

WOOLWORTHS LIMITED

25 August 2009

PRESS RELEASE

Woolworths to enter \$24 billion hardware sector

- Grows local independent retail hardware sector via acquisition of Danks
- Launches destination home improvement store network
- Announces JV with leading US home improvement retailer Lowe's

The Board of Woolworths Limited (Woolworths) has approved plans for the company to enter the \$24 billion plus hardware sector with a multi format strategy designed to meet the everyday home improvement needs of Australian consumers.

This fresh new home improvement offer will be based on a combination of significant local and international industry expertise; the right range representing value and choice; and a mix of convenient traditional hardware store formats and large destination home improvement stores to broaden consumer choice.

Woolworths today announces:

- A recommended takeover offer for Danks Holdings Limited (Danks), Australia's second largest hardware distributor supplying 583 Home Timber & Hardware, Thrifty-Link Hardware, and Plants Plus Garden Centre stores plus 939 independent hardware stores
- The development of a network of destination home improvement stores with a target to secure more than 150 store sites within the next five years.
- A joint venture equity agreement with leading US Home Improvement retailer Lowe's Companies Inc (Lowe's)

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Strategic rationale

Woolworths' decision to enter the hardware and home improvement sector fits with the company's overall offering which is focused on delivering value in customers' everyday needs. The existing category for home improvement in Australia is under-serviced and Woolworths believes there is a genuine opportunity to bring competition and grow the sector with an enhanced offer.

Woolworths Chief Executive Michael Luscombe said: "The Australian love of property and high levels of home ownership mean that maintaining and improving homes is an important part of everyday life. There is a real opportunity to increase the overall size of the sector and this significant new distribution and retail investment should be positive for both customers and the industry alike."

Category expansion is one of Woolworths' stated platforms for future growth. Expansion into the hardware and home improvement sector is a logical extension of Woolworths' existing retail capabilities, technology and skills. Woolworths has studied the category for a considerable period of time and believes its best-in-class supply platforms along with its global sourcing and distribution capabilities will ensure it is well placed, together with Danks and Lowe's, to grow Australia's hardware sectors.

"We're interested in adding choice to the industry and we believe we can improve the pricing, product range and experience for customers," said Mr Luscombe. "At the moment, the sector is dominated by one major big box player, so there is a real opportunity for increased competition in that part of the sector."

"Woolworths is keen to grow the overall home improvement category in Australia and this means significant innovation, investment and opportunity in both distribution and retail. We want to create a fresh new offer in destination home improvement and also give customers a better deal in their local hardware store by working with Danks to grow and improve hardware distribution to the independent retailers. Our entry into these two points in the value chain will be supported by our joint venture with Lowe's."

Through successful category expansion in the past, Woolworths is now proudly represented in consumer electronics, liquor, and hotels and has also entered financial services with the Woolworths Everyday Money credit card. The opportunity to grow the business by entering new categories benefits Woolworths shareholders by diversifying revenue streams and providing access to a new demographic of customers through which to grow the business and enhance shareholder value.

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Takeover offer for Danks

Woolworths/Lowe's have offered \$13.50 per share (representing total equity consideration of \$87.6 million), plus approved final Danks declared dividend of \$0.53 per share to acquire all the ordinary shares of Danks, Australia's second largest hardware distributor.

The Danks Board has unanimously recommended that its shareholders accept the offer. "The acquisition of Danks gives us immediate capacity and capability and fits with our overall aim of serving our customers' everyday needs," Mr Luscombe said.

"Danks is a profitable, well run business that provides competition and choice in the independent hardware sector at both a retail and trade level. Danks is the ideal partner for Woolworths and we believe the combination of industry expertise on the Danks side, with Woolworths' access to capital and supply chain systems, will significantly benefit the independent retailers and their offer.

"The Danks management team, lead by Graeme Danks, has a wealth of knowledge and experience that is unparalleled in the industry," said Mr Luscombe. "Retaining Graeme and the skills and expertise of his team is very important to us. The vision that Woolworths and Danks have for hardware retailing and distribution is very much aligned."

"The continued growth and success of the independent retailers will be fundamental to Woolworths' success and we have strong plans to improve the competitiveness of the local hardware stores."

Danks is a successful distributor to more than 1500 independent retailers, of whom 583 are branded either Home Timber & Hardware (205), Thrifty Link (312) or Plants Plus Garden Centres (66). Woolworths believes there is a clear opportunity to grow the distribution business and deliver greater efficiencies to independent retailers. Supporting independent retailers will continue to be a key priority for Danks.

The acquisition of Danks will have a positive EBIT and EPS contribution from day one and gives Woolworths immediate capacity and capability to operate and grow its hardware business at a distributor and retail level. Woolworths believes there will be significant synergies between the businesses.

The Offer is subject to a number of conditions. Details of the Conditions and the Exclusivity arrangements are covered in the Annexure to this Announcement.

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Acquisition of greenfield sites

Woolworths has a target to secure in excess of 150 store sites within the next five years. The company has secured entitlement to 12 sites and is currently in final negotiations to secure a further 15 sites for greenfield development nationally for potential destination home improvement stores of more than 10,000sqm.

The construction, roll-out and staffing of a significant new store network will ultimately involve extensive investment in local Australian communities and thousands of new jobs created across the country. Woolworths expects to open its first destination home improvement store in late 2011.

“Woolworths is investing in this growth opportunity despite the current economic climate because we feel confident about the future of the Australian economy. As consumer confidence returns, we look forward to playing an important role in the hardware industry to benefit customers with increased choice.”

Joint venture agreement with Lowe’s

Woolworths has today entered into a joint venture agreement with one of the world’s leading home improvement retailers, Lowe’s. Under the terms of this agreement, Woolworths and Lowe’s will work together to share best practice and create a leading home improvement business in Australia. As part of this arrangement, Lowe’s will own a one-third share of the new home improvement business and will contribute capital accordingly.

“This is yet another example of Woolworths’ partnership approach,” said Mr Luscombe. “We have a track record of working with others, particularly as we have moved into new categories.

“We’re very pleased to be working with Lowe’s, a leading global retailer in home improvement, and very proud of the unique and collaborative agreement we have put in place.”

The Woolworths Board and Management Team have allocated significant funding and resources to develop the opportunities in the destination home improvement sector in the context of Woolworths’ overall growth strategy.

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For further information on the recommended takeover offer for Danks, please refer to the Danks ASX release lodged this morning.

<http://www.asx.com.au/asx/research/companyInfo.do?by=asxCode&asxCode=DKS>

For further information on the consulting and joint venture agreement with Lowe's, please refer to the Lowe's NYSE release.

<http://www.nyse.com/about/listed/low.html>

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Annexure 1 – Conditions and Exclusivity

Woolworths and Danks have entered into an Implementation Deed under which Danks has agreed to pay a break fee to the joint venture bid vehicle, Carboxy Pty Ltd (Carboxy), of \$870,000 in certain circumstances. Woolworths and Danks have also signed an Exclusivity Deed, under which Danks has committed not to solicit alternative transactions to the Offer.

Under the Implementation Deed, Woolworths has undertaken to use its best endeavours to prepare and provide to the ACCC by 1 September 2009 information to assist the ACCC to undertake a review of the proposed acquisition of Danks and thereafter to take necessary and appropriate steps to assist the ACCC to undertake its review. Woolworths has also undertaken to use its best endeavours to prepare and file an application with the Foreign Investment Review Board by 1 September 2009 for a notice from the Treasurer or his delegate stating that the Commonwealth Government does not object to the acquisition of Danks and thereafter to take all necessary and appropriate steps to obtain that notice.

Carboxy has agreed with Danks to send the Bidder's Statement and Offer (with a 6 week offer period, subject to extension in accordance with the Corporations Act) to Danks' shareholders in accordance with the Corporations Act and to use its best endeavours to do so as soon as reasonably practicable after the Bidder's Statement is lodged with ASIC. Carboxy has agreed to use its best endeavours to lodge the Bidder's Statement with ASIC by 1 September 2009.

Conditions

The Offer will be subject to conditions substantially as set out below.

1. **90% minimum acceptance**

At the end of the Offer Period, Bidder and its Associates together have a Relevant Interest in at least 90% of the Danks shares on issue.

2. **No action by a Public Authority adversely affecting the Offer**

Between the Announcement Date and the end of the Offer Period:

- a) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
- b) no application is made to any Public Authority (other than by a member of the Woolworths Group), and no action or investigation is announced, threatened or commenced by a Public Authority,

in consequence of, or in connection with, the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which:

- c) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of Bidder in respect of Danks and the Danks shares to be acquired under the Offer; or
- d) requires divestiture by Bidder of any Danks shares, or the divestiture of any assets of the Danks Group, the Woolworths Group or otherwise.

3. **Prescribed Occurrences**

Before the end of the Offer Period, no Prescribed Occurrence occurs.

4. **No material transactions or changes**

Except as disclosed in any public announcement by Danks delivered to ASX prior to the Announcement Date, no member of the Danks Group has between the Announcement Date and the end of the Offer Period:

- a) issued or agreed to issue, or authorised or proposed the issue of, any equity, debt or hybrid security (including any security convertible into shares of any class) or rights, warrants, performance rights or options to subscribe for or acquire any such securities;
- b) recommended, declared, paid or made, or resolved to recommend, declare, pay or make any bonus, dividend or other distribution whether payable in cash, in specie or otherwise, other than the Final Dividend;
- c) issued or agreed to issue any debentures, or except in the ordinary course of business incurred or increased any indebtedness for a material amount in aggregate;
- d) implemented or entered into any scheme or arrangement or compromise (including one for a reconstruction or amalgamation of any members of the Danks Group), or a deed of company arrangement, or any analogous procedure, scheme or arrangement in any jurisdiction other than in the context of a Superior Proposal;
- e) entered into or renewed (in either case, other than in the ordinary course of business) or materially changed the terms of any Membership Agreement or made any representations inconsistent with, or not provided for by, the terms as at the Announcement Date of any Membership Agreement;
- f) publicly disclosed the existence of any matter described in paragraphs (a) to (e) above; or
- g) entered into any contract, commitment, arrangement or agreement, passed any resolution or made any offer (which remains open for acceptance) with respect to, or publicly announced an intention to, or proposal to, do anything described in paragraphs (a) to (e) above.

5. **Third party consents**

If any member of the Danks Group is a party to, is bound by, or is subject to, a material agreement, arrangement or understanding (other than any agreement, arrangement or understanding disclosed, or referred to, in the Due Diligence Material including but not limited to leases of real property, information technology contracts and Membership Agreements) that the Danks Board is aware of, or should have been aware of, which as a result of the acquisition of Danks shares by Bidder under the Offer or a change in control of Danks as a result of the Offer entitles a Third Party to exercise any rights (including termination rights or pre-emptive rights), and the exercise of those rights would have a material adverse impact on the business, assets, liabilities, financial or trading position, profitability or prospects of the Danks Group (taken as a whole), then before the end of the Offer Period the Third Party:

- a) does not exercise, purport to exercise, or state an intention or claim a right to exercise, those rights; and
- b) gives its unconditional and irrevocable consent to the acquisition of Danks shares by Bidder or otherwise waives unconditionally and irrevocably its entitlement to exercise rights as referred to above.

6. **Foreign Investment Review Board**

Before the end of the Offer Period:

- a) the Treasurer of the Commonwealth of Australia or a delegate of the Treasurer of the Commonwealth of Australia issues a notice stating that the Commonwealth Government does not object to the potential acquisition by Bidder of up to 100% of the shares in Danks and such notice is not subject to any conditions;
- b) the period provided under the FATA during which the Treasurer of the Commonwealth of Australia may make an order under section 18(2) of the FATA or an interim order under section 22 of the FATA in relation to the acquisition by Bidder of the shares in Danks expires without such an order being made; or
- c) if an interim order under section 22 of the FATA is made, the subsequent period for making a final order prohibiting the acquisition by Bidder of the shares in Danks lapses without a final order being made.

Dictionary

Announcement Date means 25 August 2009.

ASIC means the Australian Securities and Investments Commission.

Associate has the same meaning as given to that term for the purposes of Chapter 6 of the Corporations Act (as modified by ASIC from time to time).

ASX means ASX Limited ACN 008 624 691 or the securities market operated by ASX Limited ABN 98 008 624 691, as the context requires.

Bidder means Carboxy Pty Limited ACN 138 990 584.

Corporations Act means the Corporations Act 2001 (Cth).

Danks means Danks Holdings Limited ABN 81 004 295 532.

Danks Group means Danks and its Subsidiaries.

FATA means the Foreign Acquisitions and Takeovers Act 1975 (Cth).

Final Dividend means a dividend in respect of Danks shares of no more than 53 cents per Danks share.

Membership Agreement means an agreement between any member of the Danks Group and a Third Party pursuant to which a member of the Danks Group licences or otherwise provides to that Third Party the right to use any brand of the Danks Group including "Home Timber & Hardware", "Thrifty-Link Hardware" and "Plants Plus Garden Centres".

Offer means the offer to be made by Bidder to acquire all the ordinary shares in Danks.

Offer Period means the period during which the Offer will remain open for acceptance.

Prescribed Occurrence means any of the following events:

- a) Danks converts all or any of its shares into a larger or smaller number of shares;
- b) Danks or a Subsidiary of Danks resolves to reduce its capital in any way;
- c) Danks or a Subsidiary of Danks:

- I. enters into a buy-back agreement; or
 - II. resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act;
- d) Danks or a Subsidiary of Danks issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - e) Danks or a Subsidiary of Danks issues, or agrees to issue, convertible notes;
 - f) Danks or a Subsidiary of Danks disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - g) Danks or a Subsidiary of Danks charges, or agrees to charge the whole, or a substantial part, of its business or property;
 - h) Danks or a Subsidiary of Danks resolves to be wound up;
 - i) a liquidator or provisional liquidator of Danks or of a Subsidiary of Danks is appointed;
 - j) a court makes an order for the winding up of Danks or of a Subsidiary of Danks;
 - k) an administrator of Danks or of a Subsidiary of Danks is appointed under section 436A, 436B or 436C of the Corporations Act;
 - l) Danks or a Subsidiary of Danks executes a deed of company arrangement; or
 - m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Danks or of a Subsidiary of Danks.

Public Authority means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity and includes ASIC and ASX.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Subsidiary has the meaning given to that term in section 9 of the Corporations Act.

Third Party means a person other than a member of the Woolworths Group.

Woolworths means Woolworths Limited ABN 88 000 014 675.

Woolworths Group means Woolworths and its Subsidiaries.