

# WOOLWORTHS LIMITED

26 August 2010

PRESS RELEASE

## Woolworths Announces \$700 million Off-Market Share Buy-Back

Woolworths Limited (“Woolworths”) today announced its intention to return \$700 million to shareholders through an off-market share buy-back (“Buy-Back”).

“The \$700 million Buy-Back is the next step in Woolworths’ ongoing capital management program,” said Woolworths Managing Director and Chief Executive Officer, Michael Luscombe.

“It means we will have returned over \$1 billion to shareholders in the 2010 calendar year, when combined with the \$325 million of capital bought back in the first half of the calendar year in our on-market buy-back. This is in addition to the \$1.3 billion in fully franked dividends with respect to the financial year,” Mr Luscombe said.

“Woolworths currently sets its capital structure with the objective of enhancing shareholder value through optimising its weighted average cost of capital while retaining flexibility to pursue growth opportunities.

“In pursuing this objective, Woolworths maintains strong credit ratings which underpin its debt profile. To the extent consistent with this objective and target credit ratings, Woolworths undertakes capital return strategies,” he said.

The proposed \$700m Buy-Back will be conducted as an off-market tender, with the proceeds received by participating shareholders treated in part as a capital component and in part as a fully-franked dividend subject to confirmation in a ruling that is being sought from the Australian Taxation Office. Participation in the Buy-Back is optional, with the tender period expected to close on Friday, 8 October 2010.

Shareholders who continue to hold shares in Woolworths are expected to benefit from the improved earnings per share, improved dividends per share and improved return on equity following the Buy-Back.

- More Over -

WOOLWORTHS LIMITED

# WOOLWORTHS LIMITED

- Page 2 of 2 -

It is intended that the Buy-Back will be funded via long term debt issued into both domestic and international debt capital markets within the coming months, subject to financial market conditions, however Woolworths has access to sufficient undrawn bank facilities to fund the Buy-Back.

The Board believes that after the Buy-Back, Woolworths will remain strongly capitalised and that the Buy-Back will have no immediate impact on Woolworths' credit ratings or outlook.

“Capital management initiatives will continue to be assessed in light of investment and growth opportunities available to the company, the company's focus on maintaining a strong credit rating, the capital markets environment from time to time and the overriding objective of enhancing shareholder value,” Mr Luscombe said.

*# Ends*

**For further information contact:**

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

# WOOLWORTHS LIMITED

## CONDUCT OF THE BUY-BACK

Under the Buy-Back, eligible shareholders on the register on Monday, 6 September 2010 (“Buy-Back Record Date”) will be entitled to tender some or all of their shares at discounts of between 8 per cent and 14 per cent inclusive (at 1 per cent intervals) to the Market Price<sup>1</sup> or as a final price tender, which is an election to receive the Buy-Back price, whatever Woolworths determines it to be (“Final Price Tender”). Participation in the Buy-Back is voluntary.

Only shares tendered at a discount greater than or equal to the final Buy-Back discount (or as a Final Price Tender) will be bought back, subject to any scale back requirement. The scale back process has been structured to ensure that shareholders with small holdings of 85 shares or less will not be disadvantaged. Additionally, the scale back process will only apply to shares remaining after a priority parcel of 210 shares or less has been acquired from all registered shareholders who successfully participate in the Buy-Back. A description of the scale back process will be set out in the Buy-Back booklet. In addition, shareholders can make their tender conditional on the Buy-Back price being no less than 1 of 3 specified minimum prices.

The Buy-Back has been designed so that all shareholders whose tenders are successful will receive the same Buy-Back price and no brokerage should be payable by shareholders who choose to participate in the Buy-Back. The tender process provides flexibility for shareholders because they can tailor their level of participation to suit their own circumstances.

Woolworths is seeking to buy back up to \$700 million worth of its ordinary shares. However, Woolworths may in its absolute discretion decide not to proceed with the Buy-Back and may vary the size of the Buy-Back depending on a number of factors including shareholder demand, market conditions and forecast future capital requirements.

Restricted Employee Shares<sup>2</sup>, shares issued under the dividend reinvestment plan (“DRP”) with respect to the 2010 final dividend and shares held by Excluded Foreign Shareholders<sup>3</sup> may not be tendered into the Buy-Back. Woolworths will

---

<sup>1</sup> The Market Price means the volume weighted average price of Woolworths’ ordinary shares on the ASX excluding certain trades that are not “at market” (as defined in the Buy-Back booklet) over the five trading days up to and including the closing date (Friday, 8 October 2010) calculated to four decimal places.

<sup>2</sup> Restricted Employee Shares means fully paid ordinary shares of Woolworths held pursuant to an employee incentive scheme where, as at the Buy-Back Record Date, the holder would not be entitled to sell those shares into the Buy-Back or where the shares are subject to forfeiture or restrictions on disposal under the terms of the scheme.

<sup>3</sup> Excluded Foreign Shareholder means any person holding Shares:

- (a) to whom Woolworths would be prohibited from paying money pursuant to relevant laws prohibiting Woolworths from making payments to certain foreign persons;
- (b) to whom the Buy-Back invitation may not be lawfully be made under the laws of the jurisdiction in which they are resident;
- (c) whose participation in the Buy-Back is not permitted under the laws of the jurisdiction in which they are resident; or
- (d) who is not resident in Australia, New Zealand, the United Kingdom, the United States, Hong Kong (professional investors only), Singapore or Japan.

# WOOLWORTHS LIMITED

extend the Buy-Back invitation to its shareholders in Australia, New Zealand, the United Kingdom, the United States, Hong Kong (professional investors only), Singapore and Japan. Woolworths may accept a tender submitted by foreign shareholders residing outside of these jurisdictions if the shareholder can demonstrate to the satisfaction of Woolworths that its participation in the Buy-Back will not breach the laws of any jurisdiction.

## **DIVIDEND REINVESTMENT PLAN SHARES**

Shares issued under the Woolworths' DRP with respect to the final dividend for the financial year ended 27 June 2010 will not have an entitlement to participate in the Buy-Back.

Shareholders who intend to tender all of their shares into the Buy-Back may wish to consider withdrawing from the DRP in respect of the 2010 final dividend to avoid the possibility of being left with a small parcel of shares after the Buy-Back. In order to do this, shareholders must submit a Dividend Reinvestment Plan Notice of Election Form stating their withdrawal from participation in the DRP by Monday, 6 September 2010. You can obtain the Dividend Reinvestment Plan Notice of Election form by contacting the Woolworths share registry by phone on 1300 368 664 from within Australia or +61 3 9415 4055 from outside Australia, or from Woolworths' website at [www.woolworthslimited.com.au](http://www.woolworthslimited.com.au) under the Dividend Reinvestment Plan section.

## **TAX CONSIDERATIONS**

The Buy-Back will constitute an "off-market" buy-back for the purposes of the Income Tax Assessment Act 1936 (Cth). Woolworths has obtained an indication from the Australian Tax Office ("ATO") that the capital component of the Buy-Back price will be \$3.08 and that all of the Buy-Back price in excess of \$3.08 will be treated as a fully franked dividend.

For the purposes of capital gains tax calculations, the deemed capital proceeds that shareholders will receive on disposal of their shares under the Buy-Back will be \$3.08 per share plus an amount equal to the excess of the Tax Value<sup>4</sup> over the Buy-Back price. Woolworths does not intend to buy back shares at a price that exceeds the Tax Value.

---

<sup>4</sup> In accordance with the ATO's Tax Determination TD 2004/22, the Tax Value will be \$26.36, adjusted for the movement in the S&P/ASX 200 index from the opening level on Thursday, 26 August 2010 to the closing level on the closing date (Friday, 8 October 2010).

# WOOLWORTHS LIMITED

To qualify for tax credits on the deemed dividend component of the Buy-Back price, shareholders must generally have held their shares 'at risk' for a minimum period of 45 days prior to the date on which Woolworths determines the Buy-Back price and Buy-Back allocations. Under the current timetable, this means that shares purchased on or after Friday, 27 August 2010 will not be held at risk for 45 days. The ATO has provided preliminary confirmation that shares purchased on an ex-Buy-Back entitlement basis (that is, on or after Tuesday, 31 August 2010) will not be allocated on a 'last-in, first-out' basis for the purposes of the 45-day rule and will therefore not affect entitlements to franking credits on other shares tendered into the Buy-Back.

The Buy-Back will have different tax consequences for different shareholders (see the Appendix). This summary is not intended to be legal or tax advice and shareholders should not rely upon it as such. Shareholders should obtain tax advice on participating in the Buy-Back, specific to their own particular circumstances.

# WOOLWORTHS LIMITED

## BUY-BACK TIMETABLE

<b>August 2010</b>	
• Last day that shares can be acquired to be eligible for Buy-Back franking entitlements	Thursday, 26 August
• Buy-Back ex-entitlement date: Shares acquired on the ASX on or after this date will not confer an entitlement to participate in the Buy-Back	Tuesday, 31 August
<b>September 2010</b>	
• Buy-Back Record Date: determination of eligible shareholders entitled to participate in the Buy-Back	Monday, 6 September
• Dividend ex-entitlement date: the date that Shares commence trading on an ex-entitlement date for the 2010 final dividend. Shares acquired on the ASX on or after this date will not confer an entitlement to receive the 2010 final dividend	Monday, 13 September
• Dividend record date: determination of eligible shareholders entitled to receive the 2010 final dividend	Friday, 17 September
• Mailing of Buy-Back documents to shareholders completed by	Friday, 17 September
• Tender period opening date	Monday, 20 September
<b>October 2010</b>	
• Tender period closing date: tenders must be received by the Woolworths share registry no later than 7.00pm (Australian Eastern Standard Time)	Friday, 8 October
• Buy-Back date: determination of the Buy-Back price and scale back (if any) and entry into Buy-Back contracts	Monday, 11 October
• Payment date for final dividend	Friday, 15 October
• Dispatch/crediting of Buy-Back proceeds to participating shareholders. Updated holding statements sent to participating shareholders	By Monday, 18 October

While Woolworths does not anticipate changing any of the dates and times for the Buy-Back, it reserves the right to vary them. Any change in date or time will take effect from the time it is authorised by the Board and will be publicly announced on the ASX as soon as practicable following the Board's authorisation.

Citi and Greenhill Calburn are acting as financial advisors to Woolworths in relation to the Buy-Back.

# WOOLWORTHS LIMITED

## **FURTHER INFORMATION**

The Buy-Back is subject to receipt of an ASIC exemption under subsection 257D(4) of the Corporations Act 2001 (Cth) and certain waivers from the ASX Listing Rules in a form satisfactory to Woolworths which will allow the Buy-Back to be implemented in the manner contemplated.

The Buy-Back is expected to be open for 3 weeks from Monday, 20 September 2010. The full terms and conditions of the Buy-Back will be contained in the Buy-Back booklet, which will be posted to all shareholders along with a personalised tender form by Friday, 17 September 2010. The Buy-Back booklet will also be available on the Woolworths Limited website at [www.woolworthslimited.com.au](http://www.woolworthslimited.com.au). For further information on the Buy-Back, shareholders can call the Buy-Back Information Line on 1300 368 664 from within Australia or +61 3 9415 4055 from outside Australia or visit the Woolworths Limited website at [www.woolworthslimited.com.au](http://www.woolworthslimited.com.au).

If shareholders are in doubt as to the action they should take, they should consult their financial, taxation or other professional advisor immediately.

## **IMPORTANT NOTICE**

This announcement does not constitute an offer to purchase, or a solicitation of an offer to purchase, any securities in any jurisdiction.

Without limiting the rights that Woolworths otherwise has in relation to tenders, a tender submitted by an Excluded Foreign Shareholder will not be accepted by Woolworths unless that shareholder can demonstrate to the satisfaction of Woolworths that its participation in the Buy-Back will not breach the laws of any jurisdiction. If the Excluded Foreign Shareholder is able to prove this to the satisfaction of Woolworths, it may make a tender.

Any person receiving the Buy-Back booklet must not, directly or indirectly, distribute or send it into any jurisdiction, or otherwise make it available to any person in any jurisdiction where to do so would breach the laws of that jurisdiction.

# WOOLWORTHS LIMITED

## APPENDIX – WORKED TAX EXAMPLES

Per share A\$	Methodology	Australia Resident Individuals – Income <sup>1,2</sup>					
		Super Fund 15.0% tax rate	\$0-\$6,000 0.0% tax rate	\$6,001- \$37,000 16.5% tax rate	\$37,001- \$80,000 31.5% tax rate	\$80,001- \$180,000 38.5% tax rate	\$180,000+ 46.5% tax rate
<b>Income tax consequences (deemed dividend)</b>							
(a)	Illustrative Buy-Back price <sup>3</sup>	\$23.22	\$23.22	\$23.22	\$23.22	\$23.22	\$23.22
(b)	Capital component	\$3.08	\$3.08	\$3.08	\$3.08	\$3.08	\$3.08
(c)	Fully franked dividend = (a) - (b)	\$20.14	\$20.14	\$20.14	\$20.14	\$20.14	\$20.14
(d)	Add: gross up for franking credits <sup>4</sup> = (c) x 0.3/0.7	\$8.63	\$8.63	\$8.63	\$8.63	\$8.63	\$8.63
(e)	Assessable income = (c) + (d)	\$28.77	\$28.77	\$28.77	\$28.77	\$28.77	\$28.77
(f)	Tax on assessable income = (e) x tax rate	(\$4.32)	\$0.00	(\$4.75)	(\$9.06)	(\$11.08)	(\$13.38)
(g)	Tax offset = (d)	\$8.63	\$8.63	\$8.63	\$8.63	\$8.63	\$8.63
(h)	Net tax offset (tax payable) = (f) + (g)	\$4.31	\$8.63	\$3.88	(\$0.43)	(\$2.45)	(\$4.75)
<b>(i)</b>	<b>After tax proceeds = (c) + (h)</b>	<b>\$24.45</b>	<b>\$28.77</b>	<b>\$24.02</b>	<b>\$19.71</b>	<b>\$17.69</b>	<b>\$15.39</b>
<b>CGT consequences (capital)</b>							
(b)	Capital component	\$3.08	\$3.08	\$3.08	\$3.08	\$3.08	\$3.08
(j)	Add: excess of Tax Value over Buy-Back Price <sup>5</sup>	\$3.78	\$3.78	\$3.78	\$3.78	\$3.78	\$3.78
(j)	Sale consideration = (b) + (j)	\$6.86	\$6.86	\$6.86	\$6.86	\$6.86	\$6.86
(k)	Less: Assumed cost base	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
(l)	Nominal capital gain / (loss) on disposal = (j) - (k)	(\$8.14)	(\$8.14)	(\$8.14)	(\$8.14)	(\$8.14)	(\$8.14)
(m)	Discounted capital gain / (loss) <sup>6</sup> = (l) x (100% - discount factor)	(\$5.43)	(\$4.07)	(\$4.07)	(\$4.07)	(\$4.07)	(\$4.07)
(n)	Tax impact of capital loss / (gain) <sup>7</sup> = (m) x tax rate	\$0.81	\$0.00	\$0.67	\$1.28	\$1.57	\$1.89
<b>(o)</b>	<b>After tax proceeds = (n) + (b)</b>	<b>\$3.89</b>	<b>\$3.08</b>	<b>\$3.75</b>	<b>\$4.36</b>	<b>\$4.65</b>	<b>\$4.97</b>
<b>Total after tax proceeds</b>	<b>= (i) + (o)</b>	<b>\$28.34</b>	<b>\$31.85</b>	<b>\$27.77</b>	<b>\$24.07</b>	<b>\$22.34</b>	<b>\$20.36</b>

- The marginal tax rate for individuals includes the Medicare levy at a rate of 1.5 per cent. The liability of an individual to pay the Medicare levy depends on the individual's own circumstances.
- Marginal tax rates based on individual income tax rates for Australian resident individuals for the financial year ending 30 June 2011.
- Assumes a Market Price of \$27.00 and a Buy-Back discount of 14%.
- Assumes the shareholder is fully entitled to the franking credits.
- Assumes a Tax Value of \$27.00.
- Assumes that the discount capital gains method is used, which adjusts the total capital gain by a discount factor (50% for individuals and 33.33% for complying superannuation funds). Although capital losses, as such, are not subject to discount, it is assumed that capital losses are offset against capital gains and that the net amount is then discounted. If capital losses are offset against capital gains which cannot be discounted (e.g. on assets held for less than 12 months), the tax impact of the capital loss will be greater (more favourable) than shown in the table.
- Assumes shareholders will be able to fully utilise capital losses to offset capital gains derived from other assets.

These Worked Australian Tax Examples are not intended to be legal or tax advice and shareholders should not rely upon it as such. Shareholders should obtain tax advice on participating in the Buy-Back, specific to their own particular circumstances.

###