

WOOLWORTHS HOLDINGS LIMITED **WHL**

another year of continued good growth



commentary

Group results

Revenue for the twenty six weeks to December 2006 increased by 21.0% to R8.97bn. Operating profit grew by 31.1% to R957.6m. Good revenue growth together with operating efficiencies brought about an improvement in operating margins from 9.8% to 10.7%.

Higher borrowings utilised to fund the growth of our financial services books and the increase in interest rates resulted in finance costs increasing by 51.1% to R171.9m.

Diluted headline earnings per share increased by 22.9% (28.5% prior to the non-comparable STC payment) from 51.9 cents to 63.8 cents per share. The pre-tax profit of R54.6m on the disposal of land in Midrand contributed to the higher increase in earnings per share of 32.3%.

Interim dividend

An interim dividend of 29.5 cents per share has been declared representing an increase of 22.9%.

Trading environment

Spending continued to grow driven by ongoing structural shifts in the consumer base and the higher level of credit usage. Good trading was experienced over the Christmas period.

operating review



WOOLWORTHS
the difference

Woolworths Retail

Our retail business traded well and achieved good like-for-like sales growth.

Clothing and home sales increased by 14.4% (2005: 12.6%), with a 9.8% (2005: 8.2%) increase in comparable stores. Inflation averaged approximately 1.6%. An improved offer in menswear and excellent value in childrenswear delivered particularly good results.

Food continued to perform well and sales grew by 25.9% (2005: 20.9%) in total and 15.1% (2005: 12.2%) in comparable stores. Inflation averaged approximately 7.4%. The high growth rate was driven by the roll-out of convenience stores, our continued quality and innovation and customers increasingly using us for their main food shop.

Trading space

Clothing and home trading space increased 4.2%. The accelerated roll-out of food convenience stores resulted in a 13.1% increase in food trading space from December 2005.

Financial services

Good growth of 24.5% was experienced in our store card, credit card and personal loan books.

The net bad debt experience on the combined books was well within expectations increasing from 4.0% to 4.1% of advances.

The fixing of the usury rate on unsecured credit continues to negatively impact the margin in our financial services business.

Country Road

COUNTRY ROAD

Country Road contributed a profit after tax of A\$5.2m compared to A\$2.3m in the prior year. Retail sales increased by 13.7% in Australian dollar terms and total sales by 3.5%. Wholesale sales decreased as we convert this part of the business into a concession model in the two major departmental store chains.

Prospects

Higher interest rates and a tighter credit environment will progressively subdue growth in the second half. Nevertheless we expect to deliver ongoing good growth in diluted headline earnings per share for the full year.

Empowerment

Woolworths continues to be committed to black economic empowerment (BEE) and transformation. As part of our BEE strategy, the board has approved a broad-based share scheme for staff, the majority of whom are black. This scheme will be presented for shareholder approval at a general meeting to be convened for May 2007.

Changes to the board of directors

On 1 December 2006 Andrew Jennings was appointed to the board.

DA Hawton

Chairman

SN Susman

Chief executive officer

Cape Town, 14 February 2007

dividend payment

Notice is hereby given that the directors have declared an interim dividend of 29.5 cents per share for the six months ended December 2006.

The salient dates for the dividend will be as follows:

Last day to trade to receive dividend	Friday, 2 March 2007
Shares commence trading "ex" dividend	Monday, 5 March 2007
Record date	Friday, 9 March 2007
Payment date	Monday, 12 March 2007

Share certificates may not be dematerialised or rematerialised between Monday, 5 March 2007 and Friday, 9 March 2007, both days inclusive.

In accordance with the company's articles of association, dividends amounting to less than R5.00 due to any one holder of the company's shares held in certificated form will not be paid, unless otherwise requested in writing, but will be aggregated with other such amounts and be donated to a charity nominated by the directors.

CL Lowe

Group secretary

Cape Town, 14 February 2007

directorate and statutory information

Non-executive directors: Buddy Hawton (Chairman), Peter Bacon, Mair Barnes (British), Nigel Colne (British), Brian Frost, Mike Leeming, Chris Nissen, Sindi Zilwa

Executive directors: Simon Susman (CEO), Richard Inskip, Andrew Jennings (British), Zyda Rylands, Norman Thomson

Group secretary: Cherrie Lowe **Share code:** WHL **ISIN:** ZAE000063863

Registered address (postal and physical): PO Box 680, Cape Town 8000 • Woolworths House, 93 Longmarket Street, Cape Town 8001

Registration number: 1929/001986/06 **Auditors:** Ernst & Young Registered Auditors Inc and SAB & T Inc

Bankers: Standard Bank of South Africa Limited **Sponsor:** Rand Merchant Bank (A division of FirstRand Bank Limited)

Transfer secretaries: Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg 2001

Visit our investor relations site: www.woolworthsholdings.co.za

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Unaudited group
results for the
twenty six weeks
ended December 2006

highlights

Revenue
21.0% ↑

Operating profit
31.1% ↑

Earnings per share
32.3% ↑

Diluted HEPS
22.9% ↑

Dividend
per share
22.9% ↑



Unaudited group results for the twenty six weeks ended December 2006

visit our investor relations site:



www.woolworthsholdings.co.za

income statement

Year ended 30 June 2006		26 weeks ended December		
Rm		2006 Rm	2005 Rm	% change
15 143.0	Revenue	8 970.4	7 415.3	21.0%
14 208.0	Turnover	8 406.5	6 995.0	20.2%
9 340.4	Cost of sales	5 522.8	4 604.6	19.9%
4 867.6	Gross profit	2 883.7	2 390.4	20.6%
935.0	Other revenue	563.9	420.3	34.2%
4 312.3	Expenses	2 490.0	2 080.4	19.7%
269.9	Depreciation	155.5	132.9	17.0%
679.1	Occupancy cost	398.9	337.2	18.3%
1 699.6	Employment cost	954.0	805.1	18.5%
1 663.7	Other operating cost	981.6	805.2	21.9%
1 490.3	Operating profit	957.6	730.3	31.1%
243.9	Finance costs	171.9	113.8	51.1%
1 246.4	Profit before exceptional item	785.7	616.5	27.4%
–	Exceptional item	54.6	–	–
1 246.4	Profit before tax	840.3	616.5	36.3%
409.0	Tax	273.1	194.2	40.6%
837.4	Profit after tax	567.2	422.3	34.3%
Attributable to:				
835.6	Ordinary shareholders	563.6	421.3	33.8%
1.8	Minority shareholders	3.6	1.0	>100%
Reconciliation of headline earnings				
835.6	Attributable earnings	563.6	421.3	33.8%
(0.6)	Profit on disposal of property, plant and equipment – net of minority shareholders' interest	(47.9)	(2.2)	–
–	Foreign exchange loss realised on repayment of loan by subsidiary	1.9	–	–
835.0	Headline earnings	517.6	419.1	23.5%
105.0	Headline earnings per share (cents)	64.8	53.1	22.0%
105.1	Earnings per share (cents)	70.5	53.3	32.3%
103.0	Diluted headline earnings per share (cents)	63.8	51.9	22.9%
103.1	Diluted earnings per share (cents)	69.3	52.2	32.8%
63.0	Distribution per share (cents)	29.5	24.0	22.9%
1.7	Distribution cover (based on earnings per share)	2.2	2.2	–
797.2	Number of shares in issue (millions)	800.4	796.2	0.5%
795.3	Weighted average number of shares in issue (millions)	799.2	789.8	1.2%
Revenue				
14 208.0	Turnover	8 406.5	6 995.0	20.2%
13 227.3	Woolworths	7 810.1	6 488.9	20.4%
6 012.2	– Clothing and home	3 460.2	3 024.4	14.4%
6 941.5	– Food	4 191.3	3 329.1	25.9%
273.6	– Logistics services and other	158.6	135.4	17.1%
980.7	Country Road	596.4	506.1	17.8%
763.6	Interest	448.7	348.6	28.7%
171.4	Other revenue	115.2	71.7	60.7%
15 143.0		8 970.4	7 415.3	21.0%
Operating profit				
1 471.3	Woolworths	926.4	720.1	28.6%
19.0	Country Road	31.2	10.2	>100%
1 490.3		957.6	730.3	31.1%

statement of changes in equity

Year ended 30 June 2006		26 weeks ended December			
Rm		Ordinary shareholders' interest Rm	Minority shareholders' interest Rm	Total 2006 Rm	Total 2005 Rm
2 210.9	Shareholders' interest at the beginning of the period	2 606.3	27.9	2 634.2	2 210.9
Movements for the period:					
72.7	Issue of shares	40.8	–	40.8	48.3
(61.7)	Share repurchase	–	–	–	–
412.3	Recognised gains and losses	261.1	4.1	265.2	84.1
412.6	Distributable reserves	253.3	3.9	257.2	135.9
837.4	Profit for the period	563.6	3.6	567.2	422.3
(474.2)	Distributions to shareholders	(312.1)	–	(312.1)	(282.3)
32.2	Net fair value adjustments on financial instruments	(10.4)	0.3	(10.1)	(12.2)
18.0	Share-based payments	12.2	–	12.2	8.1
(0.8)	Acquisition of former investment	–	–	–	–
(0.3)	Non-distributable reserves	7.8	0.2	8.0	(51.8)
	Exchange differences on translation of foreign operations	–	–	–	–
2 634.2	Shareholders' interest at the end of the period	2 908.2	32.0	2 940.2	2 343.3

cash flow statement

Year ended 30 June 2006		26 weeks ended December	
Rm		2006 Rm	2005 Rm
1 072.5	Cash flow from operating activities	760.8	515.1
177.4	Cash inflow from trading	(44.3)	90.0
(882.2)	Working capital movements	(576.5)	(336.7)
367.7	Cash generated by operating activities	140.0	268.4
762.1	Interest received	448.1	348.6
(244.6)	Finance costs paid	(160.9)	(115.7)
(475.4)	Tax paid	(233.2)	(228.9)
409.8	Cash generated by operations	194.0	272.4
(474.2)	Distributions to shareholders	(312.1)	(282.3)
(64.4)	Net cash outflow from operating activities	(118.1)	(9.9)
(600.3)	Cash outflow from investing activities	(332.6)	(254.4)
	Cash flow from financing activities		
72.7	Shares issued	40.6	48.3
(61.7)	Shares repurchased	–	–
11.0	Net cash inflow from financing activities	40.6	48.3
(653.7)	Decrease in cash and cash equivalents	(410.1)	(216.0)
23.3	Cash and cash equivalents at the beginning of the period	(623.4)	23.3
7.0	Effect of foreign exchange rate changes	1.0	(7.3)
(623.4)	Cash and cash equivalents at the end of the period	(1 032.5)	(200.0)
GROUP ANALYSIS			
1 072.5	Cash inflow from trading	760.8	515.1
1 019.0	Woolworths	710.3	506.9
53.5	Country Road	50.5	8.2
637.9	Gross capital expenditure	409.3	292.7
599.8	Woolworths	383.1	258.6
38.1	Country Road	26.2	34.1

balance sheet

As at 30 June 2006		As at December 2006		2005
Rm		Rm	Rm	Rm
2 490.6	ASSETS	2 778.0		2 190.9
Non-current assets				
1 597.7	Property, plant and equipment	1 801.5		1 421.2
109.0	Investment property	109.0		72.2
–	Investments	–		2.6
249.2	Loans to customers	271.6		228.6
71.6	Participation in export partnerships	71.2		62.4
23.0	Goodwill	23.0		–
184.2	Other loans	216.1		191.7
255.9	Deferred tax	285.6		212.2
6 277.7	Current assets	7 443.0		5 808.4
841.4	Inventories	1 175.1		865.7
2 971.2	Woolworths card debtors	3 269.6		2 788.7
593.7	Credit card receivables	752.1		405.5
815.8	Accounts receivable	911.9		851.0
640.9	Loans to customers	698.4		587.8
4.5	Tax	28.8		26.9
410.2	Cash	607.1		282.8
8 768.3	Total assets	10 221.0		7 999.3
EQUITY AND LIABILITIES				
Capital and reserves				
2 634.2	Ordinary shareholders' interest	2 908.2		2 316.2
27.9	Minority shareholders' interest	32.0		27.1
2 801.0	Non-current liabilities	2 353.3		3 075.1
2 100.0	Interest bearing borrowings	1 600.0		2 400.0
420.2	Operating lease accrual	433.3		404.8
202.7	Post-retirement medical aid liability	214.3		193.2
78.1	Deferred tax	105.7		77.1
3 333.1	Current liabilities	4 927.5		2 580.9
1 604.1	Accounts payable	2 015.5		1 734.0
131.0	Provisions	138.7		105.5
264.4	Tax	334.6		258.6
1 333.6	Interest bearing borrowings	2 438.7		482.8
8 768.3	Total equity and liabilities	10 221.0		7 999.3
326.9	Net asset book value per share (cents)	363.3		290.0
GROUP ANALYSIS				
8 768.3	Total assets	10 221.0		7 999.3
8 368.1	Woolworths	9 808.0		7 610.5
400.2	Country Road	413.0		388.8
841.4	Inventories	1 175.1		865.7
707.9	Woolworths	1 054.1		711.0
133.5	Country Road	121.0		154.7
419.5	Approved commitment for capital expenditure	340.2		448.8
366.2	Woolworths	320.4		442.0
53.3	Country Road	19.8		6.8

segmental analysis

Year ended 30 June 2006		26 weeks ended December		
Rm		2006 Rm	2005 Rm	% change
Revenue				
Retail				
13 286.9	Woolworths	7 845.8	6 511.2	20.5%
993.6	Country Road	601.0	510.8	17.7%
941.4	Financial Services	570.5	430.0	32.7%
(78.9)	Intragroup	(46.9)	(36.7)	–
15 143.0	Total group	8 970.4	7 415.3	21.0%
Profit before tax				
Retail				
1 069.1	Woolworths	735.5	532.7	38.1%
14.9	Country Road	31.2	8.0	>100%
162.4	Financial Services	73.6	75.8	(2.9%)
–	Intragroup	–	–	–
1 246.4	Total group	840.3	616.5	36.3%
Return on equity				
Retail				
58.6%	Woolworths	60.9%	72.0%	–
6.2%	Country Road	25.1%	7.7%	–
11.7%	Financial Services	8.9%	10.1%	–
34.8%	Total group	37.5%	37.2%	–

notes

- Basis of preparation**
The interim financial statements comply with IAS 34 – Interim Financial Reporting. These financial statements do not contain all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group consolidated annual financial statements as at 30 June 2006.
- Significant accounting policies**
The accounting policies applied are consistent with those followed in the preparation of the consolidated annual financial statements for the year ended 30 June 2006, except for the adoption of the following IFRS, IFRIC interpretations and amendments that became effective during the current period and had no impact on the reported results:
– IFRIC 4 Determining whether an Arrangement Contains a Lease;
– IFRIC 8 Scope of IFRS 2;
– IFRIC 9 Reassessment of Embedded Derivatives;
– AC 503 Accounting for Black Economic Empowerment (BEE) Transactions;
– IAS 19 Amendment – Employee Benefits and Actuarial Gains and Losses, Group Plans and Disclosures;
– IAS 39 Amendment – The Fair Value Option; and
– IAS 39 Amendment – Financial Guarantee Contracts.
- Change in comparative period classifications**
In accordance with the recommendation by SAICA regarding the treatment of settlement discounts, the measurement of cost of sales for the period to December 2005 has been adjusted by R105.5m representing the settlement discounts received from suppliers in respect of merchandise purchases.
- Seasonality of turnover**
No material variations in the turnover of the group are expected to occur between the first and second half of the financial year.
- Exceptional item**
During the interim period to December 2006, the group disposed of property with a net book value of R27.9m. The full pre-tax profit on disposal of R54.6m is treated as an exceptional item as the transaction is non-recurring in nature and falls outside the scope of the group's operational activities.
- Tax**
The tax rate of 32.5% (2005:31.5%) is the estimated annual effective income tax rate of 28.1% plus Secondary Tax on Companies (STC) on the final dividend for the year ended 30 June 2006, paid in September 2006. STC recognised in the comparative period was lower than current STC as the final 2005 distribution was made partially from share premium. The estimated annual effective tax rate is less than the corporate tax rate of 29% mainly due to the capital gain on the disposal of property.
- Earnings per share**
The difference between earnings per share and diluted earnings per share is due to outstanding options.
- Property, plant and equipment**
During the six months ended December 2006, the group acquired assets with a cost of R409.3m (2005:R292.7m). Assets with a net book value of R19.9m (2005:R8.5m) were disposed of by the group during the same period, resulting in a profit of R1.8m (2005:R2.4m). This does not include the disposal of property referred to in note 5.
- Issue of shares**
During the six months ended December 2006, 3 139 956 (2005: 8 947 408) ordinary shares were issued in terms of the group's share incentive scheme.
- Financial instruments**
The interest rate exposure on an additional R1 000m of existing borrowings was hedged during the interim period to fix the interest rate at 8.71%. This brings the total hedged borrowings to R1 950m.
- Contingent liabilities**
The holding company provides sureties for the banking facilities and lease obligations of certain subsidiaries. In the opinion of the directors, the possibility of loss arising therefrom is remote.
- Borrowing facilities**
Unutilised banking facilities amount to R1 168.1m (2005: R1 971.4m). In terms of the articles of association, there is no limit on the group's authority to raise interest bearing debt.
- Events subsequent to balance sheet date**
The group anticipates completing a second securitised bond issue of approximately R1 000m during the first quarter of 2007.