WOOLWORTHS LIMITED

26 February 2008 **PRESS RELEASE**

Profit report and dividend announcement for the 27 weeks ended 30 December 2007

- **28.1% INCREASE IN NET PROFIT AFTER TAX TO $891.3 MILLION**
- **8.6% INCREASE IN SALES TO $24.0 BILLION**
- **20.0% INCREASE IN EARNINGS BEFORE INTEREST AND TAX TO $1,374.9 MILLION**
- **25.9% INCREASE IN EARNINGS PER SHARE TO 74.1 CENTS**
- **25.7% INCREASE IN INTERIM DIVIDEND PER SHARE TO 44 CENTS**

Key Growth Initiatives:

- CONTINUED INVESTMENT IN PRICE, RANGE, MERCHANDISE & QUALITY
- NATIONAL ROLLOUT OF 'EVERYDAY REWARDS' PROGRAM
- EXPANSION & REPOSITIONING OF BIG W
- FURTHER INVESTMENT IN OUR SUPPLY CHAIN IN ALL BUSINESSES
- ACCELERATION OF STORE REFURBISHMENTS – CUSTOMER FOCUSSED
- LEVERAGE SIGNIFICANT STRATEGIC ADVANTAGE IN OUR SUPLY CHAIN
- INCREASE IN CAPEX TO $1.8 BILLION (from $1.3 billion)
- DEVELOPMENT OF OUR FINANCIAL SERVICES CAPABILITY
- NEW CREDIT CARD TO BE LAUNCHED IN LATE 2008
- CONTINUE TO EXPAND GLOBAL SOURCING
- SIGNIFICANT GROWTH POTENTIAL IN ALL OUR BUSINESSES
- ADJACENCIES / NEW BUSINESS OPPORTUNITIES WILL ASSIST IN DRIVING GROWTH
- FOCUS ON CONSUMER ELECTRONICS STRATEGY

"This is clearly a strong result and one that reflects the considerable momentum for sustained profitable growth that exists in our business." - Michael Luscombe, CEO

WOOLWORTHS LIMITED

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 30 December 2007.

Woolworths Limited Managing Director and CEO, Michael Luscombe said, “Today we are delighted to report a net profit increase of 28.1% to $891.3 million for the half year ended 30 December 2007. This is clearly a strong result and one that reflects the momentum for sustained profitable growth that exists in our business.”

“Each of our businesses is performing well. Woolworths is not a business that has achieved success by standing still. We continue to refine and improve all our brands to keep up with customer expectations and to seek new opportunities to add even more value to their shopping experience. The sustained delivery of successful results across our core business is a testimony to the success of our long term strategy. The key components of this strategy include leveraging our strategic supply chain advantages across the Woolworths businesses; continued investment in price range, merchandise and quality in all our businesses and focussing on a number of key strategic initiatives that will drive future growth” he said.

Commenting on the result, the Chairman of Woolworths Limited, James Strong said, “The foundations for future growth are well established. Woolworths is very well positioned and continues to re-invest in each of the businesses. The second half of this financial year will see significant investment in several key strategic initiatives that will continue to enhance our offering to our customers.”

Earnings Before Interest and Tax (EBIT)

($ million)	**2007 Statutory (27 weeks)**	**2008 Statutory (27 weeks)**	**Change %**
Food and Liquor	836.9	998.7	19.3
Petrol	41.9	43.5	3.8
Australian Supermarket Division	**878.8**	**1,042.2**	**18.6**
New Zealand Supermarkets	**69.3**	**86.6**	**25.0**
BIG W	107.6	129.2	20.1
Consumer Electronics – Aust/NZ	40.7	43.1	5.9
Consumer Electronics – India	(2.1)	(2.3)	9.5
Consumer Electronics – Total	**38.6**	**40.8**	**5.7**
General Merchandise Division	**146.2**	**170.0**	**16.3**
Hotels	**109.5**	**120.6**	**10.1**
Total Trading Result	**1,203.8**	**1,419.4**	**17.9**
Property Income/(Expense)	(9.9)	8.9	189.9
Central Overheads	(49.6)	(55.6)	12.1
Continuing Operations	**1,144.3**	**1,372.7**	**20.0**
Wholesale Division	1.3	2.2	69.2
Group EBIT	**1,145.6**	**1,374.9**	**20.0**

2007 – 2008 First Half Business Performance

Michael Luscombe said, "Woolworths remains focused on providing customers with a combination of greater convenience, freshness, quality, range and consistently competitive prices across all divisions and these core values will underpin the broad range of growth initiatives currently underway. These include:

- Significant **investment in price, range, merchandise and quality** across all brands.
- Nationwide launch of our **"Everyday Rewards" program**. This program was trialled in the first half with excellent feedback from customers. This program **replaces paper petrol dockets** with a convenient card-based system.
- The expansion of our range continues with our **Homebrand, Select, Freefrom, Naytura and Organics ranges** gaining strong customer acceptance.
- Further **acceleration of refurbishment activity** planned in Supermarkets and BIG W that will enhance the shopping experience for our customers. In Supermarkets our 2010c format store is proving to be very successful. We now plan to have around 200 stores in this new format by the end of the 2008 financial year. In BIG W we have accelerated our refurbishments and plan to complete 22 refurbishments this year, which represents an increase from 3 in 2007. This will see the level of capital expenditure rise to approximately $1.8 billion in the 2008 financial year.
- 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 have made significant progress in the **expansion and repositioning of BIG W** and we are very pleased with the progress. This area will continue to receive significant effort and investment.
- We have made and will continue to make progress on initiatives that are enhancing our understanding of what the customer wants, through **increased market research capability and data analysis**.
- We continue to invest in our **financial services capabilities** with the majority of financial transactions now being processed through our own switch. This will provide an excellent platform for a number of opportunities for Woolworths. We are on track to launch our own credit card early in the new financial year.

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

2007 – 2008 First Half Business Performance (continued)

The first half result for the Group was pleasing with another solid performance from Australian Food and Liquor and significant improvements in BIG W and New Zealand Supermarkets. Hotels and Consumer Electronics contributed solidly to the overall result.

EBIT again grew faster than sales and EBIT margin strengthened by 54bps over last half year.

EPS growth for the year was a solid 25.9%, which exceeds EBIT growth of 20.0%.

Whilst the headline CODB has declined only 19bps, the Group exceeded its targeted 20bps reduction when the distorting impacts of Petrol and Hotels are excluded. We remain confident in our ability to further reduce our cost of doing business by at least 20bps per annum. This will enable us to continue to provide lower prices and better value to our customers and further reward shareholders.

The first half result included dividends from The Warehouse Group of $10.8 million and the profit on sale of certain properties of $9.2 million. Excluding these one-off items the NPAT growth would have been 25.7%.

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. It is pleasing to report that the Perth, Adelaide, Wyong and Wodonga DCs have already surpassed the performance criteria set out in their business case.

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.

Our cash flow and balance sheet remain strong. Inventory levels continue to be well managed. The December inventory balance has increased by 6.1% (vs Dec 2006) which compares favourably to the first half sales increase of 8.6%. When we exclude the impact of incremental imported inventory, the reduction in average inventory across the group was 0.8 days (0.6 days including imported inventory). Whilst our target inventory reduction remains 1-2 days, this may be impacted by growing levels of imported inventory as we ramp up our overseas buying offices.

Our cash flow from operations for the half year was $2.0 billion up 38.5% on last half year. Our free cash flow (cash flow from operations less capex and investments) was maintained at $1.1 billion and includes higher capital expenditure levels offset by the receipt of further proceeds from the sale of our Distribution Centres ($82 million).

Our capital structure going forward will preserve our capital strength to retain flexibility to pursue further growth opportunities. Woolworths remains committed to undertaking some form of capital management in the 2008 calendar year.

Australian Supermarket Division (including Liquor and Petrol)

	HY07	HY08	Change
Sales ($ million)	16,849.9	18,166.3	7.8%
Gross Margin (%)	23.30	23.69	39bps
Cost of Doing Business (%)	18.09	17.95	-14bps
EBIT to sales (%)	5.21	5.74	53bps
EBIT ($ million)	878.8	1,042.2	18.6%
Funds Employed ($ million)	2,171.6	2,518.9	16.0%

For the half year, Australian Supermarket division sales increased 7.8%, of which Food and Liquor sales in Australia grew 8.1%. EBIT grew faster than sales, increasing by 18.6%. The Australian Supermarket division's EBIT margin increased from 5.21% last half year to 5.74% this half year, an increase of 53bps. The result includes $20 million of transition costs (2007: $20 million) associated with moving to our new supply chain arrangements.

When the impact of incremental owned imported inventory is excluded, the reduction in average inventory days for the Australian Supermarket division was 0.8 days (0.5 including imported inventory).

The increase in funds employed reflects the store openings and refurbishment activity since 31 December 2006.

Australian Food and Liquor

Australian Food and Liquor delivered another solid result with gains in market share leading to comparable sales growth of 6.8% during the half year. (2007: 5.7%). Inflation levels were lower than last year at 2.0% (2007: 4.0%).

Woolworths' policy has consistently been to reduce costs and lower prices. The improvement in Food & Liquor gross margins is attributable to several factors:

- further reductions in shrinkage;
- the change in sales mix achieved through the price Rollback campaigns;
- the success of Woolworths Select private label;
- the benefit flowing from the reduction of direct store deliveries;
- improvements in buying, including the benefits gained through the increased level of activity through our overseas buying office;
- offset by price re-investment and varying levels of pricing activity in the market.

Australian Food and Liquor has achieved our targeted CODB reduction of 20bps per annum and has been assisted by continued fractionalisation of fixed costs being achieved through strong sales growth.

During the half year, 19 new supermarkets were opened, compared with six last year. A further 12 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 retail liquor sales) for the first half totalled $2.5 billion (HY07: $2.1 billion). This reflects the strong growth in all our liquor brands and the high level of new store openings for Dan Murphys.

Dan Murphy's opened 13 stores in the half year bringing the total number of Dan Murphy stores to 80. A further 13 stores are planned to be opened in the second half. We plan to have in excess of 150 Dan Murphy's around Australia over the next four to five years. Dan Murphy's provides customers with excellent value for money, extensive product ranging, personalised service and expertise.

At the end of December 2007, Woolworths Limited operated 1,058 liquor outlets.

Petrol

Petrol sales for the half year were $2.7 billion, an increase of 6.4%. Petrol comparable sales increased by 3.7% during the half, with comparable volumes increasing 0.8%, reflecting a higher level of pump prices in the half. As at the end of the half year, there were 516 petrol stations including 135 Woolworths/Caltex alliance sites. We opened an additional 12 petrol canopies during the half year and plan to open eight in the second half.

Petrol EBIT of $43.5 million increased by 3.8% which was slightly below the sales growth of 6.4%. The EBIT margin remained constant at 1.6%, with a lower fuel margin offset by improved non-fuel sales and margins.

New Zealand Supermarkets (Progressive)

	H1'07 NZD (1)	H2'07 NZD	H1'08 NZD	Change H1'08 vs H107
Sales ($ million)	2,326.5	2,200.5	2,483.8	6.8%
Gross Margin (%)	21.63	21.91	21.42	-21bps
Cost of Doing Business (%) (2)	17.89	17.17	17.12	-77bps
Trading EBIT ($ million)	87.0	104.3	106.8	22.8%
Less Intercompany charges ($ million)	(5.9)	(7.2)	(7.1)	20.3%
Reported EBIT ($ million)	81.1	97.1	99.7	22.9%
EBIT Margin (%)	3.49	4.41	4.01	52bps
Funds Employed ($ million)	2,593.7	2,510.7	2,469.9	-4.8%

(1) Includes impact of the industrial action in the first quarter.
(2) Excludes intercompany charges.

New Zealand Supermarkets achieved sales of NZD 2.48 billion for the half year, which represents a 6.8% increase (8.5% in AUD terms) on the prior half year. Comparable sales for the half year were 7.7% (in NZD terms). Overall food inflation was 2.7% in the half (prior half year 1.1%).

The improvement in first half trading performance relative to the first half last year reflects the return to normal operating conditions following the prior year industrial action and demonstrates the continued progress being made in improving our offer to the New Zealand customer.

CODB in the first half is the same as the second half last year.

Gross Profit margins in the first half are lower than the second half last year and reflect our continued re-investment in price in the New Zealand market. We have made significant progress in reducing the price differential between our business and the equivalent offerings from our main competitor.

We have continued to make progress on the various initiatives being undertaken to strengthen and grow this business. These initiatives are on track to be completed within 3 years (since acquisition) and will ensure the business is well positioned for the future.

The initial harmonisation initiative allowed our New Zealand business to be significantly more competitive in the New Zealand market together with offering our customers a petrol offer similar to the offer in Australia.

Our focus on improving store layouts, merchandising and range is in progress with many initiatives underway.

Our Home Brand and Select rollout has continued and is being well received by customers.

New Zealand Supermarkets (Progressive) (continued)

The systems integration is progressing well. The conversion of all major store and support office systems to Woolworths' platforms by the end of the 3 years (since acquisition) is on track. This includes merchandising, point of sale, replenishment (Stocksmart and AutostockR) and finance platforms.

Our focus on improving our property pipeline is continuing. To date our property team has identified and secured 14 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 2008, through expansion and refurbishments.

BIG W

	HY07	HY08	Change
Sales ($ million)	1,933.5	2,186.6	13.1%
Gross Margin (%)	29.01	30.10	109bps
Cost of Doing Business (%)	23.45	24.19	74bps
EBIT to sales (%)	5.56	5.91	35bps
EBIT ($ million)	107.6	129.2	20.1%
Funds Employed ($ million)	365.3	307.3	-15.9%

BIG W has delivered an excellent first half result with the division reporting double digit growth in both revenue and earnings. Sales grew by 13.1% during the half year with comparable store sales increasing by 5.9%. EBIT has grown faster than sales, increasing by 20.1%.

The result reflects the improvements that have been made through the repositioning of the BIG W business, which has continued during the half year, with the BIG W brand relaunch occurring in late October 2007, an acceleration of our refurbishment program and the extension of the revised merchandising program across our network of stores.

"The repositioning of our BIG W business has continued and is progressing well. We remained focused on improving the shopping experience for our customers, while ensuring we maintain both quality and BIG W's everyday low price positioning" said Greg Foran, General Manager BIG W.

We continue to maintain BIG Ws everyday low price position and continue to lead the market on price. The increase in gross margin of 109bps reflects improved buying, improvements in sales mix and increased sourcing through the Hong Kong buying office and benefits flowing from the strong Australian dollar.

CODB has increased 74bps over the half year, reflecting several factors designed to improve the shopping experience for our customers and include:

- further investment in in-store service levels, particularly in key categories such as digital processing and home entertainment;
- costs associated with improving the presentation standards within our store which includes the extension of our new merchandising initiatives across our network; and
- costs associated with the increased refurbishment and new store activity.

The cost increases are higher in the first half than what we anticipate for the full year due to the timing of certain costs.

BIG W (continued)

The decrease in funds employed reflects the timing of creditor payments which occurred immediately after 30 December 2007.

Average inventory levels were well managed being 3.3 days lower than last year.

Six BIG W stores were opened in the half year, taking the total number of stores in the division to 148. We plan to open a further three new stores in the second half.

Consumer Electronics (Australia and New Zealand)[1]

	HY07	HY08	Change
Sales ($ million)	698.4	769.0	10.1%
Gross Margin (%)	27.31	27.39	8bps
Cost of Doing Business (%)	21.49	21.79	30bps
EBIT to sales (%)	5.82	5.60	-22bps
EBIT ($ million)	40.7	43.1	5.9%
Funds Employed ($ million)	293.6	270.8	-7.8%

[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 $769.0 million, up 10.1% on last half year and comparable store sales increasing by 4.5% (normalised for movements in exchange rates) [1].

The Consumer Electronics business continues to provide customers with excellent value for money on the latest technological offerings. Key categories such as LCDs, Plasma TVs, computers, digital products and in-car navigation equipment continue to perform well, with many of these categories achieving growth in market share. There is a need to transition out of certain categories that have become less relevant to the consumer.

We are pleased with this solid result; however we recognize there are areas for improvement. As we have done successfully in BIG W, we have commenced a review of the positioning and ranging within this business with a number of new format trial stores operating in the market. We remain confident of the service, quality and value which this business offers to our customers.

During the half year, 24 stores were opened taking total stores to 416, with plans to open a further 21 stores during the second half. The high level of new store openings in the half and previous full year has impacted our ability to fractionalise costs as new stores ramp up to maturity. As a result CODB has increased 30 bps when compared to the previous half year.

Gross margins increased 8bps which is a good outcome given the continued price deflation in a very competitive market.

Funds employed have decreased reflecting the timing of creditor payments which occurred immediately after 30 December 2007, offset by new store openings.

Average inventory grew at the same rate as sales, despite opening 24 stores.

[1] *Unadjusted for exchange rate movements, comparable sales for the half year were 5.0%.*

Consumer Electronics (India)

Our business venture with TATA in India now services 13 retail stores operating under the Croma brand and has produced sales of $46 million and an operating loss of $2.3 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

	HY07	HY08	Change
Sales ($ million)	540	586	8.5%
Gross margin (%)	83.10	82.27	-83bps
Cost of Doing Business (%)	62.82	61.69	-113bps
EBIT to sales (%)	20.28	20.58	30bps
EBIT ($ million)	109.5	120.6	10.1%

Our Hotels business enjoyed solid growth in a challenging market with sales in the first half increasing by 8.5% to $586 million.

Comparable sales increased by 2.9% during the half year, which is a solid result in a market where further smoking bans [1] were introduced. Comparable gaming sales for the half were strong at 3.7%. Bar sales were impacted by smoking bans.

This is a pleasing result, which shows the strength of our hotel portfolio and the capability and experience of our management team. These results continue to exceed those experienced by the broader market. Although the business has performed well in the first half, we remain cautious on the extent of the impact of smoking bans over the remainder of the financial year.

Gross margins have decreased 83bps reflecting the impact of recent hotel acquisitions that currently have a lower proportion of gaming sales.

CODB has decreased 113bps reflecting strong cost control and a change in cost mix as the majority of the hotels acquired in the period were freehold properties.

A further nine properties were added to the portfolio in the half taking the total hotels to 271 and a total of 1,375 accommodation rooms.

[1] Note: Full smoking bans were introduced into South Australia during this quarter (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 $6.0m, reflecting transaction costs expensed during the period and the initial costs associated with the trial of our “Everyday rewards” program that will replace paper petrol dockets with a customer card based system.

The profit reported for the Property division includes a profit on the sale of certain properties of $9.2 million and a lower level of costs associated with the management and development of our property portfolio.

Net Financing costs and Tax Expense

Net Financing costs of $91.3m have reduced significantly from the prior half year ($131.1 million) reflecting the lower debt levels driven by continued strong operating cashflows and the receipt of dividends ($10.8 million) from our 10% stake in The Warehouse Group.

Tax expense is 29.4% down slightly from 30.2% last half year, reflecting the receipt of a fully imputed special dividend from The Warehouse Group and other minor tax differences.

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 are being reduced from 31 DCs to nine Regional Distribution Centres (RDCs) and two National Distribution Centres (NDCs). 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 is under contract with an external provider and future arrangements are currently being reviewed.

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 new financial 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.

New Zealand Supermarkets

In New Zealand, the rollout of StockSMART and AutoStockR is progressing well with completion expected by the end of calendar year 2008. We have developed a supply chain strategy that will improve the service and cost performance of our logistics operations and will be progressively implemented over the next three years.

Liquor

Works are underway for the construction of our Melbourne and Sydney Liquor DC's, which we expect to be completed in 2008. 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. AutoStockR (store forecast based replenishment) is being rolled out into our Free Standing Liquor Stores (BWS and Dan Murphy's) which will be complete in 2008.

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 3rd BIG W distribution centre;
- Developing and implementing 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 part of the current 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 office in Hong Kong is operating well with 58 staff in place currently. Due to the success and potential in this area, we have recently opened a new buying office in Shanghai.

Balance Sheet and Cash Flow

Our cash flow and balance sheet remain strong.

Cash generated by operating activities was $2.0 billion up 38.5% on the previous year reflecting strong earnings growth, continued benefits from working capital management and the timing of period end creditor payments.

Normalising for the timing impact of period end creditor payments, cashflows from operating activities would have more closely approximated EBITDA growth.

Our free cash flow (cash flow from operations less capex and investments) was maintained at $1.1 billion and includes higher capital expenditure levels offset by the receipt of further proceeds from the sale of our Distribution Centres ($82 million).

Key balance sheet movements from 24 June 2007 to 30 December 2007 are explained as follows:

- The net investment in inventory fell by $785.1 million reflecting the timing of creditor payments (which occurred immediately after 30 December 2007) and continued improvements in our inventory balance, with average inventory for the group down 0.8 days (excluding incremental indent).
- As a result of the above, negative working capital has increased $634.4 million to $2,720.8 million.
- Net repayable debt (which includes cash) has decreased by $940.9 million to $1,501.9 million due to strong operating cash flows and the timing of the creditor payments.
- Fixed assets and investments have increased reflecting capital expenditure for the half year offset by depreciation.

Capital Management

Objectives

Woolworths currently sets its capital structure with the objectives of minimising 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 2000, over $5,900 million, comprising off and on-market buy-backs and dividends, has been returned to shareholders (including the interim dividend payable in March 2008).

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

Woolworths remains committed to undertaking some form of capital management in the 2008 calendar year.

Franking credits available for distribution after 30 December 2007 are estimated to be $830 million (following payment of the interim dividend in March 2008).

The maturity profile of our debt facilities is such that there is no immediate need to refinance any debt in the current financial year. AUD 300 million worth of domestic bonds will mature in September 2008. Following this the next maturity is in 2011.

Current Trading and Future Outlook

We believe we are very well positioned for future growth.

We expect overall group sales to grow in the range of 8% to 10%.

We also expect that EBIT will continue to grow faster than sales in FY08.

Net profit after tax for FY08 is expected to grow in the range of 19% to 23%. In stating this guidance it should be noted that the second half profit includes investment costs associated with several key strategic growth initiatives outlined in this profit release.

Excluded from this guidance is an expected profit on sale of certain properties of approximately $35 million, which if included would increase our earnings guidance to 21% to 25%.

The 2008 financial year is a 53 week trading year and these statements are on a 53 week basis.

This guidance is given subject to current retail trading patterns and the present business, competitive and economic climate continuing.

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Profit And Loss For The 27 Weeks Ended 30 December 2007

	HY07 (27 weeks) ($m)	HY08 (27 weeks) ($m)	Change
Sales			
Australian Food and Liquor	14,340	15,495	8.1%
New Zealand Supermarkets	1,989	2,158	8.5%
Petrol	2,510	2,671	6.4%
Supermarket Division	**18,839**	**20,324**	7.9%
BIG W	1,934	2,187	13.1%
Consumer Electronics [(1)]	703	815	15.9%
General Merchandise Division	**2,637**	**3,002**	13.8%
Hotels	**540**	**586**	**8.5%**
Continuing Operations	**22,016**	**23,912**	8.6%
Wholesale Division	76	80	5.3%
Group Sales	22,092	23,992	8.6%
Margins			
Gross Profit	25.21%	25.56%	0.35%pts
Cost of Doing Business	20.02%	19.83%	(0.19)%pts
EBIT to sales	5.19%	5.73%	0.54%pts
Profit			
Earnings before interest, tax, depreciation amortisation & rent (EBITDAR)	2,072.9	2,346.4	13.2%
Property rent - base	(559.7)	(593.2)	6.0%
Property rent – turnover contingent	(55.8)	(48.7)	(12.7)%
Fit out rent	(16.3)	(14.6)	(10.4)%
Earnings before interest, tax, depreciation & amortisation (EBITDA)	**1,441.1**	**1,689.9**	**17.3%**
Depreciation (and amortisation)	(295.5)	(315.0)	6.6%
Earnings before interest & tax (EBIT)	**1,145.6**	**1,374.9**	**20.0%**
Net financing costs [(2)]	(131.1)	(91.3)	(30.4)%
Operating income tax expense	(305.9)	(377.6)	23.4%
Net operating profit after income tax	**708.6**	**906.0**	**27.9%**
Outside equity interests	(13.0)	(14.7)	(13.1%)
Total profit after tax & outside equity interests	**695.6**	**891.3**	**28.1%**
Funds employed (period end)	7,603.6	7,600.0	-
ROFE	15.07%	18.09%	+3.02pts
Weighted average ordinary shares on issue (million)	1,182.6	1,203.4	1.8%
Ordinary earnings per share (cents)	58.83	74.06	25.9%
Diluted earnings per share (cents)	58.36	73.32	25.6%
Interim dividend per share (cents) [(3)]	35	44	25.7%

(1) Includes operations in Australia, New Zealand and India
(2) Interest capitalisation $2.3 million (LY: $1.5 million)
(3) Interim dividend payable on 24 April 2008 will be fully franked at 30%.

Group Balance Sheet as at 30 December 2007

	HY07 31 December 2006 ($m)	HY08 30 December 2007 ($m)	FY07 24 June 2007 ($m)
Funds Employed			
Inventory	3,043.3	3,230.3	2,739.2
Trade Payables	(3,792.8)	(4,553.6)	(3,277.4)
Net Investment in Inventory	(749.5)	(1,323.3)	(538.2)
Receivables	748.2	699.4	490.1
Other Creditors	(1,985.7)	(2,096.9)	(2,038.3)
Working Capital	**(1,987.0)**	**(2,720.8)**	**(2,086.4)**
Fixed Assets and Investments	4,643.2	5,278.9	4,886.1
Intangibles	4,947.4	5,041.9	5,003.5
Total Funds Employed	**7,603.6**	**7,600.0**	**7,803.2**
Net Tax Balances	212.7	97.5	154.3
Net Assets Employed	**7,816.3**	**7,697.5**	**7,957.5**
Net Repayable Debt	(2,516.5)	(1,501.9)	(2,442.8)
Net Assets	**5,299.8**	**6,195.6**	**5,514.7**
Minority Interest	235.2	239.8	239.4
Shareholders Equity	5,064.6	5,955.8	5,275.3
Total Equity	**5,299.8**	**6,195.6**	**5,514.7**
Average Inventory Days (Based on COGS) (1)	33.1	32.5	32.5
Creditor Days (Based on Sales) (2)	43.4	52.4	45.6

(1) Inventory days reflect the use of rolling inventory over a 13 month period.
(2) Normalising for the timing of creditor payments which occurred immediately after 30 December 2007 there would be no significant change in creditor days from the prior half year.

Group Cash Flow

	HY07 (27 weeks) ($m)	HY08 (27 weeks) ($m)	
EBITDA	1,441.1	1,689.9	+17.3%
Net interest paid (incl. cost of income notes)	(129.9)	(112.1)	
Taxation paid	(252.1)	(301.3)	
Working capital items	330.3	660.1 (1)	
Other non-cash items	20.1	15.9	
Total cash provided by operating activities (1)	**1,409.5**	**1,952.5**	+38.5%
Payments for the purchase of businesses – Other (2)	(120.0)	(215.3)	
Payment for the purchase of investments (3)	(173.0)	-	
Payments for normal capex	(551.7)	(719.1)	
Proceeds on disposal of property plant & equipment (4)	584.4	109.5	
Dividends received (3)	-	10.8	
Total cash used in investing activities	**(260.3)**	**(814.1)**	
Free cash	**1,149.2**	**1,138.4**	
Net operating profit after tax	708.6	906.0	
Free cash flows as a % of NPAT	**162%**	**126%**	

(1) Normalising for the timing impact of year end creditor payments, cashflows from operating activities would have more closely approximated EBITDA growth.
(2) Other purchases of businesses relate to individual hotel/store acquisitions.
(3) Reflects the dividends received relating to the investment in The Warehouse Group.
(4) Proceeds include monies received from the sale of distribution centres (2008: $82 m, 2007:$547 m).

Woolworths Limited

ACN 88 000 014 675

Interim Financial Report for the Financial Half Year Ended 30 December 2007

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 2007 Annual financial report and any announcements made to the market during the period.

Woolworths Limited

Interim Financial Report
for the Financial Half Year Ended 30 December 2007

Woolworths Limited

Appendix 4D Additional Information
For the Financial Half Year Ended 30 December 2007

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 30 December 2007 (27 weeks)

Previous Corresponding Period: Financial Half Year ended 31 December 2006 (27 weeks)

Woolworths Limited

Appendix 4D Additional Information
For the Financial Half Year Ended 30 December 2007

Results For Announcement To The Market
For the Financial Half Year Ended 30 December 2007

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount $'M
Revenue from ordinary activities	up	8.5	to	24,122.9
Profit/(loss) from ordinary activities after tax attributable to members	up	28.1	to	891.3
Net profit/(loss) attributable to members	up	28.1	to	891.3

Dividends (Distributions)

	Amount per security	Franked amount per security
Final dividend	N/A	N/A
Interim dividend	44 cents	44 cents
Record date for determining entitlements to the dividend:	Interim Dividend: 28 March 2008	

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	2008	24 April 2008	44	-
	2007	27 April 2007	35	-

Interim dividend (distribution) per security

	Current Period ¢	Previous Corresponding Period ¢
Ordinary securities (each class separately)	44	35
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)	534.4	421.7
Preference securities (each class separately)	-	-
Other equity instruments (each class separately)	-	-
Total	534.4	421.7

Any other disclosures in relation to dividends (distributions).

The interim dividends in respect of ordinary shares for the financial half years ended 30 December 2007 and 30 December 2006 have not been recognised in this report because the interim dividends were not declared, determined or publicly recommended as at 30 December 2007 or at 31 December 2006, respectively.

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

Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

Dividend Reinvestment Plan

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. This is assuming no minimum or maximum number of shares which a shareholder (other than a brokers clearing accounts, nominees and certain trustees) may designate as participating in the plan.

The last date(s) for receipt of election notices for the dividend or distribution plans	28 March 2008

II. Net Tangible Assets Per Security

	Current Period ¢ per share	Previous Corresponding Period ¢ per share
Net tangible assets per security	75.2	9.7
Add:		
Brand names, liquor and gaming licences and property development rights	156.8	152.1
Net tangible assets per security adjusted for brand names, licences and property development rights	232.0	161.8

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 30 December 2007

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 30 December 2007 and up to the date of this Report. 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 30 December 2007, unless otherwise stated.

J A Strong	Chairman
J F Astbury	
A E Clarke	Retired (effective 30 September 2007)
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 delighted to report a net profit increase of 28.1% to $891.3 million for the half year ended 30 December 2007. This is clearly a strong result and one that reflects the momentum for sustained profitable growth that exists in our business."

"Each of our businesses is performing well. Woolworths is not a business that has achieved success by standing still. We continue to refine and improve all our brands to keep up with customer expectations and to seek new opportunities to add even more value to their shopping experience. The sustained delivery of successful results across our core business is a testimony to the success of our long term strategy. The key components of this strategy include leveraging our strategic supply chain advantages across the Woolworths businesses; continued investment in price range, merchandise and quality in all our businesses and focussing on a number of key strategic initiatives that will drive future growth" he said.

Commenting on the result, the Chairman of Woolworths Limited, James Strong said, "The foundations for future growth are well established. Woolworths is very well positioned and continues to re-invest in each of the businesses. The second half of this financial year will see significant investment in several key strategic initiatives that will continue to enhance our offering to our customers."

Earnings Before Interest and Tax (EBIT)

($ million)	2007 Statutory (27 weeks)	2008 Statutory (27 weeks)	Change %
Food and Liquor	836.9	998.7	19.3
Petrol	41.9	43.5	3.8
Australian Supermarket Division	**878.8**	**1,042.2**	**18.6**
New Zealand Supermarkets	**69.3**	**86.6**	**25.0**
BIG W	107.6	129.2	20.1
Consumer Electronics – Aust/NZ	40.7	43.1	5.9
Consumer Electronics – India	(2.1)	(2.3)	9.5
Consumer Electronics – Total	**38.6**	**40.8**	**5.7**
General Merchandise Division	**146.2**	**170.0**	**16.3**
Hotels	**109.5**	**120.6**	**10.1**
Total Trading Result	**1,203.8**	**1,419.4**	**17.9**
Property Income/(Expense)	(9.9)	8.9	189.9
Central Overheads	(49.6)	(55.6)	12.1
Continuing Operations	**1,144.3**	**1,372.7**	**20.0**
Wholesale Division	1.3	2.2	69.2
Group EBIT	**1,145.6**	**1,374.9**	**20.0**

2007 – 2008 First Half Business Performance

Michael Luscombe said, "Woolworths remains focused on providing customers with a combination of greater convenience, freshness, quality, range and consistently competitive prices across all divisions and these core values will underpin the broad range of growth initiatives currently underway. These include:

- Significant **investment in price, range, merchandise and quality** across all brands.
- Nationwide launch of our **"Everyday Rewards" program**. This program was trialled in the first half with excellent feedback from customers. This program **replaces paper petrol dockets** with a convenient card-based system.
- The expansion of our range continues with our **Homebrand, Select, Freefrom, Naytura and Organics ranges** gaining strong customer acceptance.
- Further **acceleration of refurbishment activity** planned in Supermarkets and BIG W that will enhance the shopping experience for our customers. In Supermarkets our 2010c format store is proving to be very successful. We now plan to have around 200 stores in this new format by the end of the 2008 financial year. In BIG W we have accelerated our refurbishments and plan to complete 22 refurbishments this year, which represents an increase from 3 in 2007. This will see the level of capital expenditure rise to approximately $1.8 billion in the 2008 financial year.
- 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 have made significant progress in the **expansion and repositioning of BIG W** and we are very pleased with the progress. This area will continue to receive significant effort and investment.
- We have made and will continue to make progress on initiatives that are enhancing our understanding of what the customer wants, through **increased market research capability and data analysis**.
- We continue to invest in our **financial services capabilities** with the majority of financial transactions now being processed through our own switch. This will provide an excellent platform for a number of opportunities for Woolworths. We are on track to launch our own credit card early in the new financial year.

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

2007 – 2008 First Half Business Performance (continued)

The first half result for the Group was pleasing with another solid performance from Australian Food and Liquor and significant improvements in BIG W and New Zealand Supermarkets. Hotels and Consumer Electronics contributed solidly to the overall result.

EBIT again grew faster than sales and EBIT margin strengthened by 54bps over last half year.

EPS growth for the year was a solid 25.9%, which exceeds EBIT growth of 20.0%.

Whilst the headline CODB has declined only 19bps, the Group exceeded its targeted 20bps reduction when the distorting impacts of Petrol and Hotels are excluded. We remain confident in our ability to further reduce our cost of doing business by at least 20bps per annum. This will enable us to continue to provide lower prices and better value to our customers and further reward shareholders.

The first half result included dividends from The Warehouse Group of $10.8 million and the profit on sale of certain properties of $9.2 million. Excluding these one-off items the NPAT growth would have been 25.7%. 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. It is pleasing to report that the Perth, Adelaide, Wyong and Wodonga DCs have already surpassed the performance criteria set out in their business case.

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.

Our cash flow and balance sheet remain strong. Inventory levels continue to be well managed. The December inventory balance has increased by 6.1% (vs Dec 2006) which compares favourably to the first half sales increase of 8.6%. When we exclude the impact of incremental imported inventory, the reduction in average inventory across the group was 0.8 days (0.6 days including imported inventory). Whilst our target inventory reduction remains 1-2 days, this may be impacted by growing levels of imported inventory as we ramp up our overseas buying offices.

Our cash flow from operations for the half year was $2.0 billion up 38.5% on last half year. Our free cash flow (cash flow from operations less capex and investments) was maintained at $1.1 billion and includes higher capital expenditure levels offset by the receipt of further proceeds from the sale of our Distribution Centres ($82 million).

Our capital structure going forward will preserve our capital strength to retain flexibility to pursue further growth opportunities. Woolworths remains committed to undertaking some form of capital management in the 2008 calendar year.

Australian Supermarket Division (including Liquor and Petrol)

	HY07	HY08	Change
Sales ($ million)	16,849.9	18,166.3	7.8%
Gross Margin (%)	23.30	23.69	39bps
Cost of Doing Business (%)	18.09	17.95	-14bps
EBIT to sales (%)	5.21	5.74	53bps
EBIT ($ million)	878.8	1,042.2	18.6%
Funds Employed ($ million)	2,171.6	2,518.9	16.0%

For the half year, Australian Supermarket division sales increased 7.8%, of which Food and Liquor sales in Australia grew 8.1%. EBIT grew faster than sales, increasing by 18.6%. The Australian Supermarket division's EBIT margin increased from 5.21% last half year to 5.74% this half year, an increase of 53bps. The result includes $20 million of transition costs (2007: $20 million) associated with moving to our new supply chain arrangements.

When the impact of incremental owned imported inventory is excluded, the reduction in average inventory days for the Australian Supermarket division was 0.8 days (0.5 including imported inventory).

The increase in funds employed reflects the store openings and refurbishment activity since 31 December 2006.

Australian Food and Liquor

Australian Food and Liquor delivered another solid result with gains in market share leading to comparable sales growth of 6.8% during the half year. (2007: 5.7%). Inflation levels were lower than last year at 2.0% (2007: 4.0%).

Woolworths' policy has consistently been to reduce costs and lower prices. The improvement in Food & Liquor gross margins is attributable to several factors:

- further reductions in shrinkage;
- the change in sales mix achieved through the price Rollback campaigns;
- the success of Woolworths Select private label;
- the benefit flowing from the reduction of direct store deliveries;
- improvements in buying, including the benefits gained through the increased level of activity through our overseas buying office;
- offset by price re-investment and varying levels of pricing activity in the market.

Australian Food and Liquor has achieved our targeted CODB reduction of 20bps per annum and has been assisted by continued fractionalisation of fixed costs being achieved through strong sales growth.

During the half year, 19 new supermarkets were opened, compared with six last year. A further 12 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 retail liquor sales) for the first half totalled $2.5 billion (HY07: $2.1 billion). This reflects the strong growth in all our liquor brands and the high level of new store openings for Dan Murphys.

Dan Murphy's opened 13 stores in the half year bringing the total number of Dan Murphy stores to 80. A further 13 stores are planned to be opened in the second half. We plan to have in excess of 150 Dan Murphy's around Australia over the next four to five years. Dan Murphy's provides customers with excellent value for money, extensive product ranging, personalised service and expertise.

At the end of December 2007, Woolworths Limited operated 1,058 liquor outlets.

Petrol

Petrol sales for the half year were $2.7 billion, an increase of 6.4%. Petrol comparable sales increased by 3.7% during the half, with comparable volumes increasing 0.8%, reflecting a higher level of pump prices in the half. As at the end of the half year, there were 516 petrol stations including 135 Woolworths/Caltex alliance sites. We opened an additional 12 petrol canopies during the half year and plan to open eight in the second half.

Petrol EBIT of $43.5 million increased by 3.8% which was slightly below the sales growth of 6.4%. The EBIT margin remained constant at 1.6%, with a lower fuel margin offset by improved non-fuel sales and margins.

New Zealand Supermarkets (Progressive)

	H1'07 NZD (1)	H2'07 NZD	H1'08 NZD	Change H1'08 vs H107
Sales ($ million)	2,326.5	2,200.5	2,483.8	6.8%
Gross Margin (%)	21.63	21.91	21.42	-21bps
Cost of Doing Business (%) (2)	17.89	17.17	17.12	-77bps
Trading EBIT ($ million)	87.0	104.3	106.8	22.8%
Less Intercompany charges ($ million)	(5.9)	(7.2)	(7.1)	20.3%
Reported EBIT ($ million)	81.1	97.1	99.7	22.9%
EBIT Margin (%)	3.49	4.41	4.01	52bps
Funds Employed ($ million)	2,593.7	2,510.7	2,469.9	-4.8%

(1) Includes impact of the industrial action in the first quarter.
(2) Excludes intercompany charges.

New Zealand Supermarkets achieved sales of NZD 2.48 billion for the half year, which represents a 6.8% increase (8.5% in AUD terms) on the prior half year. Comparable sales for the half year were 7.7% (in NZD terms). Overall food inflation was 2.7% in the half (prior half year 1.1%).

The improvement in first half trading performance relative to the first half last year reflects the return to normal operating conditions following the prior year industrial action and demonstrates the continued progress being made in improving our offer to the New Zealand customer.

CODB in the first half is the same as the second half last year.

Gross Profit margins in the first half are lower than the second half last year and reflect our continued re-investment in price in the New Zealand market. We have made significant progress in reducing the price differential between our business and the equivalent offerings from our main competitor.

We have continued to make progress on the various initiatives being undertaken to strengthen and grow this business. These initiatives are on track to be completed within 3 years (since acquisition) and will ensure the business is well positioned for the future.

The initial harmonisation initiative allowed our New Zealand business to be significantly more competitive in the New Zealand market together with offering our customers a petrol offer similar to the offer in Australia.

Our focus on improving store layouts, merchandising and range is in progress with many initiatives underway.

Our Home Brand and Select rollout has continued and is being well received by customers.

New Zealand Supermarkets (Progressive) (continued)

The systems integration is progressing well. The conversion of all major store and support office systems to Woolworths' platforms by the end of the 3 years (since acquisition) is on track. This includes merchandising, point of sale, replenishment (Stocksmart and AutostockR) and finance platforms.

Our focus on improving our property pipeline is continuing. To date our property team has identified and secured 14 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 2008, through expansion and refurbishments.

BIG W

	HY07	HY08	Change
Sales ($ million)	1,933.5	2,186.6	13.1%
Gross Margin (%)	29.01	30.10	109bps
Cost of Doing Business (%)	23.45	24.19	74bps
EBIT to sales (%)	5.56	5.91	35bps
EBIT ($ million)	107.6	129.2	20.1%
Funds Employed ($ million)	365.3	307.3	-15.9%

BIG W has delivered an excellent first half result with the division reporting double digit growth in both revenue and earnings. Sales grew by 13.1% during the half year with comparable store sales increasing by 5.9%. EBIT has grown faster than sales, increasing by 20.1%.

The result reflects the improvements that have been made through the repositioning of the BIG W business, which has continued during the half year, with the BIG W brand relaunch occurring in late October 2007, an acceleration of our refurbishment program and the extension of the revised merchandising program across our network of stores.

“The repositioning of our BIG W business has continued and is progressing well. We remained focused on improving the shopping experience for our customers, while ensuring we maintain both quality and BIG W’s everyday low price positioning” said Greg Foran, General Manager BIG W.

We continue to maintain BIG Ws everyday low price position and continue to lead the market on price. The increase in gross margin of 109bps reflects improved buying, improvements in sales mix and increased sourcing through the Hong Kong buying office and benefits flowing from the strong Australian dollar.

CODB has increased 74bps over the half year, reflecting several factors designed to improve the shopping experience for our customers and include:

- further investment in in-store service levels, particularly in key categories such as digital processing and home entertainment;
- costs associated with improving the presentation standards within our store which includes the extension of our new merchandising initiatives across our network; and
- costs associated with the increased refurbishment and new store activity.

The cost increases are higher in the first half than what we anticipate for the full year due to the timing of certain costs.

The decrease in funds employed reflects the timing of creditor payments which occurred immediately after 30 December 2007.

Average inventory levels were well managed being 3.3 days lower than last year.

Six BIG W stores were opened in the half year, taking the total number of stores in the division to 148. We plan to open a further three new stores in the second half.

Consumer Electronics (Australia and New Zealand)[1]

	HY07	HY08	Change
Sales ($ million)	698.4	769.0	10.1%
Gross Margin (%)	27.31	27.39	8bps
Cost of Doing Business (%)	21.49	21.79	30bps
EBIT to sales (%)	5.82	5.60	-22bps
EBIT ($ million)	40.7	43.1	5.9%
Funds Employed ($ million)	293.6	270.8	-7.8%

[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 $769.0 million, up 10.1% on last half year and comparable store sales increasing by 4.5% (normalised for movements in exchange rates) [1].

The Consumer Electronics business continues to provide customers with excellent value for money on the latest technological offerings. Key categories such as LCDs, Plasma TVs, computers, digital products and in-car navigation equipment continue to perform well, with many of these categories achieving growth in market share. There is a need to transition out of certain categories that have become less relevant to the consumer.

We are pleased with this solid result; however we recognize there are areas for improvement. As we have done successfully in BIG W, we have commenced a review of the positioning and ranging within this business with a number of new format trial stores operating in the market. We remain confident of the service, quality and value which this business offers to our customers.

During the half year, 24 stores were opened taking total stores to 416, with plans to open a further 21 stores during the second half. The high level of new store openings in the half and previous full year has impacted our ability to fractionalise costs as new stores ramp up to maturity. As a result CODB has increased 30 bps when compared to the previous half year.

Gross margins increased 8bps which is a good outcome given the continued price deflation in a very competitive market.

Funds employed have decreased reflecting the timing of creditor payments which occurred immediately after 30 December 2007, offset by new store openings.

Average inventory grew at the same rate as sales, despite opening 24 stores.

[1] *Unadjusted for exchange rate movements, comparable sales for the half year were 5.0%.*

Consumer Electronics (India)

Our business venture with TATA in India now services 13 retail stores operating under the Croma brand and has produced sales of $46 million and an operating loss of $2.3 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

	HY07	HY08	Change
Sales ($ million)	540	586	8.5%
Gross margin (%)	83.10	82.27	-83bps
Cost of Doing Business (%)	62.82	61.69	-113bps
EBIT to sales (%)	20.28	20.58	30bps
EBIT ($ million)	109.5	120.6	10.1%

Our Hotels business enjoyed solid growth in a challenging market with sales in the first half increasing by 8.5% to $586 million.

Comparable sales increased by 2.9% during the half year, which is a solid result in a market where further smoking bans [1] were introduced. Comparable gaming sales for the half were strong at 3.7%. Bar sales were impacted by smoking bans.

This is a pleasing result, which shows the strength of our hotel portfolio and the capability and experience of our management team. These results continue to exceed those experienced by the broader market. Although the business has performed well in the first half, we remain cautious on the extent of the impact of smoking bans over the remainder of the financial year.

Gross margins have decreased 83bps reflecting the impact of recent hotel acquisitions that currently have a lower proportion of gaming sales.

CODB has decreased 113bps reflecting strong cost control and a change in cost mix as the majority of the hotels acquired in the period were freehold properties.

A further nine properties were added to the portfolio in the half taking the total hotels to 271 and a total of 1,375 accommodation rooms.

[1] Note: Full smoking bans were introduced into South Australia during this quarter (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 $6.0m, reflecting transaction costs expensed during the period and the initial costs associated with the trial of our “Everyday rewards” program that will replace paper petrol dockets with a customer card based system.

The profit reported for the Property division includes a profit on the sale of certain properties of $9.2 million and a lower level of costs associated with the management and development of our property portfolio.

Net Financing costs and Tax Expense

Net Financing costs of $91.3m have reduced significantly from the prior half year ($131.1 million) reflecting the lower debt levels driven by continued strong operating cashflows and the receipt of dividends ($10.8 million) from our 10% stake in The Warehouse Group.

Tax expense is 29.4% down slightly from 30.2% last half year, reflecting the receipt of a fully imputed special dividend from The Warehouse Group and other minor tax differences.

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 are being reduced from 31 DCs to nine Regional Distribution Centres (RDCs) and two National Distribution Centres (NDCs). 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 is under contract with an external provider and future arrangements are currently being reviewed.

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 new financial 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.

New Zealand Supermarkets

In New Zealand, the rollout of StockSMART and AutoStockR is progressing well with completion expected by the end of calendar year 2008. We have developed a supply chain strategy that will improve the service and cost performance of our logistics operations and will be progressively implemented over the next three years.

Liquor

Works are underway for the construction of our Melbourne and Sydney Liquor DC's, which we expect to be completed in 2008. 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. AutoStockR (store forecast based replenishment) is being rolled out into our Free Standing Liquor Stores (BWS and Dan Murphy's) which will be complete in 2008.

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 3rd BIG W distribution centre;
- Developing and implementing 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 part of the current 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 office in Hong Kong is operating well with 58 staff in place currently. Due to the success and potential in this area, we have recently opened a new buying office in Shanghai.

Balance Sheet and Cash Flow

Our cash flow and balance sheet remain strong.

Cash generated by operating activities was $2.0 billion up 38.5% on the previous year reflecting strong earnings growth, continued benefits from working capital management and the timing of period end creditor payments.

Normalising for the timing impact of period end creditor payments, cashflows from operating activities would have more closely approximated EBITDA growth.

Our free cash flow (cash flow from operations less capex and investments) was maintained at $1.1 billion and includes higher capital expenditure levels offset by the receipt of further proceeds from the sale of our Distribution Centres ($82 million).

Key balance sheet movements from 24 June 2007 to 30 December 2007 are explained as follows:

- The net investment in inventory fell by $785.1 million reflecting the timing of creditor payments (which occurred immediately after 30 December 2007) and continued improvements in our inventory balance, with average inventory for the group down 0.8 days (excluding incremental indent).
- As a result of the above, negative working capital has increased $634.4 million to $2,720.8 million.
- Net repayable debt (which includes cash) has decreased by $940.9 million to $1,501.9 million due to strong operating cash flows and the timing of the creditor payments.
- Fixed assets and investments have increased reflecting capital expenditure for the half year offset by depreciation.

Capital Management

Objectives
Woolworths currently sets its capital structure with the objectives of minimising 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 2000, over $5,900 million, comprising off and on-market buy-backs and dividends, has been returned to shareholders (including the interim dividend payable in March 2008). Woolworths' capital management strategy has enhanced EPS growth whilst allowing Woolworths to take advantage of growth opportunities.
Woolworths remains committed to undertaking some form of capital management in the 2008 calendar year. Franking credits available for distribution after 30 December 2007 are estimated to be $830 million (following payment of the interim dividend in March 2008).

The maturity profile of our debt facilities is such that there is no immediate need to refinance any debt in the current financial year. AUD 300 million worth of domestic bonds will mature in September 2008. Following this the next maturity is in 2011.

Current Trading and Future Outlook

We believe we are very well positioned for future growth.
We expect overall group sales to grow in the range of 8% to 10%.
We also expect that EBIT will continue to grow faster than sales in FY08.
Net profit after tax for FY08 is expected to grow in the range of 19% to 23%. In stating this guidance it should be noted that the second half profit includes investment costs associated with several key strategic growth initiatives outlined in this profit release.
Excluded from this guidance is an expected profit on sale of certain properties of approximately $35 million, which if included would increase our earnings guidance to 21% to 25%.

The 2008 financial year is a 53 week trading year and these statements are on a 53 week basis.

This guidance is given subject to current retail trading patterns and the present business, competitive and economic climate continuing.

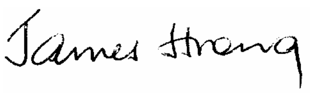
Rounding of amounts

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 22 and forms part of the Directors' Report for the 27 weeks ended 30 December 2007.

This Report is made in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001 and is signed for and on behalf of the Board this 26th day of February 2008.



JAMES STRONG
Director

MICHAEL LUSCOMBE
CEO/Managing Director

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The Chairman
Woolworths Limited
1 Woolworths Way
Bella Vista
NSW 2153

26 February 2008

Dear Board Members

Woolworths Limited

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

As lead audit partner for the review of the financial statements of Woolworths Limited for the 27 weeks ended 30 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rod Smith
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

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 30 December 2007, 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 pages 25 to 33.

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 30 December 2007 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 30 December 2007 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, 26 February 2008

Member of
Deloitte Touche Tohmatsu

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

26 February 2008

INTERIM CONSOLIDATED INCOME STATEMENT

For the 27 weeks ended **$m**	**30 Dec 07**	**31 Dec 06**
Revenue from the sale of goods	23,992.2	22,092.2
Other operating revenue	64.8	68.3
Total revenue from operations	**24,057.0**	**22,160.5**
Cost of sales	(17,925.1)	(16,591.5)
Gross profit	6,131.9	5,569.0
Other revenue	65.9	65.4
Branch expenses	(3,726.5)	(3,469.9)
Administration expenses	(1,096.4)	(1,018.9)
Earnings before interest and tax	**1,374.9**	**1,145.6**
Financial expense	(118.7)	(146.5)
Financial income	27.4	15.4
Net financing cost	(91.3)	(131.1)
Net profit before income tax expense	**1,283.6**	**1,014.5**
Income tax expense	(377.6)	(305.9)
Profit after income tax expense	**906.0**	**708.6**
Net profit attributable to:		
Equity holders of the parent entity	891.3	695.6
Minority interest	14.7	13.0
	906.0	708.6
Earnings per share (EPS)		
Basic EPS (cents per share)	74.1	58.8
Diluted EPS (cents per share)	73.3	58.4
Weighted average number of shares used in the calculation of basic EPS (million)	1,203.4	1,182.6

The interim consolidated income statement should be read in conjunction with the notes to the interim financial statements set out on pages 30 to 33.

INTERIM CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the 27 weeks ended **$m**	**30 Dec 07**	**31 Dec 06**
Movement in translation of foreign operations taken to equity	(55.9)	169.4
Movement in the fair value of available for sale assets	(7.8)	20.5
Movement in fair value of cash flow hedges	99.1	(42.4)
Tax effect of items recognised directly to equity	22.9	12.1
Net income/(expense) recognised directly in equity	58.3	159.6
Transfer to income statement cash flow hedges	41.0	128.7
Profit for the period	906.0	708.6
Total recognised income and expense for the period	1,005.3	996.9
Attributable to:		
Equity holders of the parent	990.6	983.9
Minority interest	14.7	13.0
	1,005.3	996.9

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 30 to 33.

INTERIM CONSOLIDATED BALANCE SHEET

As at **$m**	**30 Dec 07**	**24 Jun 07**	**31 Dec 06**
Current assets			
Cash	1,309.9	798.8	806.9
Trade and other receivables	693.3	484.7	738.0
Inventories	3,230.3	2,739.2	3,043.3
Assets held for sale	65.6	96.9	95.5
Other financial assets	54.5	41.4	13.6
Total current assets	**5,353.6**	**4,161.0**	**4,697.3**
Non-current assets			
Trade and other receivables	6.0	5.4	10.2
Other financial assets	264.5	256.0	259.9
Property, plant and equipment	5,059.3	4,623.0	4,350.7
Intangibles	5,041.9	5,003.5	4,947.4
Deferred tax assets	358.9	367.2	424.1
Total non-current assets	**10,730.6**	**10,255.1**	**9,992.3**
Total assets	**16,084.2**	**14,416.1**	**14,689.6**
Current liabilities			
Trade and other payables	5,496.2	4,184.7	4,670.0
Borrowings	414.8	379.8	479.1
Current tax liabilities	261.2	212.9	211.4
Other financial liabilities	42.3	74.9	8.7
Provisions	650.1	650.5	652.6
Total current liabilities	**6,864.6**	**5,502.8**	**6,021.8**
Non-current liabilities			
Borrowings	2,339.5	2,690.9	2,792.8
Other financial liabilities	180.2	227.2	119.2
Provisions	404.8	382.3	357.5
Other	99.5	98.2	98.5
Total non-current liabilities	**3,024.0**	**3,398.6**	**3,368.0**
Total liabilities	**9,888.6**	**8,901.4**	**9,389.8**
Net assets	**6,195.6**	**5,514.7**	**5,299.8**
Equity			
Issued capital	3,551.2	3,422.7	3,349.0
Shares held in trust	(63.8)	(71.6)	(79.7)
Reserves	84.3	(38.3)	6.6
Retained earnings	2,384.1	1,962.5	1,788.7
Equity attributable to the members of Woolworths Limited	**5,955.8**	**5,275.3**	**5,064.6**
Minority interest	239.8	239.4	235.2
Total equity	**6,195.6**	**5,514.7**	**5,299.8**

The interim consolidated balance sheet should be read in conjunction with the interim notes to the financial statements set out on pages 30 to 33.

WOOLWORTHS LIMITED

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the 27 weeks ended **$m**	**30 Dec 07**	**31 Dec 06**
Cash flows from operating activities		
Receipts from customers	25,843.6	23,441.0
Receipts from vendors and tenants	20.9	15.9
Payments to suppliers and employees	(23,498.6)	(21,666.7)
Dividends received	-	1.4
Interest and costs of finance paid	(122.6)	(145.4)
Interest received	10.5	15.4
Income tax paid	(301.3)	(252.1)
Net cash provided by operating activities	**1,952.5**	**1,409.5**
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	109.1	584.4
Proceeds from the sales of businesses	0.4	-
Payments for property, plant and equipment	(719.1)	(551.7)
Payments for the purchase of intangibles	(10.0)	(14.7)
Payment for purchase of investments	-	(173.0)
Dividends received	10.8	-
Payments for purchase of businesses	(205.3)	(105.3)
Net cash used in investing activities	**(814.1)**	**(260.3)**
Cash flows from financing activities		
Proceeds from issue of equity securities	68.7	46.1
Proceeds from short term deposits	-	0.7
Proceeds from external borrowings	3,415.8	6,625.8
Repayment of external borrowings	(3,695.2)	(7,536.4)
Dividends paid	(402.1)	-
Dividends paid to minority interest	(14.3)	(7.7)
Net cash used in financing activities	**(627.1)**	**(871.5)**
Net increase in cash held	511.3	277.7
Effects of exchange rate changes on balance of cash held in foreign currencies	(0.2)	3.3
Cash at the beginning of the financial period	798.8	525.9
Cash at the end of the financial period	**1,309.9**	**806.9**

The interim consolidated statement of cash flows should be read in conjunction with the interim notes to the financial statements set out on pages 30 to 33.

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 30 December 2007 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 30 December 2007 (“Half Year Financial Report”), is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reports* and the Corporations Act 2001. The consolidated Half Year Financial Report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the 52 weeks ended 24 June 2007, 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 2007. 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 2007 annual financial report for the financial year ended 24 June 2007.

The Half Year Financial Report was approved by the Board of Directors on 26 February 2008.

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	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
$m												
Segment disclosures												
Business segments												
Business segments												
Sales to customers	20,324.4	18,839.3	2,186.6	1,933.5	814.7	703.4	586.1	539.8	80.4	76.2	23,992.2	22,092.2
Other operating revenue	64.8	68.3	-	-	-	-	-	-	-	-	64.8	68.3
Inter-segment revenue	-	-	-	-	0.3	0.2	-	-	133.5	122.2	133.8	122.4
Segment revenue	20,389.2	18,907.6	2,186.6	1,933.5	815.0	703.6	586.1	539.8	213.9	198.4	24,190.8	22,282.9
Eliminations											(133.8)	(122.4)
Unallocated revenue/(expenses) [5]											65.9	65.4
Total revenue											24,122.9	22,225.9
Segment result before tax	1,128.8	948.1	129.2	107.6	40.8	38.6	120.6	109.5	2.2	1.3	1,421.6	1,205.1
Unallocated revenue/(expenses) - Property											8.9	(9.9)
- Head Office											(55.6)	(49.6)
Net financing cost											(91.3)	(131.1)
Profit before tax											1,283.6	1,014.5
Income tax expense											(377.6)	(305.9)
Profit after tax											906.0	708.6
Segment assets	8,842.7	8,474.3	1,147.7	1,017.0	588.8	500.1	2,811.1	2,517.3	55.0	63.9	13,445.3	12,572.6
Unallocated [6]											2,638.9	2,117.0
Total Assets											16,084.2	14,689.6
Segment liabilities	3,917.5	3,555.6	820.2	608.0	259.9	192.8	173.8	134.1	47.8	46.6	5,219.2	4,537.1
Unallocated [6]											4,669.4	4,852.7
Total Liabilities											9,888.6	9,389.8
Capital expenditure	525.7	333.1	59.9	53.5	20.2	16.0	214.4	152.6	0.8	0.6	821.0	555.8
Unallocated [6]											104.1	112.0
Acquisition of Assets											925.1	667.8
Segment depreciation and amortisation	225.3	211.1	26.5	21.5	13.1	12.2	28.1	25.8	0.7	0.7	293.7	271.3
Unallocated [6]											21.3	24.2
Total depreciation and amortisation											315.0	295.5
Segment other non cash expenses	14.7	4.3	2.4	0.9	0.6	0.2	0.9	0.1	-	-	18.6	5.5
Unallocated											49.7	53.5
Total other non cash expenses [7]											68.3	59.0

(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 $215.3 million comprising property, plant and equipment ($117.6 million); liquor and gaming licences ($60.3million) and other working capital balances ($9.2 million), with goodwill on acquisition of $28.2 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	30 Dec 07	24 Jun 07	31 Dec 06
27 weeks ended			
Final dividend in respect of 2007 year of 39 cents (2006:31 cents) per fully paid ordinary share 100% franked at 30% tax rate (2006:100%)	471.9	-	367.2
Interim dividend in respect of 2007 year of 35 cents (2006:28 cents) per fully paid ordinary share 100% franked at 30% tax rate (2006:100%)	-	421.7	-
Total dividends paid	471.9	421.7	367.2

On 26 February 2008, the board of directors declared a dividend of 44 cents (2007: 35 cents) per share. The amount that will be paid on 24 April 2008 will be approximately $534.4 million (2007: $421.7 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7 Contingent Liabilities

Contingent liabilities at 30 December 2007 were $494.1 million (24 June 2007: $448.6 million) comprising:

$m	30 Dec 07	24 Jun 07
Trading guarantees	53.5	55.7
Workers compensation self insurance	425.8	363.0
Litigation	-	-
Other (outstanding letters of credit issued to suppliers)	14.8	29.9

No provision has been made in the Half Year Financial Report in respect of these contingencies, however there is a provision of $380.6 million (31 December 2006: $362.1 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 from 24 June 2007 to 30 December 2007

a) The net investment in inventory has reduced by $785.1 million reflecting the timing of creditor payments (which occurred immediately after 30 December 2007) and continued improvements in our inventory balance, with average inventory for the group down 0.8 days (excluding incremental indent).
b) As a result of the above, negative working capital has increased $634.4 million to $2,720.8 million.
c) Net repayable debt (which includes cash) has decreased by $940.9 million to $1,501.9 million due to strong operating cash flows and the timing of the creditor payments.
d) Fixed assets and investments have increased reflecting capital expenditure for the half year offset by depreciation.

9 Overall equity reconciliation attributable to members

$m	30 Dec 07	24 Jun 07	31 Dec 06
Equity at the beginning of the period	5,275.3	4,027.8	4,027.8
Issue of shares under employee share plan	7.8	15.4	7.3
Issue of shares as a results of dividend reinvestment plan	67.5	433.7	367.2
Issue of shares as a result of options exercised under executive share option plans	62.7	47.4	37.8
Items recognised directly in equity as disclosed in the statement of recognised income and expense	99.3	228.1	288.3
Net profit attributable to equity holders of the parent	891.3	1,294.0	695.6
Total dividends provided for or paid	(471.9)	(788.9)	(367.2)
Share based payments expense	23.3	17.0	6.8
Other	0.5	0.8	1.0
Closing equity	5,955.8	5,275.3	5,064.6