0.7%[8] underpinned by successful promotional activity and strong results in Fresh. We continued to increase market share, customer numbers and items sold reflecting the relevance of our offer and success of promotional activity.

The result for the second quarter was particularly pleasing, delivering the strongest quarterly comparable sales growth seen in the last 18 months and the early stages of our Countdown business transformation is showing signs of improving momentum. This was delivered despite the subdued grocery market conditions, highly competitive marketplace and price deflation across a number of key categories.

Gross margin decreased 3 bps[8] on the previous half year, impacted by a higher level of promotional activity, particularly in Longlife. We have continued to increase our competitiveness in the market and have lowered shelf prices on a range of products, including through our 'Price Lockdown' program which delivers customers long-term price reductions on a range of their favourite groceries.

CODB as a percentage of sales before significant items[1] increased 4 bps[8] on the previous half year, attributable to additional rental expense (net of depreciation savings) following the sale of properties to the SCA Property Group in FY13. Excluding these costs, CODB as a percentage of sales before significant items[1] decreased 22 bps[8], reflecting strong cost management across the business with cost savings gained through improved productivity in distribution centres as well as in support offices.

EBIT before significant items[1] increased 1.3%[8] to NZ$164.4 million, with the EBIT margin before significant items[1] down 7 bps[8] on the previous half year, impacted by the additional rental expense (net of depreciation savings) following the sale of properties to the SCA Property Group in FY13. Excluding this, EBIT before significant items[1] increased approximately 6.0%[8] and EBIT margin before significant items[1] was up 19 bps[8] on the previous half year.

ROFE was in line with the prior half year[8], however was impacted by the timing of creditor payments relative to the reporting dates. Excluding this, ROFE increased approximately 30 bps[8] on the prior half year, reflecting EBIT growth, lower inventory and the sale of four remaining properties to the SCA Property Group, offset by continued investment in new stores and refurbishments.

New Zealand Supermarkets (continued)

Progress Against Objectives

1. Customer value and innovative offers

- ✓ The launch of 'Price Lockdown', a range of everyday lower price products, supported by strong in-store communication, has been well received by customers
- ✓ Produce sales growth outperformed overall growth with our focused grower program, supported by strong in-store execution, maximising seasonal sales opportunities

2. Leverage local sourcing

- ✓ Our preference in New Zealand is to source locally as it is important to our customers and supports the local communities in which we operate
- ✓ 96% of sales are sourced from suppliers that are owned or have a base in New Zealand, with 70% of own brand sales from locally sourced products
- ✓ We work with 1,200 New Zealand suppliers, including hundreds of local farmers and growers

3. Multi-option

- ✓ Sales from countdown.co.nz, New Zealand's leading online food site continued to deliver pleasing results, with double digit sales growth for the half year
- ✓ We are serving 99% of New Zealand's population through 52 fulfilment stores

4. Supply chain

- ✓ Supply chain efficiencies were achieved as a result of the reconfigured national and regional distribution centre operations structure, with supply chain costs decreasing by 6 bps[8] as a percentage of sales for the half year
- ✓ In-store product availability remained strong during the half

5. Grow Countdown and franchise network

- ✓ During the half, we opened two new Countdown stores, bringing the total to 168 with three (net) stores to be completed in the second half
- ✓ The total number of franchise stores is now 56, with three new stores to open in the second half
- ✓ Our franchisees are continuing to invest in their stores with 29% of the franchise network now trading in the new formats, compared to 16% in the prior year

GENERAL MERCHANDISE[3]

	HY13 (27 weeks)	HY14 (27 weeks)	Change
Sales ($ million)	2,447	2,452	0.2%
EBIT ($ million)	129.5	120.5	(6.9)%
Funds Employed ($ million)	709.8	1,092.7	53.9%
Gross Margin (%)	31.47	32.90	143 bps
Cost of Doing Business (%)	26.18	27.99	181 bps
EBIT to Sales (%)	5.29	4.91	(38) bps
ROFE (%)	16.11	11.56	(455) bps

Trading Performance

Sales for the half year were $2.5 billion, an increase of 0.2% on the previous year, impacted by the previously advised transformation of BIG W and differences in the timing of the BIG W annual Toy Sale relative to the reporting date[9]. Trading conditions continue to be challenging with strong competition, ongoing price deflation (estimated to be 4.1% for the half) and increased promotional activity, leading to a disappointing profit result for the half.

Excluding the timing impact of the Toy Sale[9], sales growth was approximately 2.0% for the half. Stronger trading departments in BIG W included Toys & Sporting, Home, Childrenswear, Women's Apparel and Office.

Comparable store sales decreased 2.3% for the half year[9]. Excluding categories which are being rationalised as part of the business transformation, comparable sales for the half year were flat.

The 143 bps gross margin improvement reflects better buying, shifts in the sales mix and the acquisition of EziBuy. This was achieved despite higher levels of clearance activity in the categories being rationalised.

CODB as a percentage of sales increased 181 bps on the prior half year, reflecting new stores yet to reach maturity, the EziBuy acquisition and lower sales growth.

As a result, EBIT of $120.5 million decreased 6.9% on the previous half year.

ROFE decreased 455 bps, however was impacted by the timing of creditor payments relative to the reporting dates. Excluding this, ROFE decreased approximately 250 bps, and includes the acquisition of EziBuy as well as the continued roll out and refurbishment of BIG W stores. BIG W closing inventory decreased 2.3 days, driven by a focus on stock management.

We opened three new BIG W stores during the half year, including two new stores in the second quarter, bringing the total to 181. We plan to open one further store in the 2014 financial year.

General Merchandise (continued)

Progress Against Objectives

1. Transforming our business for the future

- ✓ We commenced our transformation of BIG W, focusing on categories of high customer importance which will provide medium to long-term profitable growth
- ✓ Our hardgoods transformation will encompass significant change as we rationalise and make way for new and expanded categories
- ✓ We are implementing first stage changes across our store network (50 stores in the first half, 82 planned for the second half) to expand our core offer in categories such as Toys and Footwear
- ✓ We are also focused on enhancing the BIG W replenishment systems and supply chain capabilities
- ✓ We implemented a new store management structure to improve the alignment of our in-store leadership to store activities and our strategy

2. Strong growth in brands that win on value everyday

- ✓ We have achieved pleasing growth in Apparel with strong results delivered through exclusive brands such as ‘Peter Morrissey’ and the ‘Michelle Bridges’ and ‘Guy Leech’ active wear ranges. Our new ‘Lee Cooper’ range is also showing pleasing early results
- ✓ Our Home department also performed well, particularly the Kitchenware and Home Storage categories, with customers enjoying the benefits of our exclusive and branded product ranges

3. Realising our multi-option ambition

- ✓ We are leveraging EziBuy’s world-class distribution capabilities and expertise in direct-to-consumer retailing to enhance our multi-option offer
- ✓ Our eBooks offer was launched in September with over 40,000 titles downloaded in the first half
- ✓ We implemented Click & Collect across our entire network in November

HOTELS

	HY13 (27 weeks)	HY14 (27 weeks)	Change
Sales ($ million)	759	788	3.8%
EBIT ($ million)	140.8	163.9	16.4%
Gross Margin (%)	82.29	82.75	46 bps
Cost of Doing Business (%)	63.74	61.95	(179) bps
EBIT to Sales (%)	18.55	20.80	225 bps

Trading Performance

Hotel sales for the half year were $788 million, an increase of 3.8% on the previous year. Comparable sales for the half year increased 2.1%.

Trading conditions are a challenge at present, especially in Bars and Gaming. Our Food offer remains a focus and we are seeing solid results as we concentrate on providing value meals in a family friendly setting.

Gross margin increased 46 bps on the prior half year, assisted by the Victorian gaming regulatory changes which cycled in August and provided an uplift to sales and profitability in the prior year and part of the first quarter.

CODB as a percent of sales decreased 179 bps on the prior half year attributable to strategic initiatives to improve efficiency in venues and the cycling of business acquisition costs in the prior year.

As a result, EBIT increased 16.4% on the previous half year to $163.9 million. Results from the hotels acquired as part of the Laundy transaction in the prior year were pleasing.

A change to tax rates in Victoria applying to revenues from electronic gaming machines was recently announced. The changes will apply from 1 April 2014 and will impact EBIT for the second half of FY14 by approximately $6 million and FY15 by $20 – $25 million.

Hotels (continued)

Progress Against Objectives

1. To be Australia's most responsible operator of local pubs

- ✓ We have an industry leading hotel and gaming charter underpinning our commitment to responsible service
- ✓ We have commenced the task of introducing voluntary pre-commitment functionality on all gaming machines ahead of any planned state legislation, allowing customers to monitor their play and set time or spend limits
- ✓ We continue to promote the message of responsible gambling, working closely with local gamblers help agencies as well as the ALH Responsible Gambling Ambassador program, delivering both employee education and customer awareness

2. Grow our network

- ✓ We continue to grow our Hotel network through targeted acquisitions. We opened one hotel during the half year bringing the total number of venues to 327. Four additional venues are currently planned for FY14
- ✓ Ongoing growth in our hotel network will support additional retail outlets. An additional nine BWS and four Dan Murphy's associated with our hotels are planned to open during FY14

3. To evolve in meeting customer needs

- ✓ Our family friendly food offers are being complemented by the addition of children's play areas
- ✓ We implemented a program to expand the depth of our bar ranges to cater for the evolving demand for more premium products, as well as selectively adding branded food operations
- ✓ We are improving our online presence, with mobile enabled venue websites, special online offers, an online booking service for accommodation and advertising integrated into social media

HOME IMPROVEMENT

($ million)	HY13 (27 weeks)	HY14 (27 weeks)	Change
Sales - Masters	263	393	49.4%
Sales - Home Timber and Hardware[2]	374	403	7.8%
Sales - Total	**637**	**796**	**25.0%**
EBIT - Masters	(69.1)	(71.9)	4.1%
EBIT - Home Timber and Hardware[2]	10.6	7.5	(29.2)%
EBIT - Total	**(58.5)**	**(64.4)**	**10.1%**

Trading Performance

Home Improvement sales for the half year were $796 million, an increase of 25.0% on the previous year.

Masters sales for the half year were $393 million, up 49.4% on the previous year. We opened seven new stores during the half, all of which were on or ahead of schedule, giving us 38 stores trading at the end of the period. We remain on track to open 18 Masters stores this financial year.

Our business remains in its development phase, with our stores having traded, on average, for 15 months. Approximately half of the stores opened over the last 12 months are in regional and future growth areas which will take longer to mature and will have sales below the long term group average. Increasing sales per store remains a key focus and driver of our path to profitability.

The Masters EBIT loss was $71.9 million for the half year. We remain focused on executing our plan to achieve breakeven in Masters during FY16. Specifically, increasing sales per store, improving gross margin, driving efficiencies in store and increasing fractionalisation of costs in the distribution and support network as sales levels increase.

Home Timber and Hardware[2] sales for the half year were $403 million, up 7.8% on the previous year. Recently refurbished company stores are achieving pleasing growth, with further refurbishments planned for the second half.

We were pleased to recently announce the appointment of Matt Tyson as the new Managing Director of our Home Improvement business. Matt will bring extensive international and business development experience to our Home Improvement team as we enter the next phase of development for this business.

The relationship with our Joint Venture partner Lowe’s remains strong. They have again extended the date for opening their put option exercise period.

Home Improvement (continued)

Progress Against Objectives

1. Improve sales performance

- ✓ We have increased the frequency of returning customer visits through tailored offers
- ✓ The strong trading of our Kitchens, Appliances and Gardening segments demonstrates that customers are finding our differentiated offer appealing
- ✓ We were recognised as Australia's Best New Online Retailer at the 2013 Online Retail Industry Awards
- ✓ We have focused on trade and serious DIY customers at Home Timber and Hardware with the 'Go Where the Tradies Go' brand campaign driving an increase in store visitations and trade sales
- ✓ Home Timber and Hardware was recently awarded 'Hardware Store of the Year' at the Roy Morgan Customer Satisfaction Awards

2. Enhance in-store offer

- ✓ Our 'Masters Best Price Guarantee' continues to resonate well with customers. We will beat all prices on identical items by 10%, regardless of whether bought in-store or online
- ✓ We have expanded our range of brands available exclusively in Masters
- ✓ We are working in partnership with strategic vendors to introduce innovative products into the Australian market

3. Continue to drive cost efficiencies

- ✓ We have made significant progress in reducing our days stock on hand in Masters through supply chain improvements and better management of inventory as our store footprint expands
- ✓ We have achieved pleasing results from cost saving initiatives in stores, whilst ensuring customer service levels are not compromised
- ✓ We commenced the expansion of our Home Timber and Hardware distribution centre in New South Wales which will deliver cost savings

4. Successfully roll out new Masters stores

- ✓ We opened seven new Masters stores, three ahead of our plan for the half
- ✓ We remain on track to open 18 Masters stores in FY14

5. Continue to build the team

- ✓ We announced the appointment of Matt Tyson as Managing Director of Home Improvement
- ✓ We continue to invest in training for employees, enhancing our reputation for superior customer service

OVERHEADS, CASH FLOW AND BALANCE SHEET

Central Overheads

Central Overheads were $74.9 million for the half year (HY13: $56.7 million). The increase on the prior year is primarily attributable to additional (net) costs in our property division following the sale of properties to the SCA Property Group during the prior half year.

Balance Sheet and Cash Flow

Our balance sheet and cash flow remain strong, with key balance sheet movements relative to the prior half year explained as follows:

- **Inventory** increased 6.2% on the previous half year, driven by new store openings, in particular, 33 Australian Supermarkets (net) and 13 Masters stores since HY13 and increased direct global sourcing. Closing inventory increased 0.1 days to 38.9 days. Average inventory increased 2.9 days due to the Masters store roll out, increased bulk wine holdings in our Liquor business and increased direct global sourcing. Excluding Home Improvement and incremental global sourced inventory, average inventory increased 0.7 days
- **Working capital** was impacted by differences in the timing of creditor payments relative to the reporting dates (impact approximately $700 million). Adjusting for this, working capital was in line with the prior half year
- **Fixed assets and investments** increased $970.8 million to $9,991.0 million, reflecting ongoing property development and capital expenditure, with 139 new stores added to the network and 96 refurbishments undertaken since the prior half year. This was offset by ongoing depreciation
- **Intangible assets** increased $642.8 million to $6,280.4 million, reflecting the acquisition of EziBuy as well as increased intangible assets in our New Zealand Supermarkets business attributable to the stronger New Zealand dollar
- **Net repayable debt** (which includes cash, borrowings, hedge assets and liabilities) increased $658.2 million to $3,532.9 million, impacted by differences in the timing of creditor payments relative to the reporting dates and the acquisition of EziBuy
- **Other financial liabilities** increased $132.8 million to $796.3 million, primarily reflecting an increase in the Lowe's put option in our Home Improvement business to $675.4 million
- **Shareholders' equity** for the Group increased $1,494.3 million to $9,827.8 million primarily reflecting profits generated by the Group offset by the payment of dividends
- **ROFE** for continuing operations before significant items[1] was 14.9%, a decrease of 87 bps. Excluding the impact of differences in the timing of creditor payments relative to the reporting dates and the continuing investment in our Home Improvement business, ROFE increased 33 bps

Overheads, Cash Flow and Balance Sheet (continued)

Balance Sheet and Cash Flow (continued)

Key cash flow movements relative to the prior half year are explained as follows:

Free cash flow generated by the business was $268.7 million after the payment of dividends and the acquisition of EziBuy, reflecting the ability of our business to generate strong cash flows whilst continuing to expand and improve our store network.

Cash flow from operating activities before interest and tax decreased 4.1% on the prior half year, impacted by the timing of creditor payments relative to the reporting dates. Excluding this impact, cash flow from operating activities before interest and tax increased approximately 8.8%.

Net interest paid of $172.0 million for the half year was down 9.7% due to a reduction in long term debt following the sale of properties to the SCA Property Group in the 2013 financial year.

Tax payments increased to $564.8 million for the half year (HY13: $507.8 million) due to higher tax instalments across the Group. Tax refunds of more than $84 million relating to the lodgement of the Group's 2013 tax returns will be received in the second half of the 2014 financial year.

Cash used in investing activities was $1,076.2 million, an increase of $732.6 million on the prior half year, which included $764.0 million of proceeds from the sale of property to the SCA Property Group. HY14 included the acquisition of EziBuy and ongoing capital expenditure.

Expenditure on property development of $324.6 million was lower than the prior half year (HY13: $387.1 million) given a decrease in the level of development activity.

Expenditure on property, plant and equipment of $506.8 million was lower than the prior half year (HY13: $522.3 million) and included our continued investment in new stores and refurbishments as well as investments in our multi-option and data analytics capabilities.

Cash contributions from Lowe's in relation to our Home Improvement business were $60.0 million, a decrease compared to the prior year (HY13: $116.0 million).

Proceeds from share issues of $33.7 million were lower than the prior year (HY13: $182.1 million) as a result of fewer employee options exercised under long term incentive plans given the transition by the Group to the use of performance rights, which do not have an exercise price.

We have maintained our investment grade credit ratings by Standard & Poor's (A- since 2001) and Moody's (A3 since 2005)[5]. Our **fixed charges cover ratio**[6] before significant items[1] of 3.1 times remains strong (HY13: 3.0 times) and our **cash realisation ratio**[7] was 110%.

CAPITAL MANAGEMENT

Capital Management

The payment of the October 2013 and proposed April 2014 dividends will return $1.7 billion and $0.7 billion in franking credits to shareholders. Woolworths expects that after these events, there will be approximately $1.8 billion of franking credits available for future distribution.

Since July 2001, more than $14.8 billion has been returned to shareholders through dividends (including the interim dividend for the 2014 half year), on-market and off-market share buy backs and the in-specie distribution on divestment of the SCA Property Group.

There was no share buy back activity during the half year and none is anticipated in the second half of FY14.

Debt Maturities

There are no maturities of debt in the immediate term, with the exception of an A$580 million tranche of a revolving syndicated bank loan facility which matures in October 2014. This facility is currently undrawn and Woolworths has adequate alternative undrawn committed bank loan facilities to meet its requirements.

At the end of the half year, Woolworths had $3.2 billion in undrawn bank loan facilities.

Property Sales Program

Woolworths is generally not a long-term holder of property assets and will continue its strategy of divesting property assets as appropriate market opportunities arise.

On a recurring basis, the SCA Property Group transaction has added additional net costs representing additional rental expense and reduced specialty rental income, offset by lower depreciation and outgoings expenses and lower net interest costs. As anticipated, this transaction is forecast to reduce reported EPS for FY14 by less than 1%.

Defined Plans to Continue Space Roll Out

Space roll out is supported by detailed plans for the next 3 – 5 years identifying specific sites.

	Net Store Openings in HY14 (incl. acquisitions)	Long Term Target (Net)
Australian Supermarkets	23	• 20 – 30 new Supermarkets per annum and c.3%+ space growth • 37 planned for FY14
New Zealand Supermarkets ***Countdown***	2	• 3 – 5 new Supermarkets per annum • 5 planned for FY14
Franchise Stores	1	• 4 planned for FY14
Dan Murphy's	6	• 10 – 15 new stores per annum • 12 planned for FY14
BWS	8	• 6 – 10 new stores per annum • 9 planned for FY14
Petrol	14	• Grow to support the Supermarket new store strategy • 19 planned for FY14
BIG W	3	• 2 – 5 new stores per annum • 4 planned for FY14
EziBuy	4	• Newly acquired business
Hotels (ALH Group)	1	• Acquire as appropriate opportunities arise
Home Improvement	7*	• 18 Masters stores in FY14

** Represents seven Masters stores*

OUTLOOK

Woolworths remains well positioned in its market segments and has a strong and sustainable business model.

We previously provided guidance for FY14 net profit after tax from continuing operations to grow in the range of 4% - 7% (on a normalised 52 week basis excluding significant items).

Whilst some of our businesses continue to experience challenging trading conditions, we have seen good progress against our Strategic Priorities which have delivered sustainable profit growth for the half year.

We have revised our previous guidance and now expect net profit after tax from continuing operations to grow in the range of 5% - 7% (on a normalised 52 week basis excluding significant items), subject to no significant deterioration in trading conditions.

- Ends -

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Profit and Loss for the 27 weeks ended 5 January 2014

GROUP SALES	HY13 (27 weeks) ($m)	HY14 (27 weeks) ($m)	Change
Continuing Operations			
Australian Food and Liquor	20,488	21,477	4.8%
Petrol	3,393	3,665	8.0%
Australian Food, Liquor and Petrol	**23,881**	**25,142**	**5.3%**
New Zealand Supermarkets (NZD)	*2,944*	*3,020*	*2.6%*
New Zealand Supermarkets	**2,313**	**2,665**	**15.2%**
General Merchandise[3]	**2,447**	**2,452**	**0.2%**
Hotels	**759**	**788**	**3.8%**
Masters	263	393	49.4%
Home Timber and Hardware[2]	374	403	7.8%
Home Improvement	**637**	**796**	**25.0%**
Group Sales – Continuing Operations	**30,037**	**31,843**	**6.0%**
Group Sales – Continuing Operations (excl Petrol)	***26,644***	***28,178***	***5.8%***
Discontinued Operations			
Group Sales – Discontinued Operations [i]	**642**	**-**	**n.c[4]**
Total Group Sales	**30,679**	**31,843**	**3.8%**
GROUP PROFIT			
Continuing Operations (before significant items[1])			
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	3,290.2	3,544.7	7.7%
Rent	(867.7)	(973.9)	12.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**2,422.5**	**2,570.8**	**6.1%**
Depreciation and amortisation	(487.8)	(522.8)	7.2%
Earnings before interest and tax (EBIT)	**1,934.7**	**2,048.0**	**5.9%**
Net financial expenses [ii]	(151.4)	(140.7)	(7.1)%
Income tax expense	(530.9)	(572.9)	7.9%
Net profit after income tax	**1,252.4**	**1,334.4**	**6.5%**
Non-controlling interests	(5.2)	(12.7)	144.2%
Net profit from continuing operations after income tax and non-controlling interests	**1,247.2**	**1,321.7**	**6.0%**
Discontinued Operations (before significant items[1])			
Net profit from discontinued operations after income tax [i]	**1.8**	**-**	**n.c[4]**
Total Group net profit after income tax and non-controlling interests before significant items[1]	**1,249.0**	**1,321.7**	**5.8%**
Significant Items[1] (after income tax)			
One-off loss on SCA Property Group transaction	(28.5)	-	n.c
Net loss on disposal of Consumer Electronics businesses*	(65.7)	-	n.c
Total Group net profit after income tax, non-controlling interests and significant items[1]	**1,154.8**	**1,321.7**	**14.5%**

** After reflecting additional sale proceeds in the second half of FY13, the net gain on disposal of the Consumer Electronics businesses in FY13 was $9.9 million before tax ($7.9 million after tax)[1]*

Profit and Loss for the 27 weeks ended 5 January 2014 (continued)

	HY13 (27 weeks) ($m)	HY14 (27 weeks) ($m)	Change
MARGINS – Continuing Operations (before significant items[1])			
Gross Profit (%)	26.95	27.04	9 bps
Cost of Doing Business (%)	20.51	20.61	10 bps
EBIT (%)	6.44	6.43	(1) bps
Weighted average ordinary shares on issue (million)	1,233.3	1,246.1	1.0%
Ordinary **earnings per share** (cents) – continuing operations before significant items[1]	101.1	106.1	4.9%
Diluted earnings per share (cents) – continuing operations before significant items[1]	100.8	105.6	4.8%
Ordinary earnings per share (cents) – total Group	93.6	106.1	13.4%
Diluted earnings per share (cents) – total Group	93.3	105.6	13.2%
Interim **dividend per share** (cents) [iii]	62	65	4.8%

[i] Discontinued operations represents the Consumer Electronics businesses in Australia, New Zealand and India which were divested during the second quarter of the 2013 financial year

[ii] Net financial expenses – Continuing Operations

	HY13	HY14	Change
Interest expense	(197.0)	(179.0)	(9.1)%
Less interest capitalised	41.5	40.0	(3.6)%
Net interest expense	**(155.5)**	**(139.0)**	**(10.6)%**
Dividend income	2.9	2.9	-
Foreign exchange gain/(loss)	1.2	(4.6)	(483.3)%
Net financial expenses – Continuing Operations	**(151.4)**	**(140.7)**	**(7.1)%**

[iii] Interim 2014 dividend payable on 24 April 2014 will be fully franked at 30%

Group Balance Sheet as at 5 January 2014

	FY13 30 June 2013 ($m)	HY13 30 Dec 2012 ($m)	HY14 5 Jan 2014 ($m)	Change HY14/HY13
Continuing Operations				
Inventory	4,205.4	4,498.9	4,779.8	6.2%
Trade Payables [i]	(4,080.0)	(5,363.0)	(4,809.7)	(10.3)%
Net Investment in Inventory	**125.4**	**(864.1)**	**(29.9)**	**(96.5)%**
Receivables	985.2	1,032.0	990.4	(4.0)%
Other Creditors	(3,086.1)	(3,090.3)	(3,191.2)	3.3%
Working Capital	**(1,975.5)**	**(2,922.4)**	**(2,230.7)**	**(23.7)%**
Fixed Assets and Investments	9,564.8	9,020.2	9,991.0	10.8%
Intangible Assets	5,784.3	5,637.6	6,280.4	11.4%
Total Funds Employed	**13,373.6**	**11,735.4**	**14,040.7**	**19.6%**
Net Tax Balances	425.2	406.1	386.6	(4.8)%
Net Assets Employed	**13,798.8**	**12,141.5**	**14,427.3**	**18.8%**
Net Repayable Debt	(3,746.9)	(2,874.7)	(3,532.9)	22.9%
Other Financial Liabilities [ii]	(751.4)	(663.5)	(796.3)	20.0%
Net Assets – Continuing Operations	**9,300.5**	**8,603.3**	**10,098.1**	**17.4%**
Net Assets – Discontinued Operations	**-**	**-**	**-**	**n.c[4]**
Total Net Assets	**9,300.5**	**8,603.3**	**10,098.1**	**17.4%**
Non-controlling Interests	272.1	269.8	270.3	0.2%
Shareholders' Equity	9,028.4	8,333.5	9,827.8	17.9%
Total Equity	**9,300.5**	**8,603.3**	**10,098.1**	**17.4%**
Key Ratios – Continuing Operations before significant items[1]				
Closing Inventory Days (based on COGS)		38.8	38.9	0.1 days
Closing Creditor Days (based on sales) [i]		53.2	47.5	(5.7) days
Return on Average Funds Employed (ROFE) [iii]		15.8%	14.9%	(87) bps

[i] Trade payables were impacted by the timing of creditor payments relative to the reporting date (impact of approximately $700 million). Excluding this, closing creditors would be down 1.3 days on the previous half year

[ii] Other financial liabilities primarily represents the put option held by Lowe's in the Home Improvement business and the ALH gaming entitlement liability resulting from the FY13 changes to the Victorian gaming regulations

[iii] For comparability, this ratio excludes Consumer Electronics Australia, New Zealand and India. Excluding the impact of differences in the timing of creditor payments relative to the reporting dates and the continuing investment in our Home Improvement business, ROFE increased 33 bps

Group Cash Flow for the 27 weeks ended 5 January 2014

	HY13 (27 weeks) ($m)	HY14 (27 weeks) ($m)	Change
EBITDA – continuing operations before significant items[1]	2,422.5	2,570.8	6.1%
EBITDA – discontinued operations before significant items[1]	2.5	-	n.c[4]
Significant items[1] (before tax)	(96.5)	-	n.c
EBITDA – Total	**2,328.5**	**2,570.8**	**10.4%**
Net (increase) in inventory	(890.6)	(511.2)	
Net increase in accounts payable	1,387.5	669.0	
Net change in other working capital and non-cash	74.6	51.9	
Cash from Operating Activities before interest and tax	**2,900.0**	**2,780.5**	**(4.1)%**
Net interest paid (including cost of Woolworths Notes)	(190.4)	(172.0)	
Tax paid	(507.8)	(564.8)	
Total cash provided by Operating Activities	**2,201.8**	**2,043.7**	**(7.2)%**
Proceeds from the sale of property to the SCA Property Group	764.0	12.2	
Proceeds from the sale of subsidiaries and property, plant and equipment	62.3	73.1	
Payments for the purchase of businesses	(201.6)	(337.7)	
Payments for property, plant and equipment – property development	(387.1)	(324.6)	
Payments for property, plant and equipment – other	(522.3)	(506.8)	
Payments for intangible assets	(41.0)	(20.6)	
(Advances)/ repayments of property related receivables	(20.8)	25.3	
Dividends received	2.9	2.9	
Total cash used in Investing Activities	**(343.6)**	**(1,076.2)**	**213.2%**
Lowe's cash contributions (Home Improvement)	116.0	60.0	
Free Cash Flow	**1,974.2**	**1,027.5**	
Proceeds from share issues / other	182.1	33.7	
Dividends paid (including to non-controlling interests)	(729.8)	(792.5)	
Free Cash Flow after equity related Financing Activities	**1,426.5**	**268.7**	

Appendix One

ASIC Regulatory Guide 230 Disclosing non-IFRS financial information

In December 2011 ASIC issued Regulatory Guide 230. To comply with this Guide, Woolworths is required to make a clear statement about the non-IFRS information included in the First Half Profit Report and Dividend Announcement ('Profit Announcement') for the 27 weeks ended 5 January 2014.

In addition to statutory report amounts, the following non-IFRS measures are used by management and the directors as the primary measures of assessing the financial performance of the Group and individual segments.

Non-IFRS measures used in describing the business performance include:

- Earnings before interest and tax (EBIT)
- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)
- Fixed charges cover ratio
- Cost of doing business
- Comparable sales

Non-IFRS measures used in describing the balance sheet and cash flow statement include:

- Funds employed
- Cash flow from operating activities before interest and tax
- Free cash flow
- Free cash flow after equity related financing activities
- Cash realisation ratio

At times, the above items are used separately for continuing and discontinued operations as well as for the Group. They may also be referred to before significant items[1].

The directors consider that these performance measures are appropriate for their purposes and present meaningful information on the underlying drivers of the continuing business after announcing the exit from the Consumer Electronics market segment and completing the SCA Property Group transaction. Many of the measures used are common practice in the industry within which Woolworths operates.

Appendix One (continued)

The Profit Announcement has not been audited in accordance with Australian Auditing Standards.

The following table provides a reconciliation of EBIT and NPAT before significant items[1] to the statutory statement of profit or loss.

	HY13 (27 weeks) ($m)	HY14 (27 weeks) ($m)
EBIT		
Group EBIT – Continuing Operations before significant items[1]	**1,934.7**	**2,048.0**
Other items included in statutory EBIT:		
One-off loss on SCA Property Group transaction (before tax)	(32.8)	-
Statutory EBIT – Continuing Operations	**1,901.9**	**2,048.0**
NPAT		
Profit after income tax and non-controlling interests before significant items[1] – Continuing Operations	**1,247.2**	**1,321.7**
Other items included in statutory NPAT:		
One-off loss on SCA Property Group transaction (after tax)	(28.5)	-
Statutory profit attributable to equity holders of the parent entity – Continuing Operations	**1,218.7**	**1,321.7**
Profit after income tax and non-controlling interests before significant items[1] – Discontinued Operations	**1.8**	**-**
Other items included in statutory NPAT:		
Net loss on disposal of Consumer Electronics businesses (after tax)	(65.7)	-
Statutory profit attributable to equity holders of the parent entity – Discontinued Operations	**(63.9)**	**-**
Statutory profit attributable to equity holders of the parent entity	**1,154.8**	**1,321.7**

Appendix Two

Five Year Store and Trading Area Analysis	2014	2013	2012	2011	2010
Half Year Ended 5 January 2014	**HALF**	**FULL**	**FULL**	**FULL**	**FULL**
STORES (number)	**YEAR**	**YEAR**	**YEAR**	**YEAR**	**YEAR**
NSW & ACT	278	271	262	255	248
QLD	218	209	203	194	189
VIC	226	221	214	203	200
SA & NT	79	78	78	76	74
WA	88	88	85	83	83
TAS	31	30	30	29	29
Supermarkets in Australia [i]	920	897	872	840	823
New Zealand Supermarkets [ii]	168	166	161	156	152
Total Supermarkets	1,088	1,063	1,033	996	975
Thomas Dux	11	11	11	11	11
Freestanding Liquor (incl. Dan Murphy's)	345	339	329	305	281
ALH Retail Liquor Outlets	534	526	507	488	480
Caltex/WOW Petrol	131	131	132	132	132
Woolworths Petrol – Australia	496	482	467	449	429
Woolworths Petrol/Convenience – New Zealand	-	-	-	-	22
Total Food, Liquor and Petrol	**2,605**	**2,552**	**2,479**	**2,381**	**2,330**
BIG W	181	178	172	165	161
Dick Smith	-	-	-	390	394
Tandy	-	-	-	4	22
EziBuy	4	-	-	-	-
Total General Merchandise Division	**185**	178	172	559	577
Hotels (includes clubs)	327	326	294	282	284
Home Timber and Hardware (Retail) [2,iii]	27	26	21	19	8
Masters	38	31	15	-	-
Total Continuing Operations	**3,182**	**3,113**	**2,981**	**3,241**	**3,199**
Discontinued Operations (Dick Smith and Tandy)	-	-	348	-	-
Total Group	**3,182**	**3,113**	**3,329**	**3,241**	**3,199**
Wholesale customer stores					
Dick Smith	-	-	-	3	18
Progressive	56	55	54	51	54
Croma (Consumer Electronics India)	-	-	77	64	50
Home Timber and Hardware (Wholesale) [2]	485	490	518	543	581
Statewide Independent Wholesale	220	220	220	220	220
Total wholesale customer stores	**761**	**765**	**869**	**881**	**923**
Trading Area (sqm)					
Supermarkets Division – Australia	2,482,495	2,413,527	2,318,756	2,202,620	2,127,195
Supermarkets Division – New Zealand [iv]	377,525	372,373	351,744	333,274	325,256
General Merchandise Division [v]	1,038,158	1,016,086	1,107,732	1,086,082	1,061,934

Store Movements July 13 – December 13	[i] Australian Supermarkets	[ii] New Zealand Supermarkets
New Stores – incremental	26	2
Closures – permanent	(3)	-
Net New Stores	**23**	**2**

[iii] HY14 includes one additional store not previously included in store numbers

[iv] Excludes Gull and franchise stores

[v] Includes BIG W, EziBuy, Dick Smith and Tandy in the periods these businesses were owned by Woolworths

Endnotes

n.c – not comparable

[1] There were no significant items in HY14. Significant items in HY13 include the following:

Continuing Operations
One-off loss associated with SCA Property Group transaction

- In HY13, a one-off loss of $32.8 million before tax ($28.5 million after tax) was incurred on the sale of assets to the SCA Property Group. This was in line with the loss anticipated at the time the transaction was announced. The loss primarily represents provisions for rental guarantees provided by Woolworths in relation to specialty leasing risk. Woolworths will provide a rental guarantee for a period of two years over specialty tenancies vacant as at the Implementation Date until they are first let for properties in the Completed Portfolio and for a period of two years from completion of development over all specialty income for the properties in the Development Portfolio. Refer to the Woolworths Limited Explanatory Memorandum dated 5 October 2012 for further detail.
- The sale of New Zealand properties impacts the New Zealand Supermarkets result whereas the sale of Australian properties is reflected in Central Overheads.

Discontinued Operations
Sale of Consumer Electronics businesses

- The sale of the Dick Smith Electronics business to Anchorage Capital Partners (Anchorage) was completed on 26 November 2012 and the sale of the Consumer Electronics business in India to Infiniti Retail Limited was completed on 15 October 2012.
- In relation to the sale of these businesses in HY13, a net loss of $63.7 million before tax ($65.7 million after tax) was recorded. Given the structure of the sale transactions, there was no material tax expense or benefit recorded from the disposal of the Consumer Electronics businesses.
- During the second half of FY13, Woolworths agreed to release Anchorage from its obligation to provide agreed benefits to Woolworths from any upside resulting from a future sale of Dick Smith by Anchorage. In return, Woolworths received payments totalling $74.0 million ($50.0 million in FY13 and $24.0 million in FY14). The additional $74.0 million received was recorded as income in FY13, within the results from Discontinued Operations. The net gain on the disposal of the Consumer Electronics businesses recorded in FY13 was $9.9 million before tax ($7.9 million after tax). Lease commitments to the value of approximately $300 million (unexpired lease term) were transferred with the sale of the Dick Smith business.

[2] Home Timber and Hardware was formerly known as Danks.

[3] General Merchandise includes BIG W and EziBuy.

[4] The Consumer Electronics businesses in Australia, New Zealand and India were divested during the second quarter of the 2013 financial year.

[5] The credit ratings referred to in this document have been issued by a credit rating agency which holds an Australian Financial Services Licence with an authorisation to issue credit ratings to wholesale clients only. The credit ratings in this document are published for the benefit of Woolworths' debt providers.

[6] Group earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) divided by rent and interest costs. Rent and interest costs include capitalised interest but exclude foreign exchange gains / losses and dividend income.

[7] Operating cash flow as a percentage of total group net profit after tax before depreciation and amortisation.

[8] Growth for New Zealand Supermarkets is quoted in New Zealand Dollars.

[9] The 2013 BIG W annual Toy Sale commenced in store during the 53rd week of FY13, whereas in the prior year it commenced during the first week of FY13. As such, total sales growth is impacted by the timing of the Toy Sale relative to the reporting date. Comparable sales growth reflects 'like-for-like' timing for the Toy Sale and as such, is not impacted by this event.