



Information Memorandum

Endeavour Group Limited

ABN 77 159 767 843

Dated: 21 June 2021

For personal use only

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A	Demerger Booklet
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1. **PURPOSE OF INFORMATION MEMORANDUM**

This Information Memorandum has been prepared by Endeavour Group Limited ABN 77 159 767 843 (**Endeavour**) in connection with its application for:

- (a) admission to the official list of the Australian Securities Exchange (**ASX**); and
- (b) fully paid ordinary shares in the capital of Endeavour (**Endeavour Shares**) to be granted official quotation on the securities exchange operated by ASX.

This document is not a disclosure document lodged with the Australian Securities and Investments Commission (**ASIC**) under the *Corporations Act 2001* (Cth) (**Corporations Act**). This document does not constitute or contain any offer of Endeavour Shares for issue or any invitation to apply for the issue of Endeavour Shares. Neither ASX nor any of its officers takes any responsibility for the contents of this Information Memorandum.

2. **INCORPORATION OF DEMERGER BOOKLET**

The following parts of the demerger booklet prepared by Woolworths Group Limited ABN 88 000 014 675 (**Woolworths**) dated on or about 10 May 2021 in connection with the proposed demerger of Endeavour (**Demerger Booklet**), a copy of which is included as Annexure A to this Information Memorandum, are taken to be included in this Information Memorandum:

- (a) Important Notices, to the extent it is relevant to Endeavour;
- (b) Completing the Endeavour Transformation, to the extent it relates to Endeavour;
- (c) Section 1 (Overview of the Demerger, Advantages, Disadvantages, Risks and Other Relevant Considerations) to the extent it relates to Endeavour;
- (d) Section 2 (Woolworths Board Recommendation and Views of the Independent Expert) to the extent it relates to Endeavour;
- (e) Section 3 (Information on Endeavour Group);
- (f) Section 5 (Details of the Demerger) to the extent it relates to Endeavour;
- (g) Section 6 (Taxation Implications for Shareholders) to the extent it relates to Endeavour;
- (h) The following sub-sections of Section 7:
 - (i) Section 7.3 (Summary of Rights and Liabilities Attaching to Endeavour Shares and Other Material Provisions Of the Endeavour Constitution);
 - (ii) Section 7.5 (Regulatory Relief, Confirmation and Waivers) to the extent it relates to Endeavour;
 - (iii) Section 7.6 (Sanction Restrictions);
 - (iv) Section 7.7 (Consents and Disclaimers);
 - (v) Section 7.8 (Interests of Advisors);
 - (vi) Section 7.9 (The Transformation Arrangements);
 - (vii) Section 7.10 (Partnership Agreements);

- (viii) Section 7.11 (Deed of Cross Guarantee);
 - (ix) Section 7.13 (Trading on a Conditional and Deferred Settlement Basis);
 - (x) Section 7.14 (No Other Material Information); and
 - (xi) Section 7.15 (Supplementary Disclosure);
- (i) Section 8 (Glossary);
 - (j) Annexure A (Concise Independent Expert's Report) to the extent it relates to Endeavour;
 - (k) Annexure B (Independent Accountant's Report) to the extent it relates to Endeavour; and
 - (l) Annexure C (Endeavour Board and Governance Overview).

Words defined in the Demerger Booklet have the same meaning where used in this Information Memorandum (unless the context otherwise requires).

3. SUPPLEMENTARY INFORMATION

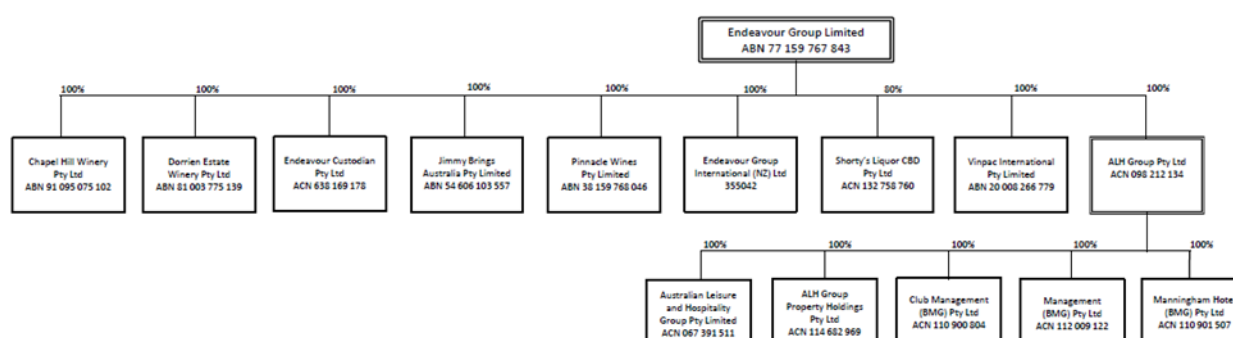
3.1 Adoption of retail calendar year

The board of Endeavour anticipates that Endeavour will adopt a retail calendar year for its financial year following implementation of the Demerger. Accordingly:

- (a) the 2021 financial year for Endeavour will end on Sunday, 27 June 2021;
- (b) the 2022 financial half-year for Endeavour will end on Sunday, 2 January 2022; and
- (c) the 2022 financial year for Endeavour will end on Sunday, 26 June 2022.

3.2 Corporate structure

The following diagram shows the corporate structure of the Endeavour Group as at the date of this Information Memorandum:



The structure diagram depicts the Endeavour Group entities that are material to the operation of the Endeavour Group. There are also other Endeavour Group entities which are not included in this structure diagram as they are no longer material to the operations of the Endeavour Group and in respect of which the Endeavour Group proposes to commence deregistration proceedings prior to or following the Demerger.

The table below summarises key details, including the nature of the business, for each of the entities illustrated in the above diagram as at the date of this Information Memorandum.

Company	Place of incorporation	Nature of business
Endeavour Group Limited (ABN 77 159 767 843)	Victoria, Australia	Group holding company and operating entity for BWS and Dan Murphy's businesses
Chapel Hill Winery Pty Ltd (ABN 91 095 075 102)	Victoria, Australia	Operating entity for Chapel Hill Winery
Dorrien Estate Winery Pty Ltd (ABN 81 003 775 139)	New South Wales, Australia	Operating entity for Paragon brands
Endeavour Custodian Pty Ltd (ACN 638 169 178)	Victoria, Australia	Trustee of the Endeavour Group Employee Equity Incentive Plan Trust
Jimmy Brings Australia Pty Limited (ABN 54 606 103 557)	New South Wales, Australia	Operating entity for Jimmy Brings business
Pinnacle Wines Pty Limited (ABN 38 159 768 046)	Victoria, Australia	Operating entity for Pinnacle Wines business
Endeavour Group International (NZ) Limited (355042)	New Zealand	Operating entity for New Zealand business
Shorty's Liquor CBD Pty Ltd (ACN 132 758 760)	New South Wales, Australia	Operating entity for Shorty's Liquor business
Vinpac International Pty Limited (ABN 20 008 266 779)	South Australia, Australia	Operating entity for Vinpac business
ALH Group Pty Ltd (ACN 098 212 134)	Victoria, Australia	Holding company for ALH Group
Australian Leisure and Hospitality Group Pty Limited (ACN 067 391 511)	Victoria, Australia	Operating entity for the ALH Group
ALH Group Property Holdings Pty Ltd (ACN 114 682 969)	Victoria, Australia	Property holding company / provider of property services to the ALH Group
Club Management (BMG) Pty Ltd (ACN 110 900 804)	Victoria, Australia	Provider of club management services to the ALH Group
Management (BMG) Pty Ltd (ACN 112 009 122)	Victoria, Australia	Provider of management services to the ALH Group
Manningham Hotel (BMG) Pty Ltd (ACN 110 901 507)	Victoria, Australia	Property holding company / provider of property services to the ALH Group

Further details about the entities listed above and their contribution to the business of the Endeavour Group are outlined in Section 3.4 of the Demerger Booklet.

4. **ASX LISTING**

As at the date of this Information Memorandum, Endeavour believes that this Information Memorandum contains all the information which would have been required under section 710 of the Corporations Act if the Information Memorandum were a prospectus in respect of an offering by Endeavour of the same number of Endeavour Shares as will be issued pursuant to the Demerger and for which quotation on ASX will be sought.

An application has been made to ASX on or about the date of this Information Memorandum for Endeavour to be admitted to the official list of ASX and for Endeavour Shares to be granted official quotation on the securities exchange operated by ASX.

Neither ASIC nor ASX accepts responsibility for any statement in this Information Memorandum. The fact that ASX may admit Endeavour to the official list of ASX is not to be taken in any way as an indication of the merits of Endeavour.

5. **CAPITAL RAISINGS**

Endeavour has not raised any capital for the three months before the date of this Information Memorandum and, as at the date of this Information Memorandum, the board of Endeavour does not anticipate the need to raise any capital for three months after the date of this Information Memorandum. However, Endeavour may, if the Demerger proceeds, issue Endeavour Shares or other securities to officers and employees in the three months after the date of this Information Memorandum or in the period thereafter, including under its Creating Together one-off share award established for eligible employees, and its proposed ongoing employee incentive schemes as described in Annexure C.3(g) of the Demerger Booklet.

6. **SUPPLEMENTARY INFORMATION MEMORANDUM**

Endeavour will issue a supplementary information memorandum (**Supplementary Information Memorandum**) if it becomes aware of any of the following between the date of this Information Memorandum and the date on which Endeavour Shares are quoted:

- (a) a material statement in this Information Memorandum is misleading or deceptive;
- (b) there is a material omission from this Information Memorandum;
- (c) there has been a significant change affecting a matter included in this Information Memorandum; or
- (d) a significant new circumstance has arisen and it would have been required to be included in this Information Memorandum if it had arisen prior to the date of this Information Memorandum.

7. **DISCLOSURE OF INTERESTS**

7.1 **Directors**

Other than as set out in the Demerger Booklet, no director or proposed director of Endeavour or any entity in which any such director or proposed director is a member or partner has at the date of this Information Memorandum, or within two years before the date of this Information Memorandum had, any interests in the promotion of Endeavour or in any property acquired or proposed to be acquired by Endeavour and no amounts, whether in cash or securities or otherwise, have been paid or agreed to be paid by any person to any director or proposed director or to any entity in which a director or proposed director is

a member or partner, either to induce them to become, or to qualify them as, a director, or otherwise for services rendered by them or by the entity in connection with the promotion or formation of Endeavour.

7.2 **Experts**

Other than as set out in the Demerger Booklet, no expert named in the Demerger Booklet or entity in which any such expert is a member or partner has any interest in the promotion of Endeavour or in any property acquired or proposed to be acquired by Endeavour and no amounts, whether in cash or securities or otherwise, have been paid or agreed to be paid by any person to any such expert or to any entity in which any such expert is a member or partner for services rendered by him or her or the entity in connection with the promotion or formation of Endeavour.

8. **STATEMENT FROM DIRECTORS**

Each director of Endeavour believes that Endeavour has enough working capital to carry out its stated objectives.

9. **CONSENTS**

Each of the parties named in this section as consenting parties:

- (a) has given and has not, before the date of this Information Memorandum, withdrawn its consent to be named in this Information Memorandum in the form and context in which it is named;
- (b) has given and has not, before the date of this Information Memorandum, withdrawn its written consent to the inclusion of its respective statements and reports (where applicable) noted next to its name below, and the references to those statements and reports in the form and context in which they are included in this Information Memorandum;
- (c) does not make, or purport to make, any statement in this Information Memorandum other than those statements referred to below in respect of that person's name (and as consented to by that person);
- (d) has not caused or authorised the issue of this Information Memorandum; and
- (e) to the extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Information Memorandum.

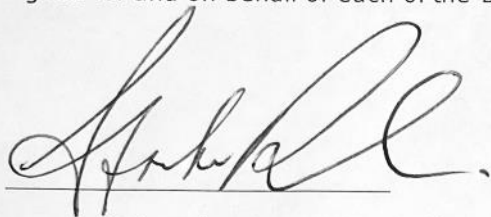
Role	Consenting parties	Relevant statement or report
Auditor	Deloitte Touche Tohmatsu	N/A
Legal and Tax advisor	Ashurst	N/A
Financial advisors	Citigroup Global Markets Australia Pty Limited Jarden Australia Pty Ltd	N/A
Independent Accountant	Deloitte Corporate Finance Pty Limited	Annexure B (Independent Accountant's Report) of the Demerger Booklet to the extent it relates to Endeavour

Independent Expert	Grant Samuel & Associates Pty Limited	Annexure A (Concise Independent Expert's Report) of the Demerger Booklet to the extent it relates to Endeavour
Industry research consultant	Frost & Sullivan Australia Pty Limited	N/A
Share Registry	Link Market Services Limited	N/A

Authorisation

The Directors of Endeavour Group Limited have unanimously given (and not withdrawn) their consent to lodgement of this Information Memorandum with ASX.

Signed for and on behalf of each of the Directors of Endeavour Group Limited.

A handwritten signature in black ink, appearing to read 'Stephen Donohue', written over a horizontal line.

Name: STEPHEN DONOHUE

Title: MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

Endeavour Group Limited

Dated 21 June 2021

ANNEXURE A

Demerger Booklet

Demerger Booklet

For the Demerger of Endeavour Group



The Woolworths Directors unanimously recommend you **VOTE IN FAVOUR** of the Meeting Resolutions to be considered at the General Meeting. The Independent Expert has concluded that the Demerger is in the best interests of Woolworths Shareholders.

This is an important document and requires your immediate attention. You should read the document in its entirety before deciding how to vote. If you are in doubt as to what you should do, you should consult an independent and appropriately licensed professional advisor without delay.

Shareholders can also call the Woolworths Share Registry on 1300 420 545 (within Australia) or +61 1300 420 545 (outside Australia) on Business Days between 8:30am and 7:30pm (AEST) Monday to Friday.

Woolworths Group Limited | ABN 88 000 014 675

Important notices

Purpose of this Demerger Booklet

The purpose of this Demerger Booklet is to provide Shareholders with information concerning their decision whether or not to vote in favour of the Meeting Resolutions to be considered at the General Meeting.

Preparation and responsibility for information

Other than as described below, the information in this Demerger Booklet has been prepared by, and is the responsibility of, Woolworths.

Grant Samuel & Associates Pty Limited (Grant Samuel) has prepared the Independent Expert's Report and the Concise Independent Expert's Report which is set out in [Annexure A](#) to this Demerger Booklet. Grant Samuel takes responsibility for the Independent Expert's Report (including the concise version contained in [Annexure A](#)) and has stated that the Concise Independent Expert's Report includes all material information contained in the full report. A copy of the full version of the Independent Expert's Report may be obtained by calling the Woolworths Share Registry on 1300 420 545 (within Australia) or +61 1300 420 545 (outside Australia) on Business Days between 8:30am and 7:30pm (AEST) Monday to Friday or from Woolworths' website (www.woolworthsgroup.com.au).

Deloitte Corporate Finance Pty Limited has prepared the Independent Accountant's Report and takes responsibility for that report. A copy of that report is set out in [Annexure B](#) to this Demerger Booklet.

Woolworths and Endeavour have agreed in the Demerger Deed that any liability incurred by either of them in relation to this Demerger Booklet is to be apportioned in the manner described in the summary of the material terms of the Demerger Deed in [Section 7.9\(d\)](#), including that for this purpose Woolworths will be considered responsible for any conduct, or any failure to engage in conduct, by Endeavour Group prior to the Separation Date.

Regulatory authorities

A copy of this Demerger Booklet has been lodged with ASIC in accordance with section 256C(5) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Demerger Booklet.

Endeavour will apply for admission to the Official List and for official quotation of Endeavour Shares on the ASX.

Neither the ASX nor any of its officers takes any responsibility for the contents of this Demerger Booklet. The fact that the ASX may admit Endeavour to the Official List should not be taken in any way as an indication of the merits of an investment in Endeavour.

This document is not a prospectus lodged under Chapter 6D of the Corporations Act.

Foreign jurisdictions and Shareholders

Shareholders who are Ineligible Shareholders will not receive Endeavour Shares under the Demerger. Endeavour Shares that would otherwise be transferred to these shareholders under the Demerger will be transferred to the Sale Agent to be sold, with the proceeds of such sale to be paid to Ineligible Shareholders (free of any brokerage costs or stamp duty, but after deducting any applicable withholding tax). Refer to [Section 5.4](#) for further information.

Shareholders who reside outside Australia for tax purposes should seek specific tax advice in relation to the Australian and overseas tax implications of the Demerger.

This Demerger Booklet does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer. No action has been taken to register or qualify the Endeavour Shares or otherwise permit a public offering of Endeavour Shares in any jurisdiction outside Australia.

Based on the information available to Woolworths as at the date of this Demerger Booklet, Shareholders whose addresses are shown in the register on the Demerger Record Date as being in the following jurisdictions will be entitled to have Endeavour Shares transferred to them under the Demerger:

- Australia and its external territories, Canada, Hong Kong, Malaysia, New Zealand, Singapore, the United Kingdom or the United States; or
- any other jurisdiction in which Woolworths reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and to transfer Endeavour Shares to the Shareholder.

Nominees, custodians and other Shareholders who hold Woolworths Shares on behalf of a beneficial owner resident outside Australia and its external territories, Canada, Hong Kong, Malaysia, New Zealand, Singapore, the United Kingdom or the United States may not forward this Demerger Booklet (or any accompanying document) to anyone outside these countries without the consent of Woolworths.

Financial information

All references to "F" appearing in this Demerger Booklet relate to the full financial year period of the relevant entity ending in the applicable year, unless otherwise indicated (e.g. F20 relates to the 52 week period to 28 June 2020). All references to "H" appearing in this Demerger Booklet are to the relevant half of the financial year, unless otherwise indicated (e.g. H1 F21 relates to the 27 week period to 3 January 2021).

All financial amounts contained in this Demerger Booklet are expressed in Australian currency unless otherwise stated.

[Sections 3.13](#) and [4.6](#) set out in detail the Financial Information referred to in this Demerger Booklet. The Financial Information has been prepared and presented in accordance with the basis of preparation as set out in those sections.

The Financial Information has, except as otherwise noted, been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (AAS), although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements and comparative information required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act. Unless otherwise stated or implied, all pro forma financial information in this Demerger Booklet gives effect to the pro forma adjustments referred to in [Sections 3.13](#) and [4.6](#) (and no other adjustments). The pro forma financial information in this Demerger Booklet has been prepared on the basis of the estimates and assumptions set out in [Sections 3.13](#) and [4.6](#).

Shareholders should be aware that certain financial data included in this Demerger Booklet is "non-IFRS financial information" under Regulatory Guide 230 *Disclosing non-IFRS financial information* published by ASIC (e.g. EBIT and EBITDA). Woolworths believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of Woolworths Group (Post Demerger) and Endeavour Group. The non-IFRS financial information does not have standardised meanings prescribed by AAS and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should it be construed as an alternative to other financial information determined in accordance with AAS. Shareholders are cautioned, therefore, not to place undue reliance on any non-IFRS financial information included in this Demerger Booklet.

Statements of past performance

This Demerger Booklet includes information regarding the past performance of Woolworths Group and Endeavour Group. Shareholders should be aware that past performance should not be relied upon as being indicative of future performance.

No investment advice

This Demerger Booklet has been prepared without reference to the particular needs, objectives and financial circumstances of any Shareholder or any other person. The information and recommendations contained in this Demerger Booklet do not constitute, and should not be taken as, financial product advice. Before making any investment decision, you should carefully consider whether that decision is appropriate in light of your own particular investment needs, objectives and financial circumstances. The Woolworths Board and the Endeavour Board encourage you to consult an independent and appropriately licensed professional advisor before making any investment decision and any decision as to whether or not to vote in favour of the Meeting Resolutions to be considered at the General Meeting.

Forward-looking statements

This Demerger Booklet contains forward-looking statements which are statements that may be identified by words such as "may", "could", "believes", "considers", "estimates", "expects", "intends", "approximately", "circa" and other similar words that involve risks and uncertainties. Certain statements, beliefs and opinions contained in this Demerger Booklet, particularly those regarding the possible or assumed future financial or other performance of Woolworths Group or Endeavour Group, industry growth or other trend projections, are or may be forward-looking statements. These statements are based on an assessment, taken as at the date of this Demerger Booklet, of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Woolworths and the Woolworths Directors, and Endeavour and the Endeavour

Directors. The forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, [Sections 3.13 and 4.6](#) and other information in this Demerger Booklet. None of Woolworths, the Woolworths Directors, Endeavour or the Endeavour Directors can give and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Demerger Booklet will actually occur, and Shareholders are cautioned not to place undue reliance on these forward-looking statements. Woolworths and Endeavour have no intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Demerger Booklet, other than to the extent required by law.

Industry Data

This Demerger Booklet (and in particular [Sections 3.1, 3.2 and 3.3](#)) contains data relating to the retail liquor and hospitality industries in which Endeavour Group operates. Such data includes, but is not limited to, estimates, including forward-looking statements, relating to market share, market growth and industry positions (Industry Data).

Where indicated, that Industry Data has been based on an independent market report commissioned by Woolworths prepared by Frost & Sullivan Australia Pty Limited (Frost & Sullivan), an industry research consulting company that is experienced in producing reports on Industry Data of this kind. Frost & Sullivan has advised Woolworths that in preparing estimates of Industry Data, it has had regard to published data sources from government statistics, journals, articles, analyst reports and company reports and presentations. The Industry Data prepared by Frost & Sullivan has not been independently verified by Woolworths or Endeavour and no assurance is given as to its accuracy or the accuracy of the underlying assumptions used to estimate such Industry Data. Estimates of Industry Data and forward-looking statements concerning Industry Data involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors in [Section 3.14](#).

Retail liquor sales by liquor outlets attached to hotels (e.g. attached bottle shops) are included in the hospitality Industry Data as well as being included in the retail liquor Industry Data.

Estimates and effect of rounding

This Demerger Booklet contains various references to estimates (e.g. the estimate of implementation costs in [Section 1.4\(a\)](#) and various amounts in [Sections 3.13 and 4.6](#)). Those estimates are forward-looking statements where the actual outcomes may be different from the estimates and the differences may be material. A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Demerger Booklet are subject to the effect of rounding. Accordingly, these figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Demerger Booklet. Any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts, are due to rounding.

Timetable and dates

All times and dates referred to in this Demerger Booklet are references to AEST, unless otherwise indicated. All times and dates relating to the implementation of the Demerger referred to in this Demerger Booklet may change and, among other things, are subject to all necessary approvals from regulatory authorities.

Interpretation

Capitalised terms and certain abbreviations used in this Demerger Booklet have the defined meanings set out in the [Glossary](#) contained in [Section 8](#).

Use of logos

Where logos and company names are used in this Demerger Booklet, the logos and company names are trade marks of their respective holders, owners or registered proprietors (Trade Mark Owners). Except as otherwise expressed in this Demerger Booklet, use of these logos and company names in the Demerger Booklet does not imply any affiliation with or endorsement by the relevant Trade Mark Owner. Other than Woolworths, no Trade Mark Owner has authorised or caused the issue of this Demerger Booklet, nor has any Trade Mark Owner made any statement in this Demerger Booklet. Accordingly, no Trade Mark Owner other than Woolworths makes any representation regarding, nor takes any responsibility for, any statements or materials in, or omissions from, this Demerger Booklet.

Privacy and personal information

Woolworths and Endeavour and their respective share registries may collect personal information in the process of implementing the Demerger and in relation to shareholdings arising from the Demerger.

The personal information may include the names, addresses, contact details and security holdings of Shareholders and persons who become shareholders of Endeavour, and the names of persons appointed by Shareholders as proxies, attorneys or body corporate representatives at the General Meeting. The collection of some of this personal information is required or authorised by the Corporations Act.

The primary purposes of collecting this personal information is to assist in the conduct of the General Meeting, to enable the Demerger to be implemented in the manner described in this Demerger Booklet and to administer the shareholdings arising from the Demerger. The personal information (other than that which are not permitted to be disclosed such as the tax file numbers of Shareholders) may be disclosed to Woolworths' and Endeavour's share registries, print and mail service providers, authorised securities brokers and any other service providers and advisors engaged by Woolworths or Endeavour for this purpose. Some of these recipients may be located in overseas countries.

If the information outlined above is not collected, Woolworths and Endeavour may be hindered in, or prevented from, conducting the General Meeting and implementing the Demerger, and implementing and administering the shareholdings arising from the Demerger.

Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact the Woolworths Share Registry, Link Market Services Limited, on 1300 420 545 (within Australia) or +61 1300 420 545 (outside Australia) on Business Days between 8:30am and 7:30pm (AEST) Monday to Friday in the first instance, if they wish to request access to that personal information.

Shareholders who appoint an individual as their proxy, attorney or body corporate representative to vote at the General Meeting should inform such individual of the matters outlined above.

External websites

Unless expressly stated otherwise, the content of any Woolworths Group or Endeavour Group website (including www.woolworthsgroup.com.au, www.woolworths.com.au, www.countdown.co.nz, www.woolworthsnz.co.nz, www.bigw.com.au, www.primaryconnect.com.au, www.primaryconnect.co.nz, www.cartology.com.au, www.summergate.com, www.endeavourgroup.com.au, www.edgpartners.com.au, www.danmurphys.com.au, www.bws.com.au, www.cellarmasters.com.au, www.langtons.com.au, www.pinnacletravels.com.au, www.jimmybrings.com.au, www.shortysliquor.com.au, www.dorrienestate.com.au, www.isabelestate.co.nz, www.krondorfwines.com.au, www.chapelhillwine.com.au, www.riddochwine.com.au, www.oakridgewines.com.au, www.vinpac.com.au, www.endeavourdelivery.com.au, www.endeavourmarketplace.com.au, www.vipackaging.com.au, www.prowine.com.au, www.alhgroup.com.au, www.nightcaphotels.com.au, and www.montysrewards.com.au) does not form part of this Demerger Booklet and Shareholders and persons who may become shareholders of Endeavour should not rely on any such content.

Further information

Any Shareholder requiring assistance in understanding the matters raised in this Demerger Booklet or concerning their decision whether or not to vote in favour of the Meeting Resolutions to be considered at the General Meeting should call the Woolworths Share Registry on 1300 420 545 (within Australia) or +61 1300 420 545 (outside Australia) on Business Days between 8:30am and 7:30pm (AEST) Monday to Friday.

The Woolworths Share Registry will not provide advice on the merits of the Demerger nor give any financial, legal or taxation advice. If you are in doubt as to what you should do, you should consult an independent and appropriately licensed professional advisor without delay.

Any information provided through the Woolworths Share Registry will not override the contents of this Demerger Booklet.

References in this Demerger Booklet to the Endeavour Board or to Endeavour Directors means the board of directors of Endeavour immediately following the Separation Date (or from the time following the Separation Date). It is intended that the board of directors of Endeavour will be reconstituted prior to the Separation Date to reflect the board composition set out in [Section 3.8](#). References in this Demerger Booklet to strategies or policies to be applied by Endeavour following the Demerger reflect the views and intentions of the intended directors of Endeavour from the Separation Date and Endeavour senior management.

Date of this Demerger Booklet

This Demerger Booklet is dated 10 May 2021. Unless otherwise indicated, all information included in this Demerger Booklet (including views, recommendations and statements of intention) is current as at that date. All references to number of stores or venues, and associated information, is as at 3 January 2021.



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Chairman's letter

Dear fellow Shareholders,

On behalf of the Woolworths Board, I am pleased to present this Demerger Booklet inviting you to support the proposed Demerger of Endeavour Group from Woolworths Group.

The proposed Demerger is the final step in a process that commenced on 3 July 2019, when Woolworths announced its intention to combine its drinks and hospitality businesses to create Endeavour Group through a restructure of Endeavour Drinks and subsequent merger with ALH Group. This was completed in February 2020 and Woolworths' intention was to pursue a separation of Endeavour Group later that year.

However, in March 2020 the separation was postponed until 2021 with Woolworths Group's prioritisation of its COVID-19 response amid a highly uncertain operating environment. Despite the disruption of COVID-19, we continued working to prepare Endeavour Group for operation as an independent business, and the Woolworths Board is now confident to proceed with the separation given Endeavour Group's performance through this period.

Your Woolworths Board strongly encourages you to support the Demerger as we believe shareholder value will be enhanced through a greater focus on each business' core customer offering and growth opportunities. Woolworths Group will remain Australia and New Zealand's leading food and everyday needs business and is expected to remain one of the 20 largest ASX-listed companies.

The Woolworths Board believes Endeavour Group is well positioned for success with an experienced leadership team led by Woolworths Group executive Steve Donohue as Managing Director and Chief Executive Officer, and a board chaired by Peter Hearl, an experienced public company director in the food and beverage sector. As a separately listed entity, Endeavour will be able to pursue its business strategy with flexibility to invest and respond to changing consumer behaviours and industry conditions.

Endeavour Group is the leading retail drinks and hospitality business in the country, with more than 28,000 team members united around the group's purpose of "creating a more sociable future together". Its portfolio of trusted brands includes Dan Murphy's and BWS, as well as the nation's largest portfolio of licensed hospitality venues, with 1,962 stores and venues across Australia. Following the Demerger, Endeavour is expected to be one of the 50 largest ASX-listed companies.

The new structure also positions Woolworths Group and Endeavour Group to succeed in partnership across important areas such as supply chain, information technology, customer loyalty and digital innovation. Woolworths will hold a 14.6% interest

in Endeavour at the time of the Demerger. Woolworths' long-term joint venture partner Bruce Mathieson Group (BMG), will also hold a 14.6% interest at the time of the Demerger.

Having assessed a range of alternatives, the Woolworths Board believes that demerging Endeavour Group from Woolworths Group is in the best interests of Shareholders. Grant Samuel, the Independent Expert appointed by Woolworths to review the proposed Demerger, has also concluded that the Demerger is in the best interests of Shareholders. A copy of the Concise Independent Expert's Report is included in Annexure A to this Demerger Booklet.

If the Demerger Resolutions to be considered at the General Meeting are approved and implemented, the Demerger will result in two separate ASX-listed companies. If you are an Eligible Shareholder at the time of the Demerger, you will retain your existing shareholding in Woolworths and will also, immediately following implementation of the Demerger, own the same number of Endeavour Shares as Woolworths Shares.

The Woolworths Board unanimously recommends that you vote in favour of the Meeting Resolutions to be considered at the General Meeting. Each Woolworths Director who holds or controls Woolworths Shares intends to vote in favour of the Meeting Resolutions to be considered at the General Meeting.

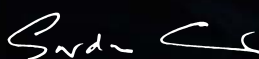
This Demerger Booklet contains important information and you should read this document in its entirety as part of your consideration of the Meeting Resolutions. You should refer specifically to the advantages, disadvantages and risks described in Section 1.

The Notice of Meeting in this Demerger Booklet sets out details of how you can participate in the General Meeting to be held on Friday, 18 June 2021 at 11:00am (AEST). You can also vote by submitting a Proxy Form by 11:00am (AEST), Wednesday, 16 June 2021.

If you have any questions about this Demerger Booklet, please consult an independent and appropriately licensed professional advisor. You can also contact the Woolworths Share Registry using the phone number included on the cover of this Demerger Booklet.

On behalf of the Woolworths Board, I encourage you to vote in favour of this important proposal to separate and publicly list Endeavour Group, Australia's leading retail drinks and hospitality business. As always, we thank you for your continued support.

Yours faithfully,



Gordon Cairns
Chairman



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Completing the Endeavour transformation

	Stage 1 COMPLETE	Stage 2 COMPLETE	Stage 3
	Restructure	ALH Merger	Demerger
What are we doing?	Internal reorganisation of Woolworths Group to create a distinct legal entity, known as Endeavour Group	Endeavour to acquire BMG's interest in ALH in exchange for issuing BMG with a 14.6% interest in Endeavour	Separation of Endeavour Group from Woolworths Group via Demerger
Why are we doing it?	To simplify Woolworths Group's corporate structure To create a distinct legal entity To facilitate the ALH Merger and potential separation	To integrate the operations of the Woolworths Drinks Business and ALH Group To facilitate potential separation	To create simpler, more focused, independent businesses better equipped for future growth The Woolworths Board believes the Demerger is the most value accretive path to separation for Shareholders
When are we doing it?	Shareholders approved on 16 December 2019 Implemented on 2 February 2020	Completed on 4 February 2020	Meeting Resolutions to be considered at the General Meeting on Friday, 18 June 2021 Separation expected to take place on Monday, 28 June 2021, with final implementation steps expected to be completed by Thursday, 1 July 2021
What do I need to do now?	Nothing	Nothing	Consider the documents enclosed and cast your vote for the Meeting Resolutions to be considered at the General Meeting The Woolworths Board recommends unanimously that you vote in favour of the Meeting Resolutions
Will this affect the number of shares I hold in Woolworths?	No	No	Shareholders will retain all Woolworths Shares they own at the Demerger Record Date Eligible Shareholders will receive one new Endeavour Share for every Woolworths Share held at the Demerger Record Date ¹
What will be the tax consequences for me as a Shareholder?	N/A	N/A	No adverse tax consequences should arise for Australian resident Shareholders (for more details, please refer to Section 6.1)

¹ If you are an Ineligible Shareholder, or a Small Shareholder who elects to participate in the Sale Facility, you will not receive Endeavour Shares under the Demerger and will instead receive cash (free of any brokerage costs or stamp duty, but after deducting any applicable withholding tax) under the Sale Facility, as described in [Section 5.4](#).

We are asking for your support to complete the final stage of the Endeavour transformation

This proposed Demerger follows the successful implementation of stages 1 and 2 of the Endeavour transformation:

- on 16 December 2019, Shareholders approved the Restructure Scheme, a key component of the Restructure (stage 1), thereby enabling an internal reorganisation and the creation of Endeavour Group as a distinct legal entity within Woolworths Group. The Restructure was implemented on 2 February 2020; and
- on 4 February 2020, following the successful completion of the Restructure, the ALH Merger (stage 2) was implemented. Endeavour Group acquired the existing BMG interest in ALH in exchange for issuing BMG with a 14.6% interest in Endeavour.

Following the Restructure and ALH Merger, Woolworths is now proposing to pursue a separation of Endeavour Group from Woolworths Group by way of the Demerger (stage 3). The Demerger will result in two simpler, more focused, independent businesses ready for future growth, enabling Endeavour Group to better pursue its own growth agenda and strategic priorities.

Creation of two independent and leading ASX-listed companies

If the Demerger proceeds, Eligible Shareholders will own shares in two separate, leading, ASX-listed entities:

- **Endeavour Group**, Australia's leading retail drinks and hospitality business; and
- **Woolworths Group (Post Demerger)**, Australia and New Zealand's leading food and everyday needs business.

Eligible Shareholders will receive one Endeavour Share for each Woolworths Share they hold at the Demerger Record Date. Ineligible Shareholders will participate in the Sale Facility and Shareholders who individually hold 800 or fewer Woolworths Shares on the Demerger Record Date will have the option to participate in the Sale Facility.

The Woolworths Directors unanimously recommend that you vote in favour of the Meeting Resolutions to be considered at the General Meeting to be held on Friday, 18 June 2021.

Details of what you need to do can be found on [page 12](#).

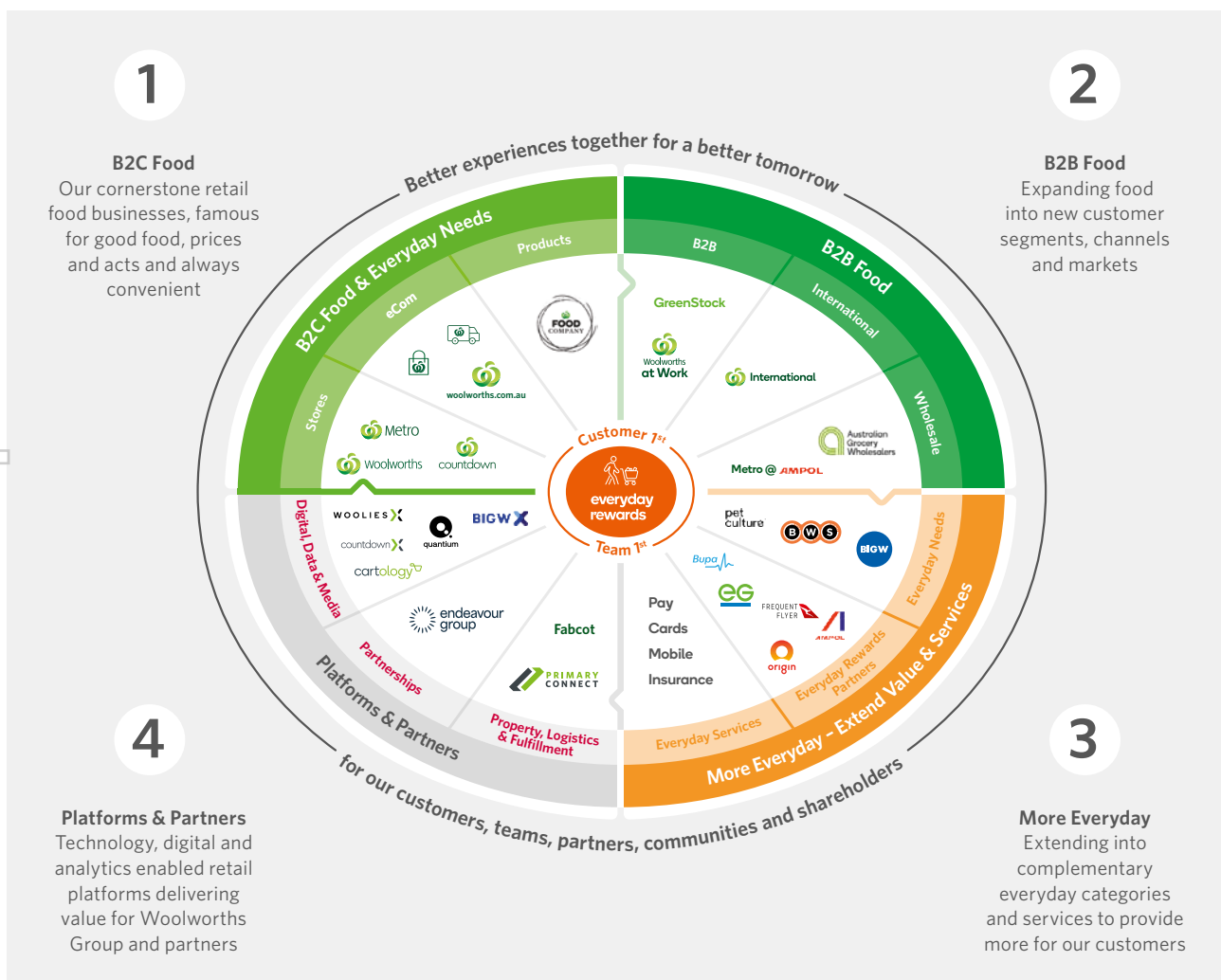


Woolworths Group (Post Demerger)

Following the Demerger of Endeavour Group, Woolworths Group will be well positioned to focus on growing its food and everyday needs retail ecosystem and will benefit from a simplified organisational structure, while continuing its transformation to respond to rapid changes in the retail environment.

- Woolworths Group will remain Australia and New Zealand's leading food and everyday needs business, and is expected to remain one of the 20 largest ASX-listed companies by market capitalisation.
- Woolworths Group's key operating businesses will comprise Australian Food, New Zealand Food and BIG W, supported by its strong digital and data capabilities within WooliesX, CountdownX and BIG WX.
- Woolworths Group will also have interests in a number of entities, including a 14.6% non-controlling interest in Endeavour at the time of the Demerger.

Following the Demerger, Woolworths Group will have a strong retail food business, leading eCommerce, digital and data capabilities, and complementary businesses and partnerships that will enhance Woolworths Group's customer experience and provide adjacent growth opportunities. This retail ecosystem should help in **"creating better experiences together for a better tomorrow"** for customers, teams, partners, communities and Shareholders.



Australia and New Zealand's leading food and everyday needs business

WOOLWORTHS GROUP

Revenue¹

▶ F20 pro forma	\$53.1B
F19 pro forma	\$49.8B

EBIT¹

▶ F20 pro forma	\$2,519M
F19 pro forma	\$2,485M

▶ Industry leader in eCommerce in Australia and New Zealand	8.3% penetration ²
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▶ Everyday Rewards and Countdown Onecard members	14.7M
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▶ Focused on growing food and everyday needs businesses	
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Stores

Woolworths Supermarkets	994
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Metro Food Stores	70
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Countdown stores in New Zealand	181
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BIG W stores	179
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▶ Strong own and exclusive brands	
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F20/F19 pro forma EBIT by geographic segment (continuing operations)³



1 Pro forma revenue and pro forma EBIT from continuing operations, including the impact of adopting AASB 16 (excluding Endeavour Drinks and Hotels revenue and EBIT) (refer to [Section 4.6](#)). F20 includes 52 weeks of trading (F19: 53 weeks).

2 Based on reported H1 F21 eCommerce sales divided by total sales for Australian Food, New Zealand Food and BIG W.

3 Pro forma EBIT by segment including the impact of adopting AASB 16 but excluding central overheads. F20 includes 52 weeks of trading (F19: 53 weeks).













Endeavour Group

Endeavour Group is the leading retail drinks and hospitality business in Australia, united around the common purpose of “**creating a more sociable future together**”.

- Following the Demerger, Endeavour is expected to be one of the 50 largest ASX-listed companies by market capitalisation.
- Endeavour Group operates Australia’s largest retail drinks network, across Dan Murphy’s and BWS stores, and the nation’s largest portfolio of licensed hospitality venues.
- Endeavour Group’s Retail and Hotels businesses are supported by Pinnacle Drinks, Endeavour Group’s exclusive products and services business, and the digital capabilities of EndeavourX, which brings together Endeavour Group’s digital platforms, loyalty propositions and key fulfilment platforms, and also oversees the trading operations of its speciality and eCommerce businesses.

Endeavour Group intends to grow through the creation of a simplified and customer-centric business that will focus on the three core pillars of Endeavour Group’s strategy: knowing our customer; innovating to meet customer needs; and being one team living our purpose and values.

Knowing our customer					
Innovating to meet customer needs	Digital	Discovery	Convenience	Experience	Quality
					
					
Value					

Being one team living our purpose and values

The Demerger is intended to enable Endeavour Group to realise its full potential with a clear purpose across Retail, Hotels and its broader business. Post Demerger, Endeavour Group will pursue an independent business strategy with a broad mandate for growth and access to capital to pursue investment. Post Demerger, Endeavour Group will retain the benefits of a strong partnership with Woolworths Group, with ongoing agreements between the two groups across five key areas: Supply Chain & Stores; Loyalty & Fintech; Digital & Media; Business Support; and International.

The new structure is intended to position both businesses to succeed in partnership. Reflecting this, Woolworths will retain a 14.6% interest in Endeavour at the time of the Demerger. Woolworths’ long-term joint venture partner, BMG, will also hold a 14.6% interest in Endeavour at the time of the Demerger.

Australia's leading retail drinks and hospitality business



Revenue¹	
▶ F20 pro forma	\$10.6B
F19 pro forma	\$10.3B
EBIT¹	
▶ F20 pro forma	\$693M
F19 pro forma	\$861M
▶ Industry leader in eCommerce in Australia	8.5% penetration (Retail) ³
▶ My Dan's members	5.1M
▶ Complementary portfolio with multi-format retail and hospitality proposition	

Stores and venues

Dan Murphy's stores	246
BWS stores	1,384
Hotels venues ²	332

- ▶ Strong, vertically integrated brands, products and services
- ▶ Industry leader in responsible service of alcohol and gaming

COVID-19 had a material impact on the composition of earnings in F20 for Endeavour Group. The closure of Hotels venues for much of the last four months of F20 led to a material decline in H2 F20 EBIT compared to the prior year. However, the impact of the closures was partially offset by EBIT growth across the Retail businesses, despite higher costs associated with maintaining customer and team safety.

F20/F19 pro forma EBIT by operating segment⁴



¹ Pro forma revenue and pro forma EBIT, including the impact of adopting AASB 16 (refer to [Section 3.13](#)). F20 includes 52 weeks of trading (F19: 53 weeks).

² Excludes five Victorian clubs managed by Endeavour Group for third parties.

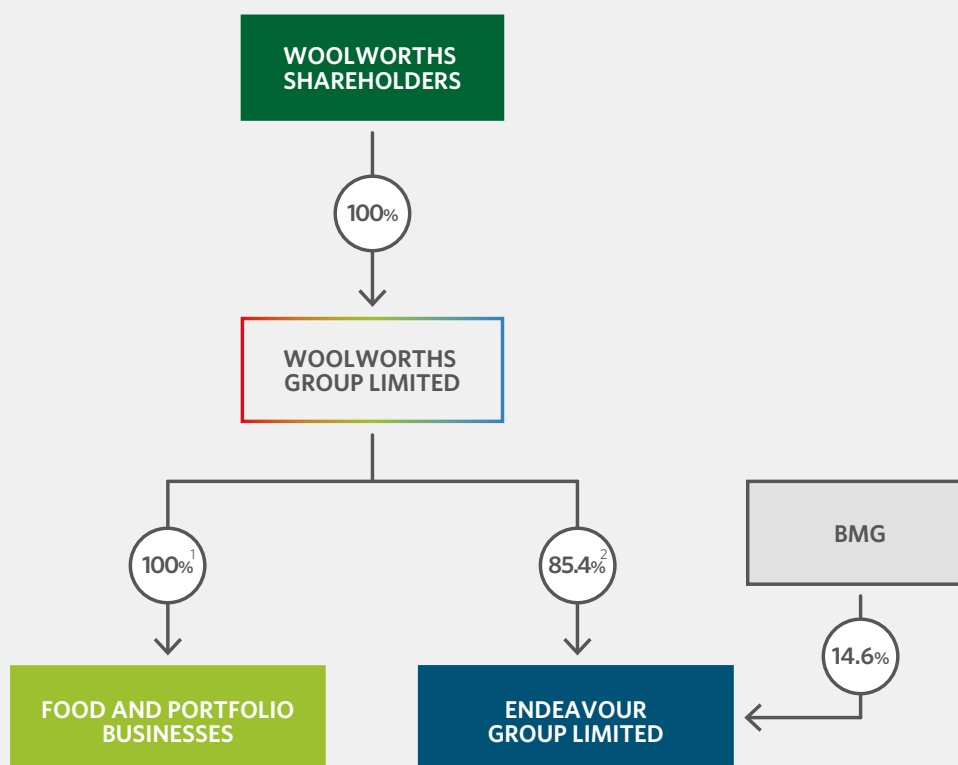
³ Based on reported H1 F21 eCommerce sales divided by total sales for Retail only.

⁴ Pro forma EBIT by segment including the impact of adopting AASB 16 but excluding central overheads. F20 includes 52 weeks of trading (F19: 53 weeks). F20 pro forma EBIT allocation between Retail and Hotels impacted by COVID-19.



How will the Demerger take effect?

Current simplified structure of Woolworths Group including Endeavour Group

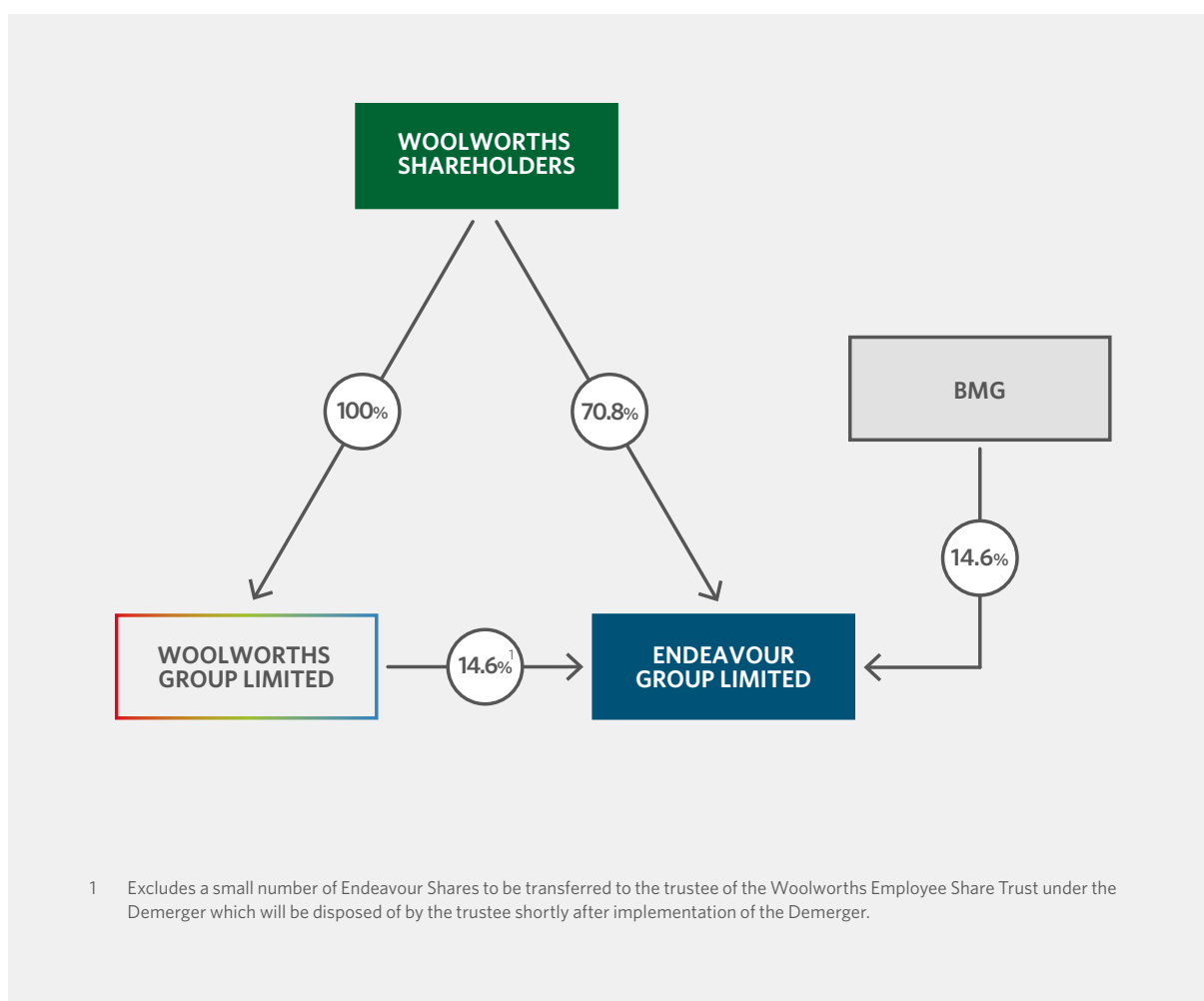


1 Food and Portfolio Businesses include investments in associates e.g. 23.0% interest in B & J City Kitchen and 47.2% interest in Quantum (Woolworths announced on 20 April 2021 that it had entered into an agreement to increase its shareholding in Quantum to 75% with completion expected prior to the end of F21).

2 In addition to shares held by Woolworths and BMG, a small number of Endeavour Shares are held for retention arrangements implemented or to be implemented for certain Endeavour Group team members.

The Demerger that you are being asked to consider and vote on will result in two separately listed entities on the ASX. Woolworths intends to hold a 14.6% interest in Endeavour upon implementation of the Demerger, to reflect the importance of the partnership. Woolworths' long-term joint venture partner, BMG, will also hold a 14.6% interest in Endeavour upon implementation of the Demerger.

Simplified structure of Woolworths Group and Endeavour Group immediately following the Demerger



The Demerger is subject to the satisfaction or waiver of certain Conditions Precedent (refer to Section 5.1 for further details) including, among others, the passing of the Demerger Resolutions to be considered by Shareholders at the General Meeting. If all applicable Conditions Precedent are satisfied or waived, the Demerger will be effected through a distribution of Endeavour Shares to Eligible Shareholders by Woolworths. Refer to Section 5.2 for further information. The Woolworths and BMG shareholdings in Endeavour could have an impact upon a third party's ability to effect a control transaction in respect of Endeavour in the future. See Section 3.10(e) for further information.



What you need to do

Read the Demerger Booklet

You should read this Demerger Booklet in full, including the advantages, disadvantages and risks of the Demerger in [Section 1](#), before making any decision on how to vote on the Meeting Resolutions to be considered at the General Meeting.

It is important that you consider the information disclosed in light of your own particular investment needs, objectives and financial circumstances.

Vote on the Demerger

If you are a Shareholder at 7:00pm (AEST), Wednesday, 16 June 2021 (being the Voting Record Date), you will be entitled to vote on the Meeting Resolutions to be considered at the General Meeting.

Please refer to the voting instructions in the Notice of Meeting in this Demerger Booklet for further details.

Participate in the Demerger

If you wish to participate in the Demerger, you must be a registered holder of Woolworths Shares as at the Demerger Record Date (being 7:00pm (AEST), Friday, 25 June 2021).

The first day you can trade in the Endeavour Shares that you will receive through the Demerger (on a deferred settlement basis) is anticipated to be Thursday, 24 June 2021. Holding statements are expected to be dispatched on Thursday, 1 July 2021, and you should receive your holding statement in the subsequent days.

If you are an Ineligible Shareholder, or a Small Shareholder who elects to participate in the Sale Facility, you will not receive Endeavour Shares under the Demerger and will instead receive cash (free of any brokerage costs or stamp duty, but after deducting any applicable withholding tax) under the Sale Facility as described below and in [Section 5.4](#).

Small Shareholders – what you need to do

Small Shareholders are Shareholders that individually hold 800 or fewer Woolworths Shares as at the Demerger Record Date.

If you are a Small Shareholder, you may elect not to receive Endeavour Shares under the Demerger. In this case, all of the Endeavour Shares to which you would otherwise be entitled under the Demerger will be sold under the Sale Facility and the Sale Facility Proceeds remitted to you (free of any brokerage costs or stamp duty, but after deducting any applicable withholding tax).

To make this election, you must lodge a Sale Facility Form. You can do so by either:

- lodge a Sale Facility Form online through the Demerger Website (www.woolworthsgroup.com.au/demerger) by following the instructions and prompts; or
- if you received a hard copy of this Demerger Booklet, completing and returning the enclosed Sale Facility Form using the reply paid or self-addressed envelope to:

Woolworths Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

Or hand delivery during business hours (Monday to Friday, between 9:00am and 5:00pm) to:
Woolworths Group Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
Australia

Sale Facility Forms must be received by the Woolworths Share Registry prior to 5:00pm (AEST), Monday, 21 June 2021. If a valid Sale Facility Form is lodged and received by this time, the Small Shareholder will be taken to have directed Woolworths to transfer the Endeavour Shares to which it would otherwise be entitled to the Sale Agent.

Small Shareholders who do not validly lodge a Sale Facility Form will receive Endeavour Shares under the Demerger and may keep, sell or otherwise deal with the Endeavour Shares that they receive.

Small Shareholders may withdraw their Sale Facility Form through the Demerger Website (www.woolworthsgroup.com.au/demerger) or by lodging a Sale Facility withdrawal form, which must be received by Woolworths Group Limited, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235, Australia by 5:00pm (AEST), Monday, 21 June 2021. Instructions on obtaining a Sale Facility withdrawal form can be obtained on the Demerger Website (www.woolworthsgroup.com.au/demerger). A hard copy of the Sale Facility withdrawal form can be obtained by contacting the Woolworths Share Registry at the details set out in this document.

See [Section 5.4](#) for more information about the Sale Facility.

Further information

If you have any additional questions in relation to this Demerger Booklet or the Demerger, please call the Woolworths Share Registry on 1300 420 545 (within Australia) or +61 1300 420 545 (outside Australia) on Business Days between 8:30am and 7:30pm (AEST) Monday to Friday.

Alternatively, you should consult an independent and appropriately licensed professional advisor.

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Key dates

2021

16 JUNE
WED 11:00am

Last time and date by which a Proxy Form must be received by the Woolworths Share Registry

16 JUNE
WED 7:00pm

Voting Record Date

18 JUNE
FRI 11:00am
General Meeting

If the Demerger Resolutions to be considered at the General Meeting are approved by a simple majority of Shareholders:

21 JUNE
MON 5:00pm

Last time and date by which Sale Facility Forms must be received by the Woolworths Share Registry

23 JUNE
WED

Last date Woolworths Shares trade on the ASX cum-entitlements under the Demerger
Admission of Endeavour to the Official List

24 JUNE
THU

First date Woolworths Shares trade on the ASX ex-entitlements under the Demerger
Endeavour Shares commence trading on the ASX on a conditional and deferred settlement basis

25 JUNE
FRI 7:00pm

Demerger Record Date for determining entitlement to Endeavour Shares under the Demerger

28 JUNE
MON 12:01am
Separation Date
1 JULY
THU
Implementation Date – transfer of Endeavour Shares to Eligible Shareholders (other than Selling Shareholders) and Sale Agent
Normal trading of Endeavour Shares on the ASX commences
Dispatch of holding statements to Eligible Shareholders (other than Selling Shareholders)

Note: This timetable and the dates in this Demerger Booklet are indicative only and may change. Unless otherwise indicated, all times are stated in AEST. Woolworths reserves the right to vary any and all of the above times and dates without notice. Any variations to the timetable set out above will be announced to the ASX and notified on Woolworths' website (www.woolworthsgroup.com.au) if and when they occur.



Overview of the Demerger,
advantages, disadvantages,
risks and other relevant
considerations

Section

1.1 OVERVIEW OF THE DEMERGER

The Demerger is the proposed separation of Woolworths' drinks and hospitality business from Woolworths, to create a standalone ASX-listed company, Endeavour. Endeavour Group is Australia's leading retail drinks and hospitality business operating across all Australian states and territories.

A separation of Endeavour Group from Woolworths Group was proposed to occur in calendar year 2020, following the Restructure and ALH Merger.

In March 2020, the separation was postponed until 2021 with Woolworths Group's prioritisation of its COVID-19 response amid a highly uncertain operating environment. Despite the disruption of COVID-19, Woolworths Group continued working to prepare Endeavour Group for operation as an independent business, and the Woolworths Board is now confident to proceed with the separation given Endeavour Group's demonstrated resilience through this period.

The decision to pursue a separation of Endeavour Group follows an assessment of the future strategy and prospects of both Woolworths Group and Endeavour Group and how both businesses should operate on an ongoing basis to maximise value for Shareholders.

The Woolworths Board considered various alternative structures for the separation of Endeavour Group, including a sale to a third party and an initial public offering, but is of the view that the Demerger is preferable to those alternatives.

The Demerger is proposed to occur via a distribution of Endeavour Shares to Woolworths Shareholders. Shareholders will retain their existing number of Woolworths Shares and, if the Demerger Resolutions to be considered at the General Meeting are approved and the other Conditions Precedent are satisfied or waived (refer to [Section 5.1](#) for further details), Eligible Shareholders will be entitled to receive one Endeavour Share for each Woolworths Share held at the Demerger Record Date.

The Demerger does not require any Shareholder to pay cash for Endeavour Shares.

Endeavour Shares are expected to trade separately on the ASX from Thursday, 24 June 2021, initially on a deferred settlement basis. Trading on the ASX of Endeavour Shares on a normal settlement basis is expected to commence on Thursday, 1 July 2021. They are expected to be assigned, and trade under, the code "EDV".

Following the Demerger, it is expected that the price of a Woolworths Share will reflect the separation of Endeavour Group from Woolworths Group.

Under the Demerger, 70.8% of the issued Endeavour Shares will be transferred to Eligible Shareholders (other than Selling Shareholders) and the Sale Agent. The Sale Agent will dispose of the Endeavour Shares it receives and remit the proceeds to Ineligible Shareholders and Selling Shareholders (see [Section 5.4\(c\)](#)).

Immediately after the implementation of the Demerger, BMG will hold a 14.6% interest and Woolworths will hold a 14.6% interest in Endeavour.¹ When the Demerger is implemented, Woolworths' and BMG's shareholdings in Endeavour will not be subject to any escrow or to any retention arrangements. The Woolworths and BMG shareholdings in Endeavour could have an impact upon a third party's ability to effect a control transaction in respect of Endeavour in the future. See [Section 3.10\(e\)](#) for further information.

Simplified corporate structure diagrams for the current Woolworths Group (including Endeavour Group), and Woolworths Group and Endeavour Group immediately following the Demerger, are set out on [pages 10 and 11](#).

Eligible Shareholders are those registered on the Woolworths Share Register as the holders of Woolworths Shares at the Demerger Record Date and who are not Ineligible Shareholders. Refer to [Section 5](#) for further information about Ineligible Shareholders.

Ineligible Shareholders will not be eligible to receive Endeavour Shares as part of the Demerger. A Shareholder will be an Ineligible Shareholder for the purpose of the Demerger if their registered address on the Woolworths Share Register as at the Demerger Record Date is outside the following jurisdictions:

- Australia and its external territories;
- Canada, Hong Kong, Malaysia, New Zealand, Singapore, the United Kingdom or the United States; or
- any other jurisdiction in which Woolworths reasonably believes it is not prohibited or unduly onerous or impracticable to implement the Demerger and to transfer Endeavour Shares to the Shareholder.

¹ Excludes a small number of Endeavour Shares to be transferred to the trustee of the Woolworths Employee Share Trust under the Demerger which will be disposed of by the trustee shortly after implementation of the Demerger.



1.1 OVERVIEW OF THE DEMERGER (CONTINUED)

Small Shareholders, being Shareholders who are Eligible Shareholders and individually hold 800 or fewer Woolworths Shares as at the Demerger Record Date may elect not to receive Endeavour Shares under the Demerger and sell their Endeavour Shares under the Sale Facility. Ineligible Shareholders will also have their Endeavour Shares sold under the Sale Facility with the proceeds of sale remitted (free of any brokerage costs or stamp duty, but after deducting any applicable withholding tax) to them following the implementation of the Demerger. Refer to [Section 5](#) for further information on the mechanics of the Demerger.

Each Woolworths Director recommends that you vote in favour of the Meeting Resolutions to be considered at the General Meeting and the Independent Expert has concluded that the Demerger is in the best interests of Shareholders.

If you are registered on the Woolworths Share Register at 7:00pm (AEST), Wednesday, 16 June 2021, then you are entitled to vote on the Meeting Resolutions to be considered at the General Meeting which will be held at 11:00am (AEST), Friday, 18 June 2021.

1.2 SEPARATION ALTERNATIVES CONSIDERED

The Woolworths Board is of the view that the Demerger is more likely to enhance Shareholder value over time and is preferable to other available options. In coming to this view, the Woolworths Board considered alternative structures for the separation of Endeavour Group, including a sale to a third party and an initial public offering.

(a) Sale of Endeavour Group to a third party

The Woolworths Board, acting in consultation with BMG, does not believe a sale of Endeavour Group is in the best interests of Shareholders having regard to relative value available to Shareholders, the tax consequences of a sale and the opportunity for Endeavour to realise value for Shareholders as a separately listed entity.

A Demerger does not preclude a third party from acquiring Endeavour Group in the future.

(b) Initial public offering

Under an IPO of Endeavour Group, Woolworths would receive cash proceeds from investors for the sale of Endeavour Shares.

Given the likely material overlap between existing Shareholders and potential new Endeavour Shareholders and the additional transaction costs in an IPO, the Woolworths Board considers that an IPO is likely to be an inefficient transaction structure as compared to the Demerger.

1.3 ADVANTAGES OF THE DEMERGER

(a) Simplified businesses and increased focus for Woolworths Group and Endeavour Group

The Demerger is expected to result in two businesses in Woolworths Group and Endeavour Group that are simpler, more agile and focused on their core customer offers. This will allow both businesses to pursue strategies consistent with their own capabilities and strengths and respond better to changing consumer preferences in a rapidly evolving retail environment.

Woolworths Group will continue to focus on its key strategic priorities and its evolution to become a food and everyday needs ecosystem. This will be done by maintaining its strong core and by growing into complementary adjacencies and adding new products and services, often in partnership with third parties.

(b) Endeavour Group will be able to pursue its own strategy and growth agenda

Endeavour Group will have its own board and management team and operate with a new group purpose, its own strategic priorities and pursue its own growth agenda. It will also be able to directly access its own capital and invest in the areas that deliver the best returns for Endeavour Group.

(c) Opportunity for Woolworths Group and Endeavour Group to realise the benefits of the strategic Partnership Agreements

Woolworths Group and Endeavour Group will enter into long-term strategic Partnership Agreements¹ which are expected to be mutually beneficial for both groups. It is intended that, through the ongoing Partnership Agreements, Woolworths Group and Endeavour Group will retain the joint benefits of a combined food and drinks offering on woolworths.com.au, shared analytics services and Woolworths' capabilities and infrastructure across its key platforms.

(d) Stronger brand clarity for Woolworths Group and Endeavour Group

The Demerger will result in two independent and leading ASX-listed companies. Woolworths Group (Post Demerger) will remain Australia and New Zealand's leading food and everyday needs business and Endeavour Group will be Australia's leading retail drinks and hospitality business. Both companies will be of substantial size and be able to achieve stronger brand clarity more effectively as separate businesses.

(e) Existing and new shareholders will have flexibility to choose their level of investment in Woolworths and Endeavour

The business characteristics and financial profile of Endeavour Group and Woolworths Group differ, and may appeal to different types of investors. Their combination within a single group does not provide choice for investors who may value the flexibility to invest in one of the businesses, but not the other.

Once Endeavour and Woolworths are separately listed on the ASX, existing and future investors will have greater flexibility and choice based on their investment objectives and recognition of the different investment propositions each entity presents. Shareholders can choose to increase, decrease or retain their exposure to both entities.

As separately listed entities, Woolworths and Endeavour will be better positioned to attract new shareholders who have differing desires with regard to asset sector exposure, risk tolerance and other investment preferences.

Furthermore, shareholders of Endeavour on the implementation of the Demerger and future investors will also benefit from more detailed market disclosure that will be provided by Endeavour as a separately listed entity compared to the segment disclosure within Woolworths Group.

¹ The relationship between Woolworths and Endeavour is not a formal legal partnership. The term Partnership Agreement seeks to describe the close and mutually beneficial relationship that is intended to be the outcome of the Partnership Agreements.



1.4 DISADVANTAGES OF THE DEMERGER

(a) One off Demerger implementation costs

Woolworths Group and Endeavour Group have incurred and will incur one off transaction and implementation costs associated with the Demerger of \$50 million in F21 with total separation costs expected to be in line with previous estimates.

(b) Additional corporate and operating costs for Endeavour Group

Following the Demerger, Endeavour will be a standalone ASX-listed company, which will involve additional corporate and operating costs that are estimated at approximately \$47 million per annum. These include costs associated with its ASX listing, share registry, funding facilities, insurance, workers compensation costs and maintaining a separate board, management team and other corporate functions required to support a standalone listed company.

(c) Reduction in size and diversification

Following the Demerger, both companies will remain significant separate entities. Both are expected to be in the top 50 largest ASX-listed companies by market capitalisation. However, Woolworths Group and Endeavour Group will be less diversified with smaller scale than Woolworths Group immediately prior to the Demerger. Following the Demerger, each entity will rely on its own financial performance and cash flows to access debt and equity markets and to fund ongoing operations.

(d) Some Shareholders will not be eligible to receive or will be unable to retain Endeavour Shares

Shareholders who are Ineligible Shareholders will not receive Endeavour Shares under the Demerger. Endeavour Shares that would otherwise be transferred to these Shareholders under the Demerger will be transferred to the Sale Agent and be sold, with the proceeds of such sale to be paid to Ineligible Shareholders (free of any brokerage costs or stamp duty, but after deducting any applicable withholding tax). In addition, some Shareholders may not be permitted to retain their Endeavour Shares under the terms of their investment mandates or for similar reasons.

1.5 RISKS OF THE DEMERGER

(a) Advantages of the Demerger may not materialise

Woolworths Group and Endeavour Group may not be able to achieve some or all of the expected potential advantages identified in [Section 1.3](#), which may have the potential to adversely affect their respective businesses.

(b) Uncertainty about the combined market value, trading and dividends of Woolworths Shares and Endeavour Shares after the Demerger

The Woolworths Board is of the view that the Demerger of Endeavour Group from Woolworths Group will assist in positioning the businesses in a way that is designed to enhance shareholder value over time. However, it is not possible to predict the market value of Endeavour Shares and Woolworths Shares following the Demerger and there can be no assurance as to the price that Endeavour Shares or Woolworths Shares will trade after listing. It can be expected that the price of Woolworths Shares will reflect the separation of Endeavour Group from Woolworths Group.

Following the Demerger, some Shareholders may adjust their holdings in Endeavour or Woolworths. There is a risk that the combined market value of Endeavour and Woolworths after the Demerger will be less than the market value of Woolworths immediately before the Demerger, particularly while the shareholder base for each company evolves.

Shareholders should note that if the Demerger does not proceed, there is no assurance that Woolworths Shares will continue to trade at prices in line with recent levels.

Following the Demerger, each of Woolworths and Endeavour will pursue their own dividend policy. The combined dividends declared by Endeavour and Woolworths after the Demerger may not reflect the dividends that would have been declared by Woolworths if the Demerger did not proceed. However, having regard to Endeavour's confirmation to Woolworths regarding its anticipated dividend payment in respect of H2 F21, it is anticipated that post Demerger the aggregate amount of dividends to be declared by Woolworths and Endeavour during the second half of calendar year 2021 will be broadly comparable to the dividend that would have been declared by Woolworths if the Demerger did not proceed, as further described in [Section 3.10](#).

(c) Endeavour Group Pro Forma Historical Financial Information may not necessarily reflect the results of a standalone, ASX-listed company

Endeavour Group's businesses have been operated within Woolworths Group and Endeavour does not have an operating history as a standalone ASX-listed company. The Endeavour Group Pro Forma Historical Financial Information provided in [Section 3.13](#) may not necessarily reflect the results of operations, financial position and cash flows that Endeavour would have achieved as a standalone ASX-listed company during the periods presented or those that it will achieve in the future.

(d) Potential delays, unexpected costs or other issues in establishing Endeavour Group as a standalone group

Establishing Endeavour as a standalone ASX-listed entity with all of the necessary capabilities and functions is a significant undertaking. Endeavour Group's business is currently supported by certain Woolworths Group corporate infrastructure and support services pursuant to various Partnership Agreements entered into by Woolworths and Endeavour, as described in [Sections 3.9](#) and [7.10](#).

After the Demerger, Endeavour Group may replace certain corporate infrastructure and support services provided by Woolworths Group with internal capability and third party contracts. There is a risk that the establishment of these capabilities may take longer than expected or may involve greater costs than anticipated.

(e) Risk of non-performance by Woolworths Group or Endeavour Group of the Partnership Agreements

During the period that Endeavour Group receives services under the Partnership Agreements, as described in [Sections 3.9](#) and [7.10](#), it will be reliant upon Woolworths Group's performance of those agreements for important elements of its businesses, including supply chain and IT support. A failure by Woolworths (and its third party suppliers) to provide these services to an appropriate standard may have a material adverse effect on Endeavour Group. Woolworths Group will also be taking credit risk on Endeavour Group making required payments under, and otherwise performing its obligations under, these Partnership Agreements.



1.5 RISKS OF THE DEMERGER (CONTINUED)

(f) Potential inability to obtain third party consents for material contracts

Certain contracts to which Endeavour Group entities are a party (including leases and supplier contracts) or which Woolworths Group entities are a party contain provisions enabling the counterparty to terminate the contract or review the contract terms in certain events. Such events include a change of control of the relevant Endeavour Group entity, the assignment of the contract by a Woolworths Group or Endeavour Group entity, or a restructure of the relevant Woolworths Group or Endeavour Group entity, without the counterparty's consent.

Whether such provisions are triggered depends on the wording of each provision and, as such, not all such provisions will be triggered by the Demerger. If Endeavour Group or Woolworths Group (as the case may be) does not obtain the consent of the counterparty under the agreement, there is a risk that the counterparty may allege that the contract terms have been breached and seek to review or terminate the contract. To the extent a contract of this nature is material to Endeavour Group or Woolworths Group, the loss or adverse review of the contract through the Demerger occurring may have a material adverse effect on the conduct of the relevant business.

In order to mitigate the above risk, a due diligence exercise has been undertaken to identify relevant material contracts for which third party consents may be required or desirable. Woolworths Group and Endeavour Group have approached certain contract counterparties to seek their consent to the impact of the Demerger. The due diligence exercise has provided clarity on the relevant contracts and the circumstances under which consent may be withheld. Based on that analysis and the engagement to date with the counterparties, the risk of disruption as a result of a consent being validly withheld is unlikely to be material.

(g) Other

Please refer to [Sections 3.14](#) and [4.7](#) which describe the risks of holding Endeavour Shares and Woolworths Shares respectively.

1.6 WHAT HAPPENS IF THE DEMERGER DOES NOT PROCEED?

Completion of the Demerger is subject to the satisfaction or waiver of certain Conditions Precedent (refer to [Section 5.1](#) for further details) including, among others, the passing of the Demerger Resolutions to be considered by Shareholders at the General Meeting.

If the Demerger does not proceed:

- Shareholders will not receive Endeavour Shares (or in the case of Selling Shareholders, and Ineligible Shareholders, they will not receive the proceeds from the sale of the Endeavour Shares);
- Shareholders will retain their current holding of Woolworths Shares (unless they otherwise sell such shares);
- the Partnership Agreements will generally continue on their current terms (unless Woolworths and Endeavour agree otherwise);
- Woolworths will continue to own an 85.4% shareholding in Endeavour and Endeavour Group will continue to operate as a division of Woolworths Group;
- the advantages of the Demerger, as described in [Section 1.3](#), may not be realised;
- the disadvantages and risks of the Demerger, as described in [Sections 1.4](#) and [1.5](#), may not eventuate;
- the Woolworths Board may consider alternatives for the Endeavour Group business; and
- Woolworths will incur transaction and implementation costs in F21 of approximately \$25 million (before tax).

Woolworths Board recommendation and views of the Independent Expert

Section

2.1 WOOLWORTHS BOARD RECOMMENDATION

The Woolworths Board unanimously recommends that Shareholders vote in favour of the Meeting Resolutions to be considered at the General Meeting. The Woolworths Board recommends the Demerger because it considers that the advantages of the Demerger outweigh the disadvantages and risks associated with the Demerger.

In particular, it is expected that the Demerger will:

- result in a simplified business and increase focus for both Woolworths Group and Endeavour Group;
- enable Endeavour Group to pursue its own strategy and growth agenda;
- provide an opportunity for Woolworths Group and Endeavour Group to realise the benefits of the strategic Partnership Agreements;
- result in stronger brand clarity for Woolworths Group and Endeavour Group; and
- allow current and future shareholders to have flexibility to choose their level of investment in Woolworths and Endeavour.

In making this recommendation, the Woolworths Board has considered the following:

- the advantages and disadvantages of the Demerger, as described in Sections 1.3 and 1.4;
- the risks associated with the Demerger, as described in Section 1.5;
- the conclusion of the Independent Expert (see Section 2.2 and Annexure A);
- the other alternatives available to Woolworths to undertake a separation of Endeavour Group as summarised in Section 1.2; and
- the consequences if the Demerger is not implemented, as summarised in Section 1.6.

Each Woolworths Director who holds or controls Woolworths Shares intends to vote in favour of the Meeting Resolutions to be considered at the General Meeting.

2.2 VIEWS OF THE INDEPENDENT EXPERT

Woolworths has engaged the Independent Expert to prepare a report on whether the Demerger is in the best interests of Shareholders. Such a report is customary for Australian demergers and it is intended to assist Shareholders in making an informed voting decision on the Demerger. The Independent Expert is Grant Samuel & Associates Pty Limited, an independent corporate advisory group that is a recognised market leader in the preparation of such independent expert's reports in Australia.

The Independent Expert has concluded that the Demerger is in the best interests of Shareholders. A copy of the Concise Independent Expert's Report is included in Annexure A to this Demerger Booklet. A full copy of the report of the Independent Expert can be obtained by contacting the Woolworths Share Registry on 1300 420 545 (within Australia) or +61 1300 420 545 (outside Australia) on Business Days between 8:30am and 7:30pm (AEST) Monday to Friday or from Woolworths' website (www.woolworthsgroup.com.au).

Information on Endeavour Group

Section

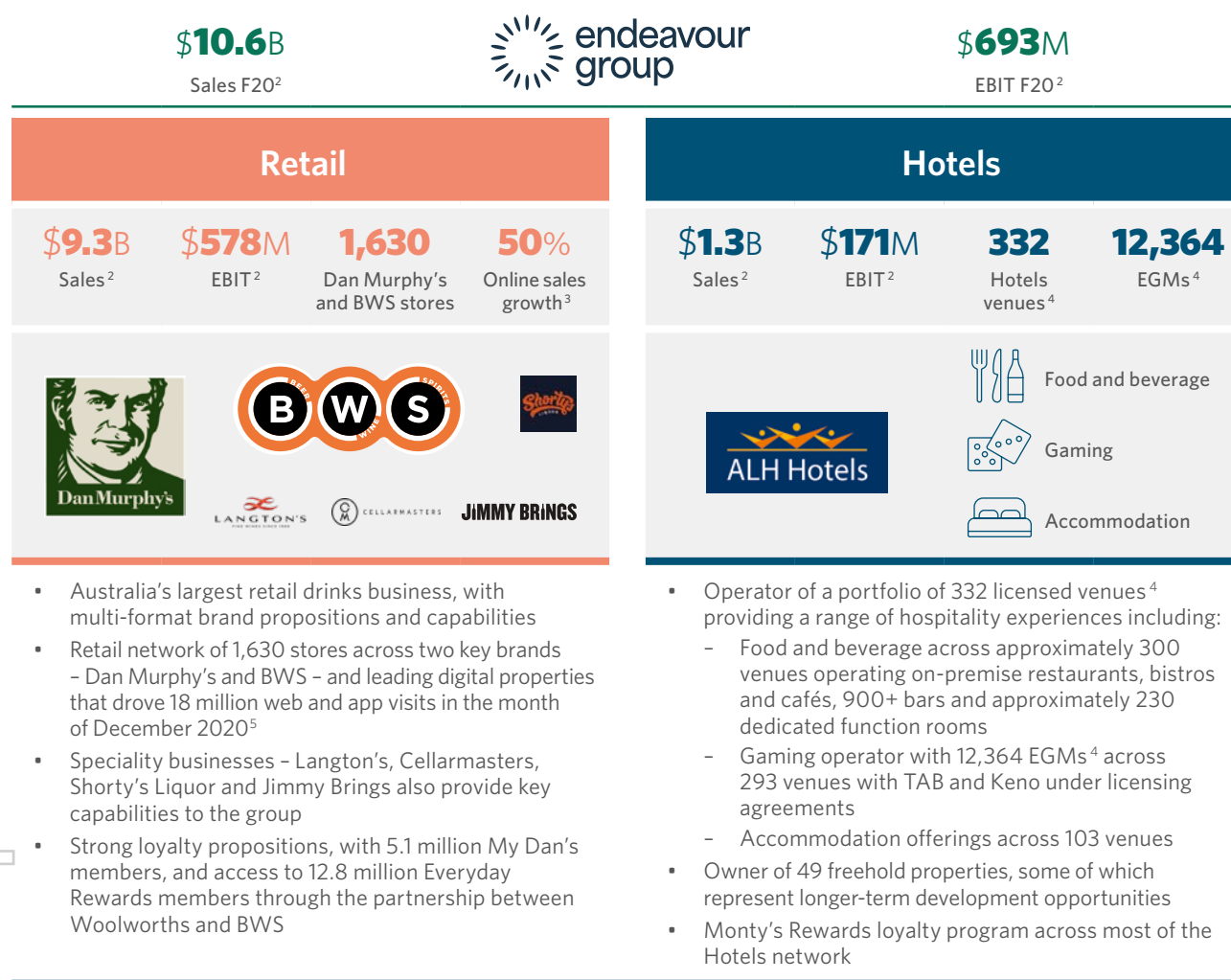


3.1 ENDEAVOUR GROUP OVERVIEW AND HISTORY

(a) Introduction to Endeavour Group

Endeavour Group was created in 2020 through the Restructure and ALH Merger. Endeavour Group is currently a subsidiary of Woolworths which owns an 85.4% shareholding¹, with BMG (Woolworths' long-term joint venture partner) owning the remaining 14.6%. If the Demerger is approved and implemented, Endeavour will be a separately listed entity on the ASX with Woolworths and BMG each having a 14.6% interest in Endeavour.

Endeavour Group's Retail and Hotels businesses are supported by the digital and eCommerce capabilities of EndeavourX, the product and services capabilities of Pinnacle Drinks, the strategic partnerships of Endeavour Group, and Endeavour Group's 28,000+ team members united around the common purpose of "creating a more sociable future together".



Pinnacle Drinks provides products and services capabilities across the entire group, including a portfolio of exclusive brands, vertically integrated production and services, and premium brand ownership

ENDEAVOUR^x

EndeavourX brings together Endeavour Group's digital and fulfilment capabilities and platforms, loyalty propositions, and oversees the trading operations of the specialty and eCommerce businesses. EndeavourX enables Endeavour Group to know and engage its customers across the entire business

¹ In addition to shares held by Woolworths and BMG, a small number of Endeavour Shares are held for retention arrangements implemented or to be implemented for certain Endeavour Group team members.

² F20 pro forma revenue and pro forma EBIT. Endeavour Group F20 pro forma EBIT of \$693 million includes unallocated net costs of \$56 million (see Table 3.13.4). COVID-19 had a material impact on the performance of Endeavour Group in F20, as described in Sections 3.5 and 3.13(d); F19 pro forma revenue was \$10.3 billion and pro forma EBIT was \$861 million.

³ 1H F21 online sales growth.

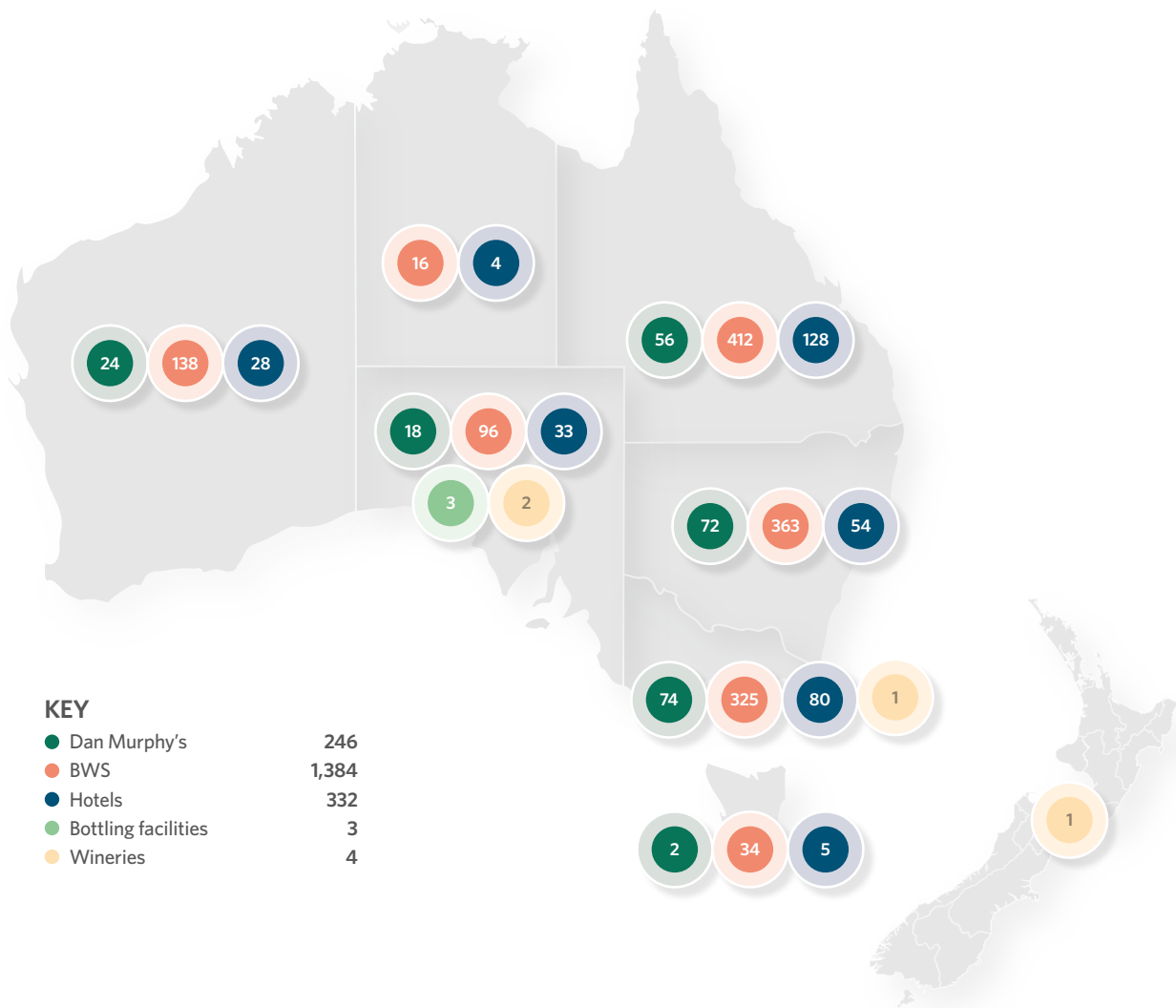
⁴ Excludes five Victorian clubs managed by Endeavour Group for third parties.

⁵ SimilarWeb as at December 2020.

3.1 ENDEAVOUR GROUP OVERVIEW AND HISTORY (CONTINUED)

Figure 3.1.1: Endeavour Group network footprint¹

Endeavour Group operates Australia's largest retail drinks network through Dan Murphy's and BWS, and the nation's largest portfolio of licensed hospitality venues. Endeavour Group also owns bottling facilities and wineries as part of its products and services capabilities.



¹ Locations as at 3 January 2021, with the exception of Oakridge Wines acquired in March 2021. Excludes five Victorian clubs managed by Endeavour Group for third parties.



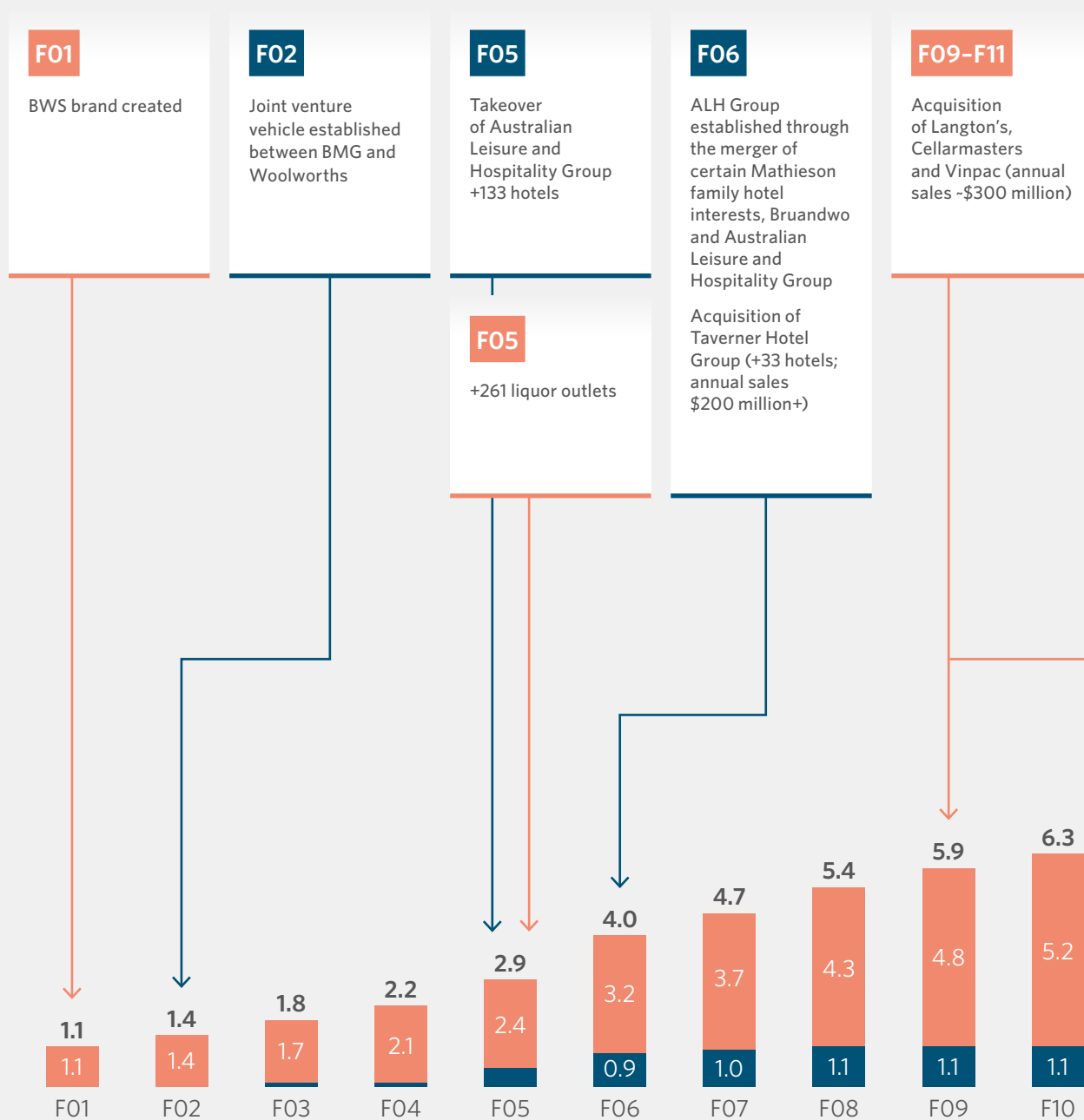
3.1 ENDEAVOUR GROUP OVERVIEW AND HISTORY (CONTINUED)

(b) History of Endeavour Group

The beginnings of the Retail business date back to 1952 when the first Dan Murphy's store was opened on Chapel Street in Prahran, Victoria. In 1960, Woolworths obtained its first liquor licence with the acquisition of the John Wills supermarket chain in Western Australia. Woolworths' expansion into liquor continued throughout the 1980s and 1990s with the acquisition of a number of small liquor chains and stores including the Dan Murphy's portfolio of five stores in Victoria in 1998. Further acquisitions followed in other states and territories around Australia including the Liberty Liquor Stores, Booze Bros and Toohey Bros liquor store outlets.

The BWS brand (which stands for Beer, Wine and Spirits) was created in 2001 and was used across the network of standalone convenience liquor outlets. Commencing in 2012, Woolworths Liquor stores, which included liquor stores attached to Woolworths Supermarkets, were rebranded to BWS.

Figure 3.1.2: Endeavour Group history – Retail and Hotels revenue (A\$b)¹



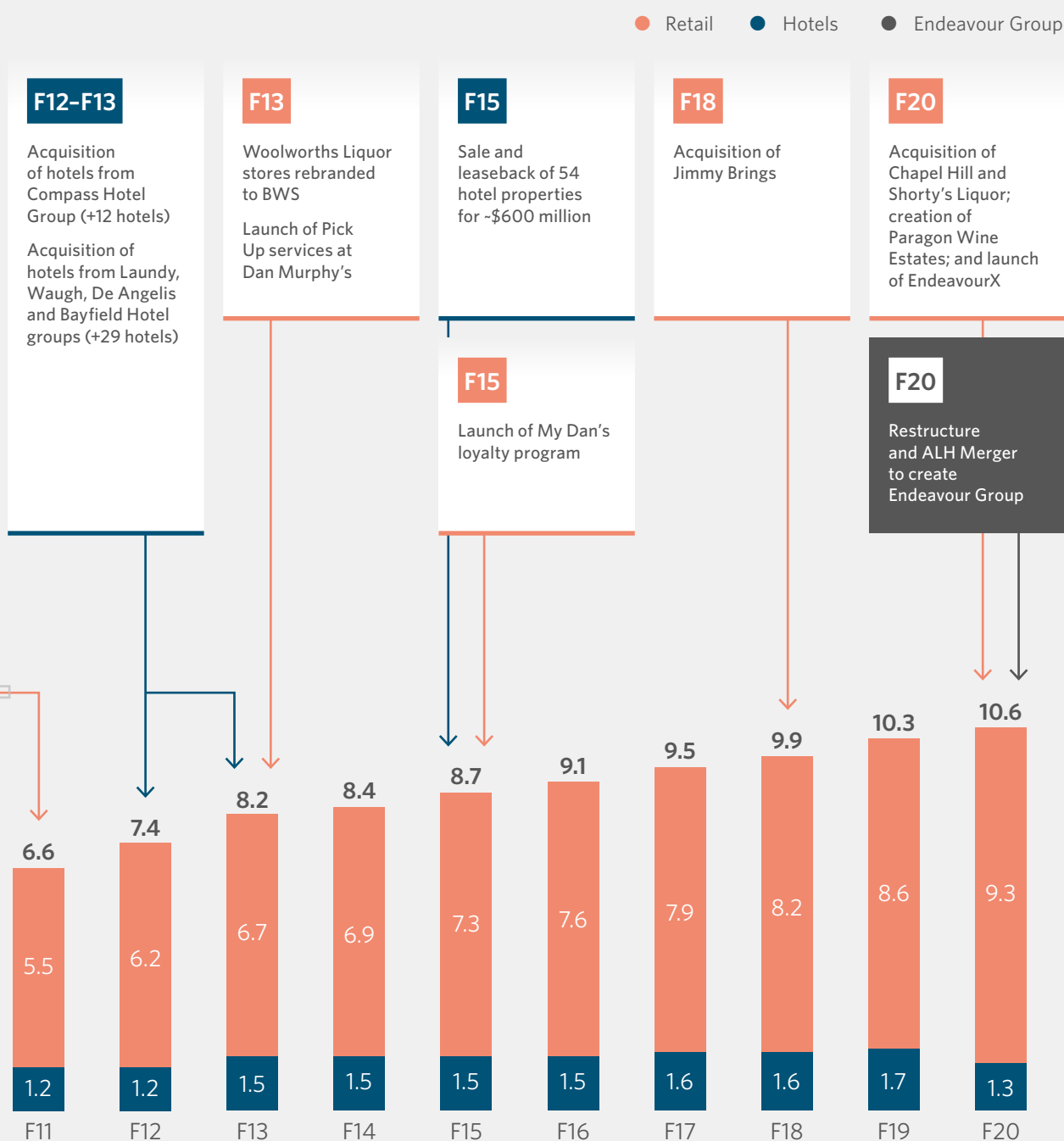
¹ Due to rounding, numbers presented in this chart may not add up to precisely to the totals presented.

3.1 ENDEAVOUR GROUP OVERVIEW AND HISTORY (CONTINUED)

The Hotels business, under the ALH Group, was established in 2005 through the merger of:

- certain hotel interests of the Mathieson family;
- Bruandwo, the joint venture, owned by BMG and Woolworths which was created in 2001; and
- Australian Leisure and Hospitality Group acquired in 2004, which owned and operated hotels and bottle shops across Australia.

The Retail and Hotels businesses have expanded their portfolio under Woolworths' ownership over time, through the roll-out of new stores, continued acquisition of hotel venues, specialty businesses and products and services, and by building delivery and digital capabilities.



3.2 KEY STRENGTHS OF ENDEAVOUR GROUP

(a) Endeavour Group's stores, venues and digital assets make it the leading retail drinks and hospitality business in Australia

Endeavour Group is Australia's leading retail drinks and hospitality business, with a market share of approximately 40% in retail liquor and approximately 9% in hotels.

Endeavour Group's business is based around digital engagement, with 18 million web and app visits in the month of December 2020 (the highest among its competitors¹), and significant customer reach, with 5.1 million My Dan's members, Monty's Rewards members, and access to 12.8 million Everyday Rewards members through the partnership between Woolworths and BWS.

This broad reach is supported by a network of 1,630 stores and 332 hotels², the largest among its competitors, which enables Endeavour Group to deliver outstanding experience and convenience, while further deepening its eCommerce engagement. Endeavour Group has the largest number of Pick Up locations in Australia, fast delivery alternatives (with two hour express delivery from 171 Dan Murphy's stores and On Demand delivery from 960 BWS stores) and the widest product selection across its various banners relative to that of its competitors.

(b) Endeavour Group has been built around a complementary portfolio of trusted and innovative brands

Endeavour Group's portfolio of complementary brands and businesses allow it to curate its brand propositions to meet customer needs. Each of the businesses has its own distinct value proposition built through shared capabilities in format, range, digital, data and analytics that form the foundations of Endeavour Group's market leadership in retail drinks and hospitality.

Kantar recently named Dan Murphy's as one of the most trusted and most meaningfully different brands in Australia³.

(c) Legal and social licence to operate

Endeavour Group has the largest number of liquor licences and EGM Entitlements in Australia. Endeavour Group's social licence comes from its leadership on responsible service of alcohol and gaming in Australia and enabled through connections with local communities and support providers who are focused on improving outcomes and reducing harm.

(d) Exclusive products that meet customer needs and drive growth

Pinnacle Drinks, Endeavour Group's own and exclusive brand business, is the largest supplier to Endeavour Group. It provides customers with access to high quality exclusive products, while delivering growth for Endeavour Group. Supply chain flexibility also enables Endeavour Group to promptly respond to consumer demand and provides the ability to innovate and cover gaps in the market that are currently unserved.

(e) Experienced and knowledgeable team

Endeavour Group is enabled by its 28,000+ passionate, knowledgeable and diverse team members, with market-leading sustainable engagement metrics.

Endeavour Group's team members have the critical capabilities required to drive Endeavour Group to its full potential. Endeavour Group has best-in-class capability throughout the organisation, including in digital, merchandising and across store management and store teams.

Endeavour Group will also benefit from a dedicated board and management team. The Endeavour Group senior management team, as set out in [Section 3.8](#), consists of highly qualified individuals with a diverse and extensive range of skills, experience and backgrounds in the consumer retailing and hospitality sector.

¹ SimilarWeb as at December 2020.

² Excludes five Victorian clubs managed by Endeavour Group for third parties.

³ Kantar's annual BrandZ™ study 2020.

3.3 INDUSTRY OVERVIEW

In this Demerger Booklet, Industry Data on:

- the retail liquor industry reflects the sale of packaged liquor from stores and sales channels that is consumed off the premises of the seller¹; and
- the hospitality industry reflects venues licenced for on-premise alcohol consumption that predominantly offer those facilities², and sales data relating to such venues include liquor as well as non-liquor sales by such venues³.

(a) Retail

The Australian liquor retailing industry includes traditional bricks-and-mortar retailers and online retailers and increasingly a combination of the two. Total industry revenue for the year ended June 2020 was estimated at approximately \$23 billion. The Australian liquor retailing industry is estimated to have grown at a compound annual growth rate (CAGR) of 3.0%⁴ from F16 to F19.

Historically, growth has been driven by increasing population growth, modest inflation and premiumisation, partially offset by declining alcohol consumption per capita. While difficult to measure accurately in liquor retailing, eCommerce penetration has risen strongly in the last five years due to increasing consumer demand for convenience, ability to access premium or rare products not available in-store, and rising interest in a variety of liquor products.

COVID-19 caused a shift from on-premise liquor consumption to off-premise consumption due to government restrictions impacting hospitality businesses. Online liquor sales also benefited as customers increasingly looked to shop in safer ways following the onset of COVID-19. These factors led to estimated revenue growth of 9.1%⁴ in F20 for the retail liquor market.

Figure 3.3.1: Retail liquor industry revenue in Australia (A\$b)⁴

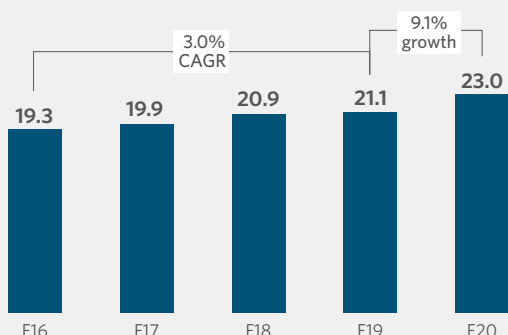
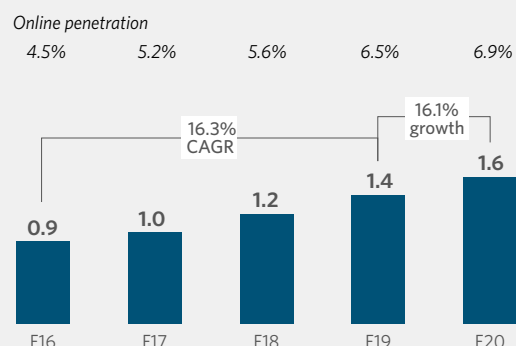


Figure 3.3.2: Online retail liquor industry revenue⁵ in Australia and penetration (A\$b)⁴



National retailers are estimated to represent approximately 74% of total revenue in Australia. Key national participants include Endeavour Group (under the Dan Murphy's, BWS, Langton's, Cellarmasters, Shorty's Liquor and Jimmy Brings banners); Coles (under the Liquorland, Vintage Cellars, First Choice Liquor and Coles Online banners); members of Independent Brands Australia supplied by Metcash⁶ (including Cellarbrations, IGA Liquor, The Bottle-O, Big Bargain and Thirsty Camel); and ALDI.

Endeavour Group operates the largest owned footprint of physical retail liquor stores, with 1,630 stores across Australia.

1 Examples of such stores are liquor stores and bottle shops. Retail liquor Industry Data also includes direct-to-consumer sales channels where liquor is sold directly by the producer or seller to consumers e.g. cellar door sales by wineries and online sales channels.

2 Examples of such venues are pubs and hotels. Those venues may also offer other services including food, entertainment, accommodation and gaming.

3 However, the term "hospitality industry" does not include licensed venues where alcohol is served incidentally to the main purpose of the venue (e.g. the serving of food in licensed restaurants or licensed clubs) and sales at such venues are excluded from hospitality Industry Data in this Demerger Booklet.

4 Frost & Sullivan (March 2021).

5 Online retail liquor industry revenue in Australia is a subset of and included in the retail liquor industry revenue in Australia figures.

6 Metcash is a wholesale supplier of liquor to independently owned liquor retailers.



3.3 INDUSTRY OVERVIEW (CONTINUED)

Figure 3.3.3: Physical retail liquor stores in Australia (number of stores as at H1 F21)¹

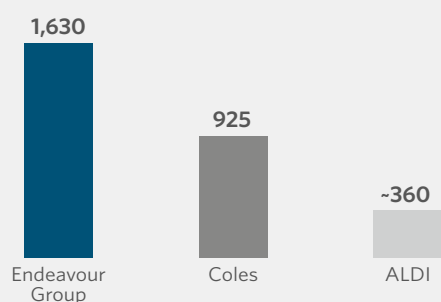
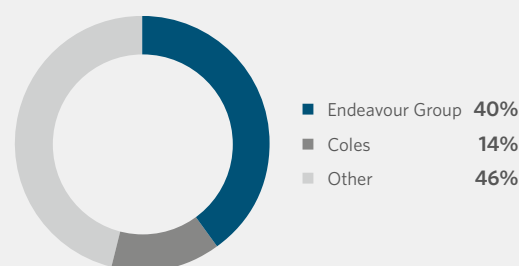


Figure 3.3.4: F20 market share of liquor retailers in Australia²



(b) Hospitality

The hospitality industry consists of licensed operators offering a variety of entertainment options at their venues, including food, beverages, gaming or betting facilities and function, accommodation and event spaces. For the year ended June 2020, the industry is estimated to have generated \$15.1 billion in revenue across 7,716 licensed pub/hotel venues². The hospitality industry experienced an estimated marginal decline in revenue of 0.5% per annum from F16 to F19³.

The hospitality industry was significantly impacted by COVID-19 due to government-mandated lockdowns and venue capacity restrictions with revenue for the industry estimated to have declined by 18.1% from F19 to F20 due to the closure of venues for most of Q4 F20. However, the market is expected to recover in F21 and F22 (assuming no major pandemic-driven disruptions, lockdowns or new waves of pandemic)³.

Figure 3.3.5: Hospitality industry revenue in Australia (A\$b)³

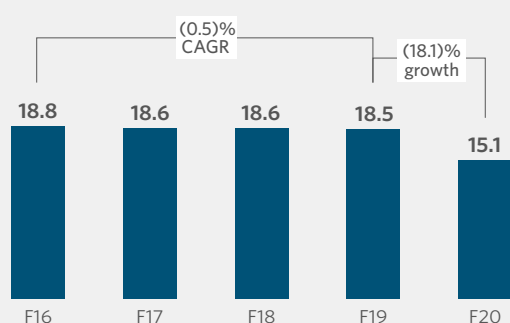
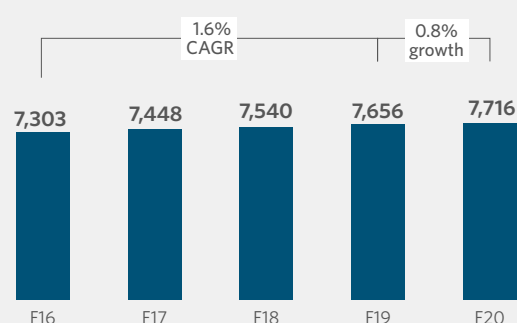


Figure 3.3.6: Number of pub/hotel venue liquor licences in Australia²



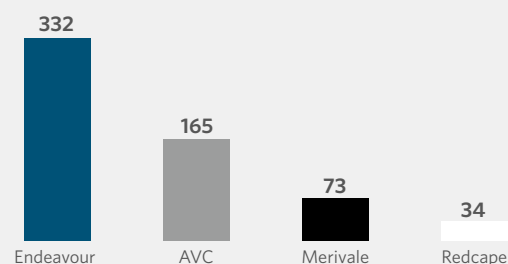
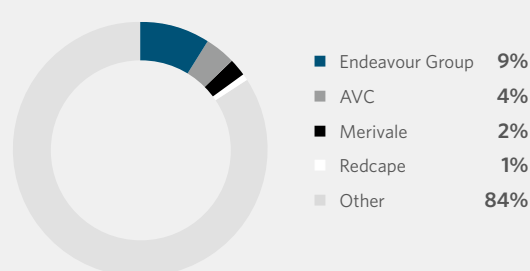
The hospitality industry is highly fragmented, with a significant portion of small, independent businesses and several small hotel groups. Endeavour Group's portfolio of hotels is the largest network in Australia. Other large operators include Australian Venue Co. (AVC) and Merivale.

¹ Company information as at December 2020.

² Frost & Sullivan (March 2021).

³ IBISWorld Report Pubs, Bars and Nightclubs in Australia (October 2020).

3.3 INDUSTRY OVERVIEW (CONTINUED)

Figure 3.3.7: Hotels network in Australia (approximate number of venues as at H1 F21)¹Figure 3.3.8: F20 market share of key hotel operators in Australia²

Food and beverage sales represent the largest segment of industry revenue, estimated to represent approximately 50% of total hospitality revenue³. Prior to the COVID-19 pandemic, business growth had been driven by demand for out-of-home experiences/pubs as social venues and an increasing trend in consumption of premium alcoholic beverages such as craft beers, ciders, wine, spirits and cocktails, partially offset by declining per capita alcohol consumption.

Gaming (EGMs), sports betting and wagering, and other gaming lotteries such as Keno are estimated to represent approximately 20% of total hospitality industry revenue with EGMs being the predominant contributor³. Expenditure on this type of gaming is estimated to have grown at 2.9% from F13 to F18⁴.

Accommodation and other services such as function space rental and other ancillary revenue represent approximately 6% of total hospitality industry revenue³. Revenue from this segment differs substantially based on venue types, and has remained largely stable as a share of industry revenue over the past five years.

(c) Consumer trends

There are several consumer trends in Australia that are expected to impact retail liquor and hospitality market dynamics including:

- (i) **Digital** – Rapid growth of digital as a medium through which customers engage, for research and inspiration, connection or eCommerce;
- (ii) **Discovery** – Discovery of new products and experiences is a key driver of customer engagement, and is visible in the premiumisation trend that has accelerated during COVID-19, as customers shift purchasing behaviour to higher quality products at a higher price-point;
- (iii) **Convenience** – Rising expectations around frictionless transactions and experiences, for instance direct to boot and web booking, with On Demand delivery being the fastest growth sub-segment of eCommerce;
- (iv) **Experience** – The role of the store/venue experience is changing for customers, with physical stores having a bigger role to play in engaging customers and not just fulfilling transactions;
- (v) **Quality** – Customers continuing to trade up to better products, including “better for you” product with an increasing focus on holistic wellbeing and moderation; and
- (vi) **Sustainability** – The shift in customer awareness, engagement and activism on sustainability related issues in Australia with climate change, responsible sourcing and social licence changing consumer brand perceptions and preferences.

In addition, value has always been central to customers’ purchasing decisions and will continue to be important in how customers shop and engage with stores and venues. Value increasingly means more than price and reflects the benefits that all elements of the customer proposition bring to the customer.

(d) Regulatory framework

The retail liquor and hospitality industries are highly regulated and market participants are subject to a range of laws and regulatory requirements regarding matters such as competition, employment, health and safety, product safety and consumer protection, privacy, anti-bribery and corruption, anti-money laundering, liquor, gaming and the environment. Operators must hold a number of licences and comply with regulations such as the Responsible Service of Alcohol and Responsible Conduct of Gambling.

Further details on the regulatory regime for Endeavour Group are set out in [Section 3.12](#).

¹ Based on company websites and reports. Endeavour Group’s number of venues excludes five Victorian clubs managed by Endeavour Group for third parties. Merivale’s number of venues includes restaurants.

² Frost & Sullivan (March 2021).

³ IBISWorld Report Pubs, Bars and Nightclubs in Australia (October 2019). Refers to 2019 for pre-COVID-19 hospitality market revenue breakdown.

⁴ Australian Gambling Statistics, 35th edition (December 2019).



3.4 OVERVIEW OF ENDEAVOUR GROUP'S BUSINESSES AND CAPABILITIES

Endeavour Group is the leading retail drinks and hospitality business in Australia.

The Retail business of Endeavour Group operates across two key brands – Dan Murphy's and BWS – each of which combines its strong store presence and brand with an integrated digital offering. Dan Murphy's and BWS are further complemented by Endeavour Group's specialty businesses – Langton's, Cellarmasters, Shorty's Liquor and Jimmy Brings – which also provide key capabilities to the group.

The Hotels business of Endeavour Group is Australia's largest on-premise venue operator, with a portfolio of 332¹ distinct licensed venues in capital cities and urban and regional centres.

The Retail and Hotels businesses of Endeavour Group are supported by the digital capabilities of EndeavourX, the product and services capabilities of Pinnacle Drinks, the strategic partnerships of Endeavour Group, and Endeavour Group's 28,000+ team members united around the common purpose of **"creating a more sociable future together"**.

(a) Retail – Dan Murphy's



Dan Murphy's is one of Australia's most trusted brands, and the destination for drinks discovery, with the widest range of liquor at Australia's lowest prices. Dan Murphy's operates 246 stores across Australia and an integrated online offering.



Dan Murphy's prices are underpinned by the "Lowest Liquor Price Guarantee", providing the best value in the market for its customers. A typical Dan Murphy's store is approximately 1,000m², and generally carries over 4,500 products, including hundreds of spirits and beers, and thousands of wines, including cellar release wines, imported wines and other liquor products from around the world. The Dan Murphy's store team includes experienced product experts who provide specialist advice across all categories and enhance customer discovery. Recently, two new smaller format (around 400m²) stores have been created, with a further store planned to be trading by July 2021.

Dan Murphy's is a go-to online destination for drinks, with the largest share of category traffic, and utilises its physical stores to provide customers seamless omni-channel experiences. Furthering this engagement is the My Dan's loyalty program, which builds and fosters connections with its 5.1 million members.

Continuous format innovation supports the eCommerce offering: nearly all Dan Murphy's stores offer 30 minute Pick Up (172 of which offer contactless service to boot), 171 stores offer two hour express delivery, and standard delivery is available to 99% of the Australian population.

¹ Excludes five Victorian clubs managed by Endeavour Group for third parties.

3.4 OVERVIEW OF ENDEAVOUR GROUP'S BUSINESSES AND CAPABILITIES (CONTINUED)

(b) Retail - BWS



BWS offers some of the most convenient ways to buy drinks in Australia with a retail drinks network of 1,384 stores across Australia, coupled with an integrated online offering including On Demand delivery.



BWS outlets offer consumers a convenient liquor option with a wide range of products across beer, cider, wine, premix and spirits. Stores average approximately 175m² and generally carry approximately 1,500 products, which are also available online. The network serves customer needs across a variety of formats including Drive Thru, attached to a Woolworths Supermarket or Metro Food Store, attached to a Hotels venue, or standalone store.

BWS will continue to participate in the Everyday Rewards loyalty program owned by Woolworths, which had 12.8 million members at the end of December 2020. Customers will also be able to continue to shop BWS liquor online via the [woolworths.com.au](https://www.woolworths.com.au) website.

BWS' convenience and delivery offering continues to expand, with On Demand delivery currently available in 960 stores delivering drinks from store to door within one hour and Pick Up rolled out to the majority of outlets.

(c) Hotels



Endeavour Group's Hotels business is Australia's largest on-premise venue operator and currently manages a portfolio of 332¹ distinct licensed venues in capital cities and urban and regional centres.



Hotels venues provide the local community with a range of hospitality experiences, including on-premise bars and food, electronic gaming, wagering, live entertainment and in some cases accommodation.

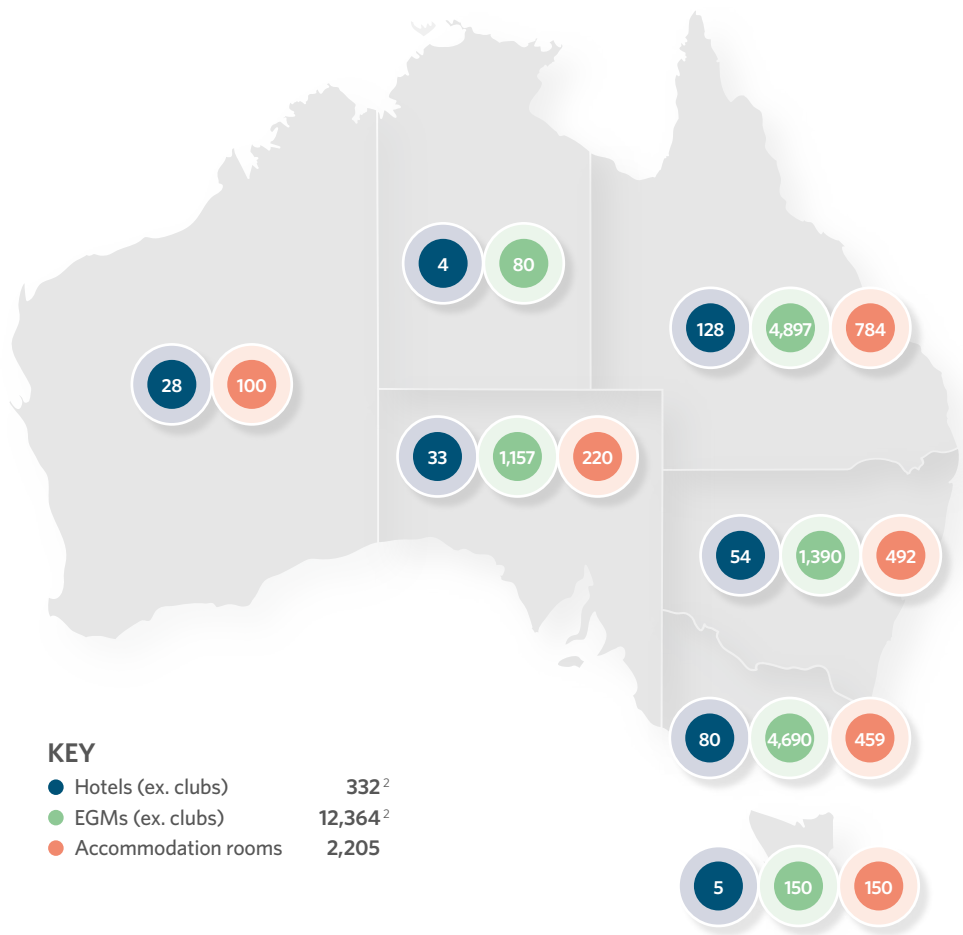
- **Food and Beverage** – Approximately 300 venues operating on-premise restaurants, bistros and cafés, 900+ bars and approximately 230 dedicated function rooms to cater for all types of events including local and international bands, comedians, trivia and other competitions.
- **Gaming** – Leading operator of EGMs across Australia, excluding Western Australia where EGMs are not permitted, with 12,364¹ EGMs in 293 venues, as well as approximately 290 TABs, and Keno in 250+ venues.
- **Accommodation** – 103 venues that offer accommodation, ranging from 4-star international standard hotels to clean and comfortable pub accommodation. 60 venues operate under the Nightcap Hotels and Nightcap Plus brands, which offer accommodation with a distinct focus on quality and affordability.

¹ Excludes five Victorian clubs managed by Endeavour Group for third parties.



3.4 OVERVIEW OF ENDEAVOUR GROUP’S BUSINESSES AND CAPABILITIES (CONTINUED)

Figure 3.4.1: Hotels network¹



Hotels own 49² freehold properties of its 332² sites in the network and holds the liquor licences required to operate on-premise and off-premise retail liquor sites together with EGM Entitlements required for the operation of EGMs. Hotels’ leases tend to be longer than other retail leases, underpinning the value of the Hotels portfolio. The weighted average lease expiry of Hotels’ leases is currently 14.4 years (see [Section 3.13\(j\)](#)).

The Monty’s Rewards membership and loyalty program enables patrons to earn points on food and beverage purchases and EGM play, and redeem points at most Hotels venues.

¹ Number of Hotels, EGMs and accommodation rooms as at 3 January 2021.
² Excluding five Victorian clubs owned and managed by Endeavour Group for third parties.

3.4 OVERVIEW OF ENDEAVOUR GROUP'S BUSINESSES AND CAPABILITIES (CONTINUED)

(d) Products and services – Pinnacle Drinks



Pinnacle Drinks, which houses Endeavour Group's products and services capability, creates, builds and manages a portfolio of drinks brands, which it sells through Endeavour Group's channels and to key strategic partners overseas. Pinnacle Drinks has innovative brand-building capabilities, utilising the Endeavour Group store footprint, digital platforms and team advocacy with the objective of delivering growth of its brand portfolio.



To supplement its sourcing activities, Pinnacle Drinks also engages in selective vertical integration. Its portfolio of production and services assets include wineries, vineyards, wine brands and wine services:

- **Paragon Wine Estates** which manages a collection of award-winning and premium heritage wineries and wine brands in some of the finest growing regions around Australia and New Zealand. These include Krondorf Wine, Oakridge Wines, Chapel Hill Winery, Isabel Estate and Riddoch;
- **Dorrien Estate** which is a 5-star James Halliday rated winery in the Barossa Valley in South Australia; and
- **Vinpac** which provides wine solutions including contract bottling services and supply of packaging goods. The business operates three packaging facilities in the Barossa Valley, McLaren Vale and Gawler Belt in South Australia, which service the Paragon Wine Estates brands and Dorrien Estate, as well as third parties.

The production, brand ownership and sourcing capabilities of Pinnacle Drinks enable delivery of leading brands and value to customers and businesses, and create value through higher margins and supply chain flexibility.

Pinnacle Drinks and the broader Endeavour Group also have long-term relationships with key suppliers, being key partners to the Australian and New Zealand wine and craft beverages industry, engaging with a network of over 3,000 mostly small suppliers and building mutually beneficial relationships in which it maximises new trends, grows categories and drives customer engagement.



3.4 OVERVIEW OF ENDEAVOUR GROUP'S BUSINESSES AND CAPABILITIES (CONTINUED)

(e) Digital platforms

ENDEAVOUR^x

EndeavourX was created in 2019 and brings together Endeavour Group's digital and fulfilment capabilities and platforms, loyalty propositions, and oversees the trading operations of the group's specialty and eCommerce businesses.

Digital is increasingly the front door to the business, and plays a key role in attracting, engaging, understanding and creating value for customers independent of how they choose to shop with Endeavour Group.

Endeavour Group's loyalty programs are at the centre of how Endeavour Group builds its understanding of customers and creates value for them. Endeavour Group has strong and growing loyalty programs, with 5.1 million My Dan's members and a growing Monty's Rewards program across the Hotels network, as well as access to the 12.8 million Everyday Rewards members through its partnership between Woolworths and BWS.

Endeavour Group's customer insights drive the prioritisation of Endeavour Group's digital roadmap and the development of key digital platforms. EndeavourX is focused on building and scaling personalisation capability starting with Dan Murphy's, and continuing to improve the web and app experience of Endeavour Group's customers to drive further engagement. Endeavour Group's specialty businesses allow it to serve customers with curated customer value propositions, while also providing capability to the broader group:

- **Langton's** provides premium customer expertise throughout Endeavour Group, and is Australia's leading fine wine platform. Langton's internationally recognised publication *Classification of Australian Wine* first appeared in 1990 and is now in its 7th edition;
- **Cellarmasters** has been operating since 1982 and has developed Endeavour Group's subscription expertise, offering a direct-to-consumer wine subscription service;
- **Jimmy Brings** provides On Demand capabilities to Endeavour Group; it is an ultra-convenient online drinks specialist, delivering a curated range of wine, beer and spirits in under 30 minutes. Through its national network, Jimmy Brings also fulfils a portion of the On Demand orders of BWS and Dan Murphy's; and
- **Shorty's Liquor** provides B2B capabilities and expertise, supplying drinks to corporate businesses in Sydney and Melbourne CBDs. Endeavour Group's 80% interest in Shorty's Liquor was acquired in December 2019.

(f) Supply chain

Endeavour Group has an established commercial relationship with Primary Connect (Woolworths' wholly owned supply chain provider) which enables Endeavour Group to leverage Primary Connect's scale and efficiencies, to ensure that its network is, and remains, fit for purpose. This allows Endeavour Group to identify opportunities to improve service outcomes, as well as synergies from a single supply chain with Woolworths and BWS attached stores.

(g) Other portfolio assets

Endeavour Group holds an 8.9% ownership interest in ALE Property Group. ALE Property Group is an ASX-listed Real Estate Investment Trust and is the owner of 86 of Endeavour Group's Hotels' property sites as at 31 December 2020. This represents approximately 30% of Endeavour Group's Hotels' portfolio of leased venues. As at 30 April 2021, the market value of the interest in ALE Property Group was \$79.7 million, based on the closing security price quoted on the ASX.

3.5 IMPACT OF COVID-19 ON ENDEAVOUR GROUP

COVID-19 had a material impact on the composition of earnings in F20 for Endeavour Group. The impact of Hotels venue closures was largely offset by higher in-home consumption which benefited the Retail businesses, despite higher costs across all businesses associated with maintaining customer and team safety.

Retail experienced higher in-home consumption from March 2020 due to government restrictions significantly limiting on-premise consumption, with unprecedented demand creating capacity pressure both in-store and online. The team responded quickly, adding capacity and implementing a range of initiatives to manage and operate through COVID-19, as outlined below. This demand eased over the course of 2020 as some restrictions were eased for on-premise venues.

Hotels sales were materially impacted from 23 March 2020 due to government-mandated closures and restrictions. Venues began to reopen from May 2020 but with different operating conditions by state. Hotels in Victoria experienced a second introduction of mandated closures in July 2020 and partially reopened during October 2020.

COVID-19 related costs included investment in team and customer safety such as personal protective equipment, cleaning, security and to support social distancing.

Initiatives implemented through COVID-19

Endeavour Group implemented a number of initiatives in response to COVID-19, including:

- redeployment of team members from Hotels to Retail due to unprecedented demand in Retail;
- expanded range with local suppliers and improved payment terms for small suppliers;
- Dan Murphy's launched contactless Pick Up and now has over 170 stores which offer this service direct to boot;
- BWS' convenience offering expanded with the roll-out of contactless Drive Thru which is now available in 28 stores, as well as On Demand delivery expansion to over 950 stores;
- industry approved COVIDSafe plans established and implemented on Hotels venues reopening; and
- 76 chefs from Melbourne and Brisbane seconded to FareShare's food rescue and meal service to help it operate at full capacity until hotel restrictions were lifted.

3.6 RESPONSIBLE BUSINESS PRACTICES

Endeavour Group operates in a complex regulatory environment across its stores and hotels, and regulations differ on a state by state basis.

Endeavour Group aims to be Australia's most responsible operator of hotel, alcohol and gaming facilities, ensuring there is a focus across the business on safety, social, economic and environmental impacts of its operations. Through its representation in industry associations and participation in over 180 Liquor Accords aimed at developing safe and well-managed environments in and around licensed premises, Endeavour Group seeks to lead the industry to achieve a position of best practice and high standards of responsible behaviour, particularly in the responsible service of alcohol and the responsible conduct of gaming.

Endeavour Group's current commitments to social, environmental and corporate responsibility, and its sustainability strategies have been designed to align with the Woolworths Group policies and strategies in this area. A summary of these commitments, particularly as they relate to maintaining Endeavour Group's position as the industry leader in the responsible service of alcohol and conduct of gaming, are set out in detail in [Annexure C.1\(d\)](#). Post Demerger, Endeavour Group will continue the existing policies, procedures and commitments and progress these with the development of its own tailored sustainability strategy and goals specific to the material sustainability issues for its operations.



3.6 RESPONSIBLE BUSINESS PRACTICES (CONTINUED)

(a) Responsible service of alcohol

As part of living its purpose, Endeavour Group is committed to being the national leader in responsible service of alcohol. In addition to the minimum statutory obligations, Endeavour Group has implemented a wide range of voluntary measures for managing and mitigating issues related to responsible service of alcohol and the ranging, sale and marketing of alcohol, demonstrating Endeavour Group's leadership.

Endeavour Group adheres to all applicable regulatory obligations, and goes beyond regulatory compliance in many ways, including:

- ID25: Endeavour Group asks for ID if a shopper looks under the age of 25;
- Endeavour Group operates an independent review of ID25 compliance at all BWS and Dan Murphy's sites, as well as in its online business. Every BWS store is tested twice a year, and Dan Murphy's stores are tested every eight weeks;
- Endeavour Group seeks to stop secondary supply through the "Don't Buy It for Them" policy and awareness campaign;
- Endeavour Group supports campaigns for responsible drinking e.g. DrinkWise Australia cultural change programs and labelling initiatives, and the Choose to DrinkWise retail campaign; and
- Endeavour Group refuses service if a young shopper is in school uniform.

Liquor Accords Portal

Endeavour Group is active in local Liquor Accords where they exist. Endeavour Group's internal Liquor Accords Portal is a platform that connects its store teams with information and resources provided by Liquor Accords across Australia. The portal has empowered store teams to drive community engagement with other local industry representatives, businesses, council and local police.

Online Alcohol Sale and Delivery Code of Conduct

Using Endeavour Group's internal responsible service of alcohol policies as the foundation, Endeavour Group has worked with Retail Drinks Australia (RDA) to develop an industry applicable Online Alcohol Sale and Delivery Code of Conduct. This document is now adopted by all RDA members.

Endeavour Group's leadership in this area has been recognised by the International Alliance for Responsible Drinking who have invited Endeavour Group to be the sole Australian retail participant in an international partnership to develop standards for online sales of alcohol globally.

Alcoholic Beverage Advertising Code (ABAC)

As a signatory since 2013 to the voluntary ABAC, Endeavour Group's advertising campaigns and own brand packaging aim to meet community standards. Endeavour Group's own advertising and packaging are subject to the ABAC review and complaints process to ensure that Endeavour Group does not target young people, nor will Endeavour Group stock any product if its advertising and packaging evidently appeal to young people, or encourage excessive consumption. Endeavour Group regularly engages with ABAC's management committee regarding changes in advertising platforms. Endeavour Group submits the majority of its marketing campaigns to the ABAC Alcohol Advertising Pre-Vetting Service, which considers whether Endeavour Group's marketing plan executions are consistent with ABAC standards.

DrinkWise

Endeavour Group is a funding supporter of DrinkWise – an independent, not-for-profit organisation whose primary focus is to help bring about a healthier and safer drinking culture in Australia. To promote such significant behavioural changes, DrinkWise develops and implements a range of national information and education campaigns, as well as providing practical resources to help inform and support the community about alcohol use.

3.6 RESPONSIBLE BUSINESS PRACTICES (CONTINUED)

(b) Responsible gaming

Hotels work to provide a safe and supportive environment at all of its venues so its customers make informed decisions about gaming, and timely appropriate assistance and information are provided. Problem gambling is a serious community issue, and Endeavour Group has taken numerous steps to enhance responsible gaming practices. These include:

- facial recognition technology in South Australian venues;
- voluntary pre-commitment in the in-house Monty's Rewards app;
- enhanced training through every level of the organisation; and
- COVID-19 compliance to the highest standard.

Endeavour Group engaged the Responsible Gambling Council of Canada (RGCC) to provide an independent view on Endeavour Group's responsible gaming practices. RGCC is a respected, independent non-profit organisation, that has been a global leader in the prevention of problem gambling in Canada and the rest of the world for more than 35 years and has been engaged by operators in the United Kingdom and Singapore to provide a similar review. As a result of that review, Endeavour Group has committed to and has implemented a range of best practices, recommended by the RGCC, including:

- enhanced training programs to assist the gaming team with customer care; and promote voluntary pre-commitment to gaming limits by customers;
- enhancements to privacy training and procedures;
- to preclude the service of complimentary alcohol in gaming rooms (including in markets where this is permitted); and
- to embed a whistleblower platform to identify any issues across the business.

These commitments are underpinned by Endeavour Group's Responsible Gaming Charter (introduced in 2010, updated in 2018) and its Australia-wide voluntary precommitment program.

1. Endeavour Group provides a safe, friendly environment in which all hotel customers can socialise and enjoy themselves in a good atmosphere.
2. Endeavour Group provides good value, good quality meals and family-friendly dining experiences.
3. Endeavour Group believes it has a shared responsibility, along with individuals, families, communities and governments, to ensure responsible behaviour.
4. Endeavour Group does not conduct promotions which encourage irresponsible drinking.
5. Endeavour Group restricts gaming room access to adults and ensures gaming rooms are screened or separated from other areas of the hotel, so as to not attract children.
6. Endeavour Group offers and promotes voluntary pre-commitment – a system that helps players stick to their limit by nominating maximum spending or time limits on gaming machines.
7. Endeavour Group trains its team to be aware of behaviour that may indicate gambling problems and to provide appropriate customer care. Endeavour Group requires all Hotels venue managers and responsible gaming hosts to complete additional advanced responsible gaming training.
8. Endeavour Group partners with expert groups and specialists who can help team members and patrons deal with problem gaming, including Gamblers' Help (Australia's leading professional counselling service).
9. Endeavour Group ensures that ATMs, where approved, are provided for the convenience of all patrons in a safe, central location and not in gaming areas.
10. Endeavour Group does not serve complimentary alcohol in gaming rooms.
11. Endeavour Group supports local communities in numerous ways, including working with charities to raise money through its hotels.
12. Endeavour Group conducts internal and external audits to ensure it delivers on its commitment to be Australia's most responsible operator of hotels.
13. Endeavour Group has introduced a national Gaming Code of Conduct to ensure a consistent approach to customer engagement across the business.

In addition, Endeavour Group has in place an Anti-Money Laundering Program in respect of the hotel and gaming operations which addresses statutory requirements and is independently reviewed on a bi-annual basis.



3.7 ENDEAVOUR GROUP STRATEGY

Following the Demerger, Endeavour Group intends to continue to build on its position as a leading retail drinks and hospitality business in Australia. The three core pillars of Endeavour Group's strategy are: knowing our customer; innovating to meet customer needs; and being one team living our purpose and values.

Knowing our customer: Endeavour Group intends to continue to invest in knowing its customers better than anyone else in order to provide them with relevant and convenient ranges and services while offering great value. This is also supplemented by the group's strongly-embedded customer feedback programs like Voice of Customer (VOC) and Market Tracker (Net Promoter Score) as well as targeted market research to generate customer insights that are a regular part of decision making across Endeavour Group.

Innovating to meet customer needs: This customer knowledge together with Endeavour Group's portfolio of businesses and brands creates engaging experiences for customers in stores, venues, or digital assets. Core to creating engaging experiences, is bringing discovery, convenience, and experience to life through Dan Murphy's, BWS and Hotels, being a leader in personalised digital engagement through EndeavourX and delivering unique quality products through Pinnacle Drinks. Endeavour Group will also continue its focus on end-to-end efficiency.

This focus unlocks five key areas of growth opportunity for Endeavour Group:

- **Growing digital engagement:** Digital is the front door to the Endeavour Group brand portfolio. Endeavour Group will continue to invest in its digital assets to grow its customer traffic, loyalty, and sales. Recent initiatives include the development of capability to personalise digital interaction for Dan Murphy's customers. It is also continuously strengthening its web and app experience focusing on search optimisation, inspiring content and convenient shopping missions to improve conversion;
- **Enhancing the existing venue and store footprint:** Endeavour Group will seek to increase the productivity of its stores and venues through a focus on in-store and in-venue experience and continuous new format innovation. Recent examples of format innovation include Dan Murphy's new urban format in Benowa, Queensland and a new store in South Melbourne. New tools are also being rolled out in stores and venues to support product discovery and efficiency e.g. order at table. Across its Hotels venues, Endeavour Group will invest in renewals to deliver the best local pub experience to customers, focused on locally relevant food and drinks and a renewed gaming room experience. The Retail network is a core component of the group's digital and eCommerce capabilities, enabling seamless experiences through Pick Up, Drive Thru, and delivery, across Australia's most extensive range of over 24,000 products;
- **Strategic expansion of the network to better serve our communities:** Endeavour Group today serves over 2,000 communities and will continuously review its footprint of stores and venues and brand deployment to ensure it provides the best service for each community's needs. Endeavour Group expects to continue the acquisition and development of new Hotels venues, roll-out new Retail stores into strategic catchments, deploy new eCommerce fulfilment capabilities across the network and expand specialty businesses such as Jimmy Brings;
- **Expanding product range and reach:** Endeavour Group will continue to use its reach and customer insights, and its data analytics platform to respond to emerging trends. Leveraging Pinnacle Drinks' capabilities enables the group to introduce new and exclusive products that meet evolving customer preferences and trends, including premiumisation through the award-winning Paragon portfolio being an example. Further opportunity exists to grow the customer resonance of Pinnacle Drinks brands both within Endeavour Group and offshore through selective partnerships; and
- **Enhancing end-to-end cost and asset efficiency:** Endeavour Group will benefit from the opportunity to operate more efficiently and continue to reduce the cost to serve for its customers and communities. A key driver of this optimisation will be the continued expansion of technology capabilities to support growth and adopting more agile and integrated ways of working. Endeavour Group will also look to unlock further value in its freehold and leasehold property assets over time. While short average lease tenures in the Retail network allow flexibility and support ongoing portfolio optimisation, select Hotels freehold and longer-term lease assets represent redevelopment opportunities that have the potential to create value.

Being one team living our purpose and values: Opportunities to create value can only be unlocked through a culture in which team members are strong advocates for Endeavour Group and are empowered to express the Endeavour Group purpose of "creating a more sociable future together". Core to this purpose, is Endeavour Group's commitment to being Australia's most responsible operator of retail drinks and hospitality venues. Endeavour Group's strategy positions the business well for the next horizon of growth while investing appropriately to ensure its long-term success.

3.8 ENDEAVOUR GOVERNANCE, BOARD AND SENIOR MANAGEMENT

(a) Endeavour governance

Good corporate governance is central to Endeavour's approach to creating sustainable growth and enhancing long-term shareholder value. Endeavour intends to follow each of the recommendations of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (4th Edition)*, if not fully from implementation of the Demerger, soon thereafter.

Further details of the key corporate governance policies and practices of Endeavour are also set out in [Annexure C](#).

The following details concerning the board relate to the board as it is intended to be constituted by the implementation of the Demerger¹.

DIRECTORS ²	MEMBER OF:			
	BOARD	AUDIT, RISK AND COMPLIANCE MANAGEMENT COMMITTEE	PEOPLE, CULTURE AND PERFORMANCE COMMITTEE	NOMINATIONS COMMITTEE
Peter Hearl	●			●
Stephen Donohue	●			
Holly Kramer	●		●	●
Duncan Makeig	●	●	●	●
Bruce Mathieson Sr	●			●
Joanne Pollard	●	●		●
Colin Storrie	●	●		●
Catherine West	●	●	●	●

LEGEND: ● Chair of board/committee ● Chair of committee (interim) ● Member of board/committee

Endeavour intends to appoint a further independent non-executive director to the Endeavour Board shortly after the Demerger is implemented following which the board will have a majority of independent directors. Endeavour intends for this independent non-executive director to be the Chair of the Audit, Risk and Compliance Management Committee on appointment.

(b) Board skills and experience

The Endeavour Board will comprise directors with a diverse range of skills, experience and backgrounds to support the effective governance and robust decision making of Endeavour Group, with a particular focus on the key desired areas listed below. An assessment of the optimum mix of these skills and experience is intended to take place regularly.

SKILL/EXPERIENCE	DIRECTORS WITH SKILL/EXPERIENCE ²
Retail, hospitality, gaming	7/8
Customer, brand, consumer marketing	8/8
Governance	6/8
Social responsibility	8/8
Leadership (CEO or similar)	6/8
Regulatory and compliance	8/8
Digital, data and technology	7/8
Financial acumen	7/8
International markets	6/8

¹ As at the date of the Demerger Booklet, the directors of Endeavour comprise Brad Banducci, Stephen Donohue, Colin Storrie, Steven Greentree, Bruce Mathieson Sr, Bruce Mathieson Jr and Ross Blair-Holt.

² As proposed at the Implementation Date.



3.8 ENDEAVOUR GOVERNANCE, BOARD AND SENIOR MANAGEMENT (CONTINUED)

(c) Endeavour Board



Peter Hearl

BCom (with Merit),
FAICD, MIML, MAMA

CHAIRMAN

Peter is an experienced listed company director and has extensive business, international and executive leadership experience in the fast-moving consumer goods and energy sectors. Peter's international career included leadership roles for PepsiCo Restaurants and Yum! Brands Inc., including the positions of Executive Vice President International, President of Pizza Hut and Yum!'s global Chief Operations and Development Officer. Prior to moving into the consumer goods industry, Peter held various roles with Exxon in Australia and the United States over an 18 year period.

Peter is a director of Telstra Corporation Limited and Santos Limited. Peter is also a trustee of the Stepping Stone Foundation and member of its Investment Committee, and a member of the Australian School of Business Alumni Leaders Group at The University of New South Wales. Peter was previously a director of ASX-listed Treasury Wine Estates Limited, Goodman Fielder Limited and US-based Westport Resources.



Stephen Donohue

**MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER**

Steve has over 25 years' experience in the retail industry and has a deep appreciation for core retail principles, and a strong focus on the customer experience. He has held a broad range of roles in the Endeavour Drinks business since commencing as a store manager at Dan Murphy's in 1994. As CEO-elect, Steve is focused on enabling great drinks and hospitality experiences for customers, building the business sustainably and embracing entrepreneurship and innovation.

Prior to being appointed the Managing Director of Endeavour Drinks in 2018, Steve gained broad experience across the Endeavour Drinks business having held senior buying, merchandising and marketing roles at Dan Murphy's and BWS. Earlier, Steve held the role of Director of Buying and Merchandising for Woolworths Supermarkets.



Holly Kramer

BA (Hons), MBA

**WOOLWORTHS NOMINEE
NON-EXECUTIVE DIRECTOR**

Holly is an experienced listed company director and has substantial leadership and retail experience. Holly is a former Chief Executive of Best & Less. She has had more than 25 years' experience in executive and general management and product and marketing roles at Telstra Corporation, Pacific Brands and the Ford Motor Company.

Holly is a director of Woolworths Group Limited, Fonterra Co-operative Group Limited and Abacus Property Group. Holly is also pro chancellor at Western Sydney University, and a director at GO (Goodes-O'Loughlin) Foundation and The Ethics Centre. Holly previously served as deputy chair of Australia Post and as a director of AMP Limited, Nine Entertainment Co. Holdings Limited and 2XU Limited.



Duncan Makeig

LLB, FGIA FCG

**INDEPENDENT,
NON-EXECUTIVE DIRECTOR**

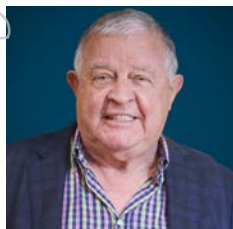
Duncan has substantial legal and corporate governance expertise and international experience in the fast-moving consumer goods sector. Duncan's management career spanned over 30 years having held a number of senior leadership positions, including serving as the Managing Director for Lion Asia Dairy and in general counsel, company secretary and corporate/government affairs roles, for Lion Nathan, PepsiCo Australasia/Africa and the Tricon Restaurants (now known as Yum! Brands Inc.) which operates food outlets such as KFC and Pizza Hut.

Duncan is currently the Chief Executive and co-founder of brand-building consultancy firm, China Road, which assists premium food businesses to establish a presence in the Chinese market.

Duncan is the chairman of New Zealand-listed company Good Spirits Hospitality Limited, chairman of each of the Sydney Children's Hospitals Foundation Limited and Curing Homesickness Limited, a director of The Better Bar Company Limited and Wirrabilla Pastoral Pty Limited, and part owner of the Royal Hotel, Wyong.

Duncan was previously the chairman of Heineken-Lion Australia and a director of Banksia Wines Limited and Bevchain Limited.

3.8 ENDEAVOUR GOVERNANCE, BOARD AND SENIOR MANAGEMENT (CONTINUED)

**Bruce Mathieson Sr**BMG NOMINEE
NON-EXECUTIVE DIRECTOR

Bruce is a pioneer in the Australian hotel, leisure and hospitality sector and a well-respected member of the Australian business community. He has extensive management, transactional and investment experience across several industries including property development, stockbroking, and technology ventures in security, medical and water management.

Bruce has been involved in acquiring, divesting and the operation of hotels across Australia for over 45 years. He is the former Chief Executive of ALH Group, the joint venture between Woolworths Group and BMG, which now forms part of Endeavour Group and in which Bruce has a substantial shareholding interest. Prior to entering the hotel business, Bruce had his own metal fabricating business.

Bruce serves as a director of Mayne Pharma Group Limited and has been a director of Endeavour Group (and formerly of ALH Group) since creation of the joint venture. Bruce was previously a director of the Carlton Football Club.

**Joanne (Joe) Pollard**

MAICD

INDEPENDENT,
NON-EXECUTIVE DIRECTOR

Joe has domestic and international experience in telecommunications, technology, media, advertising and the sports industries. Joe has significant understanding of customer management, marketing, cultural transformation and digital disruption.

Joe was previously Group Executive of Media and Marketing at Telstra Corporation and Chief Executive of Ninemsn and Publicis Mojo. During her 30 year executive career, she has held various other leadership roles in sales, marketing, media, digital and content at PBL Media, Nike Inc and Mindshare. Joe is now a senior advisor in customer management, technology and marketing communications to a diverse range of clients including Optus, Minderoo Foundation, Tattarang, Business Council of Australia and Austrade. Joe is also a member of Chief Executive Women.

Joe is a director of Greencross Limited and a member of its Audit and Risk Committee. Joe was a previously a director of Nine Entertainment Co. Holdings Limited, AMP Bank Limited, Michelle Bridge's 12WBT, I-Select, the Interactive Advertising Bureau and Australian Association of National Advertisers.

**Colin Storrie**BCom, GradDipMgt,
FCPA, GAICD

NON-EXECUTIVE DIRECTOR

Colin has over 25 years' experience in senior roles in listed companies, investment banking and government, including Chief Financial Officer positions at both Qantas Airways Limited and AMP Limited. Colin is now the Managing Director of New Business and Partnerships at Woolworths Group, has held various senior roles at Woolworths and been a member of its executive committee since 2016. His role as an executive of Woolworths will conclude on 27 June 2021.

Colin has been a director of Endeavour Group Limited since 2019 and ALH Group Pty Ltd since 2017. Colin is also a director of The Quantum Group Holdings Pty Limited (data and analytics) and North Queensland Airports.

Colin was previously a director of UNICEF Australia, AIG Australia Limited, Qantas Airways Limited, Qantas Superannuation Limited and AMP Bank Limited.

**Catherine West**

BEcon/LLB (Hons), GAICD

INDEPENDENT,
NON-EXECUTIVE DIRECTOR

Catherine has over 25 years of legal, business affairs and strategy experience in media, entertainment, telecommunications and the medical sectors in Australia, the United Kingdom and Europe. Catherine's most recent executive role was Director of Legal-Content, Commercial and Joint Ventures for Sky Plc in the United Kingdom, where she managed complex corporate and commercial transactions in highly competitive and regulated environments. Catherine is currently a strategy and business affairs consultant to media companies internationally and to the healthcare sector.

Catherine is a director of Nine Entertainment Co. Holdings Limited, Peter Warren Automotive Holdings Limited and Monash IVF Group Limited. Catherine is also vice-president of the Sydney Breast Cancer Foundation at Chris O'Brien Lifehouse, a director of the NIDA Foundation Trust and a governor of Wenona School. Catherine was previously on the board of Southern Phone Company and was a committee member of British Academy of Film and Television Arts.



3.8 ENDEAVOUR GOVERNANCE, BOARD AND SENIOR MANAGEMENT (CONTINUED)

(d) Endeavour senior management

Following implementation of the Demerger, the key management personnel of Endeavour will comprise the following persons:



See [Section 3.8\(c\)](#) above.

Stephen Donohue

MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER



Shane is an experienced finance executive with over 40 years in the finance function with market-leading ASX-listed companies. Previously, Shane held the role of CFO for Mirvac Limited, CFO for Goodman Fielder Limited and CFO of CSR Limited. Shane joined Endeavour as the CFO in April 2021.

Shane has a Bachelor of Business from Charles Sturt University, and is a Fellow of the Australian Institute of Company Directors and CPA Australia.

Shane Gannon

CHIEF FINANCIAL OFFICER



Scott brings more than 25 years of retail experience in liquor and supermarkets. Scott has worked across buying, marketing, merchandising, replenishment and store operations with the Woolworths Group in Australia and New Zealand for more than 16 years. Scott joined the Endeavour team in January 2020.

Scott has a Diploma of Business Management from the Macquarie Graduate School of Management, and a Certificate of Management from Deakin University.

Scott Davidson

MANAGING DIRECTOR,
BWS

3.8 ENDEAVOUR GOVERNANCE, BOARD AND SENIOR MANAGEMENT (CONTINUED)

**Alex Freudmann**MANAGING DIRECTOR,
DAN MURPHY'S

Alex has extensive retail experience developed in senior roles in Australia and the United Kingdom. He joined Woolworths from Coles in January 2020 where he had been for almost 10 years in a variety of roles including General Manager, Grocery and Director, Fresh Food. Prior to that, Alex held various positions at Tesco plc in London.

Alex has completed the Advanced Management Program at Harvard Business School, and has a Bachelor of Arts (Hons) History from the University of Oxford.

**Bruce Mathieson Jr**MANAGING DIRECTOR,
HOTELS

Bruce has grown up in the hospitality industry and has extensive experience and a deep understanding of the hotel and gaming businesses.

In 2011, Bruce took on the role of Chief Executive Officer of ALH Group from his father Bruce Mathieson Sr.



3.8 ENDEAVOUR GOVERNANCE, BOARD AND SENIOR MANAGEMENT (CONTINUED)

(e) Independence of the Endeavour Board

The Endeavour Board will adopt a definition of independence that is based on the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (4th Edition)*. That is, the Endeavour Board will only consider Endeavour Directors capable of being considered independent where they are independent of management and free of any interest, position, association or business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, independent judgement. The Endeavour Board will regularly assess the independence of each Endeavour Director in light of information disclosed to the Endeavour Board.

Mr Stephen Donohue is not considered to be independent given his role as Managing Director and Chief Executive Officer of Endeavour Group.

Ms Holly Kramer is not considered to be independent because she is also a director of Woolworths, a substantial shareholder in Endeavour. The Endeavour Board believes that Ms Kramer will provide invaluable insight and contributions to Endeavour through her experience and deep understanding of retail businesses and will provide a bridge to the Woolworths Board in recognition of the ongoing strategic relationship with Woolworths.

Mr Bruce Mathieson Sr is not considered to be independent because he is a director and shareholder of BMG, a substantial shareholder in Endeavour. The Endeavour Board believes that Mr Mathieson Sr will provide unique and integral insight to the operation of Endeavour through his extensive experience and deep understanding of the hospitality industry in which Endeavour operates.

Mr Colin Storrie is not considered to be independent because he is currently a senior executive of Woolworths Group and is expected to remain in this role until 27 June 2021. Mr Storrie is also a director of The Quantum Group Holdings Pty Limited, of which Woolworths is a shareholder. The Endeavour Board believes that Mr Storrie will bring objective and unbiased judgement to the deliberations of the Endeavour Board and will bring a critical perspective to the Endeavour Board, having regard to his experience in senior roles within Woolworths Group and his long experience in financial and accounting roles.

(f) Further information

Annexure C sets out further information concerning Endeavour Group's governance, board and senior management, including director and executive remuneration arrangements and the impact of the Demerger on Woolworths Group's incentive plans.

3.9 ENDEAVOUR GROUP'S ONGOING RELATIONSHIP WITH WOOLWORTHS GROUP

(a) Background to the Partnership Agreements

Following implementation of the Restructure, Woolworths and Endeavour gave effect to a series of medium-term and long-term strategic agreements, referred to as the Partnership Agreements, which are intended to be mutually beneficial for both groups. In many cases, the Partnership Agreements serve to formally document the way in which Endeavour Group has historically operated as part of Woolworths Group. These agreements cover key business areas and are intended to enable both Woolworths Group and Endeavour Group to succeed in partnership¹:

- **Supply Chain & Stores:** Endeavour Group will continue to have access to tailored Primary Connect supply chain solutions and continue operating those BWS and Dan Murphy's stores that are under a Woolworths head lease, enabling operational efficiency, cost fractionalisation and sales benefits from continued co-location;
- **Loyalty & Fintech:** BWS will continue to be a partner in the Everyday Rewards program, benefiting from Everyday Rewards best-in-class capabilities to target customers with compelling and personalised offers. Endeavour Group will continue to receive customer payment services from Woolworths Group with a pathway to participate in future customer payments innovations;
- **Digital & Media:** Endeavour Group will continue to have access to Woolworths Group's advanced capabilities in data analysis, be featured in Woolworths Group's marketing channels and sell liquor on woolworths.com.au to drive cross-shop opportunities and grow joint food and liquor offerings online;
- **Business Support:** Endeavour Group will continue to have access to core retail technology and supporting infrastructure to provide business stability and benefit from scale efficiencies. Furthermore, Endeavour Group will continue to have access to capabilities and platforms for people and transaction services (including payroll, accounts payable and accounts receivable), enabling continuity of operations, with flexibility and a jointly-developed transition plan to independent operations over time; and
- **International:** Endeavour Group will continue to offer Pinnacle Drinks brands and products to Woolworths Group for their sale in Woolworths Group's retail network in New Zealand and their distribution outside Australia and New Zealand through Woolworths Group's international distribution networks.

(b) Rationale for the Partnership Agreements

Both Woolworths Group and Endeavour Group consider that there is a compelling rationale for the partnership embodied in the Partnership Agreements, to continue following the Demerger. The key anticipated benefits to be delivered under the Partnership Agreements include:

- a continuing framework for Woolworths Group and Endeavour Group to pursue joint growth opportunities and further develop team and technology capabilities for their mutual benefit;
- protecting and maintaining the synergies and collaborative relationship that Woolworths Group and Endeavour Group currently enjoy, including the benefits of scale;
- supporting Endeavour Group with continuity of its operations and in its transition to become a separately listed entity; and
- minimising stranded costs² for Woolworths Group arising as a consequence of the Demerger.

The Partnership Agreements between Woolworths Group and Endeavour Group form part of Woolworths Group's broader goal of extending choice for customers to meet their everyday needs through both Woolworths Group's businesses and partners.

1 The relationship between Woolworths Group and Endeavour Group is not a formal legal partnership. The term Partnership Agreement seeks to describe the close and mutually beneficial relationship that is intended to be the outcome of the Partnership Agreements.

2 "Stranded costs" are costs incurred by Woolworths Group allocated to Endeavour Group before the Demerger, which will cease to be allocated to Endeavour Group as a result of the Demerger but will still be incurred by Woolworths Group if not charged to Endeavour Group under the Partnership Agreements.



3.9 ENDEAVOUR GROUP'S ONGOING RELATIONSHIP WITH WOOLWORTHS GROUP (CONTINUED)

(c) Framework and governance of the Partnership Agreements

The ongoing partnership between Woolworths Group and Endeavour Group will be documented in a series of Partnership Agreements with the overall partnership governed by a Commercial Alliance Agreement. The Commercial Alliance Agreement describes:

- the parties' commitment to deal with the other in accordance with an agreed set of "partnership principles" based on trust, fairness and good faith;
- a commitment between the parties to treat the other as a preferred partner in respect of new opportunities which lend themselves to collaboration;
- a commitment by Woolworths Group to provide to Endeavour Group, for a period of six months on a cost recovery basis (unless otherwise agreed by Woolworths Group and Endeavour Group), any service previously provided to Endeavour Group by Woolworths Group which was inadvertently omitted from the Partnership Agreements;
- termination rights which arise in favour of a party where the other party is affected by an insolvency event or a change in control which may have a material adverse effect on the unaffected party's reputation; and
- the governance and dispute resolution frameworks which Woolworths Group and Endeavour Group have agreed will apply to the partnership.

(d) Payments between Endeavour Group and Woolworths Group under the Partnership Agreements

It is anticipated that Endeavour Group's payments to Woolworths Group under the Partnership Agreements will be approximately \$564 million for F21. Approximately two thirds of the payments relate to Supply Chain & Stores, with the balance across the business areas of Loyalty & Fintech, Digital & Media and Business Support. It is anticipated that Woolworths Group's payments to Endeavour under the International partnerships that relate to Pinnacle Drinks products sold to Woolworths, to sell or distribute internationally will be approximately \$13 million for F21. These amounts reflect a full year of operation of the Partnership Agreements.

The charges largely reflect the way in which Endeavour Group has historically operated as part of Woolworths Group. While Endeavour Group and Woolworths Group have been operating under the Partnership Agreements throughout F21, the pro forma financial statements for both Endeavour Group and Woolworths Group (Post Demerger) in [Sections 3.13](#) and [4.6](#) reflect the position as if the Partnership Agreements had been in place for the earlier periods disclosed.

(e) Areas of collaboration and capabilities

See [Section 7.10](#) for further details relating to the specific areas of collaboration and capabilities covered under the Partnership Agreements.

(f) Restructure Deed arrangements

As part of the Restructure, Woolworths and Endeavour entered into a Restructure Deed to facilitate certain ongoing arrangements between Woolworths Group and Endeavour Group. Key commercial features of the Restructure Deed are set out in [Section 7.9\(b\)](#).

3.10 ENDEAVOUR GROUP'S CAPITAL STRUCTURE UPON IMPLEMENTATION OF THE DEMERGER

(a) Endeavour Group's capital structure and dividend policy

(i) Share capital

Endeavour will have approximately 1,791 million ordinary shares on issue as at the Implementation Date, with no other equity securities on issue at the time of the Demerger.

(ii) Dividend policy

Endeavour's dividend policy will be determined by the Endeavour Board at its discretion and may change over time.

Endeavour intends to follow Woolworths' long established dividend policy which has regard to current year earnings, available franking credits, future cash flow requirements and targeted credit metrics. This approach is initially expected to deliver a dividend payout ratio ranging from 70% to 75% of NPAT, enabling Endeavour to retain sufficient flexibility to reinvest in the business and pursue other growth initiatives, where appropriate. While Endeavour intends for its dividends to be franked to the maximum extent possible, this will be dependent on its franking credit balances (and forecast franking position for the relevant income year) at the time the dividends are declared. Endeavour Group had franking credits available of \$609 million as at 3 January 2021. The fully franked dividend of \$269 million expected to be paid prior to Demerger will reduce this franking account by \$115 million. However, this reduction in the franking account will be offset by additional franking credits arising from tax payments made by Endeavour Group since 3 January 2021.

Endeavour has confirmed to Woolworths that it expects to pay a dividend during the second half of calendar year 2021 of 70% to 75% of H2 F21 NPAT, subject to the Endeavour Directors at that time being satisfied that the payment of the dividend is in accordance with legal requirements for the payment of dividends and is appropriate having regard to their fiduciary and statutory duties. Having regard to Endeavour's approach, it is anticipated that post Demerger, the aggregate amount of dividends to be declared by Woolworths and Endeavour during the second half of calendar year 2021 will be broadly comparable to the dividend that would have been declared by Woolworths if the Demerger did not proceed.

(iii) Dividend reinvestment plan (DRP)

The Endeavour Constitution makes provision for a DRP. If the Endeavour Board decides to activate the DRP, it will provide further details to Endeavour Shareholders prior to the relevant dividend record date, including details of the elections that may be made in relation to participation in the DRP by Endeavour Shareholders.

(b) Endeavour Group's debt facilities and cash

Endeavour Group has historically been funded through a combination of cash flows generated by Endeavour Group, as well as intercompany borrowings provided by Woolworths.

If the Demerger is implemented, the intercompany borrowings will be replaced with external financing facilities in aggregate totalling \$2.5 billion, consisting of a five year \$1.0 billion syndicated revolving credit facility, a four year \$900 million syndicated revolving credit facility, and a number of three year bilateral revolving credit facilities totalling \$600 million (Endeavour Group Facilities).

Immediately after the Separation Date, it is expected that Endeavour Group will have net debt in the range of \$1.4 billion to \$1.5 billion (excluding leases), comprising approximately \$1,850 million of drawn external debt and approximately \$400 million of cash (assuming the mid-point of this net debt range). The actual balances will be subject to variances in actual cash flows in Endeavour Group prior to the Separation Date, including movements in working capital.

As at the date of this Demerger Booklet, Endeavour has in place legally binding commitments from a number of major banks to provide the Endeavour Group Facilities subject to various conditions being satisfied which are customary for facilities of this nature and relate to the implementation of the Demerger and listing of Endeavour on the ASX. At the Separation Date, Endeavour Group will have access to the Endeavour Group Facilities, which may be used to fund its opening cash position. The Endeavour Group Facilities contain market standard terms and conditions for facilities of this nature.



3.10 ENDEAVOUR GROUP'S CAPITAL STRUCTURE UPON IMPLEMENTATION OF THE DEMERGER (CONTINUED)

(c) Other financing arrangements

Endeavour Group may enter into interest rate swaps or other arrangements to manage its fixed and floating exposures on its debt facilities.

Endeavour Group may enter into foreign exchange derivatives to hedge a portion of its foreign exchange exposure associated with the importation of goods, services and capital expenditure denominated in foreign currency. Endeavour Group does not enter into derivatives for speculative purposes.

(d) Credit rating

Endeavour Group is not applying for a public credit rating upon Demerger.

Post Demerger, Endeavour Group's credit metrics are targeted to be consistent with an investment grade profile.

(e) Shareholding of Woolworths and BMG in Endeavour

Each of Woolworths and BMG will hold a 14.6% interest in Endeavour following the Demerger.

Woolworths considers its shareholding in Endeavour to be an important reflection of the strategic importance of the Partnership Agreements in providing a continuing framework for Woolworths Group and Endeavour Group to exploit joint growth opportunities and develop shared capabilities for their mutual benefit. There are no escrow or similar restrictions on the disposal by Woolworths of its shareholding in Endeavour. Woolworths intends to retain a substantial shareholding in Endeavour so long as it considers it is in the interests of Woolworths Shareholders to do so.

Subject to any required approval of Endeavour Shareholders, Woolworths intends to maintain a common director between Woolworths and Endeavour while it remains a substantial shareholder in Endeavour in recognition of the ongoing collaboration and close relationship between Woolworths Group and Endeavour Group.

Woolworths and Endeavour have been advised by BMG that BMG regards its shareholding in Endeavour to be a long-term investment. There are no escrow or similar restrictions on the disposal by BMG of its shareholding in Endeavour.

Subject to any required approval of Endeavour Shareholders, BMG has advised Endeavour that it intends to be represented by one director on the Endeavour Board while it retains a substantial shareholding in Endeavour.

If a third party was to make a takeover bid under the Corporations Act for Endeavour Shares, either of Woolworths or BMG with more than a 10% holding in Endeavour Shares could block a compulsory acquisition following the bid, which requires a bidder to have acquired a 90% relevant interest in the total number of Endeavour Shares on issue to proceed to compulsory acquisition and acquire 100% of the Endeavour Shares on issue.

In addition, if a third party was to seek to acquire control of Endeavour through an Endeavour supported scheme of arrangement, it may be difficult to achieve the required 75% shareholder approval threshold for such a transaction if either Woolworths or BMG did not support that transaction where they are substantial shareholders of Endeavour. If both Woolworths and BMG (acting independently of each other) did not support that transaction while collectively holding more than a 25% interest in Endeavour, the required 75% majority could not be achieved.

3.11 TEAM MEMBERS, REMUNERATION AND INSURANCE

(a) Overview

Endeavour has a purpose, core values, ways of working and code of conduct, which support attracting, retaining and motivating team members across Endeavour Group.

On or around 31 December 2020, Endeavour Group had 28,000+ team members. A breakdown of team member numbers by geography is set out below:

AUSTRALIAN STATE OR TERRITORY/NEW ZEALAND	TEAM MEMBER NUMBERS
Queensland	7,550
Victoria	7,450
New South Wales	7,300
Western Australia	2,650
South Australia	2,625
Tasmania	525
Australian Capital Territory	275
Northern Territory	225
New Zealand	10

Approximately 31% of team members are covered by five enterprise agreements. The two enterprise agreements which predominantly apply are:

- BWS Agreement 2019, which applies to approximately 4,800 team members; and
- Dan Murphy's Agreement 2019, which applies to approximately 3,875 team members.

Approximately 58% of team members are covered by modern awards. The modern award which primarily applies, is the Hospitality Industry General Award.

Endeavour Group has workforce plans in place, conducts regular succession/talent planning sessions and has a focus on career development.

(b) Superannuation

The default accumulation superannuation plan for a team member of Woolworths Group is called the Woolworths Group Superannuation Plan (Woolworths Super), or team members can join any other regulated superannuation plan of their choice.

Woolworths Super is a sub-plan within AMP Signature Super, and as of 3 January 2021, approximately 13,500 team members of Woolworths Group in Australia were members of the Woolworths Super accumulation plan. Of that total, approximately 1,500 were Endeavour Group team members.

Woolworths Group also has legacy defined benefit superannuation plans (closed to new members). As at 3 January 2021, approximately 20 Endeavour Group team members were members of defined benefits plans within Woolworths Group. Defined benefit plan funding requirements have been reviewed and are fully met.

Effective from the Demerger, Endeavour Group will continue to offer team members an accumulation default superannuation fund provided by AMP, and defined benefit plans to those team members who are currently members of those plans.

(c) Team member payments

On 30 October 2019, Woolworths announced its commitment to rectify payment shortfalls to current and former salaried team members across Woolworths Group covered by the General Retail Industry Award (GRIA), including interest and superannuation contributions. In June 2020, Woolworths recognised additional costs related to underpayments against the GRIA and also identified salary payment shortfalls for salaried team members in ALH Group's retail drinks stores and hotel venues covered by the Hospitality Industry General Award (HIGA). The HIGA is the modern award which applies to ALH Group salaried team members (ALH Group has been wholly owned by Endeavour Group since the time of the ALH Merger). The calculations of the salary payment shortfall involve a substantial volume of data and a high degree of complexity, interpretation and estimation. This review is ongoing and is subject to further analysis.



3.11 TEAM MEMBERS, REMUNERATION AND INSURANCE (CONTINUED)

Woolworths noted in its October 2019 announcement that it had reported the matter to the Fair Work Ombudsman (FWO), which was conducting an investigation. That investigation is ongoing. Woolworths also announced on 2 December 2019 that a Canberra-based law firm had announced an intention to file an employee class action against Woolworths in respect of payment shortfalls for some Woolworths GRIA-covered salaried team members. Proceedings have been commenced in relation to salaried team members in the Woolworths Supermarkets, Metro Food Stores and BIG W businesses, and seek to recover any additional amounts that should have been paid, and to have penalties imposed on Woolworths. The law firm has also announced that it is investigating underpayments to salaried BWS and Dan Murphy's team members who worked in retail drinks stores operated by both Woolworths (now Endeavour) and ALH Group between August 2014 and February 2020.

Determining the liability and amount of the historical payment shortfall requires consideration of numerous clauses of the GRIA and HIGA, which translate into thousands of decision rules affecting tens of thousands of team members, across each year of the review. Changes (even minor changes) to any of these variables and the outcome of regulatory investigations or class action proceedings have the potential to result in a future adjustment to the relevant provisions taken in relation to these shortfalls in subsequent periods. The complexity of the legal framework for determining payment obligations and the configuration of payroll systems used to meet these legal obligations also create the risk that additional payment shortfalls may be identified in either of Endeavour Group or Woolworths Group (Post Demerger) including for salaried or waged/hourly paid team members in relation to compliance with modern awards, enterprise agreements, contractual or other legal obligations.

The assessment being undertaken by Woolworths Group and Endeavour Group of the remediation liability for salaried team member underpayments is ongoing. This analysis is substantially complete as it relates to salaried team members covered by the GRIA. Analysis of the position for salaried team members covered by the HIGA is at an earlier stage of review and will not be completed prior to the implementation of the Demerger.

The early work to date on salaried team members covered by the HIGA has also identified the possibility of underpayments in relation to hourly paid ALH Group team members covered by the HIGA. Based on the limited sample testing undertaken to date, it is likely that there have been underpayments of entitlements for some ALH Group hourly paid team members.

Woolworths Group and Endeavour Group have also been working through a comprehensive review of the legal obligations and configuration testing for Endeavour Group's enterprise agreement-covered team members (for example, hourly paid team members in Endeavour Group-operated BWS and Dan Murphy's stores). Limited sample testing undertaken to date indicates that there may have been underpayments of entitlements for some hourly paid BWS team members under the BWS Enterprise Agreement.

More detailed analysis in relation to both of these matters is being undertaken, but will not be completed prior to the implementation of the Demerger.

As at 28 June 2020, Woolworths Group had recognised total one-off costs for salaried team remediation of \$500 million of which \$390 million relates to salary payment shortfalls and \$110 million to interest and other remediation costs. These costs were recognised at a Woolworths Group consolidated level as a provision of \$50 million in F19, an adjustment to prior periods of \$265 million, and an incremental expense of \$185 million in F20.

In the period to the end of April 2021 Woolworths Group had made total payments of \$345 million to remediate underpayment of GRIA-covered salaried team members which principally comprises payments to affected team members (including for superannuation). Woolworths has now paid, by reference to its analysis, substantially all remediation amounts payable to affected salary team members covered by the GRIA for the period F14-F19 (which includes payments of \$16 million to Endeavour Group team members employed in the BWS and Dan Murphy's businesses).

The Endeavour Group pro forma statement of financial position as at 3 January 2021, set out in Section 3.13, includes a provision of \$77 million for payment shortfalls to Endeavour Group team members. As noted above, analysis of the HIGA-covered salaried team member entitlements is ongoing and is also subject to further analysis and engagement with the FWO. Further analysis of the entitlements of hourly paid Endeavour Group team members covered by the HIGA and the BWS Enterprise Agreement will continue beyond Demerger. Endeavour management and board will keep these matters under close review. Presently, it is not possible to determine the quantum of any potential underpayment of entitlements for hourly paid team members. There is a risk that further analysis has the potential to result in a future adjustment to payment shortfall provisions.

Endeavour Group and Woolworths Group (Post Demerger) pro forma statements of profit or loss included in Sections 3.13 and 4.6 reflect the cost of salaries for store and venue team members of the respective groups as if the salary underpayments had not occurred.

The pro forma statements of profit or loss represent Woolworths Group's best estimate for the payment shortfall to salaried team members for each of the historical periods presented. Any increase or decrease to payment shortfall amounts in subsequent periods due to revisions to prior estimates, further payment shortfall assessments (including in relation to hourly-paid team members) or other relevant factors would be recognised, as applicable, in the statement of profit or loss for Woolworths Group (Post Demerger) or Endeavour Group. Any increase to the payment shortfall amount may have an adverse impact on the financial position and reputation of Woolworths Group (Post Demerger) or Endeavour Group (as applicable).

3.11 TEAM MEMBERS, REMUNERATION AND INSURANCE (CONTINUED)

Endeavour Group remains liable for all payment shortfalls for past and present Endeavour Group team members (including all ALH Group team members and team members that transferred to Endeavour Group as part of the Restructure) except for payment shortfalls for award-based salaried team members that transferred to Endeavour Group as part of the Restructure which is a liability that Woolworths retained as part of the Restructure. Liability for any payment from the class action filed in relation to the payment shortfalls in Woolworths Supermarkets, Metro Food Stores and BIG W salaried team members covered by the GRIA and referred to in Woolworths' announcement of 2 December 2019 will also remain with Woolworths.

(d) Insurance

Endeavour Group currently has the benefit of Woolworths Group's insurance policies, which will be replaced with standalone Endeavour Group policies on and from the Separation Date. New insurance policies to take effect from the Separation Date are currently being arranged by Endeavour Group to ensure continuity of business insurance. It is intended that Endeavour Group's insurance policies will be placed with insurers of acceptable financial strength, and the levels of retained risk and coverage purchased will be appropriate to the business activities of Endeavour Group, subject to such insurance being available on commercially reasonable terms.

In relation to workers compensation and public liability, as discussed further in Section 3.13(g), Woolworths Group self-insures these risks, including Endeavour Group's risk, except where (a) regulators require external insurance to be purchased to support potential obligations of Endeavour Group, or (b) Endeavour Group has alternative insurance arrangements in place. From the Separation Date, all workers compensation and public liability claims will be the responsibility of Endeavour Group. Endeavour Group has applied to obtain self-insurance licences in Queensland, South Australia and New South Wales for workers compensation. The licences will allow Endeavour Group to self-insure from the Separation Date or within a reasonable timeframe determined by the regulator. Endeavour Group is considering whether to apply for self-insurance in other states and territories and may choose to do so post Demerger.

3.12 REGULATORY FRAMEWORK FOR ENDEAVOUR GROUP

The nature of Endeavour Group's operations necessitates compliance with broad and extensive legislative requirements at all levels of government across Australia. Areas impacted include competition and consumer law, liquor, gaming, tobacco, operational food safety and product safety, data protection and privacy, occupational health and safety, planning and environment, employment laws and anti-money laundering and counter-terrorism financing compliance.

Key regulatory impacts for Endeavour Group are set out below.

(a) Regulatory oversight - licence to trade

Endeavour Group's businesses require a number of regulatory licences to enable them to trade, and regulatory compliance is therefore a key focus in these areas. These include:

- liquor and gaming (including anti-money laundering and counter-terrorism financing compliance);
- tobacco; and
- food.

(i) Liquor licensing arrangements

Liquor licensing arrangements are state and territory based with separate regimes applying in individual Australian states and territories. Key aspects, some of which are similar across the states and territories and some of which are jurisdiction specific, include the following:

- liquor licence conditions will generally specify whether alcohol may be sold for on-premise and/or off-premise consumption and locations;
- the licence will specify opening hours for, and the approved size of, the licenced premise;
- the licence will generally include additional conditions applicable to the specific licenced premise;
- the grant of new licences is restricted, requires approval by the applicable liquor licencing regulator and potentially additional regulatory bodies (e.g. local councils); and
- in Queensland, a retail liquor store may only be operated by a person that holds a commercial hotel licence, with the hotel licence holder being permitted to apply to operate up to three retail liquor stores within 10 kilometres of the hotel.

Compliance and liability obligations also differ by state and territory.



3.12 REGULATORY FRAMEWORK FOR ENDEAVOUR GROUP (CONTINUED)

(ii) Electronic gaming licensing arrangements

The regulation of electronic gaming licensing arrangements differs between individual Australian states and territories. As some of Endeavour Group hotels operate EGMs, Endeavour Group is subject to the current regulatory regime for EGMs. While this regime varies across each Australian state and territory, the common regulatory features can be broadly summarised as follows:

- premises containing EGMs must be a hotel and be licensed for the supply of liquor;
- a licence must then be obtained for the premises to own or operate EGMs;
- approval must be obtained from the relevant state or territory regulator that the operator is a fit and proper person to operate EGMs;
- EGMs and the games played on EGMs must adhere to design specifications and standards set by the respective jurisdiction regulator;
- EGMs must be connected to an electronic monitoring system which must be operated on behalf of the relevant state or territory regulator and independently from the premises' licensee;
- progressive tax rates apply to net machine revenue, which varies across individual Australian states and territories; and
- all Australian states and territories mandate harm minimisation measures to be implemented at each premises.

(iii) Anti-money laundering and counter-terrorism financing laws

Endeavour Group is subject to anti-money laundering and counter-terrorism financing (AML/CTF) laws in relation to its gaming activities. AML/CTF laws require Endeavour Group to undertake certain customer identification and verification inquiries, maintain and comply with its AML/CTF program and undertake ongoing risk assessments. AML/CTF laws also require Endeavour Group to report certain matters and transactions to Australian Transaction Reports and Analysis Centre (AUSTRAC) and to ensure that certain information is not disclosed to third parties. Endeavour Group has systems, policies and processes and controls in place that are designed to manage its AML/CTF obligations.

(iv) Food licences

By operating pubs and hotels which serve food to customers, Endeavour Group needs to obtain and maintain food licences. The regulatory requirements for food licensing vary across each Australian state and territory. Additionally, Endeavour Group is required to comply with the Australia New Zealand Food Standards Code in relation to:

- the handling, transportation and disposal of food during production and processing;
- the health, hygiene and training requirements of persons who may handle food during production and processing, or who may handle surfaces likely to come into contact with food during production and processing;
- the cleaning, sanitisation and maintenance of premises where food is produced and processed, and the equipment used in production and processing; and
- food labelling and marketing.

(b) Data protection and privacy

The Office of the Australian Information Commissioner enforces the Australian privacy protection regime. Endeavour Group seeks to ensure (through contractual obligations) that third parties who manage Endeavour Group's data meet Endeavour Group standards to ensure adequate data protections. Endeavour Group will adopt processes to respond to any data breaches and to ensure compliance.

3.12 REGULATORY FRAMEWORK FOR ENDEAVOUR GROUP (CONTINUED)

(c) Workplace occupational health and safety (WHS)

Endeavour Group has a dedicated safety team which develops and implements safe work practices across Endeavour Group's businesses. The safety team also manages regulatory contacts across Endeavour Group including routine inspections, responses to incidents, team member/customer complaints and proactive regulatory monitoring programs. Endeavour Group seeks to build positive relationships with workplace health and safety regulators through proactive engagement and appropriate responsiveness and management of any issues or concerns raised.

It is expected that Endeavour Group will adopt a WHS framework to ensure compliance with all applicable regulatory regimes and constantly monitors its operating environment and makes appropriate adjustments in response to potential risks (including, for instance, changes made to ensure the safety of team members and customers in light of the COVID-19 pandemic).

(d) Competition and consumer law

The *Competition and Consumer Act 2010* (Cth), including the Australian Consumer Law, affects multiple areas of Endeavour Group's business. Areas covered by the legislation include misleading and deceptive conduct, unconscionable conduct, unfair market practices, consumer guarantees, product safety, country of origin representations, industry codes, restrictive trade practices and mergers and acquisitions. From time to time, the business of Woolworths Group has been the subject of Australian Competition and Consumer Commission review, investigations or proceedings.

Endeavour Group will adopt a competition and consumer law compliance program supported by thorough training to ensure ongoing compliance with these obligations.

The Partnership Agreements between Endeavour Group and Woolworths Group also contemplate certain ongoing arrangements including collaborations, exclusivities, restraints and the sharing of information in certain contexts. Protocols will be put in place between Endeavour Group and Woolworths Group to manage the competition law risks that may arise under the Partnership Agreements.

(e) Environmental laws and regulations

Endeavour Group is owner, lessee, and operator of real property across all Australian states and territories and must comply with various Federal, state and local environmental laws and regulations. These laws and regulations relate particularly to contamination, pollution and waste management. These laws also create a liability regime for present and former property owners and operators for remediation costs and damages related to contamination of soil and water from hazardous substances.

Endeavour Group will adopt a compliance program supported by thorough training to ensure ongoing compliance with these obligations.



3.13 ENDEAVOUR GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION

This section contains pro forma historical financial information for Endeavour Group (Endeavour Group Pro Forma Historical Financial Information), including:

- Endeavour Group pro forma historical statements of profit or loss for H1 F21, H1 F20, F20, F19 and F18;
- Endeavour Group pro forma historical statements of cash flows for H1 F21, H1 F20, F20, F19 and F18; and
- Endeavour Group pro forma historical statement of financial position as at 3 January 2021.

Endeavour Group represents the following Woolworths Group segments, as reported in the Woolworths Group financial statements for H1 F21, H1 F20, F20, F19 and F18:

- Endeavour Drinks, also referred to as Retail in this Demerger Booklet;
- Hotels; and
- Other.

References to the Endeavour Group Pro Forma Historical Financial Information are references to the pro forma historical financial information of Endeavour Group during the relevant periods or at the relevant time, being the corporate group that was created following the Restructure and ALH Merger which is proposed to be demerged to Woolworths Shareholders. References to Endeavour Group Pro Forma Historical Financial Information refers to Endeavour Group on a consolidated basis.

The Independent Accountant has prepared the Independent Accountant's Report in respect of the Endeavour Group Pro Forma Historical Financial Information, a copy of which is included in Annexure B. The comments made in relation to the scope and limitations in that report should be noted and read in conjunction with the risks associated with the Demerger and investment in Endeavour Group as set out in Sections 1.5 and 3.14 respectively.

All amounts disclosed in tables are expressed in millions of Australian dollars and, unless otherwise noted, are rounded to the nearest million dollars. Figures, amounts, percentages, estimates and calculations are subject to the effect of rounding. Accordingly, totals in tables may not add exactly due to the effects of rounding.

Basis of preparation

The Endeavour Group Pro Forma Historical Financial Information has been prepared for illustrative purposes to assist Woolworths Shareholders in understanding the historical financial performance, cash flows and financial position of Endeavour Group on a pro forma basis reflecting the adjustments discussed below. Consequently, the Endeavour Group Pro Forma Historical Financial Information does not purport to reflect the actual financial performance, cash flows and financial position that would have occurred had Endeavour Group operated as a standalone group for the relevant periods presented.

The Endeavour Group Pro Forma Historical Financial Information in this section has, except as otherwise noted, been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (AAS) and interpretations, which are consistent with International Financial Reporting Standards (IFRS) although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements and comparative information required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

The Endeavour Group Pro Forma Historical Financial Information has been derived from the historical financial information directly related to Endeavour Group in the Woolworths Group Half-Year Financial Reports and Annual Reports for H1 F21, H1 F20, F20, F19 and F18, including the restated financial information for F19 included in the F20 Annual Report, and adjusted to reflect best estimates of the impact of the Demerger. The impact of significant items on the results is excluded from the Endeavour Group Pro Forma Historical Financial Information disclosed on the basis this is not relevant to the future operations of Endeavour Group. The Half-Year Financial Reports and Annual Reports of Woolworths Group for H1 F21, H1 F20, F20, F19 and F18 are available on request or at www.woolworthsgroup.com.au or on the ASX website at www.asx.com.au.

The Woolworths Group Half-Year Financial Reports and Annual Reports for H1 F21, H1 F20, F20, F19 and F18 have been subject to review and audit respectively by Deloitte Touche Tohmatsu, in accordance with Australian Auditing Standards. The review conclusions and audit opinions issued to Woolworths Shareholders relating to those financial statements were unmodified.

The Endeavour Group Pro Forma Historical Financial Information has been prepared in accordance with the accounting policies used in preparation of Woolworths Group's consolidated financial statements for H1 F21, unless otherwise stated in this section.

3.13 ENDEAVOUR GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION (CONTINUED)

Pro forma adjustments have been made to the Endeavour Group pro forma historical statements of profit or loss and statements of cash flows to reflect:

- re-allocation of transactions between Endeavour Group and Woolworths Group (Post Demerger) to reflect the operating structure that will be in place following the Demerger;
- the impact of the Partnership Agreements with Woolworths Group (Post Demerger) (refer to Sections 3.9 and 7.10 for details of the Partnership Agreements);
- net incremental costs necessary to operate as a separate standalone ASX-listed entity;
- the impact of changes in AAS, in particular for the implementation of AASB 16 which was adopted for the first time in F20;
- the impact of the salaried store team member remediation;
- the impact on finance costs following the repayment of intercompany borrowings and raising of new external borrowings (refer to Section 3.10); and
- the impact on income tax expense arising from the pro forma adjustments outlined above.

Pro forma adjustments have been made to the Endeavour Group pro forma historical statement of financial position to reflect:

- new working capital balances to reflect the working capital position related to the Partnership Agreements;
- recognition of the dividends declared relating to H1 F21; and
- the new financing structure that will be in place following the Demerger, recognising the repayment of intercompany borrowings to Woolworths Group and the draw down of new external borrowings.

(a) Explanation of certain non-IFRS financial measures

Woolworths Group uses certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. These measures are collectively referred to in this section as non-IFRS financial measures pursuant to Regulatory Guide 230 *Disclosing non-IFRS financial information* published by ASIC. Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall business, and they are commonly used performance measures by the investor community. The principal non-IFRS financial measures referred to in this section are as follows:

- **EBIT** is the earnings from continuing operations before recognising:
 - interest revenue, net interest on leases and finance costs; and
 - income tax expense;
- **EBIT, excluding significant items** is EBIT excluding significant items that are not part of core operations;
- **EBITDA** is earnings from continuing operations before recognising:
 - depreciation and amortisation expense;
 - interest revenue, net interest on leases and finance costs; and
 - income tax expense;
- **EBITDA, excluding significant items** is EBITDA excluding significant items that are not part of core operations;
- **net debt** represents total loans and borrowings and bank overdrafts (excluding lease liabilities), less cash and cash equivalents;
- **NPAT** is net profit after tax;
- **NPAT, excluding significant items** is NPAT excluding significant items that are not part of core operations;
- **significant items** represent non-recurring income received and expenses incurred that are not part of core operations; and
- **working capital** represents inventories, trade and other receivables and trade and other payables.



3.13 ENDEAVOUR GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION (CONTINUED)

(b) Endeavour Group pro forma historical statements of profit or loss

The Endeavour Group pro forma historical statements of profit or loss excluding significant items for H1 F21, H1 F20, F20, F19 and F18 are set out below.

Table 3.13.1: Endeavour Group pro forma historical statements of profit or loss

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
Revenue	6,357	5,712	10,624	10,294	9,795
EBIT, excluding significant items	515	540	693	861	885
Net interest on leases ¹	(89)	(96)	(184)	(180)	(181)
Finance costs ²	(17)	(17)	(33)	(34)	(33)
Profit, excluding significant items and before tax	409	427	476	647	671
Income tax expense ³	(131)	(130)	(148)	(202)	(209)
NPAT, excluding significant items	278	297	328	445	462

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
EBIT, excluding significant items	515	540	693	861	885
Depreciation on lease assets ¹	144	138	270	261	244
Depreciation and amortisation on other assets	113	108	209	214	191
EBITDA, excluding significant items	772	786	1,172	1,336	1,320

Notes:

- 1 Net interest on leases and depreciation on lease assets include the pro forma impact of adopting AASB 16 as if this accounting standard had been in place for all the periods presented.
- 2 Pro forma finance costs reflect the pro forma interest and amortisation of bank fees on external borrowings that will be drawn down upon Demerger, based on current interest rates, the pricing detailed in the terms of the Endeavour Group Facilities, and assumes the borrowings were in place for all periods presented. The interest to be paid under the Endeavour Group Facilities is variable and will change over time based on changes in the interest rate benchmarks referenced in the Endeavour Group Facilities. Following implementation of the Demerger, Endeavour Group may use interest rate hedges to reduce the variability in interest payments, which will impact the level of finance costs incurred, potentially by a material amount.
- 3 The pro forma income tax expense is based on the pro forma profit before tax adjusted for permanent differences, and the corporate tax rate of 30%.

3.13 ENDEAVOUR GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION (CONTINUED)

Table 3.13.2: Reconciliation of Endeavour Group reported historical revenue as derived from the financial statements of Woolworths Group, to Endeavour Group pro forma historical revenue

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
Endeavour Drinks	5,683	4,775	9,275	8,590	8,244
Hotels	667	919	1,320	1,671	1,612
Reported revenue¹	6,350	5,694	10,595	10,261	9,856
Re-allocation of revenues ²	-	12	18	22	(69)
Intercompany sales to be reported as external sales ³	7	6	11	11	8
Pro forma revenue	6,357	5,712	10,624	10,294	9,795

Table 3.13.3: Reconciliation of Endeavour Group reported historical EBIT as derived from the financial statements of Woolworths Group, to Endeavour Group pro forma historical EBIT, excluding significant items

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
Endeavour Drinks	419	338	569	504	516
Hotels	122	224	172	261	259
Other ⁴	(2)	-	(7)	-	-
Reported EBIT, excluding significant items¹	539	562	734	765	775
Re-allocation of profits ²	-	5	11	9	26
Incremental standalone operating costs ⁵	(24)	(24)	(47)	(47)	(47)
Salaried store team member remediation ⁶	-	(3)	(5)	(7)	(10)
Impact of adoption of AASB 16 ⁷					
Remove occupancy expenses	-	-	-	402	385
Depreciation on lease assets	-	-	-	(261)	(244)
Pro forma EBIT, excluding significant items	515	540	693	861	885

Notes:

- Represents the reported historical results of the Endeavour Group segments included in the financial statements of Woolworths Group.
- Represents the re-allocation of revenues and profits between Woolworths Group (Post Demerger) and Endeavour Group to reflect the operating structure that will be in place following the Demerger. This includes:
 - the allocation of the results of Summergate Business, which operates an import and wholesale business in China, from Endeavour Group to the Australian Food segment. From F20, Summergate Business formed part of Woolworths International within the Australian Food segment, with the F20 segment results and F19 segment comparative results disclosed in the Woolworths F20 financial statements reflecting this re-allocation. Therefore, this allocation only impacts F18;
 - the allocation to Endeavour Group of certain non-liquor revenues and EBIT, particularly for tobacco, sold through BWS stores attached to Woolworths Supermarkets and Metro Food Stores which, prior to completion of the Restructure, had historically been recognised within the Australian Food segment;
 - the re-allocation of dividends received from the investment held in ALE Property Group to Endeavour Group for the period prior to the Restructure;
 - certain fixed assets were re-allocated on the Restructure between Endeavour Group and Woolworths Group (Post Demerger). Charges previously made between segments for the use of these fixed assets have been replaced with the applicable depreciation charges; and
 - the allocation of the gain on sale of hotels previously recorded within the Woolworths other segment to Endeavour Group.
- Represents the recognition of revenues that were previously classified as intercompany, and therefore eliminated on consolidation, which will be external sales to Woolworths Group (Post Demerger) following the Demerger. The profits associated with these revenues are reported in the appropriate segment: therefore, this does not give rise to a change in EBIT.
- Represents the other segment revenue and costs related to Endeavour Group included in the Woolworths Group other segment. Endeavour Group has allocated revenues and costs to the other segment since completion of the Restructure and ALH Merger in February 2020.
- Following the Demerger, Endeavour Group will be a standalone entity listed on the ASX. As a standalone entity, Endeavour Group will incur incremental net operating costs relative to the costs incurred historically. These costs include the corporate functions required to support a standalone listed entity, the cost of maintaining a board of directors, company secretarial costs, ASX listing fees, share registry costs and insurance.
- Represents the restatement of the historical results for the impact of non-compliance with the GR1A and the HIGA for salaried store and venue team members, reflecting the salaries in the relevant periods as if underpayments had not occurred. Further detail on this matter is included in Section 3.11(c).
- AASB 16 was adopted for the first time in F20. These adjustments represent the pro forma impact of adopting AASB 16 as if this accounting standard had been in place for all the periods presented. The adjustments include removing the occupancy expenses (excluding the service component) associated with the leases that are impacted by AASB 16, and including the depreciation on lease assets and net interest on leases for these same leases calculated on the basis AASB 16 applied in the respective periods.



3.13 ENDEAVOUR GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION (CONTINUED)

(c) Endeavour Group pro forma historical segment information

The Endeavour Group pro forma historical segment information for H1 F21, H1 F20, F20, F19 and F18 is set out below.

Table 3.13.4: Endeavour Group pro forma historical segment information

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
Revenue					
Endeavour Drinks	5,690	4,793	9,304	8,623	8,183
Hotels	667	919	1,320	1,671	1,612
Other	-	-	-	-	-
Total	6,357	5,712	10,624	10,294	9,795
EBIT, excluding significant items					
Endeavour Drinks	422	344	578	568	582
Hotels	122	225	171	349	359
Other ¹	(29)	(29)	(56)	(56)	(56)
Total	515	540	693	861	885
Depreciation and amortisation - lease assets					
Endeavour Drinks	74	72	139	131	122
Hotels	70	66	131	130	122
Other	-	-	-	-	-
Total	144	138	270	261	244
Depreciation and amortisation - other assets					
Endeavour Drinks	61	56	107	103	89
Hotels	52	52	102	111	102
Other	-	-	-	-	-
Total	113	108	209	214	191
EBITDA, excluding significant items					
Endeavour Drinks	557	472	824	802	793
Hotels	244	343	404	590	583
Other	(29)	(29)	(56)	(56)	(56)
Total	772	786	1,172	1,336	1,320
Capital expenditure					
Endeavour Drinks	54	93	181	157	183
Hotels	70	65	141	176	157
Other	2	2	3	3	3
Total	126	160	325	336	343

Notes:

- 1 The other segment includes dividend income from the investment held in ALE Property Group and central overhead costs, including costs arising from operating as a standalone entity listed on the ASX.

3.13 ENDEAVOUR GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION (CONTINUED)

(d) Management commentary on Endeavour Group pro forma historical financial performance

Commentary on Endeavour Group pro forma historical financial performance for H1 F21, F20, F19 and F18 is outlined below. Additional commentary can be found in the Woolworths Annual Reports and Half-Yearly Reports available from Woolworths Group's website (www.woolworthsgroup.com.au) or the ASX website (www.asx.com.au).

H1 F21

Endeavour Drinks comparable sales increased by 17.5%. COVID-19 continued to drive elevated in-home consumption and premiumisation, although at more moderate levels than the previous six months as restrictions for on-premise venues were eased. Christmas trading saw record breaking sales in the week before Christmas in both Dan Murphy's and BWS. EndeavourX's investment in digital and fulfilment capabilities helped to support H1 F21 eCommerce sales growth of 50.2% to \$483 million in the half. Pro forma EBIT increased 23% to \$422 million driven by lower promotional activity, premiumisation and strong sales of Pinnacle Drinks brands, which offset the higher cost to fulfil eCommerce sales, COVID-19 related costs and costs associated with a review of digital and IT asset lives and incremental salary remediation costs.

Hotels pro forma revenue decreased to \$667 million in H1 F21, reflecting the impact of continuing COVID-19 trading restrictions and venue closures (particularly in Victoria). Pro forma EBIT decreased to \$122 million due to lower revenue, reduced leverage of fixed and unavoidable costs incurred during periods of venue closures or trading restrictions including occupancy costs, team costs, COVID-19 related costs, and depreciation and amortisation.

F20

COVID-19 had a material impact on F20 performance in both Endeavour Drinks and Hotels. As lockdowns came into effect at the end of March 2020, Endeavour Drinks experienced unprecedented demand while Hotels closed venues due to government-mandated restrictions.

Endeavour Drinks comparable sales growth was 7.9% when normalised for the 53rd week in F19, with elevated sales in the second half due to higher in-home consumption due to the impact of COVID-19. The strong acceleration from the end of March, when on-premise restrictions came into effect, was in contrast to a softer pre-COVID-19 performance in the early part of the third quarter which was impacted by bushfires across many parts of New South Wales and Victoria. BWS continued to deliver solid results, expanding the convenience offering with On Demand delivery rolled out to over 950 stores and the new BWS app launched in September 2019. Dan Murphy's continued to invest in improving in-store and digital customer experience and localised store range, with the My Dan's loyalty program reaching a record 4.5 million members at the end of the year, an increase of 29% on the prior year. In response to COVID-19, Dan Murphy's accelerated the launch of a contactless Pick Up service in April 2020, which was available in around half the fleet by the end of the year. Endeavour Drinks revenue per square metre increased by 7.4% when normalised for the 53rd week in F19. Overall earnings growth reflected the significant uplift of COVID-driven sales, offset by higher costs in response to COVID-19.

Hotels pro forma revenue decreased to \$1,320 million in F20. Following revenue growth of 6.2% in the first half, revenues were materially impacted by the closure of venues from 23 March 2020 due to government-mandated restrictions. Pro forma EBIT decreased to \$171 million, driven by losses in the fourth quarter due to trading restrictions as Hotels continued to incur costs primarily related to occupancy, team costs and depreciation during lockdowns.

F19

Endeavour Drinks comparable sales growth was 2.3% when normalised for the 53rd week, with declining volumes due to the subdued market being offset by price and mix improvements. The market improved somewhat in the second half. BWS maintained its strong trading momentum, with enhancements to localised ranging and tailored Everyday Rewards offerings. Dan Murphy's focus on a "discovery" driven range, service and convenience began to resonate with customers, with the introduction of wine merchants in key stores to improve team product knowledge and customer discovery. Both businesses delivered double-digit eCommerce sales growth and continued to expand their services with the roll-out of On Demand and Pick Up services. Endeavour Drinks revenue per square metre increased by 1.4% when normalised for the 53rd week. Pro forma EBIT decreased from the prior year, driven by higher freight costs, higher eCommerce delivery costs and category mix; above-inflationary cost pressures; and targeted investment in key focus areas including customer experience, ranging, data and analytics (particularly in Dan Murphy's).

Hotels comparable sales growth was 1.9% when normalised for the 53rd week, driven by an improved second half performance in bars, food and accommodation as a result of refurbishments at 49 venues completed during the year. Pro forma EBIT decreased to \$349 million, reflecting gross profit pressures from business mix and increasing input cost prices on food margins, and a weaker first half trading performance.



3.13 ENDEAVOUR GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION (CONTINUED)

F18

Endeavour Drinks comparable sales growth was 3.6% due to effective execution of seasonal events at BWS and Dan Murphy's and a strong contribution from BWS stores attached to Woolworths Supermarkets. BWS' growth benefited from its range segmentation and participation in Everyday Rewards. Dan Murphy's growth was driven by new store openings and double-digit eCommerce growth which included the launch of a new Dan Murphy's website resulting in increased visits and sales conversion. Endeavour Drinks revenue per square metre increased by 1.3%. Pro forma EBIT grew to \$582 million, reflecting the sales growth offset by higher costs.

Hotels comparable sales growth was 3.7% driven by strong trading across all areas of the business assisted by the refurbishment of 52 venues during the year. Pro forma EBIT increased to \$359 million, driven by gross margin gains due to favourable changes in business mix and better buying; strong cost control; and live sporting events in the first half.

(e) Endeavour Group pro forma historical statements of cash flows

The Endeavour Group pro forma historical statements of cash flows for H1 F21, H1 F20, F20, F19 and F18 are set out below.

Table 3.13.5: Endeavour Group pro forma historical statements of cash flows

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
EBIT, excluding significant items	515	540	693	861	885
Depreciation and amortisation	257	246	479	475	435
EBITDA, excluding significant items	772	786	1,172	1,336	1,320
Movement in working capital	266	98	246	7	(53)
Other non-cash items	29	(3)	11	7	(18)
Pro forma operating cash flows before finance costs and tax	1,067	881	1,429	1,350	1,249
Net interest on leases	(101)	(108)	(184)	(180)	(181)
Finance costs paid	(15)	(15)	(29)	(30)	(29)
Income tax paid	(138)	(123)	(183)	(207)	(226)
Pro forma operating cash flows	813	635	1,033	933	813
Net payments for property, plant and equipment and intangible assets	(116)	(127)	(288)	(276)	(309)
Net payments for businesses and investments	(17)	(16)	(44)	(67)	(3)
Pro forma operating and investing cash flows before financing activities	680	492	701	590	501
Repayment of lease liabilities	(121)	(121)	(230)	(229)	(218)
Pro forma operating and investing cash flows after lease payments	559	371	471	361	283

The Endeavour Group pro forma historical cash flows present the pro forma net operating and investing cash flows after lease payments as if Endeavour Group had operated as a standalone group for the periods presented, and reflect the cash flows available for financing activities including dividend payments and borrowings.

EBIT and EBITDA represent the pro forma EBIT and EBITDA excluding significant items.

Due to the nature of the working capital cycles in the business and the higher levels of seasonal trading in the first half, net working capital is generally lower at the first half balance sheet dates resulting in cash inflows from movements in working capital, driven by increases in trade payables partially offset by increases in inventory to support the higher demand experienced through the Christmas and New Year holiday periods. In F20, working capital in the final quarter was also lower due to COVID-19 impacts, resulting in higher net cash inflows, with higher trade payables arising from additional purchases to support COVID-driven sales.

3.13 ENDEAVOUR GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION (CONTINUED)

Net interest on leases and repayment of lease liabilities represent the pro forma cash flows relating to leases which are excluded from EBITDA under AASB 16.

Pro forma finance costs paid reflect the pro forma interest on external borrowings that will be drawn down on Demerger.

Pro forma income tax payments are based on the pro forma taxable profits and pro forma finance costs as if Endeavour Group was operating separately from Woolworths Group.

Net payments for property, plant and equipment and intangible assets include expenditure in the following areas:

- investment in new Retail stores for the ongoing expansion of the network, including the cost of store construction and fit out for Dan Murphy's and BWS. The number of new Retail stores was 43, 45, 55 and 29 in F18, F19, F20 and H1 F21 respectively, with an average annual spend of \$27 million;
- Retail store renewals and upgrades to modernise retail fit outs, including new customer offerings to enhance in-store, Drive Thru and contactless Pick Up experiences. The number of Retail store renewals and upgrades was 77, 81, 95 and 28 in F18, F19, F20 and H1 F21 respectively, with an average annual spend of \$31 million;
- hotel redevelopments and upgrades including major venue redevelopments and construction, in addition to minor refurbishments and fit out costs across all venue offerings – bars, food, accommodation and gaming rooms. There were 10 major redevelopments (over \$2 million each) completed across F18 to F20. The number of hotel redevelopments and upgrades was 52, 49, 40 and 11 in F18, F19, F20 and H1 F21 respectively, with an average annual spend of \$41 million;
- investment in gaming machines and EGM Entitlements for the modernisation of the gaming fleet to offer the latest games and technology to customers, including the introduction of Tito (Ticket-In-Ticket-Out) functionality. On average, 11% of the fleet was replaced and upgraded per annum in the periods presented, with an average annual spend of \$26 million on gaming machines and \$13 million on EGM Entitlements;
- digital and technology upgrades to corporate and store/venue systems, software and hardware, in addition to investment in customer facing digital capabilities across all brands – website, app, email and in-store. Technology spend in F19 to H1 F21 includes \$17 million for the implementation of a new ERP system to support the Pinnacle Drinks and specialty businesses. In F20, the EndeavourX business was formed, providing a consistent group platform for digital innovation and eCommerce growth. The average annual spend for digital and technology was \$44 million; and
- the remainder of capital expenditure relates to other stay-in business and maintenance capital expenditure in safety/compliance projects and replacement spend on store venue and production assets at the end of useful life.

Net payments for businesses and investments relates to the purchase of hotels, Retail stores and businesses, offset by the impact of the sale of hotels and businesses. F18 includes the purchase of one hotel and Jimmy Brings, offset by the sale of six hotels. F19 includes the purchase of four hotels, three Retail stores and ProWine. F20 includes the purchase of six hotels, Chapel Hill Wines and Shorty's Liquor, offset by the sale of one hotel and an interest in the wholesaling business South Trade. H1 F21 includes the purchase of three hotels.

(f) Endeavour Group pro forma historical statement of financial position

The Endeavour Group pro forma historical statement of financial position as at 3 January 2021 is set out below.

The Endeavour Group pro forma historical statement of financial position has been prepared on the basis that the Demerger was effected and completed on 3 January 2021.

The Endeavour Group pro forma historical statement of financial position has been prepared to give Shareholders an indication of the Endeavour Group pro forma historical statement of financial position in the circumstances noted in this section, and does not reflect the actual or prospective financial position of Endeavour Group at the time of the Demerger. No adjustments have been made to reflect the trading of Endeavour Group since 3 January 2021.



3.13 ENDEAVOUR GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION (CONTINUED)

Table 3.13.6: Endeavour Group pro forma historical statement of financial position

A\$M	3 JANUARY 2021 ¹	WORKING CAPITAL ²	DIVIDENDS FOR H1 F21 ³	EXTERNAL BORROWINGS DRAW DOWN AND INTERCOMPANY SETTLEMENT ⁴	PRO FORMA AS AT 3 JANUARY 2021
Current assets					
Cash and cash equivalents	645	(160)	(269)	350	566
Trade and other receivables	358	-	-	(205)	153
Inventories	1,436	-	-	-	1,436
	2,439	(160)	(269)	145	2,155
Assets held for sale	3	-	-	-	3
Total current assets	2,442	(160)	(269)	145	2,158
Non current assets					
Trade and other receivables	40	-	-	-	40
Other financial assets	80	-	-	-	80
Lease assets	3,150	-	-	-	3,150
Property, plant and equipment	1,838	-	-	-	1,838
Intangible assets	3,838	-	-	-	3,838
Deferred tax assets	23	-	-	-	23
Total non current assets	8,969	-	-	-	8,969
Total assets	11,411	(160)	(269)	145	11,127
Current liabilities					
Trade and other payables	1,939	(160)	-	(30)	1,749
Lease liabilities	417	-	-	-	417
Borrowings	1,482	-	-	(1,480)	2
Current tax payable	83	-	-	-	83
Other financial liabilities	3	-	-	-	3
Provisions	255	-	-	-	255
Total current liabilities	4,179	(160)	-	(1,510)	2,509
Non current liabilities					
Lease liabilities	3,371	-	-	-	3,371
Borrowings	-	-	-	1,830	1,830
Deferred tax liabilities	185	-	-	-	185
Provisions	33	-	-	-	33
Other non current liabilities	4	-	-	-	4
Total non current liabilities	3,593	-	-	1,830	5,423
Total liabilities	7,772	(160)	-	320	7,932
Net assets	3,639	-	(269)	(175)	3,195
Equity and reserves	3,639	-	(269)	(175)	3,195

Notes:

- Represents the net assets of Endeavour Group as at 3 January 2021.
- Intercompany balances between Endeavour Group and Woolworths Group (Post Demerger) will be settled prior to the Demerger. Following the Demerger, amounts payable to Woolworths Group (Post Demerger) will reflect the Partnership Agreements operating on arms length payment terms. The pro forma adjustment represents the effect of these transactions. The pro forma trade payables balance with Woolworths Group (Post Demerger) is \$64 million.
- Represents the dividends expected to be paid prior to Demerger by Endeavour Group relating to H1 F21.
- Represents:
 - the draw down of external borrowings, settlement of intercompany borrowings held with Woolworths Group and allocation of the balance to cash. Due to the impact of the Christmas and New Year holiday period, as at 3 January 2021 Endeavour Group had a seasonally high level of trade and other payables which are settled in the months following the balance sheet date. The level of pro forma external borrowings reflects the estimated amount that will be drawn down upon the Demerger, on which the pro forma finance costs are based. Immediately after the Separation Date, it is expected that Endeavour Group will have net debt in the range of \$1.4 billion and \$1.5 billion (excluding leases) (refer to Section 3.10);
 - the estimated costs of establishing the external borrowing facilities of approximately \$20 million are capitalised against the external borrowing liabilities and will be amortised over the life of the borrowings;
 - settlement of stamp duty costs accrued on completion of the Restructure. Woolworths Group (Post Demerger) is funding these costs: therefore, this is set against a receivable held with Woolworths Group (Post Demerger) established at the time of the Restructure; and
 - non-cash settlement of balances between Endeavour Group and Woolworths Group (Post Demerger) for commitments established at the time of the Restructure that will be settled prior to the Demerger.

3.13 ENDEAVOUR GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION (CONTINUED)

(g) Insurances

The Endeavour Group pro forma historical statements of profit or loss include estimated insurance costs that will apply from the date of the Demerger based on estimates from insurance brokers for general insurance cover, public liability costs and workers compensation costs. Pricing and terms will not be confirmed until immediately prior to the Separation Date when the insurance policies commence, and there is a risk that the estimated cost of insurance for Endeavour Group may vary from the estimates due to market factors and insurers' views of claims performance.

Woolworths Group manages claims for workers compensation and public liability directly (self-insurance), including for Endeavour Group, except where regulators require external insurance to be purchased to support potential obligations or alternative insurance arrangements are in place. Endeavour Group holds a provision for self-insured risks relating to the Endeavour Group Business, amounting to approximately \$40 million at 3 January 2021, and this provision is included in the Endeavour Group pro forma historical statement of financial position.

Endeavour Group will retain the provision associated with claims for self-insured risks up until the time of the Demerger, and this provision will be subject to an actuarial valuation at the time and at subsequent balance dates.

From the Separation Date, all workers compensation and public liability claims going forward will be the responsibility of Endeavour Group, the estimated costs for which are included in the Endeavour Group pro forma historical statements of profit or loss.

(h) Property, plant and equipment

Property, plant and equipment represent the investment by Endeavour Group in tangible assets such as freehold land, retail and other properties, store fit outs, distribution infrastructure, and technology.

Table 3.13.7: Property, plant and equipment

A\$M	FREEHOLD LAND, WAREHOUSE, RETAIL, AND OTHER PROPERTIES	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	PRO FORMA AS AT 3 JANUARY 2021
Cost	701	879	2,001	3,581
Less: accumulated depreciation, amortisation, and impairment	(109)	(334)	(1,300)	(1,743)
Carrying amount at end of period	592	545	701	1,838

(i) Intangible assets

Intangible assets represent goodwill, brand names, software and licences. Goodwill arises when Endeavour Group acquires a business at a cost which exceeds the fair value of the net assets acquired and represents the value expected to arise from the purchase. Brand names help to identify and differentiate the Endeavour Group network from others. Licences allow Endeavour Group to conduct certain business activities including the resale of drinks and provision of entertainment and hospitality services.

Table 3.13.8: Intangible assets

A\$M	GOODWILL	BRAND NAMES	LIQUOR LICENCES, GAMING LICENCES, AND OTHER	SOFTWARE	PRO FORMA AS AT 3 JANUARY 2021
Cost	1,713	13	2,264	178	4,168
Less: accumulated amortisation and impairment	(16)	(1)	(230)	(83)	(330)
Carrying amount at end of period	1,697	12	2,034	95	3,838

(j) Leases

Endeavour Group leases various properties, equipment and vehicles. Property rental contracts are typically made for fixed periods of five to 30 years with up to 10 options of two to 10 years. Other lease contracts are typically made for fixed periods of two to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Woolworths Group (Post Demerger) has entered into subleases with Endeavour Group relating to properties occupied by Endeavour Group where Woolworths Group (Post Demerger) holds the head lease. As at 3 January 2021, total annual base rent payments under these subleases amounted to \$48 million.



3.13 ENDEAVOUR GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION (CONTINUED)

Table 3.13.9: Lease assets

A\$M	PROPERTIES	PLANT AND EQUIPMENT	PRO FORMA AS AT 3 JANUARY 2021
Cost	4,154	18	4,172
Less: accumulated amortisation and impairment	(1,016)	(6)	(1,022)
Carrying amount at end of period	3,138	12	3,150

Table 3.13.10: Lease liabilities

A\$M	PRO FORMA AS AT 3 JANUARY 2021
Current	417
Non current	3,371
Carrying amount at end of period	3,788

Included in lease liabilities is \$334 million owing to Woolworths Group (Post Demerger) relating to subleases that Woolworths Group (Post Demerger) has entered into with Endeavour Group. Of this, \$39 million is owed within 12 months.

Table 3.13.11: Maturity profile of undiscounted cash flows for lease liabilities

MATURITY PROFILE OF CONTRACTUAL UNDISCOUNTED CASH FLOWS A\$M	PRO FORMA AS AT 3 JANUARY 2021
One year or less	419
One year to two years	414
Two years to five years	1,055
Five years to 10 years	1,745
Over 10 years	1,627
Total undiscounted lease liabilities	5,260

Commitments for leases not yet commenced

At 3 January 2021, Endeavour Group had committed to leases which had not yet commenced. Accordingly, these lease contracts are not included in the calculation of Endeavour Group's lease liabilities. The estimated potential future lease payments for these lease contracts as at 3 January 2021 would result in an increase in undiscounted lease liabilities of \$49 million.

Critical accounting estimates

Determining the lease term

In determining the lease term, Endeavour Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. Extension options are most common for property leases. At 3 January 2021, the weighted average lease expiries for the portfolio of leases were:

Table 3.13.12: Weighted average lease expiries

WEIGHTED AVERAGE LEASE EXPIRY YEARS ¹	PRO FORMA AS AT 3 JANUARY 2021
Endeavour Drinks	8.8
Hotels	14.4
Endeavour Group	12.6

Notes:

1 Represents the weighted average number of years from 3 January 2021 to the end of the reasonably certain term.

3.13 ENDEAVOUR GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION (CONTINUED)

Discount rates

In calculating the lease liability, the lease payments are discounted using the rate implicit in the lease or Endeavour Group's incremental borrowing rate. Determining the incremental borrowing rate requires significant judgement.

The discount rate is derived from key external market based rates, Endeavour Group's credit margin, and the length of the lease. As at 3 January 2021, the weighted average incremental borrowing rate implied in the leases for Endeavour Group was 4.34% per annum.

Transition and preparation of pro forma financial information

On 1 July 2019, Woolworths Group adopted AASB 16 which replaced existing accounting requirements for leases under AASB 117 *Leases*, Interpretation 4 *Determination whether an Arrangement contains a Lease* and Interpretation 115 *Operating Leases – Incentives*.

The Endeavour Group Pro Forma Historical Financial Information has applied AASB 16 using the modified retrospective approach. The balances at transition have been used as the basis for preparing the Endeavour Group Pro Forma Historical Financial Information, in accordance with the following principles:

- the modified retrospective approach used by Endeavour Group at transition to adopt AASB 16 has been used as the basis for calculation of historical periods as if the new lease accounting standard had been in place;
- the lease structure at transition has been consistently maintained during the historical periods. To retain the lease structure, an additional time period has been added to the lease term in each historical period;
- the incremental borrowing rates at transition were consistently applied throughout the historical periods; and
- judgements determined at transition relating to non-lease components have been applied consistently to the historical periods. The non-lease component (service component expense) is a proportion of the charges incurred calculated as an estimate based on property outgoings market data relevant to the site. The service component is not subject to lease accounting in accordance with AASB 16.

(k) Shareholders' equity

At the time of the Demerger, Endeavour will have approximately 1,791 million ordinary shares on issue. The number of Woolworths Shares on issue as at the Demerger Record Date will be approximately 1,268 million shares plus any Woolworths Shares issued under the Woolworths DRP between the date of this Demerger Booklet and the Demerger Record Date. The difference in the number of shares on issue reflects:

- 261.5 million shares held by BMG, representing approximately 14.6% of the shares in Endeavour at the time of Demerger; and
- 261.5 million shares related to Woolworths' retained investment in Endeavour, representing approximately 14.6% of the shares in Endeavour at the time of Demerger.

(l) Taxation

Up until the time of the Restructure, the wholly owned Australian Endeavour Group Business entities (excluding ALH Group entities) were part of the Woolworths tax consolidated group. Up until the time of the ALH Merger, the ALH Group entities were part of a separate tax consolidated group (ALH tax consolidated group).

At the time of implementation of the Restructure, the wholly owned Australian Endeavour Group Business entities exited the Woolworths tax consolidated group in a manner that achieved a "clear exit", meaning that any future tax liabilities owed to the ATO that may arise in respect of the periods that these entities were members of the Woolworths tax consolidated group will remain with the Woolworths tax consolidated group.

ALH Group entities exited the ALH tax consolidated group at the time of the ALH Merger when Endeavour became the owner of all of the shares in ALH Group. Any future tax obligations that may arise in respect of ALH Group entities will remain with Endeavour Group.

The Australian Endeavour group, consisting of the head entity and all of its wholly owned Australian subsidiaries (including ALH Group entities), is not a consolidated tax group for Australian income tax purposes. Therefore, arrangements between Endeavour Group entities will be recognised for Australian income tax purposes, and each Endeavour Group entity will be subject to tax on a standalone basis. If an entity within Endeavour Group makes a tax loss in any year, that loss will not be available to offset taxable profits of other Endeavour Group entities. Instead, the tax loss will need to be carried forward to offset future year profits of the loss making entity. Post Demerger, Endeavour will continue to assess its position and give consideration as to whether to form its own Australian income tax consolidated group.

Endeavour Group International (NZ) Limited will be taxed as a standalone entity in New Zealand.

(m) Capital expenditure commitments

Capital expenditure commitments for Endeavour Group as at 3 January 2021 amounted to \$22 million.



3.14 RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN ENDEAVOUR GROUP

This section describes the major risk factors which may adversely affect the future operating or financial performance or prospects of Endeavour Group, and may affect the investment returns or value of Endeavour Shares. While some of these risks can be mitigated by appropriate actions, controls and systems, others are outside Endeavour Group's control.

Shareholders are currently exposed to a number of these risks through their shareholding in Woolworths, but some risks may arise, increase or become more significant as a result of Endeavour becoming a standalone ASX-listed entity following the Demerger, which is a complex and significant process.

This section should be read in conjunction with [Section 1](#), which sets out the advantages, disadvantages and risks of the Demerger.

This section does not set out an exhaustive list of all the risks faced by Endeavour Shareholders.

(a) Regulatory risk

(i) Change to liquor regulation

Endeavour Group relies on liquor licences granted to it to operate its retail liquor outlets. Changes to the liquor regulatory environment in any Australian state or territory, or to the terms of any of Endeavour Group's individual licences, may impact Endeavour Group's ability to conduct its ordinary course of business and therefore its financial performance. These may include changes to trading hours of hotels, changes to conditions to satisfy licence renewals and changes to regulations affecting delivery services (which may impact the services offered by Jimmy Brings, Shorty's Liquor and Endeavour Delivery), among others.

(ii) Change to electronic gaming regulation

Endeavour Group relies on EGM Entitlements granted to it to operate EGMs in its Hotels venues. There are a variety of community and social responsibility issues posed by the conduct of EGM activities. Interest groups and politicians have advanced a number of proposals to increase harm minimisation and responsible gaming measures associated with the use of EGMs. In addition, the use of EGMs for potential money laundering activities has been the subject of reform proposals.

Some of the measures that have been advanced include:

- changes to caps and limits for EGM Entitlements;
- introduction of additional restrictions, changes to taxes and levies imposed on EGMs, including increases in minimum payout ratios;
- the use of digital wallets or gaming cards instead of cash transactions;
- personal transaction limits on EGM use;
- reductions in machine load limits;
- introduction of legislated measures to influence consumer behaviours such as restrictions to ATM and EFTPOS facilities near gaming venues or cash input limits;
- limitations or reductions in the number of approved EGMs; and
- limitations or restrictions on the licensed operating hours of venues.

There is a risk that increased regulatory restrictions on EGM facilities will reduce the financial performance of that part of Endeavour Group's business.

(iii) Local government planning

Any changes to legislation affecting local government planning laws may affect Endeavour Group's ability to undertake refurbishments, renovations or developments. This may negatively impact Endeavour Group's financial performance or ability to achieve its growth strategies.

(iv) Compliance

If Endeavour Group does not comply with any of the requirements of its liquor licences or EGM Entitlements, there is a risk the various regulators may vary, suspend or terminate these relevant licences. Any impact to the conditions of Endeavour Group's licences due to regulator disciplinary conduct may affect Endeavour Group's operations, financial performance and reputation. Such a failure may also lead to generally increased regulatory scrutiny of Endeavour Group.

3.14 RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN ENDEAVOUR GROUP (CONTINUED)

(v) Change in taxation and duties

Changes to taxation policy and taxation laws may impact Endeavour Group's financial performance and shareholder returns. Personal tax changes may impact individual Endeavour Shareholders and may similarly impact shareholder returns.

The ATO, Australian state/territory revenue offices and other taxation authorities may interpret the taxation laws or duty laws in a way that is different to that of Endeavour Group (or different to the approach historically adopted by those taxation authorities), which may cause additional tax or duty to be payable. Consistent with other companies of the size of Endeavour Group, Endeavour Group could be the subject of information requests, investigations, audit activity, and tax-related disputes. In accordance with Endeavour Group's tax risk management framework, Endeavour Group obtains external expert advice to minimise uncertainty and risk.

Governments may also review and impose additional or higher excise or other taxes on liquor or electronic gaming, which may have an adverse effect on consumer buying patterns and may adversely impact Endeavour Group's financial performance and shareholder returns.

Changes to taxes, tariffs or duties by foreign governments may impact the cost of goods for Endeavour Group, the volume and availability of products in the Australian market, as well as Endeavour Group's manufacturing and packaging business. Each of these has the potential to impact on the financial performance of Endeavour Group.

(vi) Change in accounting and financial reporting standards

Endeavour Group's financial reports will be prepared in accordance with the Australian Accounting Standards issued by the AASB which is outside the control of Endeavour Group and the Endeavour Directors. Changes in accounting or financial reporting standards issued by the AASB may adversely impact the reported financial performance of Endeavour Group.

(vii) Anti-money laundering and counter-terrorism financing regulation

The Endeavour Group is subject to AML/CTF laws (see Section 3.12(a)(iii)). In recent years, there has been increased focus by regulators on compliance with financial crime obligations with regulators taking enforcement action where they have identified non-compliance, including seeking significant monetary penalties. If Endeavour Group were to fail to comply with its AML/CTF obligations, it could face regulatory enforcement action including litigation, fines and variation, suspension or termination of EGM Entitlements. These actions could adversely affect Endeavour Group's business, financial position or reputation.

(viii) Competition and consumer law

Endeavour Group is subject to competition and consumer laws (see Section 3.12(d)). In recent years, the Australian Competition and Consumer Commission has been increasingly active in enforcing these laws, including seeking higher penalties where contraventions occur and in agitating for law reform. If Endeavour Group were to fail to comply with its obligations under the competition and consumer laws, it could face regulatory enforcement action including litigation and fines. These actions could adversely affect Endeavour Group's business, financial position or reputation.

(ix) Other regulations

There are a number of other regulations that Endeavour Group is subject to which dictate the operating environment of the retail liquor and hospitality industries. These include food safety, health regulations and others. Complying with a change in these regulations may negatively impact the profitability of the business.



3.14 RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN ENDEAVOUR GROUP (CONTINUED)

(b) COVID-19 risks

(i) General impact of COVID-19

Events related to the COVID-19 pandemic have resulted in significant market volatility. There is continued uncertainty as to the ongoing and future responses of governments and authorities both in Australia and globally.

The impact of COVID-19 on Endeavour's F20 earnings is described in [Section 3.5](#). The longer-term impact of COVID-19 on consumer behaviour, suppliers, team members and Endeavour Group however is not fully known and in some cases (e.g. reintroduced government restrictions) could be materially adverse to Endeavour Group's financial and/or operational performance. While government-mandated restrictions have generally begun to ease, any newly introduced (or reintroduced) government or industry restrictions or other measures may adversely affect Endeavour Group's operations and are likely beyond Endeavour Group's control. In compliance with its continuous disclosure obligations applicable upon listing, Endeavour Group will continue to update the market about any material impact of COVID-19 on the business.

(ii) State/territory and Federal government restrictions

Due to the COVID-19 pandemic, the state/territory and Federal governments have imposed social distancing restrictions which have been, and may continue to be, disruptive to the operations of Endeavour Group's Hotels business.

Further, COVID-19 restrictions may disrupt, and may continue to disrupt, Endeavour Group's Retail business, including retail stores, and warehouse and distribution operations. Such restrictions may, directly and indirectly, have a material adverse impact on the financial and/or operational performance of Endeavour Group.

(iii) Supply chain impact

An increase in the spread of COVID-19 may adversely impact Endeavour Group's supply chain. This may occur if the ability to deliver products into Australia by Endeavour Group's key suppliers is negatively affected through government-mandated restrictions or Endeavour Group is otherwise unable to efficiently distribute products to stores or to customers who have placed online orders. If Endeavour Group's supply chain is disrupted, it may have a material adverse effect on financial and/or operating performance.

(c) Other business risks

(i) Suppliers and partners

Endeavour Group's business currently has a number of agreements with suppliers in relation to inputs required for its operations, including liquor, food and EGMs. Endeavour Group cannot guarantee that its existing arrangements with key suppliers, service providers or other material counterparties (including Woolworths under the Partnership Agreements) will be renewed, or renewed on terms similar to current supply terms, following the Demerger.

Endeavour Group currently operates with the benefit of some goods and services provided under agreements with suppliers which are entered into by Woolworths for the benefit of the entire Woolworths Group. Some of these arrangements may need to be amended to reflect the change in structure once the Demerger is completed and Endeavour Group cannot guarantee that the existing arrangements with key suppliers will be renewed, or renewed on terms similar to current supply terms. There is also a risk that suppliers elect to terminate any supply arrangements where the supplier's termination rights are enlivened by the Demerger.

In the event of a major disruption to supply of goods and services needed by Endeavour Group, alternative suppliers may not be available, or may not be available on acceptable commercial terms. This could be caused by a number of factors affecting suppliers including natural disasters which impact on transportation or distribution for suppliers or industry wide occurrences affecting the availability of goods to suppliers such as widespread disease affecting the food products sold at Endeavour Group's venues.

Woolworths and Endeavour will enter into medium-term and long-term Partnership Agreements across various services. The Partnership Agreements cover a wide range of ongoing commercial arrangements between Woolworths Group and Endeavour Group and are generally reflective of the internal arrangements that existed within Woolworths Group in relation to the operation of the retail drinks business before the Restructure. Examples of categories of Partnership Agreements include Supply Chain, IT Services, Marketing Services and access to Everyday Reward services. Throughout the life of the Partnership Agreements, Endeavour Group will be supported by Woolworths Group's performance of those agreements for important elements of its business. A failure by Woolworths to provide these services to an appropriate standard may have a material adverse effect on the operations and financial performance of Endeavour Group.

3.14 RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN ENDEAVOUR GROUP (CONTINUED)**(ii) Distribution**

Endeavour Group's stores are spread out across a wide geographic area, contributing to significant distribution costs. Increases in the price of inputs to distribution such as fuel and other transport costs could result in raised distribution costs. In circumstances where this increase in cost cannot be passed through to Endeavour Group's customers through higher prices for Endeavour Group products, these costs would need to be absorbed. This could have a material adverse impact on Endeavour Group's financial performance and profitability.

(iii) Systems and processes complexity

Endeavour Group is subject to a wide range of regulation and also utilises a broad and complex set of systems and processes to undertake its business operations. There is a risk that a deficiency or an error in connection with, or failure of, those systems and processes may result in the systems and processes not being sufficient or appropriate to ensure that all the regulatory obligations to which Endeavour Group is subject, are complied with. A failure of Endeavour Group's systems and processes could have a material adverse impact on Endeavour Group's reputation, operations and financial performance.

The identification of team member payment shortfalls as detailed in [Section 3.11\(c\)](#) is one example of this risk eventuating and resulting in adverse consequences.

(iv) Privacy, data and cyber security breaches

In the ordinary course of business, Endeavour Group collects a range of customer, supplier, team member and company data. Shifts in customer demands or expectations in the way that data is used could limit Endeavour Group's ability to apply such data to personalise the shopping experience. Additionally, by operating an online retail business, Endeavour Group is exposed to risks relating to security of customer information and payment details. Data breaches including unauthorised access to, successful cyber-attacks on, or disclosure of, confidential information including customer information may have a negative impact on the operation and reputation of Endeavour Group's and could cause Endeavour Group to suffer financial loss and/or be subject to regulatory impositions.

Endeavour Group has in place systems and controls to mitigate this risk, including processes implemented following privacy impact assessments which are undertaken in connection with any material arrangement involving the sharing of data beyond Endeavour Group's systems. It is expected that Endeavour Group will adopt a data breach response plan based on the existing Woolworths Group plan.

(v) Reputation

Endeavour Group's reputation and brand are important in attracting and retaining customers, patrons and high quality team members. Any reputational damage or negative publicity around Endeavour Group or its venues, stores and operations could adversely impact Endeavour Group's relationships with customers, suppliers, team members and other stakeholders, and ultimately its financial performance.

(vi) Changing expectations with respect to environmental, social and governance (ESG) standards

Changes in community attitudes towards ESG standards may impact the retail liquor and hospitality industry participants, which may also impact Endeavour Group. Increased expectations and activist responses with respect to ESG risk management (including but not limited to responsible sourcing of products, responsible service of alcohol and gaming, and engagement with community groups) could impact the profitability or value of existing or acquired Endeavour Group's operations, trigger regulatory changes that increase Endeavour Group's operational and compliance costs and restrict Endeavour Group's ability to attract financing or investment.

An example of an ESG issue that has affected the Endeavour business is the proposal to develop a Dan Murphy's store in Darwin. The Northern Territory liquor licencing director approved the licence for the development proposal in November 2020. In December 2020, Woolworths decided to defer proceeding with the development pending the outcome of an independent panel review into the extent and appropriateness of the consultation associated with the development. Further, Woolworths decided that the development proposal would not proceed unless approved by the Woolworths Board, after consideration of the independent panel review report. The independent panel presented its findings to the Woolworths Board on 28 April 2021, with Woolworths announcing on 29 April 2021 that it would not proceed with the development of the Dan Murphy's at Darwin. The board intends to release both the report and Woolworths Group's response once fully considered, no later than mid June 2021.



3.14 RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN ENDEAVOUR GROUP (CONTINUED)

(vii) Climate change

Endeavour Group businesses may be impacted by increased severity/regularity of extreme weather events such as floods, droughts, fires, heatwaves and cyclones, which could impact Endeavour Group by increasing or causing volatility to supply and operational costs and by triggering site closures, disruption to operations, lack of access, damage to stores or venues or impacts on production and transportation of products. The long-term effects of climate change could also lead to changes to global policy and government regulations and changes to customer needs, preferences and behaviours which may impact Endeavour Group's business strategies.

(viii) Digital disruption

Digital disruption to industry structures, including through new entrants entering the market through use of digital and other technology, which is difficult to predict, could materially adversely affect the financial performance of Endeavour Group businesses.

(ix) Labour and team members

Endeavour Group's business is dependent on attracting and retaining high quality team members. A loss in the group's ability to attract and retain team members, hire and train new team members, and hire to meet labour needs in a controlled costs environment could result in a negative impact to operating and financial performance.

Team costs for Endeavour Group are also dependent on maintaining good relationships with team members and labour unions. A material increase in team costs due to changes to awards, enterprise agreements or collective agreements or an inability to manage or satisfactorily renegotiate such agreements could cause labour disruptions or increased labour costs affecting Endeavour Group's operations and financial performance.

Certain Endeavour Group businesses including Jimmy Brings currently engage with drivers as independent contractors. Along with the growth of the gig economy, there has been increased scrutiny of the classification of contractors by flexible labour platforms and the application of labour and work safety laws to such contractors. There is a risk that laws or regulations that provide certain entitlements and rights to classes of workers or "deemed employees" could be held by competent courts or tribunals to apply to drivers with different rights and obligations to that which applies to contractors. If this were to occur, Endeavour Group may have additional responsibilities to drivers under labour and workplace safety laws including e.g. workers' compensation, payroll tax, and superannuation.

(x) Workplace occupational health and safety (WHS)

While Endeavour Group implements a robust WHS framework, there is a risk that incidents may arise at Endeavour Group stores, venues or other work locations that result in death or injury or impact on team members' mental health and wellbeing. This may result in financial losses from public liability or workers compensation claims, reputational damage and potentially the imposition of monetary penalties.

(xi) Regulatory investigation and litigation

Endeavour Group may from time to time be the subject of complaints, investigations, litigation, inquiries or audits initiated by customers, team members, landlords, government agencies, regulators or other third parties alleging matters such as WHS claims, competition and consumer law claims and ordinary contractual disputes. Even if such complaints are disposed of without direct financial impact, reputational damage may be significant. This may impact Endeavour Group's financial results. Claims where Endeavour Group is found liable may have a material adverse effect on Endeavour Group's future financial performance.

(xii) Insurance

Endeavour Group will put in place insurance policies in respect of certain risks in relation to its business operations. It is intended that such insurance policies will be placed with reputable insurers of acceptable security and that the levels of retained risk and coverage purchased will be appropriate to the business activities of Endeavour Group. Subject to such insurance being available on commercially reasonable terms, it is possible that such policies do not provide full cover against unforeseen events or claims or will continue to be made available or renewed on a commercially reasonable basis.

3.14 RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN ENDEAVOUR GROUP (CONTINUED)

(xiii) Property and venue/store acquisitions and leases

Growth in Endeavour Group's network will rely on its ability to acquire existing hotel venues and bottle shops and procure leases or acquire suitable freehold properties. There is a risk that Endeavour Group may not be able to achieve this at the desired price due to factors including market availability, competitive dynamics, or a change in the group's financial profile. Further, it is a risk that Endeavour Group may not be able to realise full value for its freehold properties or generate the intended benefits from acquired venues and stores in a timely manner, including as a consequence of capital expenditure needs of both freehold and leasehold premises.

By operating leasehold properties, Endeavour Group is subject to rent reviews and potential rent increases, council rates and other property costs related to leasehold premises which could impact Endeavour Group's financial performance. Rent review provisions in leases can in some instances give rise to disputes which in turn can lead to legal proceedings (for instance, ALE Property Group has commenced proceedings in the Supreme Court of Victoria in relation to rent review determinations for 19 venues in Victoria). Legal proceedings determined in favour of the relevant landlord may result in Endeavour Group incurring additional costs. In addition, a shift towards greater digitisation and online sales may also heighten the profitability impact of leasehold arrangements.

(xiv) Environmental

Environmental liabilities could arise due to circumstances outside the control or responsibility of Endeavour Group, for instance in Endeavour Group's vineyards or bottling centres or due to an unforeseen circumstance in the course of waste disposal at Endeavour Group retail or hospitality locations. Endeavour Group may be responsible for addressing these environmental liabilities through remediation at potentially significant expense. If the environmental liabilities are unable to be remediated, then this may negatively affect the operation of the venue on the property or the possible disposal of the property.

(xv) Management of growth and change in trading environment

Following the Demerger, Endeavour Group will aim to expand its business and operations as part of management's growth strategy. If management does not successfully implement its growth strategy, it may have a negative effect on the financial performance of Endeavour Group.

(xvi) Information technology failures and business interruption

Endeavour Group uses various front and back office IT systems such as EFTPOS, electronic gaming and reporting systems. The group also relies on telecommunication carriers, Woolworths Group and other third parties to support processing transactions, management of inventory and a range of business critical systems. There is a risk of temporary or permanent disruptions to these and other systems that are required for Endeavour Group's business continuity and which may impact Endeavour Group's ability to operate the business in its ordinary capacity. Establishing Endeavour as a standalone entity involves significant IT complexity and a disruption or failure in these processes may also negatively impact Endeavour Group.

(xvii) Demographics and changes in consumer preferences and tastes

Consumer expenditure on liquor, hospitality and gaming is a discretionary use of disposable income. Any change in levels of consumers' disposable income along with movements in the levels of consumer confidence and demand may negatively affect the financial performance of Endeavour Group. Shifts in consumer preferences or attitudes towards liquor consumption and gaming may also impact how consumers' disposable income is utilised which may affect Endeavour Group's profitability. The level of population density, rate of growth and demographics in areas where Endeavour Group liquor stores or venues are located may adversely affect Endeavour Group's financial performance. Furthermore, a failure by Endeavour Group to effectively respond to changes in consumer spending patterns or product preference trends may negatively impact Endeavour Group.

(xviii) Product and food issues

Endeavour Group must comply with the Australia New Zealand Food Standards Code as enforced by regulators in each Australian and New Zealand jurisdiction, including with its own brand products. Non-compliance with this code, poor product quality or unsafe products may potentially result in injury, harm or illness to Endeavour Group's customers, claims, regulatory impacts and significant reputational damage. These consequences could impact the financial performance of Endeavour Group through reduced revenue and increased costs on marketing and advertising initiatives to restore customer confidence.

(xix) Dividend capacity

Endeavour's capacity to pay dividends will primarily depend on the profitability and cash flow generation of Endeavour Group and its ability to utilise available or surplus capital for return accretive opportunities. No guarantee is given as to the future payment of dividends by Endeavour or Endeavour's ability to return capital.



3.14 RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN ENDEAVOUR GROUP (CONTINUED)

(d) General risks

(i) Force majeure events

Events that may not be in the direct control of Endeavour Group may occur within or outside Australia, which could adversely and unexpectedly impact the Australian and offshore economies, and Endeavour Group's financial performance. These events include, but are not limited to, international hostilities, acts of terrorism, civil wars, floods, earthquakes, fires, labour strikes, trade wars, natural disasters, pandemic/endemic or other natural or man-made events. Endeavour Group only has a limited ability to insure against some of these risks.

(ii) Global health or pandemics

Global health risks or pandemics or the potential for these events could have a negative impact on Endeavour Group. As noted in [Section 3.14\(b\)](#), such events (most recently, the COVID-19 pandemic) could adversely affect consumer behaviour and business activity levels, and precipitate sudden significant changes in regional and global economic conditions and cycles. They could also pose significant risks to Endeavour Group's stores, venues, distribution centres and supply chains, whether they are controlled by Endeavour Group or by third party providers. By disrupting store and venue operations, provision of services and logistics, these events could make it difficult or in some cases impossible for Endeavour Group to deliver products and services to Endeavour Group's customers. As a result, the operations of Endeavour Group could be adversely affected by such events.

(iii) General economic and financial market conditions

The existing operations of Endeavour Group are predominantly located in Australia. Its operational and financial performance is reliant on general economic conditions and consumer sentiment. A downturn in the economy either in Australia or globally may impact the demand for Endeavour Group's offerings and result in subdued financial performance and profitability.

(iv) Competitive retail market

Endeavour Group businesses operate in a competitive retail market, with technology disruption, new market entrants and rapidly changing customer needs and preferences. These factors may adversely affect Endeavour Group's market share, level of customer loyalty and ability to execute its strategies and key initiatives.

(v) Interest rate fluctuations

Any increase in interest rates applicable to Endeavour Group's borrowings would increase the cost of borrowings, to the extent interest rates are not fixed or not hedged. Changes in interest rates may be an indicator of general economic conditions which may also impact consumer demand for Endeavour Group's products and services and have an adverse effect on financial performance.

(vi) Counterparties

As Endeavour Group contracts with a number of different parties, there is a risk that those parties experience financial difficulty or other issues which may impact their capacity to contractually perform their obligations to Endeavour Group. This may impact the business operations of Endeavour Group and affect financial performance.

(vii) Price of Endeavour Shares

Following its listing on the ASX, Endeavour will be subject to the market forces and risks which apply to the securities of all listed companies. This could cause movements in Endeavour's share price which are not related to the performance of Endeavour Group. Some of the factors which could influence the share price of Endeavour include:

- movements in both domestic and international markets for listed shares;
- general economic conditions as affected by inflation, interest rates, commodity prices, exchange rates and government policy;
- variations in industry performance which can influence investor decision making;
- the impact of general business or operational risks; and
- the sale of large amounts of Endeavour Shares by third parties.

3.14 RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN ENDEAVOUR GROUP (CONTINUED)

(viii) Ability to refinance debt or access debt markets

Endeavour Group may from time to time be required to access bank and debt markets, both domestic and international as well as public and private. The financial position of Endeavour Group, and state of the debt markets at any point in time, may impact its ability to achieve financing outcomes consistent with its current arrangements.

(ix) Movement in currency and commodity prices

Endeavour Group, through its international sourcing and exports, is exposed to movements in exchange rates and, to the extent that Endeavour Group raises debt denominated in a foreign currency or establishes operations overseas, it would be further exposed to movements in exchange rates.

In addition, as a retail drinks business, Endeavour Group buys and sells commodity-based products (such as barley and wheat-based drinks) and uses commodities in its operations (such as fuel and transportation). Endeavour Group's margins and operating costs could be adversely impacted by movements in currency or commodity prices.












Information on Woolworths Group (Post Demerger)

Section

4.1 WOOLWORTHS GROUP (POST DEMERGER)

Following the Demerger, Woolworths Group will remain Australia and New Zealand's leading food and everyday needs business with strong digital and data capabilities and complementary businesses and partnerships.

4.2 OVERVIEW OF WOOLWORTHS GROUP (POST DEMERGER)

Strong core retail food business	Market-leading digital and data capabilities	Complementary businesses and partnerships
<p>Supermarkets and convenience</p> <ul style="list-style-type: none"> Australia and New Zealand's leading supermarket network, with 994 Woolworths Supermarkets in Australia and 181 Countdown stores in New Zealand 70 Metro Food Stores in Australia Established renewal program and pipeline of new stores <p>The Woolworths Food Company</p> <ul style="list-style-type: none"> Develops new product categories and strategic sourcing relationships with primary industry partners 	<p>Rewards</p> <ul style="list-style-type: none"> 12.8 million members across Everyday Rewards and 1.9 million across Countdown Onecard <p>Digital and data</p> <ul style="list-style-type: none"> Strong digital and data capabilities and growth platforms embedded in each business <p>Convenience and delivery</p> <ul style="list-style-type: none"> Industry leader in eCommerce in Australia and New Zealand Extend accessibility of group brands through Delivery Now, Same Day and Next Day, Delivery Unlimited, Pick Up in-store and Drive Thru offerings 	<p>BIG W</p> <ul style="list-style-type: none"> 179 large format stores offering general merchandise and everyday needs <p>Endeavour Group</p> <ul style="list-style-type: none"> A 14.6% interest (post Demerger) in Endeavour Group Complements Woolworths' food offer with retail drinks <p>Quantum</p> <ul style="list-style-type: none"> 47.2%¹ shareholding in Quantum, a leading data-driven insights, advanced analytics and ideas company <p>Complementary partnerships</p> <ul style="list-style-type: none"> Creates better experiences and offers for customers and expands Woolworths' loyalty network (e.g. Qantas Frequent Flyer, Ampol and EuroGarages)
   	    	      

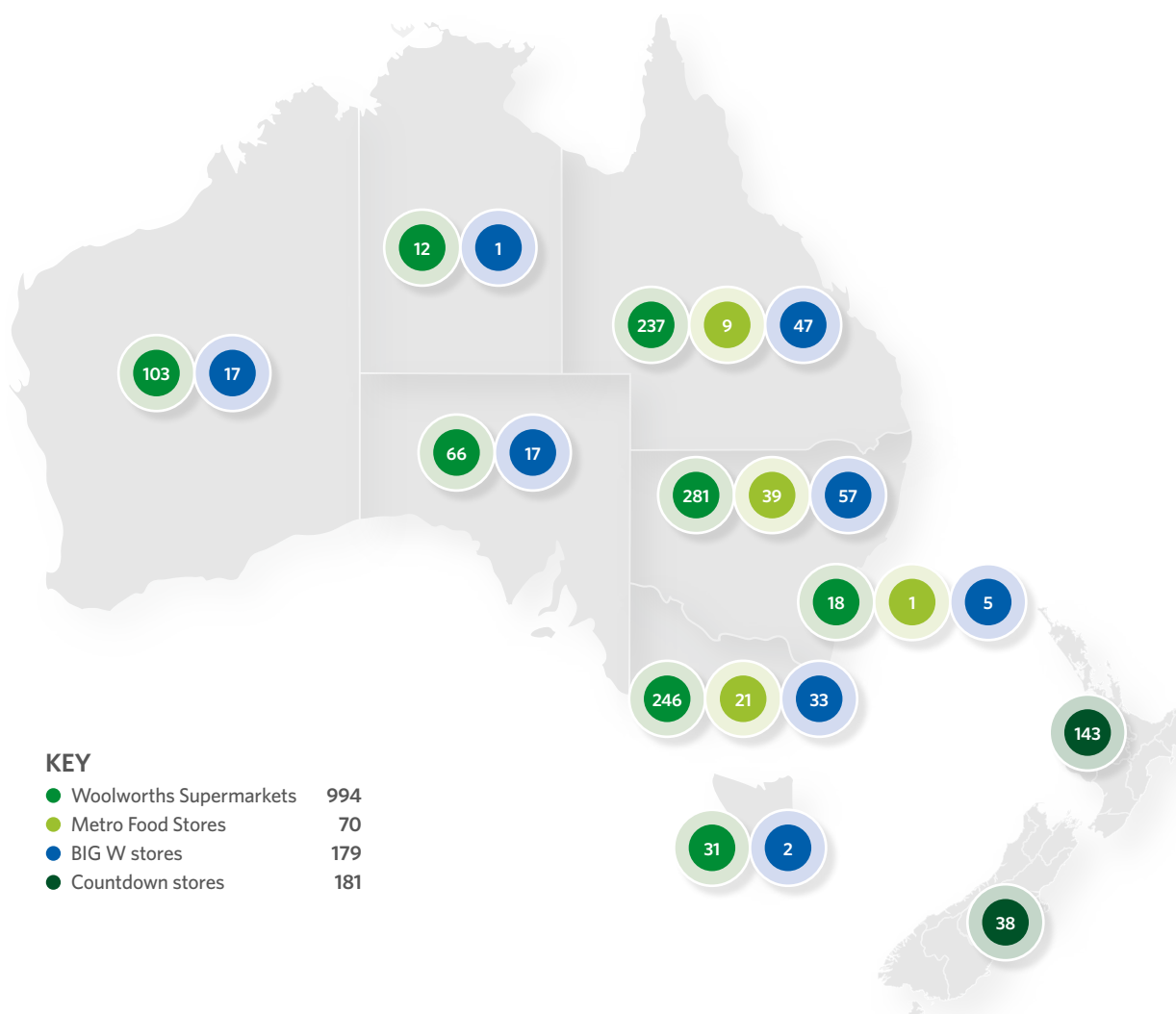
¹ Woolworths announced on 20 April 2021 that it had entered into an agreement to increase its shareholding in Quantum to 75% with completion expected prior to the end of F21.



4.2 OVERVIEW OF WOOLWORTHS GROUP (POST DEMERGER) (CONTINUED)

Figure 4.2.1: Woolworths Group (Post Demerger) footprint¹

Retail stores



In F20, Woolworths Group (excluding Endeavour Group) delivered pro forma revenue from continuing operations of \$53.1 billion, pro forma EBITDA of \$4,501 million and pro forma EBIT of \$2,519 million (see [Table 4.6.2](#)).

¹ Locations as at 3 January 2021.

4.3 KEY STRENGTHS OF WOOLWORTHS GROUP (POST DEMERGER)

Post Demerger, Woolworths Group will remain Australia and New Zealand's leading food and everyday needs business. The separation will allow Woolworths Group to benefit from a simplified organisational structure, a greater focus on its food and everyday needs markets and opportunities to continue to build out the Woolworths Group retail ecosystem by pursuing adjacent growth opportunities. Woolworths Group's brands are some of the most recognised and trusted brands in Australia and New Zealand including Woolworths, Countdown and BIG W.

Woolworths Group's focus on the customer to drive advocacy was recognised in 2021, with Woolworths named Australia's most valuable brand¹.

(a) Footprint of established food and everyday needs brands

Woolworths Group has a high quality network of 1,424 food and everyday needs stores across Australia and New Zealand, operating under established brands such as Woolworths, Metro Food Stores, Countdown and BIG W.

(b) Resilient grocery market

Through its Australian and New Zealand Food businesses, Woolworths Group operates in the food and grocery segment of the market, which has typically delivered relatively stable growth through economic cycles. This is illustrated by the long-term growth of Australian grocery sales through economic cycles.

(c) Innovation capabilities

Woolworths Group has innovation capabilities and established core platforms embedded in each business, covering areas such as digital, data and analytics, format, supply chain and merchandising. In addition, the group's Everyday Rewards loyalty program of 12.8 million members in Australia and 1.9 million in New Zealand's Countdown Onecard program provide significant customer reach and the opportunity to continue to personalise the shopping experience for customers.

(d) Strong balance sheet

Post Demerger, Woolworths Group will continue to have a strong balance sheet, which aims to provide flexibility for growth as well as provide attractive returns to Shareholders. Woolworths Group remains committed to maintaining a solid investment grade credit rating.

(e) Complementary partnerships with leading Australian businesses

Woolworths Group is a retail ecosystem with customers and everyday needs at its core, and is supported by established partnerships with leading Australian businesses. Through these partnerships, Woolworths Group aims to provide complementary services and offers to customers while expanding its loyalty offering. Current partnerships include Endeavour Group, EuroGarages, Qantas Frequent Flyer, Origin, Bupa and Ampol.

(f) Experienced board and management

The Woolworths Board and senior management are a team of highly experienced individuals with a diverse range of skills, experience and backgrounds to support the effective governance and robust decision making of the group.

1 Brand Finance Australia 100, 2021.



4.4 WOOLWORTHS GROUP (POST DEMERGER) STRATEGY

Following the Demerger, Woolworths Group will remain Australia and New Zealand's leading food and everyday needs business with a continued focus on enhancing long-term shareholder value.

Woolworths Group will continue to build its retail ecosystem around its customer and everyday needs core, while looking for opportunities to grow in adjacencies by adding strategic partnerships and services. The group's strategic priorities will remain as follows:

- **Better together for a better tomorrow for our customers, teams and communities:** Woolworths Group's purpose is to create better experiences together for a better tomorrow. This involves delivering the group's brand promise across the communities it serves, to build trust and grow advocacy as well as foster sustainable partnerships with suppliers. The group is also committed to delivering its 2025 Sustainability Plan with ambitious targets across People, Planet and Product to help create a better tomorrow;
- **Accelerate digital, eCom and convenience for our increasingly connected customers:** Woolworths Group will continue to improve shopping experiences so customers can shop in the way that best meets their evolving needs. Priorities include enhancing mobile app experiences, on-demand and delivery capabilities, and using personalised rewards and digital payments to create a frictionless experience for digital shoppers;
- **Differentiate our food customer propositions:** Woolworths Group will create points of difference to deliver more personalised and inspiring shopping experiences. This includes continuing the renewal and new store openings program with an emphasis on fresh, convenience and healthy options and improved localised range;
- **Evolve our portfolio and build strong adjacencies:** In BIG W, the turnaround plan will continue to create a sustainably profitable business. Woolworths Group will also seek to build on existing partnerships and utilise core capabilities and platforms to further build out the retail ecosystem; and
- **Keep our business COVIDSafe and future proof our E2E operating model:** The simplification of store operations and the operating model will continue, including driving improvements in end-to-end productivity, safety, stock flow and inventory levels. The supply chain transformation will also continue through automation and improved fulfilment technologies. Integrated data science will be used to streamline processes and improve customer and team experiences.

Woolworths Group (Post Demerger) will have a strong core retail food business, market-leading digital and eCommerce capabilities and complementary businesses and partnerships intended to provide a renewed customer experience and new growth opportunities. The retail ecosystem helps deliver on Woolworths Group's purpose of "**creating better experiences together for a better tomorrow**" for customers, teams, partners, communities, and Shareholders.

4.5 WOOLWORTHS BOARD

Detailed biographies of the Woolworths Directors can be found on the Woolworths Group website at www.woolworthsgroup.com.au.

4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION

This section contains historical financial information for Woolworths Group (Woolworths Group Historical Financial Information), including:

- Woolworths Group reported historical consolidated statements of profit or loss for H1 F21, H1 F20, F20, F19 and F18;
- Woolworths Group reported historical consolidated statements of cash flows for H1 F21, H1 F20, F20, F19 and F18; and
- Woolworths Group reported historical consolidated statement of financial position as at 3 January 2021.

This section also contains pro forma historical financial information for Woolworths Group (Post Demerger) (Woolworths Group (Post Demerger) Pro Forma Historical Financial Information), including:

- Woolworths Group (Post Demerger) pro forma historical statements of profit or loss for H1 F21, H1 F20, F20, F19 and F18;
- Woolworths Group (Post Demerger) pro forma historical statements of cash flows for H1 F21, H1 F20, F20, F19 and F18; and
- Woolworths Group (Post Demerger) pro forma historical statement of financial position as at 3 January 2021.

Woolworths Group (Post Demerger) represents the following Woolworths Group segments, as reported in the Woolworths Group financial statements for H1 F21, H1 F20, F20, F19 and F18:

- Australian Food;
- New Zealand Food;
- BIG W; and
- Other.

Reference to Woolworths Group (Post Demerger) Pro Forma Historical Financial Information refers to Woolworths Group (Post Demerger) on a consolidated basis.

The Independent Accountant has prepared the Independent Accountant's Report in respect of the Woolworths Group Historical Financial Information and the Woolworths Group (Post Demerger) Pro Forma Historical Financial Information, a copy of which is included in Annexure B. The comments made in relation to the scope and limitations in that report, should be noted and read in conjunction with the risks associated with the Demerger and investment in Woolworths Group (Post Demerger) as set out in Sections 1.5 and 4.7 respectively.

All amounts disclosed in tables are expressed in millions of Australian dollars and, unless otherwise noted, are rounded to the nearest million dollars. Figures, amounts, percentages, estimates and calculations are subject to the effect of rounding. Accordingly, totals in tables may not add exactly due to the effects of rounding.

Basis of preparation

The Woolworths Group (Post Demerger) Pro Forma Historical Financial Information has been prepared for illustrative purposes to assist Woolworths Shareholders in understanding the impact of the Demerger on the historical financial performance, cash flows and financial position of Woolworths Group (Post Demerger) on a pro forma basis reflecting the adjustments discussed below. Consequently, the Woolworths Group (Post Demerger) Pro Forma Historical Financial Information does not purport to reflect the actual financial performance, cash flows and financial position that would have occurred had Woolworths Group (Post Demerger) operated as a standalone group for the relevant periods presented.

The Woolworths Group (Post Demerger) Pro Forma Historical Financial Information in this section has, except as otherwise noted, been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (AAS) and interpretations, which are consistent with International Financial Reporting Standards (IFRS) although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements and comparative information required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

The Woolworths Group (Post Demerger) Pro Forma Historical Financial Information has been derived from the historical financial information directly related to Woolworths Group (Post Demerger) in the Woolworths Group Half-Year Financial Reports and Annual Reports for H1 F21, H1 F20, F20, F19 and F18, including the restated financial information for F19 included in the F20 Annual Report, and adjusted to reflect best estimates of the impact of the Demerger. The impact of discontinued operations and significant items on the results is excluded from the Woolworths Group (Post Demerger) Pro Forma Historical Financial Information disclosed on the basis this is not relevant to the future operations of Woolworths Group (Post Demerger). The Half-Year Financial Reports and Annual Reports of Woolworths Group for H1 F21, H1 F20, F20, F19 and F18 are available on request or at www.woolworthsgroup.com.au or on the ASX website at www.asx.com.au.



4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

The Woolworths Group Half-Year Financial Reports and Annual Reports for H1 F21, H1 F20, F20, F19 and F18 have been subject to review and audit respectively by Deloitte Touche Tohmatsu, in accordance with Australian Auditing Standards. The review conclusions and audit opinions issued to Woolworths Shareholders relating to those financial statements were unmodified.

The Woolworths Group (Post Demerger) Pro Forma Historical Financial Information has been prepared in accordance with the accounting policies used in preparation of Woolworths Group's consolidated financial statements for H1 F21, unless otherwise stated in this section.

Pro forma adjustments have been made to the Woolworths Group (Post Demerger) pro forma historical statements of profit or loss and statements of cash flows to reflect:

- re-allocation of transactions between Endeavour Group and Woolworths Group (Post Demerger) to reflect the operating structure that will be in place following the Demerger;
- the impact of the Partnership Agreements with Endeavour Group (refer to [Sections 3.9](#) and [7.10](#) for details of the Partnership Agreements);
- the impact of changes in AAS, in particular for the implementation of AASB 16 which was adopted for the first time in F20;
- the impact of the salaried store team member remediation;
- the share of profits of associates reflecting Woolworths Group (Post Demerger) equity accounted share of profits of Endeavour Group for the investment retained in Endeavour Group following the Demerger;
- the impact on finance costs reflecting the repayment of intercompany borrowings; and
- the impact on income tax expense arising from the pro forma adjustments outlined above.

Pro forma adjustments have been made to the Woolworths Group (Post Demerger) pro forma historical statement of financial position to reflect:

- the Demerger of Endeavour Group and the investment retained by Woolworths Group (Post Demerger);
- new working capital balances to reflect the working capital position related to the Partnership Agreements;
- the repayment of intercompany borrowings from Endeavour Group;
- the impact of demerger accounting;
- the recognition of lease balances associated with leases held between Woolworths Group (Post Demerger) and Endeavour Group;
- one off transaction costs associated with the Demerger; and
- recognition of the dividends declared relating to H1 F21.

(a) Explanation of certain non-IFRS financial measures

Woolworths Group uses certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. These measures are collectively referred to in this section as non-IFRS financial measures pursuant to Regulatory Guide 230 *Disclosing non-IFRS financial information* published by ASIC. Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall business, and they are commonly used performance measures by the investor community. The principal non-IFRS financial measures referred to in this section are as described in [Section 3.13\(a\)](#).

4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

(b) Woolworths Group reported historical consolidated statements of profit or loss

The Woolworths Group reported historical consolidated statements of profit or loss for H1 F21, H1 F20, F20, F19 and F18 are set out below.

Table 4.6.1: Woolworths Group reported historical consolidated statements of profit or loss

A\$M	H21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 ¹ (53 WEEKS)	F18 ¹ (52 WEEKS)
Revenue	35,845	32,410	63,675	59,984	56,944
EBIT, excluding significant items¹	2,092	1,893	3,219	2,722	2,548
Significant items	-	(131)	(591)	(371)	-
EBIT	2,092	1,762	2,628	2,351	2,548
Finance costs ¹	(412)	(440)	(843)	(126)	(154)
Income tax expense	(505)	(390)	(576)	(667)	(718)
NPAT	1,175	932	1,209	1,558	1,676
Discontinued operations	-	-	-	1,200	119
Profit for the period	1,175	932	1,209	2,758	1,795
Profit for the period attributable to:					
Equity holders of the parent entity	1,135	887	1,165	2,692	1,724
Non-controlling interests	40	45	44	66	71
	1,175	932	1,209	2,758	1,795

Notes:

- 1 The reported historical statements of profit or loss includes the impact of adopting AASB 16 for the first time in F20. F18 and F19 do not, therefore, reflect the impact of AASB 16. Occupancy expenses for leases impacted by AASB 16 previously recognised in branch and administration expenses have been replaced by depreciation on lease assets, included in EBIT, and net interest on leases, included in finance costs.

The reported historical statements of profit or loss include the following significant items:

- **F19:** Lease and other store exit costs and non-cash asset impairment charges arising from the BIG W network review (\$371 million before tax);
- **F20:** Supply chain network strategy review costs (\$176 million before tax), salaried store team member remediation (\$185 million before tax) and costs associated with the Restructure and ALH Merger (\$230 million before tax); and
- **H1 F20:** Salaried store team member remediation (\$80 million before tax) and costs associated with the Restructure and ALH Merger (\$51 million before tax).

Discontinued operations relate to the net profit after tax contribution from the Petrol business, including a gain on sale of \$1,088 million in F19, which was disposed of during F19.

The impact of discontinued operations and significant items on the results is excluded from the pro forma financial information disclosed in this Demerger Booklet on the basis this is not relevant to the future operations of Woolworths Group (Post Demerger) or Endeavour Group.

Commentary on the Woolworths Group historical financial performance can be found in the Woolworths Annual Reports and Half-Year Reports available from Woolworths Group's website (www.woolworthsgroup.com.au) or the ASX website (www.asx.com.au).



4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

(c) Woolworths Group (Post Demerger) pro forma historical statements of profit or loss

The Woolworths Group (Post Demerger) pro forma historical statements of profit or loss for continuing operations and excluding significant items for H1 F21, H1 F20, F20, F19 and F18 are set out below.

Table 4.6.2: Woolworths Group (Post Demerger) pro forma historical statements of profit or loss

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
Revenue	29,538	26,737	53,131	49,758	47,209
EBIT, excluding significant items	1,591	1,366	2,519	2,485	2,187
Net interest on leases ¹	(268)	(265)	(518)	(539)	(545)
Finance costs ²	(54)	(79)	(140)	(124)	(156)
Profit, excluding significant items and before tax	1,269	1,022	1,861	1,822	1,486
Income tax expense ³	(362)	(286)	(558)	(519)	(420)
NPAT, excluding significant items	907	736	1,303	1,303	1,066

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
EBIT, excluding significant items	1,591	1,366	2,519	2,485	2,187
Depreciation on lease assets ¹	480	451	891	840	782
Depreciation and amortisation on other assets	586	551	1,091	1,007	913
EBITDA	2,657	2,368	4,501	4,332	3,882

Notes:

- 1 Net interest on leases and depreciation on lease assets include the pro forma impact of adopting AASB 16 as if this accounting standard had been in place for the all the periods presented. Net interest on leases is net of lease interest income on subleases with Endeavour Group.
- 2 Pro forma finance costs reflect the reported interest on external borrowings offset by the pro forma interest income on the cash received of \$1,480 million following the repayment of intercompany borrowings from Endeavour Group at an assumed interest rate of 0.1% per annum.
- 3 The pro forma income tax expense is based on the pro forma profit before tax adjusted for permanent differences, and the corporate tax rate of 30%.

4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

Table 4.6.3: Reconciliation of Woolworths Group reported historical revenue as derived from the financial statements of Woolworths Group, to Woolworths Group (Post Demerger) pro forma historical revenue

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
Reported revenue ¹	35,845	32,410	63,675	59,984	56,944
Less: reported Endeavour Group revenue ²	(6,350)	(5,694)	(10,595)	(10,261)	(9,856)
Re-allocation of revenues ³	-	(12)	(18)	(22)	69
Accounting reclassifications arising from separation ⁴	43	33	69	57	52
Pro forma revenue	29,538	26,737	53,131	49,758	47,209

Table 4.6.4: Reconciliation of Woolworths Group reported historical EBIT as derived from the financial statements of Woolworths Group, to Woolworths Group (Post Demerger) pro forma historical EBIT, excluding significant items

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
Reported EBIT ¹	2,092	1,762	2,628	2,351	2,548
Significant items	-	131	591	371	-
Reported EBIT, excluding significant items	2,092	1,893	3,219	2,722	2,548
Less: reported Endeavour Group EBIT ²	(539)	(562)	(734)	(765)	(775)
Re-allocation of profits ³	-	(5)	(11)	(9)	(22)
Salaried store team member remediation ⁵	-	-	-	-	(56)
Share of profits from equity-accounted investment in Endeavour ⁶	38	40	45	62	65
Impact of adoption of AASB 16 ⁷					
Remove occupancy expenses	-	-	-	1,315	1,209
Depreciation on lease assets	-	-	-	(840)	(782)
Pro forma EBIT, excluding significant items	1,591	1,366	2,519	2,485	2,187

Notes:

- 1 Represents the reported historical consolidated results of Woolworths Group.
- 2 Represents the reported Endeavour Group segment revenue and EBIT excluding significant items.
- 3 Represents the re-allocation of revenues and profits between Woolworths Group (Post Demerger) and Endeavour Group to reflect the operating structure that will be in place following the Demerger. This includes:
 - a. the allocation of the results of Summergate Business, which operates an import and wholesale business in China, from Endeavour Group to the Australian Food segment. From F20, Summergate Business formed part of Woolworths International within the Australian Food segment, with the F20 segment results and F19 segment comparative results disclosed in the Woolworths F20 financial statements reflecting this re-allocation. Therefore, this allocation only impacts F18 revenues and EBIT;
 - b. the allocation to Endeavour Group of certain non-liquor revenues and EBIT, particularly for tobacco, sold through BWS stores attached to Woolworths Supermarkets and Metro Food Stores which, prior to completion of the Restructure, had historically been recognised within the Australian Food segment;
 - c. the re-allocation of dividends received from the investment held in ALE Property Group to Endeavour Group for the period prior to the Restructure;
 - d. certain fixed assets were re-allocated on the Restructure between Endeavour Group and Woolworths Group (Post Demerger). Charges previously made between segments for the use of these fixed assets have been replaced with the applicable depreciation charges; and
 - e. the allocation of the gain on sale of hotels previously recorded within the Woolworths other segment to Endeavour Group.
- 4 Represents revenue recognised due to changes to accounting classifications following the Demerger of Endeavour Group associated with the revenues to be derived from certain Partnership Agreements. This does not give rise to a change in EBIT. It is anticipated that Endeavour Group's payments to Woolworths Group under the Partnership Agreements will be approximately \$564 million for F21 (refer to Section 3.9), of which approximately \$80 million is expected to be classified as top line revenue and approximately \$307 million is expected to be classified as other revenue, with the balance to be recognised as a cost offset given the nature of the charges.
- 5 Represents the restatement of the historical results for the impact of non-compliance with the GRIA for salaried store team members, reflecting the salaries in the relevant periods as if underpayments had not occurred. Further detail on this matter is included in Section 3.11(c).
- 6 Associates are those entities in which Woolworths Group (Post Demerger) has significant influence but not control or joint control over the financial and operating policies. Associates are accounted for using the equity method. Woolworths Group (Post Demerger) will equity account its retained investment in Endeavour Group, and therefore the pro forma share of profits of associates includes Endeavour Group and other associates. The pro forma share of profits of Endeavour Group is based on Endeavour Group's pro forma historical NPAT, as disclosed in Section 3.13, and the retained ownership of 14.6%, adjusted to take account of items such as additional depreciation and amortisation of depreciable assets based on their fair values at the Separation Date.
- 7 AASB 16 was adopted for the first time in F20. These adjustments represent the pro forma impact of adopting AASB 16 as if this accounting standard had been in place for all the periods presented. The adjustments include removing the occupancy expenses (excluding the service component) associated with the leases that are impacted by AASB 16, and including the depreciation on lease assets and net interest on leases for these same leases calculated on the basis AASB 16 applied in the respective periods.



4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

Table 4.6.5: Reconciliation of Woolworths Group reported historical NPAT as derived from the financial statements of Woolworths Group, to Woolworths Group (Post Demerger) pro forma historical NPAT

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
Reported NPAT ¹	1,175	932	1,209	1,558	1,676
Significant items	-	92	437	259	-
Reported NPAT, excluding significant items	1,175	1,024	1,646	1,817	1,676
Less: reported Endeavour Group EBIT ²	(539)	(562)	(734)	(765)	(775)
Less: pro forma adjustments to net interest on leases	8	8	15	(539)	(546)
EBIT pro forma adjustments ³	38	35	34	528	414
Finance costs ⁴	82	88	169	2	(2)
Income tax expense ⁵	143	143	173	260	299
Pro forma NPAT, excluding significant items	907	736	1,303	1,303	1,066

Notes:

- 1 Represents the reported historical consolidated NPAT of Woolworths Group.
- 2 Represents the reported EBIT for the Endeavour Group segments.
- 3 Represents the aggregate impact of the pro forma adjustments that impact EBIT (refer to Table 4.6.4).
- 4 Finance costs reconciling item reflects the pro forma interest income on the cash received of \$1,480 million following the repayment of intercompany borrowings from Endeavour Group, and the removal of net interest on leases associated with Endeavour Group leases (applicable to H1 F21, H1 F20 and F20).
- 5 Represents the reduction in the income tax expense arising from the removal of Endeavour Group, and the income tax effect of the pro forma adjustments.

4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

(d) Woolworths Group (Post Demerger) pro forma historical segment information

The Woolworths Group (Post Demerger) pro forma historical segment information for H1 F21, H1 F20, F20, F19 and F18 is set out below.

Table 4.6.6: Woolworths Group pro forma historical segment information

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
Revenue					
Australian Food	23,492	21,221	42,202	39,670	37,710
New Zealand Food	3,465	3,367	6,823	6,291	5,933
BIG W	2,581	2,149	4,106	3,797	3,566
Other	-	-	-	-	-
Total	29,538	26,737	53,131	49,758	47,209
EBIT, excluding significant items					
Australian Food	1,329	1,177	2,227	2,180	2,029
New Zealand Food	181	175	358	325	308
BIG W	133	50	39	(31)	(58)
Other ¹	(52)	(36)	(105)	11	(92)
Total	1,591	1,366	2,519	2,485	2,187
Depreciation and amortisation - lease assets					
Australian Food	351	325	647	601	558
New Zealand Food	60	58	114	109	99
BIG W	55	55	103	100	98
Other	14	13	27	30	27
Total	480	451	891	840	782
Depreciation and amortisation - other assets					
Australian Food	447	416	819	741	660
New Zealand Food	69	65	128	121	117
BIG W	36	33	65	80	80
Other	34	37	79	65	56
Total	586	551	1,091	1,007	913
EBITDA, excluding significant items					
Australian Food	2,127	1,918	3,693	3,522	3,247
New Zealand Food	310	298	600	555	524
BIG W	224	138	207	149	120
Other	(4)	14	1	106	(9)
Total	2,657	2,368	4,501	4,332	3,882
Capital expenditure					
Australian Food	513	446	1,005	1,002	1,155
New Zealand Food	111	71	212	176	197
BIG W	33	31	64	110	95
Other	226	197	623	480	147
Total	883	745	1,904	1,768	1,594

Notes:

- 1 The other segment consists of the Woolworths Group (Post Demerger) other operating segments that are not separately reportable as well as various support functions, including property and central overhead costs, consolidation and elimination journals, and share of profits from associates.



4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

(e) Management commentary on Woolworths Group (Post Demerger) pro forma historical financial performance

Commentary on Woolworths Group (Post Demerger) pro forma historical financial performance for H1 F21, F20, F19 and F18 is outlined below. Additional commentary can be found in the Woolworths Annual Reports and Half-Year Reports available from Woolworths Group's website (www.woolworthsgroup.com.au) or the ASX website (www.asx.com.au).

H1 F21

Australian Food comparable sales increased by 9.3% driven by COVID-19 related demand as well as the successful Disney+ Ooshies campaign in Q1 F21. Metro Food Stores sales for the half declined 6.7%, impacted by reduced foot traffic across CBD areas and transit hubs, where comparable sales declined approximately 50%. eCommerce sales in H1 F21 increased by 91.8%, with sales penetration for the half of 7.7%. Despite incremental COVID-19 related costs, Australian Food pro forma EBIT increased to \$1,329 million, driven by strong sales growth and gross margin improvements driven by stock loss reductions and product mix. In addition to COVID-19 related costs, operating costs in the half also included costs associated with higher eCommerce penetration and additional capacity, higher supply chain costs, and IT and digital investment.

New Zealand Food comparable sales increased by 3.3%. Market growth softened in Q2 F21 due to the impacts of border restrictions on international summer tourism as well as lower fresh growth. eCommerce sales increased by 47.7%, representing 11.6% of total sales. New Zealand Food pro forma EBIT increased to NZ\$194 million, driven by stock loss reductions, mix improvement through growth in Own Brand, offset by above-inflation increases for the team in stores and supply chain, and a higher mix of eCommerce sales.

BIG W comparable sales increased by 21.5%, driven by growth in all major categories and customers putting more items in their baskets. BIG W pro forma EBIT grew to \$133 million driven by sales momentum, fewer markdowns, less clearance activity and strong cost management.

F20

Australian Food comparable sales increased by 7.3% when normalised for the 53rd week in F19. H1 F20 revenue growth benefited from the success of the Lion King Ooshies and Woolworths Discovery Garden community campaigns. In H2 F20, revenue growth was driven by COVID-19 pantry-loading and higher in-home consumption through lockdown and community movement restrictions. Metro Food Stores sales grew 5.1% when normalised for the 53rd week in F19. Q4 F20 was materially impacted by COVID-19 lockdown measures which reduced foot traffic across the CBD and transport hubs. Metro Neighbourhood stores grew strongly as customers increasingly shopped locally. eCommerce growth experienced a step-change in Q3 F20 due to the onset of COVID-19 with growth of 43.1% when normalised for the 53rd week in F19, reaching 4.8% penetration of Australian Food sales. Australian Food pro forma EBIT increased to \$2,227 million, driven by COVID-19 related product mix changes, stock loss reductions and an ongoing focus on improving promotional effectiveness offset by additional COVID-19 related costs including the temporary employment of over 17,500 team members, additional warehouse capacity and other supply chain costs, scaling-up online, security, cleaning and personal protective equipment costs.

New Zealand Food pro forma revenue increased to \$6,823 million, driven by COVID-19 related demand in H2 F20. eCommerce momentum remained strong throughout the year with F20 sales growth of 44.5% when normalised for the 53rd week in F19, with record penetration of 11.9% of sales. New Zealand Food pro forma EBIT increased to \$358 million, driven by ongoing stock loss reductions and mix improvement, as well as increased use of data-driven tools in category management. This was offset somewhat by additional costs during COVID-19 (including personal protective equipment, cleaning, security and additional team costs) and higher team member wages due to the implementation of a new enterprise agreement.

BIG W comparable sales increased by 11.2% when normalised for the 53rd week in F19, driven by an increase in items per basket as well as more customer visits during COVID-19. eCommerce sales increased by 67% when normalised for the 53rd week in F19, in part due to increased demand for Home Delivery and Pick Up following the onset of COVID-19. BIG W pro forma EBIT increased to a profit of \$39 million driven by sales momentum and strong cost management offset by COVID-19 related costs and the new enterprise agreement.

4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

F19

Australian Food comparable sales increased by 3.1% when normalised for the 53rd week. Sales momentum improved in H2 F19 with strong growth across several Fresh categories and successful campaigns including Disney Words and Earn & Learn. Metro Food Stores continued to grow strongly with further refinement to price, promotional optimisation and range curation. eCommerce sales through WooliesX also continued to build momentum in F19 with sales growth of 31% when normalised for the 53rd week, supported by strong Pick Up growth. eCommerce penetration reached 4.1% of Australian Food sales in Q4 F19. Australian Food pro forma EBIT increased to \$2,180 million, driven by strong cost control despite strategic investments in customer service, and digital and data and a lower gross margin.

New Zealand Food comparable sales increased by 3.4% when normalised for the 53rd week, driven by core offer momentum with Countdown's customer satisfaction and brand advocacy measures steadily improving. eCommerce momentum remained strong in F19 with sales growth of 40% when normalised for the 53rd week, driven by Pick Up, Same Day delivery, and capacity expansion. New Zealand Food pro forma EBIT increased to \$325 million, aided by sales momentum and improved cost management.

BIG W comparable sales increased by 5.3%, driven by increase in customer transactions and items per basket with competitive prices, improved ranges and greater convenience resonating with customers. eCommerce sales increased by 128%, with Pick Up particularly strong. BIG W reported a pro forma EBIT loss of \$31 million, an improvement on the prior year.

F18

Australian Food delivered comparable sales growth of 4.3%. Growth in Woolworths Supermarkets was driven by strong customer transaction growth and customers putting more items in their baskets, and also reflected improved customer scores over the year. Metro Food Stores delivered double-digit comparable sales growth and eCommerce sales increased by over 30% with penetration exceeding 3% of Australian Food sales by the end of the year. Despite higher costs associated with strategic investment initiatives including digital and data and supply chain investment, Australian Food pro forma EBIT increased to \$2,029 million, driven by the strong sales performance and higher gross margin.

New Zealand Food comparable sales increased by 3.4%. Comparable sales growth benefited from initiatives including investments in store team hours, fruit and vegetables and digital. Double-digit online growth accelerated further in the year due to an expanded delivery capacity, reduced delivery fees and the launch of free Pick Up for orders over NZ\$50. New Zealand Food EBIT decreased compared to the prior year, driven by investment in the store team and digital capability, offset by improvements in stock loss and process initiatives.

BIG W's comparable sales increased by 0.9%, the first year of positive comparable sales growth since F09. Comparable sales growth was driven by lower prices, improved product ranges, changes to store experience and the evolving digital offer. By the end of F18, BIG W had dropped prices on over 4,500 items, completed a refresh of 165 stores and increased convenience for customers with Pick Up available in all stores. BIG W reported a pro forma EBIT loss of \$58 million with improvements in margin driven by improved sell-through and inventory management of apparel, offset by marketing and transformation costs.



4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

(f) Woolworths Group reported historical consolidated statements of cash flows

The Woolworths Group reported historical consolidated statements of cash flows for H1 F21, H1 F20, F20, F19 and F18 are set out below.

Table 4.6.7: Woolworths Group reported historical consolidated statements of cash flows

A\$M	H21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
EBIT, excluding significant items and discontinued operations	2,092	1,893	3,219	2,722	2,548
Significant items	-	(131)	(591)	(371)	-
Discontinued operations	-	-	-	1,200	195
Depreciation and amortisation	1,323	1,248	2,458	1,222	1,103
EBITDA, including significant items and discontinued operations	3,415	3,010	5,086	4,773	3,846
Change in net investment in inventories	337	45	480	205	69
Other operating cash flows and other non-cash items	21	(104)	501	(1,120)	(76)
Operating cash flows before finance costs and tax	3,773	2,951	6,067	3,858	3,839
Net interest on leases ¹	(407)	(414)	(701)	-	-
Finance costs paid	(67)	(91)	(155)	(166)	(184)
Income tax paid	(419)	(385)	(650)	(744)	(661)
Operating cash flows	2,880	2,061	4,561	2,948	2,994
Net payments for property, plant and equipment, intangible assets and assets held for sale	(707)	(730)	(1,888)	(1,814)	(1,763)
Proceeds from the sale of subsidiaries and investments, net of cash disposed	19	18	34	1,682	287
Payments for the purchase of businesses, net of cash acquired	(28)	(47)	(91)	(80)	(38)
Loans to related parties	-	(4)	(4)	(38)	-
Dividends received	6	2	4	4	4
Free cash flows before lease payments, dividends and share issues	2,170	1,300	2,616	2,702	1,484
Repayment of lease liabilities ¹	(618)	(602)	(1,066)	-	-
Proceeds from borrowings	-	8	1,500	665	4
Repayment of borrowings	(956)	(86)	(745)	(503)	(284)
Payments for share buy back	-	-	-	(1,701)	-
Dividends paid	(522)	(623)	(1,133)	(1,267)	(724)
Dividends paid to non-controlling interests	(2)	(25)	(66)	(51)	(56)
Payments for shares held in trust	(1)	(1)	(102)	(60)	(64)
Net increase/(decrease) in cash and cash equivalents	71	(29)	1,004	(215)	360
Effects of exchange rate changes on cash and cash equivalents	(4)	-	(2)	4	-
Cash and cash equivalents at start of period	2,068	1,066	1,066	1,277	917
Cash and cash equivalents at end of period	2,135	1,037	2,068	1,066	1,277

Notes:

1 AASB 16 was adopted for the first time in F20. Net interest on leases and repayment of lease liabilities is recognised as separate cash flow items from this period.

4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

(g) Woolworths Group (Post Demerger) pro forma historical statements of cash flows

The Woolworths Group (Post Demerger) pro forma historical statements of cash flows for H1 F21, H1 F20, F20, F19 and F18 are set out below.

Table 4.6.8: Woolworths Group (Post Demerger) pro forma historical statements of cash flows

A\$M	H21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
EBIT, excluding significant items¹	1,591	1,366	2,519	2,485	2,187
Depreciation and amortisation	1,066	1,002	1,982	1,847	1,695
EBITDA, excluding significant items¹	2,657	2,368	4,501	4,332	3,882
Share of profits from associates ²	(50)	(42)	(52)	(64)	(67)
Movement in working capital	438	(111)	356	(212)	182
Other non-cash items	(44)	-	133	41	29
Pro forma operating cash flows before finance costs and tax	3,001	2,215	4,938	4,097	4,026
Net interest on leases ³	(306)	(306)	(517)	(539)	(545)
Finance costs paid ⁴	(66)	(90)	(153)	(164)	(182)
Income tax paid ⁵	(288)	(258)	(461)	(531)	(413)
Pro forma operating cash flows	2,341	1,561	3,807	2,863	2,886
Net payments for property, plant and equipment and intangible assets	(591)	(603)	(1,599)	(1,538)	(1,452)
Net proceeds from sale of/(payments for) businesses and investments	7	(14)	(14)	(14)	(9)
Dividends received ²	34	30	34	45	47
Loans to related parties	-	(4)	(4)	(38)	-
Pro forma operating and investing cash flows before financing activities	1,791	970	2,224	1,318	1,472
Repayment of lease liabilities ³	(482)	(478)	(823)	(777)	(681)
Pro forma operating and investing cash flows after lease payments	1,309	492	1,401	541	791

Notes:

- 1 Represents the pro forma EBIT and pro forma EBITDA from continuing operations, excluding significant items.
- 2 The non-cash share of profits from associates is removed from operating cash flows and replaced with the pro forma dividends to be received from Endeavour based on the retained ownership of 14.6% and an assumed dividend payout ratio of 70% of the pro forma Endeavour Group NPAT for each period. The assumed dividend payout ratio is for illustrative purposes only and is subject to the dividend policy to be determined by the Endeavour Board (refer to Section 3.10).
- 3 Represents the pro forma cash flows relating to net interest on leases and repayment of lease liabilities, which are excluded from EBITDA under AASB 16.
- 4 Represents the pro forma net finance costs reflecting the repayment of intercompany borrowings upon Demerger.
- 5 Represents the pro forma income tax payments based on the pro forma taxable profits and finance costs.



4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

A reconciliation of Woolworths Group reported historical consolidated cash flows to Woolworths Group (Post Demerger) pro forma historical statements of cash flows for H1 F21, H1 F20, F20, F19 and F18 is set out below.

Table 4.6.9: Reconciliation of Woolworths Group reported historical consolidated cash flows to Woolworths Group (Post Demerger) pro forma historical statements of cash flows

A\$M	H21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
Woolworths Group free cash flows before lease payments, dividends and share issues¹	2,170	1,300	2,616	2,702	1,484
Repayment of lease liabilities ²	(618)	(602)	(1,066)	-	-
Woolworths Group free cash flows before dividends and share issues and after repayment of lease liabilities	1,552	698	1,550	2,702	1,484
Pro forma adjustments to exclude cash flows related to significant items and discontinued operations ³	285	177	366	(1,715)	(292)
Pro forma adjustments to finance costs paid ⁴	(14)	(14)	(27)	(28)	(27)
Pro forma adjustments to dividends received ⁵	28	28	30	41	43
Other pro forma adjustments to operating cash flows ⁶	17	(26)	(47)	(99)	(134)
Pro forma Woolworths Group operating and investing cash flows after lease payments	1,868	863	1,872	901	1,074
Less: Endeavour Group pro forma operating and investing cash flows after lease payments ⁷	(559)	(371)	(471)	(361)	(283)
Woolworths Group (Post Demerger) pro forma operating and investing cash flows after lease payments	1,309	492	1,401	540	791

Notes:

- 1 Represents the reported Woolworths Group reported cash flows before financing activities.
- 2 Repayment of lease liabilities has been recognised as a financing activity cash flow from F20 since the introduction of AASB 16.
- 3 The pro forma financial information included in this Demerger Booklet is presented excluding significant items and discontinued operations, and therefore the cash flows associated with significant items and discontinued operations are excluded.
- 4 Represents the pro forma adjustments to reflect the pro forma finance costs paid by Endeavour Group for the new external borrowings, offset by the pro forma interest income received by Woolworths Group (Post Demerger) on the cash received of \$1,480 million following the repayment of intercompany borrowings from Endeavour Group.
- 5 Represents the pro forma dividends received by Woolworths Group (Post Demerger) from Endeavour.
- 6 Represents the impact of other pro forma adjustments necessary to reflect the cash flows on a basis consistent with the operating structure that will be in place post Demerger.
- 7 Represents the Endeavour Group pro forma cash flows that are excluded from the Woolworths Group (Post Demerger) cash flows (refer to [Section 3.13](#)).

(h) Woolworths Group (Post Demerger) pro forma historical statement of financial position

The Woolworths Group reported historical consolidated statement of financial position and the Woolworths Group (Post Demerger) pro forma historical statement of financial position as at 3 January 2021 are set out below.

The Woolworths Group (Post Demerger) pro forma historical statement of financial position has been prepared on the basis that the Demerger was effected and completed on 3 January 2021.

The Woolworths Group (Post Demerger) pro forma historical statement of financial position has been prepared to give Shareholders an indication of the Woolworths Group (Post Demerger) pro forma historical statement of financial position in the circumstances noted in this section, and does not reflect the actual or prospective financial position of Woolworths Group (Post Demerger) at the time of the Demerger. No adjustments have been made to reflect the trading of Woolworths Group (Post Demerger) since 3 January 2021.

4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

Table 4.6.10: Woolworths Group (Post Demerger) pro forma historical statement of financial position

A\$M	REPORTED AS AT 3 JANUARY 2021 ¹	ENDEAVOUR GROUP ²	ENDEAVOUR BALANCES ELIMI- NATED ON CONSOLIDA- TION ³	WORKING CAPITAL ⁴	INTERCOM- PANY BOR- ROWINGS SETTLE- MENT ⁵	DEMERGER ACCOUNT- ING ⁶	LEASES ⁷	TRANS- ACTION COSTS ⁸	DIVIDENDS FOR H1 F21 ⁹	PRO FORMA AS AT 3 JANUARY 2021
Current assets										
Cash and cash equivalents	2,135	(645)	-	160	1,450	-	-	(50)	(351)	2,699
Trade and other receivables	853	(358)	428	(160)	-	-	39	-	-	802
Inventories	4,808	(1,436)	-	-	-	-	-	-	-	3,372
Other financial assets	157	-	1,480	-	(1,480)	-	-	-	-	157
Other current assets	9	-	-	-	-	-	-	-	-	9
	7,962	(2,439)	1,908	-	(30)	-	39	(50)	(351)	7,039
Assets held for sale	178	(3)	-	-	-	-	-	-	-	175
Total current assets	8,140	(2,442)	1,908	-	(30)	-	39	(50)	(351)	7,214
Non current assets										
Trade and other receivables	162	(40)	-	-	-	-	295	-	-	417
Other financial assets	176	(80)	2,857	-	(175)	(1,113)	-	-	-	1,665
Lease assets	12,759	(3,150)	-	-	-	-	-	-	-	9,609
Property, plant and equipment	8,960	(1,838)	-	-	-	-	-	-	-	7,122
Intangible assets	7,740	(3,838)	-	-	-	-	-	-	-	3,902
Deferred tax assets	1,358	(23)	-	-	-	-	-	15	-	1,350
Other non current assets	189	-	-	-	-	-	-	-	-	189
Total non current assets	31,344	(8,969)	2,857	-	(175)	(1,113)	295	15	-	24,254
Total assets	39,484	(11,411)	4,765	-	(205)	(1,113)	334	(35)	(351)	31,468
Current liabilities										
Trade and other payables	8,530	(1,939)	428	-	(205)	-	-	-	-	6,814
Lease liabilities	1,852	(417)	-	-	-	-	39	-	-	1,474
External borrowings	721	(1,482)	1,480	-	-	-	-	-	-	719
Current tax payable	256	(83)	-	-	-	-	-	-	-	173
Other financial liabilities	126	(3)	-	-	-	-	-	-	-	123
Provisions	1,818	(255)	-	-	-	-	-	-	-	1,563
Total current liabilities	13,303	(4,179)	1,908	-	(205)	-	39	-	-	10,866
Non current liabilities										
Lease liabilities	13,534	(3,371)	-	-	-	-	295	-	-	10,458
External borrowings	1,905	-	-	-	-	-	-	-	-	1,905
Deferred tax liabilities	185	(185)	-	-	-	-	-	-	-	-
Provisions	824	(33)	-	-	-	-	-	-	-	791
Other non current liabilities	51	(4)	-	-	-	-	-	-	-	47
Total non current liabilities	16,499	(3,593)	-	-	-	-	295	-	-	13,201
Total liabilities	29,802	(7,772)	1,908	-	(205)	-	334	-	-	24,067
Net assets	9,682	(3,639)	2,857	-	-	(1,113)	-	(35)	(351)	7,401
Equity and reserves¹⁰	9,682	(3,639)	2,857	-	-	(1,113)	-	(35)	(351)	7,401



4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

Notes:

- 1 Represents the Woolworths Group reported historical consolidated statement of financial position as reported in the Woolworths Group financial statements for H1 F21.
- 2 Represents the assets and liabilities of Endeavour Group as at 3 January 2021.
- 3 Represents the Endeavour balances eliminated on consolidation, including:
 - a. recognition of the current book value of the investment held in Endeavour Group held by Woolworths; and
 - b. classification of related party balances to the appropriate categories.
- 4 Intercompany balances between Endeavour Group and Woolworths Group (Post Demerger) will be settled prior to the Demerger. Following the Demerger, accounts receivable from Endeavour Group will reflect the Partnership Agreements operating on arms length payment terms. The pro forma adjustment represents the effect of these transactions. The pro forma trade receivable balance with Endeavour Group is \$64 million.
- 5 Represents the settlement of the intercompany borrowings by Endeavour Group of \$1,480 million and the non-cash settlement of balances between Endeavour Group and Woolworths Group (Post Demerger) for commitments established at the time of the Restructure that will be settled prior to the Demerger.
- 6 Represents the accounting impact of the Demerger of Endeavour Group, reflecting the derecognition of the book value of the investment held in Endeavour Group prior to the Demerger and the recognition of the estimated fair value of the investment retained in Endeavour Group of 14.6%.
- 7 Represents the recognition of lease liabilities that were allocated to Endeavour Group on the Restructure for properties that are occupied by Endeavour Group and for which Woolworths Group (Post Demerger) holds the head lease, together with a lease receivable recognising the amounts due from Endeavour Group for the same properties, in accordance with AASB 16.
- 8 Represents the one off costs associated with the Demerger to be incurred after 3 January 2021 together with the associated deferred tax assets.
- 9 Represents the dividends declared on 24 February 2021 by Woolworths Group relating to H1 F21 of \$671 million, including \$90 million of shares issued under the dividend reinvestment plan, which were paid on 14 April 2021, and the receipt of dividends of \$230 million expected to be paid prior to Demerger by Endeavour Group relating to H1 F21.
- 10 The Demerger will be accounted for through issued capital and the demerger reserve of Woolworths Group, with the value attributable to each to be determined following Endeavour listing on the ASX. The pro forma adjustments assume Woolworths Group will record a gain on Demerger of \$6.3 billion. This gain on Demerger is neither a prediction nor a forecast and it may vary substantially based on the Endeavour Share VWAP over the first five trading days following implementation of the Demerger. There will be a debit to the demerger reserve of Woolworths Group equivalent to the market value of the Endeavour Shares following the Demerger less any amount to be deemed by the ATO to be capital that is offset against issued capital (refer to Section 4.6(n) for further information).

(i) Property, plant and equipment

Property, plant and equipment represent the investment by Woolworths Group (Post Demerger) in tangible assets such as freehold land, warehouses, retail and other properties, store fit outs, distribution infrastructure, and technology.

Table 4.6.11: Property, plant and equipment

A\$M	DEVELOPMENT PROPERTIES	FREEHOLD LAND, WAREHOUSE, RETAIL, AND OTHER PROPERTIES	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	PRO FORMA AS AT 3 JANUARY 2021
Cost	1,058	908	3,015	9,098	14,079
Less: accumulated depreciation, amortisation and impairment	(70)	(118)	(1,564)	(5,205)	(6,957)
Carrying amount at end of period	988	790	1,451	3,893	7,122

(j) Intangible assets

Intangible assets mainly represent goodwill, brand names and software. Goodwill arises when Woolworths Group (Post Demerger) acquires a business at a cost which exceeds the fair value of net assets acquired and represents the synergies expected to arise from the purchase. Brand names have primarily been recognised as a result of New Zealand supermarket acquisitions and help to identify and differentiate the Woolworths Group (Post Demerger) network from others.

No new intangible assets arise as a result of the Demerger.

Table 4.6.12: Intangible assets

A\$M	GOODWILL	BRAND NAMES	LIQUOR LICENCES AND OTHER	SOFTWARE	PRO FORMA AS AT 3 JANUARY 2021
Cost	2,617	247	22	2,215	5,101
Less: accumulated amortisation and impairment	(110)	-	(21)	(1,068)	(1,199)
Carrying amount at end of period	2,507	247	1	1,147	3,902

4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

(k) Borrowings and credit ratings

Woolworths Group has historically been funded by a diversified mix of short-term money market loans, bank loans, and debt instruments with varying maturities. Post Demerger, Woolworths Group remains committed to solid investment grade credit ratings.

Following the Demerger, Woolworths Group may review its overall level of borrowings with consideration to the debt maturity profile of the existing borrowings and the future funding requirements of the business. Woolworths Group also considers capital management whenever it is prudent to do so.

Table 4.6.13: Summary of Woolworths Group drawn borrowings as at 3 January 2021

A\$M	PRO FORMA AS AT 3 JANUARY 2021
Current, unsecured	
Short-term money market loans	37
Bank loans	113
Short-term securities	569
Total current borrowings	719
Non current, unsecured	
Bank loans	500
Long-term securities	1,419
Unamortised borrowings costs	(14)
Total non current borrowings	1,905
Total	2,624

Table 4.6.14: Composition of Woolworths Group drawn borrowings as at 3 January 2021

A\$M	CURRENCY	MATURITY	NOTIONAL VALUE	CARRYING VALUE
Short-term money market loans				
Money market loan	NZD	At call	37	37
			37	37
Bank loans (current)				
Revolving credit facility	NZD	Oct-21	28	28
Revolving credit facility	AUD	Jan-21	3	3
Bank loans	AUD	Apr-21	82	82
			113	113
Securities (current)				
US Senior Notes (US144A)	USD	Apr-21	424	569
			424	569
Bank loans (non current)				
Syndicated bank loan	AUD	Nov-26	500	500
			500	500
Securities (non current)				
Medium Term Notes	AUD	May-25	400	400
Medium Term Notes	AUD	May-30	600	600
Green Bond	AUD	Apr-24	400	419
			1,400	1,419

As at 3 January 2021, Woolworths Group had total undrawn committed facilities of \$3,013 million.



4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

In September 2020, US\$617 million US Senior Notes matured and in November 2020 JPY20 billion European Medium Term Notes matured. The Woolworths Group refinanced these maturities with the Australian Medium Term Notes issued in May 2020.

In December 2020, the Woolworths Group entered into a \$384 million bank guarantee facility and into \$398 million direct surety bond facilities. The \$384 million bank guarantee facility is backed by the international surety market. Together, the facilities support the Woolworths Group's workers compensation obligations as a self-insurer, where bank guarantees are issued in favour of Australian workers compensation authorities. These transactions refinanced the Woolworths Group's \$500 million bank guarantee facility which was cancelled in January 2021.

In April 2021, the \$424 million US Senior Notes and \$82 million bank loans matured and Woolworths repaid this maturity by drawing down upon existing bank facilities.

(I) Leases

Woolworths Group leases various properties, equipment and vehicles. Property rental contracts are typically made for fixed periods of five to 12 years with up to 10 options of two to five years. Other lease contracts are typically made for fixed periods of two to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Table 4.6.15: Lease assets

A\$M	PROPERTIES	PLANT AND EQUIPMENT	OTHER	PRO FORMA AS AT 3 JANUARY 2021
Cost	17,455	210	114	17,779
Less: accumulated amortisation and impairment	(8,006)	(65)	(99)	(8,170)
Carrying amount at end of period	9,449	145	15	9,609

Table 4.6.16: Lease liabilities

A\$M	PRO FORMA AS AT 3 JANUARY 2021
Current	1,474
Non current	10,458
Carrying amount at end of period	11,932

Table 4.6.17: Maturity profile of undiscounted cash flows for lease liabilities

MATURITY PROFILE OF CONTRACTUAL UNDISCOUNTED CASH FLOWS A\$M	PRO FORMA AS AT 3 JANUARY 2021
One year or less	1,489
One year to two years	1,467
Two years to five years	2,853
Five years to 10 years	5,999
Over 10 years	4,296
Total undiscounted lease liabilities	16,104

Commitments for leases not yet commenced

At 3 January 2021, Woolworths Group (Post Demerger) had committed to leases which had not yet commenced. Accordingly, these lease contracts are not included in the calculation of Woolworths Group's (Post Demerger) lease liabilities. The estimated potential future lease payments for these lease contracts as at 3 January 2021 would result in an increase in undiscounted lease liabilities of \$859 million.

4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

*Critical accounting estimates***Determining the lease term**

In determining the lease term, Woolworths Group (Post Demerger) considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. Extension options are most common for property leases. At 3 January 2021, the weighted average lease expiries for the portfolio of leases were:

Table 4.6.18: Weighted average lease expiries

WEIGHTED AVERAGE LEASE EXPIRY YEARS ¹	PRO FORMA AS AT 3 JANUARY 2021
Australian Food	10.9
New Zealand Food	9.9
Big W	9.4
Other	9.3
Woolworths Group	10.1

Notes:

1 Represents the weighted average number of years from 3 January 2021 to the end of the reasonably certain term.

Discount rates

In calculating the lease liability, the lease payments are discounted using the rate implicit in the lease or Woolworths Group's incremental borrowing rate. Determining the incremental borrowing rate requires significant judgement.

The discount rate is derived from key external market based rates, Woolworths Group's credit margin, and the length of the lease. At 3 January 2021, the weighted average incremental borrowing rate implied in the leases for Woolworths Group (Post Demerger) was 4.37% per annum.

Transition and preparation of pro forma financial information

On 1 July 2019, Woolworths Group adopted AASB 16 which replaced existing accounting requirements for leases under AASB 117 *Leases*, Interpretation 4 *Determination whether an Arrangement contains a Lease* and Interpretation 115 *Operating Leases – Incentives*.

The Woolworths Group (Post Demerger) Pro Forma Historical Financial Information has applied AASB 16 using the modified retrospective approach. The balances at transition have been used as the basis for preparing the Woolworths Group (Post Demerger) Pro Forma Historical Financial Information, in accordance with the following principles:

- the modified retrospective approach used by Woolworths Group (Post Demerger) at transition to adopt AASB 16 has been used as the basis for calculation of historical periods as if the new lease accounting standard had been in place;
- the lease structure at transition has been consistently maintained during the historical periods. To retain the lease structure, an additional time period has been added to the lease term in each historical period;
- the incremental borrowing rates at transition were consistently applied throughout the historical periods; and
- judgements determined at transition relating to non-lease components have been applied consistently to the historical periods. The non-lease component (service component expense) is a proportion of the charges incurred calculated as an estimate based on property outgoings market data relevant to the site. The service component is not subject to lease accounting in accordance with AASB 16.

Lease receivables

When Woolworths Group (Post Demerger) acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease. To classify each lease, Woolworths Group (Post Demerger) makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; otherwise, it is an operating lease.

Woolworths Group (Post Demerger) recognises amounts due from lessees under finance leases as receivables at the amount of Woolworths Group (Post Demerger)'s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on Woolworths Group (Post Demerger)'s net investment outstanding in respect of the leases.



4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

Table 4.6.19: Lease interest

A\$M	H1 F21 (27 WEEKS)	H1 F20 (27 WEEKS)	F20 (52 WEEKS)	F19 (53 WEEKS)	F18 (52 WEEKS)
Interest income on subleases	(8)	(8)	(15)	(15)	(15)
Interest on lease liabilities	276	273	533	554	560
Net interest on leases	268	265	518	539	545

Table 4.6.20: Lease receivables

A\$M	PRO FORMA AS AT 3 JANUARY 2021
One year or less	39
One year to two years	39
Two years to five years	80
Five years to 10 years	163
Over 10 years	123
Total undiscounted lease payments receivable	444

(m) Capital expenditure commitments

Capital expenditure commitments for Woolworths Group (Post Demerger) as at 3 January 2021 amounted to \$770 million.

(n) Demerger accounting

Accounting for demerger transactions is guided by AASB Interpretation 17 *Distributions of Non-cash Assets to Owners* (AASB Interpretation 17). This interpretation requires that liabilities for distributions payable to shareholders should be measured at the fair value of the assets to be distributed. The fair value of Endeavour Group assets will be determined by reference to the VWAP of Endeavour Shares as traded on the ASX (whether on a deferred or ordinary settlement basis) in the first five trading days.

No guidance is provided in any AAS as to which components of equity the distribution liability should be recorded against in the statement of financial position of the company making the distribution. The distribution will be allocated between a Capital Reduction and a Demerger Dividend within Woolworths Group's equity accounts at the time of the Demerger of Endeavour Shares. The value of the Capital Reduction will be determined in accordance with the tax allocation specified by an ATO ruling. The Capital Reduction will reduce the share capital of Woolworths, and the Demerger Dividend, being the difference between the fair value of Endeavour Shares demerged by Woolworths and the Capital Reduction and any profit or loss arising on Demerger, will be taken to the demerger reserve of Woolworths Group.

On passing of the Demerger Resolutions, Woolworths Group will recognise a provision based on the estimated fair value of Endeavour Shares, which is expected to exceed Endeavour Group's book value of its net assets. This provision will be settled through the transfer of Endeavour Shares to Shareholders under the Demerger. At that time, the difference between the book value of Endeavour Group's net assets transferred and the combination of (i) any non-controlling interest share of Endeavour Group's net assets, (ii) the fair value of the non-controlling investment in Endeavour retained by Woolworths Group and (iii) the fair value of Endeavour Shares transferred to Shareholders, will be recognised as a gain on Demerger in the Woolworths Group consolidated statement of profit or loss within discontinued operations. For illustrative purposes only, a range of fair values and the implied gain on Demerger amounts are set out in Table 4.6.21. These figures are neither a prediction nor a forecast of the Endeavour Share price following the Demerger and the Endeavour Share VWAP over the first five trading days may vary substantially from the range set out in Table 4.6.21.

4.6 WOOLWORTHS GROUP HISTORICAL FINANCIAL INFORMATION (CONTINUED)

Table 4.6.21: Woolworths Group gain on Demerger

ENDEAVOUR SHARE VWAP OVER FIRST FIVE DAYS OF TRADING (\$)		4.00	5.00	6.00 ¹	7.00	8.00
Number of Endeavour Shares	m	1,791	1,791	1,791	1,791	1,791
Implied market capitalisation of Endeavour	A\$M	7,164	8,955	10,746	12,537	14,328
Implied fair value of BMG's interest in Endeavour (14.6%)	A\$M	(1,046)	(1,307)	(1,569)	(1,830)	(2,092)
Endeavour Group pro forma net assets	A\$M	(3,195)	(3,195)	(3,195)	(3,195)	(3,195)
Non-controlling interest and reserves – Endeavour	A\$M	316	316	316	316	316
Gain on Demerger	A\$M	3,239	4,769	6,298	7,828	9,357
Implied fair value of Woolworths' retained interest in Endeavour (14.6%)	A\$M	1,046	1,307	1,569	1,830	2,092

Notes:

- 1 For the purpose of preparing the Woolworths Group (Post Demerger) pro forma statement of financial position, in relation to the pro forma fair value of Woolworths' retained interest in Endeavour and the pro forma gain on Demerger, an Endeavour share VWAP of \$6 per share has been assumed.

(o) Transaction costs

The total one off transaction costs for the Demerger are estimated to be approximately \$50 million (before tax). It is estimated that of these transaction costs, approximately \$25 million (before tax) will have been committed to prior to the General Meeting.

One off costs relate to a range of activities associated with the Demerger, including external consulting and advisor costs, costs associated with regulatory requirements, contractor costs and other incremental costs associated to backfill roles.

(p) Dividend policy

Woolworths Group dividend policy will be at the discretion of the Woolworths Board after the Demerger and may change over time. Decisions relating to dividend policy post Demerger will depend on Woolworths Group's available franking credits, earnings, cash flows and target credit metrics. Notwithstanding this, Woolworths Group dividend policy is not expected to change and will continue to consider free cash flow generation, profit generation and availability of franking credits.



4.7 RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN WOOLWORTHS GROUP (POST DEMERGER)

After the Demerger, Woolworths Group will continue to be exposed to the same risks that it currently faces. Investors are already exposed to these risks through their investment in Woolworths and these risks are disclosed each year in the Annual Report and Sustainability Report. Some of these risks may be altered due to the reduced diversification of activities, changed business and risk profile and loss of Endeavour Group revenues resulting from the Demerger.

A summary of the key risks is set out below:

- the ongoing impact of the COVID-19 pandemic may negatively impact Woolworths Group's businesses;
- Woolworths Group may lose market share if it is unable to respond to competitive pressures in the retail and other markets it operates in;
- reputational damage or negative publicity could adversely impact Woolworths Group's relationships and its financial performance;
- Woolworths Group may be adversely affected by the unsuccessful delivery of its business transformation policies and/or adjustment of its shopping experiences to meet the changing expectations of its customers;
- Woolworths Group's financial performance or reputation may be negatively impacted by incidents impacting the safety, health and wellbeing of its team members and customers;
- poor product quality or unsafe products may harm customers, and the reputation of, or the performance of, Woolworths Group;
- a data or information security breach may cause business and reputational damage, adverse regulatory and financial impacts and legal proceedings;
- disruptions to suppliers or transport and warehouse management processes may impact the continuity of supply to stores and lost sales and/or customers;
- the longer-term impacts of climate change may adversely impact Woolworths Group's business activities and assets;
- as a business that is considered an essential service, events that interrupt Woolworths Group's business activities may cause business and reputational damage with negative financial impacts to Woolworths Group;
- changes to legal and regulatory settings could increase compliance costs for Woolworths Group or have other adverse impacts on its financial performance and/or reputation;
- Woolworths Group may be a party to regulatory intervention, litigation, claims and legal proceedings which may adversely affect Woolworths Group's business, reputation and/or have financial impacts;
- Woolworths Group's financial performance could be adversely affected if it is unable to attract and retain team members including key management personnel, or if changes to labour laws and costs impact the cost of retaining team members and management;
- fluctuations in foreign exchange and interest rates may negatively affect Woolworths Group's results;
- historical non-compliance with laws, regulations and Woolworths Group's policies may impact Woolworths Group's reputation and financial position;
- the price of a Woolworths Share may fluctuate for reasons beyond Woolworths Group's control; and
- insurance policies may not be adequate to fully compensate for losses suffered or liabilities to third parties incurred in the event they need to be relied upon.

Details of the Demerger

Section



5.1 CONDITIONS PRECEDENT

Separation under the Demerger is subject to a number of conditions being satisfied or waived. The key conditions are summarised below:

- a majority of the Woolworths Directors not changing or withdrawing their support for the Demerger;
- a simple majority (more than 50%) of the votes cast by Shareholders approving the Demerger Resolutions to be considered at the General Meeting;
- all regulatory approvals required for implementation of the Demerger being obtained (either unconditionally or on conditions reasonably satisfactory to Woolworths);
- no order or injunction being issued by any court of competent jurisdiction and no other legal restraint or prohibition preventing the Demerger being implemented;
- the ASX approving the admission of Endeavour to the Official List and granting permission for official quotation of Endeavour Shares on the ASX;
- the ATO issuing a draft ruling on whether Demerger Tax Relief applies to Woolworths and its Shareholders, and Woolworths does not reasonably believe that an adverse view will be reached in a final ruling to be issued; and
- the Independent Expert concluding and not changing its opinion that the Demerger is in the best interests of the Shareholders and the Capital Reduction and the Demerger Dividend will not materially prejudice Woolworths Group's ability to pay its existing creditors.

The end date for satisfaction or waiver of these conditions is Friday, 31 December 2021 (or such other date as Woolworths determines).

5.2 IMPLEMENTATION OF THE DEMERGER

(a) Summary of key steps to implement the Demerger

The key steps required to implement the Demerger are:

Step 1 – Shareholders vote on the Meeting Resolutions: Each Shareholder who is registered on the Woolworths Share Register at 7:00pm (AEST), Wednesday, 16 June 2021 is entitled to attend the General Meeting and vote on the Meeting Resolutions.

Shareholders will vote on whether to approve the Demerger Resolutions (being the Demerger Approval Resolution and the Capital Reduction Resolution) at the General Meeting. The terms of these resolutions and the Employee Incentive Resolution are set out in the Notice of Meeting in this Demerger Booklet. The Meeting Resolutions must be approved by a simple majority of votes cast (whether in person or by proxy) on the resolutions. If the Demerger Resolutions are approved by the Shareholders, the Demerger will be implemented even if the Employee Incentive Resolution is not approved;

Step 2 – Demerger Record Date: Eligible Shareholders (other than Selling Shareholders) will be entitled to receive Endeavour Shares under the Demerger if they are registered as the holders of Woolworths Shares as at 7:00pm (AEST) on the Demerger Record Date;

Step 3 – Admission of Endeavour to the Official List: If the Demerger Resolutions to be considered at the General Meeting are passed by Shareholders and the other Conditions Precedent are satisfied or waived, then:

- the last date Woolworths Shares trade on the ASX cum-entitlements under the Demerger is Wednesday, 23 June 2021;
- the Endeavour Shares are expected to be assigned, and trade under, the code "EDV" and are expected to commence trading on a deferred settlement basis on Thursday, 24 June 2021;
- separation of Woolworths Group and Endeavour Group (see Step 4 below) will occur on the Separation Date (expected to be Monday, 28 June 2021); and
- the Demerger will be implemented and normal trading of Endeavour Shares on the ASX expected to occur on Thursday, 1 July 2021 (see Step 5 below);

5.2 IMPLEMENTATION OF THE DEMERGER (CONTINUED)

Step 4 – Separation Date: If the Demerger Resolutions to be considered at the General Meeting are passed by Shareholders and the other Conditions Precedent are satisfied or waived, the separation of Woolworths Group and Endeavour Group will occur at 12:01am (AEST) on the Separation Date which is currently expected to be Monday, 28 June 2021; and

Step 5 – Implementation Date: If the Demerger Resolutions to be considered at the General Meeting are passed by Shareholders and the other Conditions Precedent are satisfied or waived, Woolworths will undertake the Capital Reduction and the Woolworths Board will declare, and Woolworths will pay, the Demerger Dividend by way of the transfer by Woolworths of Endeavour Shares to Eligible Shareholders or, in the case of Ineligible Shareholders and Selling Shareholders, the Sale Agent.

The Eligible Shareholders will not receive cash for the Capital Reduction and Demerger Dividend. Instead, each Eligible Shareholder (other than a Selling Shareholder) will receive one Endeavour Share for each Woolworths Share it is registered as holding at the Demerger Record Date. 70.8% of the issued Endeavour Shares will be transferred to Eligible Shareholders (other than the Selling Shareholders) and the Sale Agent.

(b) Ineligible Shareholders and Selling Shareholders

In the case of Ineligible Shareholders and Selling Shareholders, the Endeavour Shares which those Shareholders would otherwise have received under the Demerger will be transferred to the Sale Agent to be sold. The proceeds of sale will be remitted to the Ineligible Shareholders and Selling Shareholders as set out in [Section 5.4](#).

[Sections 5.3](#) and [5.4](#) set out further information concerning Ineligible Shareholders and Selling Shareholders.

(c) Confirmation of Endeavour shareholdings

The transfer and distribution of Endeavour Shares to Eligible Shareholders (other than the Selling Shareholders) referred to above will be achieved by:

- Woolworths procuring the transfers of the relevant Endeavour Shares to the Eligible Shareholders (other than Selling Shareholders) and the Sale Agent (as applicable);
- entry in the Endeavour Share Register of the names of Eligible Shareholders (other than Selling Shareholders); and
- on, or as soon as practicable after, the Implementation Date, Woolworths procuring the dispatch to Eligible Shareholders (other than Selling Shareholders) by prepaid post to the person's address as shown in the Woolworths Share Register as at the Demerger Record Date (unless directed otherwise by an Eligible Shareholder), uncertificated holding statements for the Endeavour Shares transferred or distributed to them under the Demerger. In the case of joint Shareholders, uncertificated holding statements for Endeavour Shares will be sent to the address of the Shareholder whose name appears first in the Woolworths Share Register.

Except for the Australian tax file numbers and Australian Business Numbers of Eligible Shareholders (other than Selling Shareholders), any binding instructions or notification between an Eligible Shareholder (other than a Selling Shareholder) and Woolworths relating to Woolworths Shares as at the Demerger Record Date (including any instruction relating to payment of dividends or communication from Woolworths, including registered name, bank account details, email addresses and communication preferences) will, unless otherwise determined by Endeavour, be deemed to be a similarly binding instruction or notification to Endeavour in respect of relevant Endeavour Shares until those instructions or notifications are, in each case, revoked or amended in writing addressed to Endeavour at the Endeavour Share Registry.

(d) Creditors

In the opinion of the Woolworths Directors, the Capital Reduction and Demerger Dividend will not, if implemented, materially prejudice Woolworths' ability to pay its existing creditors.

The Independent Expert has concluded that the Capital Reduction and Demerger Dividend will not materially prejudice Woolworths' ability to pay its existing creditors. Refer to [Annexure A](#) for the Concise Independent Expert's Report.



5.3 ENTITLEMENT TO PARTICIPATE

Shareholders as at the Demerger Record Date will participate in the Demerger. The way in which an individual Shareholder participates will depend on whether that Shareholder is:

- an Eligible Shareholder;
- an Ineligible Shareholder; or
- a Small Shareholder who has lodged a valid Sale Facility Form (a Selling Shareholder).

Shareholders who are not Selling Shareholders and who are not Ineligible Shareholders will be Eligible Shareholders and will be entitled to have Endeavour Shares transferred to them if the Demerger is implemented. Details of how Ineligible Shareholders and Selling Shareholders will participate in the Demerger are set out in [Section 5.4](#).

For the purpose of determining which Shareholders will be eligible to participate in the Demerger, dealings in Woolworths Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHES, the transferee is registered on the Woolworths Share Register as the holder of the relevant Woolworths Shares as at the Demerger Record Date; and
- in all other cases, the registrable transfer or transmission applications in respect of those dealings are received by the Woolworths Share Registry before the Demerger Record Date with sufficient time to allow for registration of the transferee on or before the Demerger Record Date (and the transferee remains registered on the Demerger Record Date).

For the purpose of determining a Shareholder's eligibility to participate in the Demerger, Woolworths will not accept for registration or recognise any transfer or transmission application in respect of Woolworths Shares received after the Demerger Record Date or received before that time but not in registrable form.

The Demerger will be implemented by undertaking the Capital Reduction and applying the Demerger Dividend so that for:

- Eligible Shareholders: one Endeavour Share is transferred to each Eligible Shareholder (other than a Selling Shareholder) for every one Woolworths Share held by the Eligible Shareholder (other than a Selling Shareholder) at the Demerger Record Date; or
- Ineligible Shareholders and Selling Shareholders: one Endeavour Share is transferred to the Sale Agent for every one Woolworths Share held by each of the Ineligible Shareholders and the Selling Shareholders at the Demerger Record Date.

5.4 SALE FACILITY FOR INELIGIBLE SHAREHOLDERS AND SMALL SHAREHOLDERS

(a) Ineligible Shareholders

A Shareholder will be an Ineligible Shareholder for the purpose of the Demerger if their registered address on the Woolworths Share Register as at the Demerger Record Date is outside the following jurisdictions:

- Australia and its external territories;
- Canada, Hong Kong, Malaysia, New Zealand, Singapore, the United Kingdom, the United States; or
- any other jurisdiction in which Woolworths reasonably believes it is not prohibited or unduly onerous or impracticable to implement the Demerger and to transfer Endeavour Shares to the Shareholder.

No action has been taken to register or qualify the Endeavour Shares or otherwise permit a public offering of such securities in any jurisdiction outside those listed above. Ineligible Shareholders will participate in the Demerger on the same basis as all Eligible Shareholders. However, Endeavour Shares will not be transferred to Ineligible Shareholders. Instead, each Ineligible Shareholder will be taken to have directed Woolworths to transfer the Endeavour Shares to which they would otherwise be entitled to the Sale Agent and will be dealt with as described in Section 5.4(c).

(b) Small Shareholders

Small Shareholders are Eligible Shareholders who individually hold 800 or fewer Woolworths Shares as at the Demerger Record Date. Small Shareholders may elect not to receive Endeavour Shares under the Demerger, and to instead have all of the Endeavour Shares to which the Small Shareholder would otherwise be entitled under the Demerger, sold under the Sale Facility and the Sale Facility Proceeds remitted to the Small Shareholder.

Small Shareholders may elect not to receive Endeavour Shares by lodging a Sale Facility Form by either:

- lodging a Sale Facility Form online through the Demerger Website (www.woolworthsgroup.com.au/demerger) by following the instructions and prompts; or
- completing and returning the enclosed Sale Facility Form using the reply paid or self-addressed envelope to:

Woolworths Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

Or hand delivery during business hours (Monday to Friday, between 9:00am and 5:00pm) to:

Woolworths Group Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
Australia

Sale Facility Forms must be received by the Woolworths Share Registry prior to 5:00pm (AEST), Monday, 21 June 2021.

If a Sale Facility Form is lodged and received prior to 5:00pm (AEST), Monday, 21 June 2021, the Small Shareholder will be taken to have directed Woolworths to transfer the Endeavour Shares to which it would otherwise be entitled, to the Sale Agent.

Small Shareholders who do not validly lodge a Sale Facility Form will receive Endeavour Shares under the Demerger and may keep, sell or otherwise deal with the Endeavour Shares received by them.

Small Shareholders may withdraw their Sale Facility Form through the Demerger Website (www.woolworthsgroup.com.au/demerger) or by lodging a Sale Facility withdrawal form, which must be received by the Woolworths Share Registry by 5:00pm (AEST), Monday, 21 June 2021.



5.4 SALE FACILITY FOR INELIGIBLE SHAREHOLDERS AND SMALL SHAREHOLDERS (CONTINUED)

(c) Operation of Sale Facility

The Sale Facility will be used to sell Endeavour Shares that would otherwise have been received by:

- Ineligible Shareholders; and
- Small Shareholders who have provided a valid Sale Facility Form.

Such Endeavour Shares will be transferred to the Sale Agent to be sold under the Sale Facility. Under the Sale Facility, the Sale Agent will, as soon as reasonably practicable (approximately one month following Demerger), sell the Endeavour Shares on the ASX and pay the Sale Facility Proceeds to the Ineligible Shareholders and Selling Shareholders. The Sale Agent will sell those Endeavour Shares on the ASX at such price or prices and on such other terms as the Sale Agent determines in its discretion (and at the risk of the Ineligible Shareholders and Selling Shareholders, as applicable), acting in good faith with the objective of achieving the best sale price reasonably obtainable at the time of sale (having regard to a number of factors, such as prevailing market conditions).

In providing services to Woolworths in connection with the Sale Facility and the sale of Endeavour Shares to which the Ineligible Shareholders and Selling Shareholders would otherwise have been entitled, the Sale Agent is not acting as agent or sub agent of any Ineligible Shareholders or Selling Shareholders, does not have any duties or obligations (fiduciary or otherwise) to Ineligible Shareholders or Selling Shareholders, and does not underwrite the sale of any Endeavour Shares.

As the market price of Endeavour Shares will be subject to change from time to time, the sale price of those Endeavour Shares cannot be guaranteed. After the listing of the Endeavour Shares on the ASX, Ineligible Shareholders and Selling Shareholders will be able to obtain information on the market price of Endeavour Shares on ASX's website (www.asx.com.au) under the code "EDV" which Endeavour is expected to be assigned, and trade under. The amount of money received by each Ineligible Shareholder and each Selling Shareholder, being the Sale Facility Proceeds, will be calculated on an averaged basis so that all Ineligible Shareholders and Selling Shareholders receive the same price for each Endeavour Share, subject to rounding to the nearest whole cent (and, for the avoidance of doubt, rounded up in the case of half a cent). Consequently, the amount of money received by an Ineligible Shareholder and a Selling Shareholder for each Endeavour Share may be more or less than the actual price that is received by the Sale Agent for that particular Endeavour Share.

No interest is payable to the Ineligible Shareholders and Selling Shareholders on the Sale Facility Proceeds between the Implementation Date and the date on which the relevant Endeavour Shares are eventually sold and the Sale Facility Proceeds are paid to Ineligible Shareholders and Selling Shareholders. Any interest earned on the proceeds of the sale of Endeavour Shares by the Sale Agent is expected to be minimal and (if any such interest is earned) will be donated by the Sale Agent to a charity. The Sale Facility Proceeds will be remitted to Ineligible Shareholders and Selling Shareholders (free of any brokerage costs or stamp duty, but after deducting any applicable withholding tax) by:

- direct credit in Australian dollars to Ineligible Shareholders and Selling Shareholders who have an Australian nominated bank account noted on the Woolworths Share Register; and
- direct credit in New Zealand dollars to Ineligible Shareholders and Selling Shareholders who have a registered address in New Zealand and who have a nominated bank account noted in the Woolworths Share Register. Payments will be made in New Zealand dollars converted at a rate determined by Woolworths on or around the Implementation Date.

Ineligible Shareholders and Selling Shareholders can update their nominated bank account information on the Sale Facility Form, by logging into www.woolworthsgroup.com.au/demerger, or by calling Woolworths Share Registry on 1300 420 545 (within Australia) or +61 1300 420 545 (outside Australia) on Business Days between 8:30am and 7:30pm (AEST) Monday to Friday.

It is anticipated that the Sale Facility Proceeds will be distributed to Ineligible Shareholders and Selling Shareholders approximately one month following Demerger.

The payment of the Sale Facility Proceeds from the sale of Endeavour Shares will be in full satisfaction of the rights of Ineligible Shareholders and Selling Shareholders under the Demerger.

Under the Demerger, each Ineligible Shareholder and Selling Shareholder appoints Woolworths as its agent to receive on its behalf any financial services guide or other notices which may be issued by the Sale Agent to that Ineligible Shareholder or Selling Shareholder.

Taxation implications for Shareholders

Section



The Demerger will have tax consequences for Woolworths Shareholders.

Subject to particular taxation rules which may apply in your individual circumstances, Australian resident Woolworths Shareholders are not expected to incur taxation costs. Where Demerger Tax Relief is available, it is expected that:

- no Australian tax liability will arise from the Demerger (where the relevant Shareholder elects Demerger Tax Relief); and
- the CGT cost base of Woolworths Shares just before the Demerger will be apportioned between the Woolworths Shares and Endeavour Shares received under the Demerger on the basis of their relative market values.

The above summary is not exhaustive and may not be applicable to all Woolworths Shareholders. All Woolworths Shareholders should read this [Section 6](#) carefully and seek independent professional tax advice having regard to their individual circumstances.

6.1 AUSTRALIAN TAX IMPLICATIONS

(a) Introduction

The following is a summary of the main Australian tax implications arising for certain Woolworths Shareholders under the Demerger.

This summary is general in nature and does not take into account the individual circumstances of any particular Woolworths Shareholder. Accordingly, each Woolworths Shareholder should obtain their own independent tax advice, having regard to their individual circumstances.

This summary only applies to Woolworths Shareholders who:

- are registered on the Woolworths Share Register as the holders of Woolworths Shares on the Demerger Record Date;
- hold their Woolworths Shares on capital account for tax purposes (i.e. not on revenue account or as trading stock);
- are not subject to the Taxation of Financial Arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (ITAA 1997) in respect of their Woolworths Shares; and
- did not acquire their Woolworths Shares under a Woolworths employee incentive plan.

The comments in this tax summary are made on the basis that all Woolworths Shareholders acquired their Woolworths Shares after 19 September 1985.

This [Section 6.1](#) only discusses the Australian tax implications of the Demerger and does not address any tax consequences arising under the laws of jurisdictions other than Australia.

The comments in this [Section 6.1](#) are generally intended for Woolworths Shareholders who are tax residents of Australia (and are not tax residents of any other country) and do not hold their Woolworths Shares in carrying on a business through a permanent establishment outside Australia.

Some comments are also made in relation to the Australian tax implications for non-resident Woolworths Shareholders. However, any reference to non-resident Woolworths Shareholders in this summary does not include any shareholders who, together with their associates, own, or have owned within a 24 month period before the Implementation Date, at least 10% of the Woolworths Shares on issue. Any such Woolworths Shareholders should obtain their own tax advice.

This summary is based on Australian tax law and administrative practice as at the date of this Demerger Booklet.

6.1 AUSTRALIAN TAX IMPLICATIONS (CONTINUED)

(b) Class Ruling

Woolworths applied to the Commissioner for a class ruling confirming certain income tax implications of the Demerger for Woolworths Shareholders, including that:

- demerger tax relief under Division 125 of the ITAA 1997 will apply to the Demerger (Demerger Tax Relief); and
- no determination will be made under section 45B of the *Income Tax Assessment Act 1936* (Cth) in respect of the Capital Reduction or the Demerger Dividend (section 45B determination).

Woolworths has received a draft Class Ruling in relation to these matters.

Consistent with normal practice in demergers, the Commissioner will not issue a final Class Ruling until after the Implementation Date. Accordingly, the comments below address the tax implications for Woolworths Shareholders where:

- Demerger Tax Relief is available; and
- Demerger Tax Relief is not available and a section 45B determination is made.

(c) Summary of expected outcomes

On the Implementation Date:

- Woolworths will undertake the Capital Reduction and will pay the Demerger Dividend. The Capital Reduction and Demerger Dividend will be applied on behalf of the Woolworths Shareholders as consideration for the Endeavour Shares to be transferred to Eligible Shareholders or the Sale Agent (in respect of the Endeavour Shares to which Ineligible Shareholders and Selling Shareholders are entitled); and
- each Woolworths Shareholder (other than Ineligible Shareholders and Selling Shareholders) will receive one Endeavour Share for each Woolworths Share held at the Demerger Record Date.

The Endeavour Shares to which Ineligible Shareholders and Selling Shareholders would otherwise be entitled will be transferred to the Sale Agent, to be sold on the ASX. The Sale Facility Proceeds will be remitted to the Ineligible Shareholders and Selling Shareholders (as applicable) in accordance with [Section 5.4\(c\)](#).

The income tax consequences of the Demerger for Australian tax resident Woolworths Shareholders are summarised below:

ISSUE	INCOME TAX CONSEQUENCES (ASSUMING DEMERGER TAX RELIEF IS AVAILABLE AND SECTION 45B DETERMINATION NOT MADE)	REFER TO:
Is the Demerger Dividend assessable?	The Demerger Dividend will not be assessable.	Section 6.1(d)(i)
Does the Capital Reduction give rise to CGT consequences?	If you choose Demerger Tax Relief, any capital gain that arises from the Capital Reduction will be disregarded. If you do not choose Demerger Tax Relief, a capital gain may arise. If you are not a company, you may be entitled to the CGT discount on any such capital gain if you held your Woolworths Shares for at least 12 months before the Implementation Date.	Section 6.1(d)(ii)
How is the cost base of my Woolworths and Endeavour shares determined?	The cost base of your Woolworths Shares just before the Demerger will be apportioned between the Woolworths Shares and Endeavour Shares held just after the Demerger. Further information will be provided to assist you in this apportionment.	Section 6.1(d)(iii)
When are my Endeavour Shares taken to have been acquired for CGT discount purposes?	You should be taken to have acquired the Endeavour Shares on the same date as your corresponding Woolworths Shares. This should be the case whether or not you choose Demerger Tax Relief.	Section 6.1(d)(iv)
What are the tax implications of selling my Endeavour Shares under the Sale Facility?	The income tax implications of the Demerger stated above should apply equally to you if your Endeavour Shares are sold under the Sale Facility. In addition, if you sell your Endeavour Shares under the Sale Facility, you may make a capital gain or capital loss on the sale.	Section 6.1(f)

In the event that the Commissioner determines that Demerger Tax Relief is not available and a section 45B determination will be made, the income tax consequences will be different (see [Section 6.1\(e\)](#)).



6.1 AUSTRALIAN TAX IMPLICATIONS (CONTINUED)

(d) Demerger Tax Relief available and no section 45B determination made

(i) Demerger Dividend

The Demerger Dividend will not be assessable.

For non-resident Woolworths Shareholders, the Demerger Dividend will also not be subject to withholding tax.

(ii) Capital Reduction - CGT consequences

The Capital Reduction will result in CGT event G1 happening in relation to each Woolworths Share.

Australian tax resident Woolworths Shareholders should be eligible to choose Demerger Tax Relief and, if chosen, any capital gain will be disregarded.

The way a Woolworths Shareholder prepares their income tax return will be sufficient evidence of making the choice.

For Woolworths Shareholders who do not choose Demerger Tax Relief:

- a capital gain will arise to the extent (if any) that the Capital Reduction Amount in respect of a Woolworths Share exceeds the cost base of the share; and
- Woolworths Shareholders that are Australian tax resident individuals, trusts or complying superannuation entities should be entitled to CGT discount treatment for the capital gain if the Woolworths Shares were acquired (or are taken to have been acquired) at least 12 months before the Implementation Date. The discount percentage is 50% for individuals and trusts and 33⅓% for complying superannuation entities and is applied after the application of any current year or carry forward capital losses. Alternatively, Woolworths Shareholders that acquired their shares at or before 11:45am on 21 September 1999 may index the cost base of their Woolworths Shares until the quarter ended 30 September 1999.

A capital gain should not arise for non-resident Woolworths Shareholders unless the Shareholder:

- holds their Woolworths Shares in carrying on a business through a permanent establishment in Australia; or
- is an individual and has made an election to treat their Woolworths Shares as taxable Australian property when they ceased to be an Australian tax resident (residence election).

Any non-resident Woolworths Shareholder that makes a capital gain should seek their own tax advice.

(iii) Cost base in Woolworths Shares and Endeavour Shares

If Demerger Tax Relief is available, Woolworths Shareholders (whether or not they choose Demerger Tax Relief) must apportion the cost base (and reduced cost base) of their Woolworths Shares just before the Demerger between the Woolworths Shares and corresponding Endeavour Shares held just after the Demerger.

The first element of the cost base (and reduced cost base) of each Woolworths Share and corresponding Endeavour Share held by a Woolworths Shareholder just after the Demerger will be determined by:

- taking the total of the cost base of the Woolworths Share just before the Demerger; and
- apportioning that total between the Woolworths Share and corresponding Endeavour Share held just after the Demerger, having regard to the market values (or a reasonable approximation thereof) of the shares just after the Demerger.

The cost bases of the Woolworths Shares just before the Demerger should be apportioned based on the VWAP of Woolworths Shares and Endeavour Shares as traded on the ASX for the first five trading days starting from the date of commencement of trading (on a deferred settlement basis) of Endeavour Shares on the ASX.

Woolworths will provide information to assist Woolworths Shareholders to determine the respective cost bases of their Woolworths Shares and corresponding Endeavour Shares on the Woolworths website (www.woolworthsgroup.com.au) following the Demerger.

(iv) Date of acquisition of Endeavour Shares for CGT discount purposes

For the purpose of the CGT discount, Woolworths Shareholders should be taken to have acquired the corresponding Endeavour Shares on the same date as their Woolworths Shares (whether or not they choose Demerger Tax Relief).

6.1 AUSTRALIAN TAX IMPLICATIONS (CONTINUED)

(e) Demerger Tax Relief not available and section 45B determination made

If the Commissioner determines that Demerger Tax Relief is not available and a section 45B determination is made, Australian tax resident Woolworths Shareholders:

- will be required to include the Demerger Dividend in their assessable income;
- will make a capital gain to the extent that the Capital Reduction Amount in respect of a Woolworths Share exceeds the cost base of the share;
- if the Capital Reduction Amount per Woolworths Share is less than the cost base (or reduced cost base) of their Woolworths Shares, will have the cost base (or reduced cost base) of their shares reduced by that amount;
- will have a first element cost base (and reduced cost base) in their Endeavour Shares equal to the market value of the shares on the Implementation Date; and
- for CGT discount purposes, will be taken to have acquired their Endeavour Shares on the Implementation Date.

(f) Sale Facility

The income tax implications of the Demerger outlined above should apply equally to Woolworths Shareholders whose Endeavour Shares are sold by the Sale Agent on the ASX under the Sale Facility.

In addition, a capital gain or capital loss may arise for the Endeavour Shareholders whose Endeavour Shares are sold under the Sale Facility.

If Demerger Tax Relief is available, for the purpose of determining whether a capital gain or capital loss arises in respect of the sale of the Endeavour Shares:

- the cost base of the Endeavour Shares will be as determined in accordance with [Section 6.1\(d\)\(iii\)](#); and
- for CGT discount purposes, Woolworths Shareholders should be taken to have acquired the corresponding Endeavour Shares on the same date as their Woolworths Shares.

(g) Holding Endeavour Shares after the Demerger

The income tax implications of holding Endeavour Shares should generally be similar to holding Woolworths Shares.

(i) Dividends

Australian tax resident Endeavour Shareholders will be required to include dividends in respect of their Endeavour Shares in their assessable income for the year of income in which the dividends are paid.

Dividends may be franked as determined by Endeavour. However, to be entitled to a franking credit in relation to a dividend, the Endeavour Shareholder must be a “qualified person” in relation to the dividend, which generally requires that shareholders hold their ordinary shares “at-risk” for a continuous period of not less than 45 days (not including the day on which the Endeavour Share was acquired, or the day on which the Endeavour Share was disposed of) over a period that includes the record date for the payment of the relevant dividend. Natural person shareholders whose total franking credit offsets do not exceed \$5,000 (from all sources) for the year of income are not subject to these requirements.

If the Endeavour Shareholder is a qualified person, the tax treatment of the dividends should generally be as follows:

- the franking credits should be included in the shareholder’s assessable income and a tax offset for the amount of the franking credits should be available;
- an Endeavour Shareholder that is an individual or a complying superannuation entity may be entitled to a tax refund in a year of income if the franking credits attached to the dividend exceed the tax payable on the shareholder’s taxable income for that year; and
- an Endeavour Shareholder that is a company will not be entitled to a tax refund, but any excess franking credits may be converted to a tax loss which can be carried forward to future years (subject to satisfying certain loss carry forward tests).

Endeavour Shareholders that are trusts should obtain their own advice on the tax treatment of dividends received from Endeavour and any franking credits attached.

For non-resident Endeavour Shareholders (other than those carrying on a business through a permanent establishment in Australia):

- franked dividends should not be subject to withholding tax; and
- to the extent that a dividend is unfranked, withholding tax of 30% will generally apply, subject to the Endeavour Shareholder being eligible for a reduced rate being available under a double tax agreement between Australia and the shareholder’s country of residence.



6.1 AUSTRALIAN TAX IMPLICATIONS (CONTINUED)

(ii) Sale of Endeavour Shares after the Demerger

Australian tax resident Endeavour Shareholders will generally make a capital gain or capital loss depending on whether the proceeds from the sale of the shares exceed the cost base or are less than the reduced cost base of the shares.

If Demerger Tax Relief is available, for the purpose of determining the CGT consequences from a sale of the Endeavour Shares:

- the cost base of the Endeavour Shares will be as determined in accordance with Section 6.1(d)(iii); and
- for the purpose of the CGT discount, shareholders should be taken to have acquired the corresponding Endeavour Shares on the same date as their Woolworths Shares.

Non-resident Endeavour Shareholders (other than those who, together with their associates, own, or have owned, in the prior 24 months at least 10% of the Endeavour Shares on issue) should not make a capital gain (or capital loss) on the sale of their Endeavour Shares unless they hold their Endeavour Shares in carrying on a business through a permanent establishment in Australia or have made a residence election in respect of the shares.

(h) Other Australian taxation matters

(i) Australian tax file number (TFN) and Australian Business Number (ABN)

Following the Demerger, it is expected Woolworths Shareholders will be given the opportunity to quote their TFN, TFN exemption or their ABN in respect of their Endeavour Shares.

Woolworths Shareholders need not quote a TFN, TFN exemption or ABN in respect of their Endeavour Shares. However, if they do not, Endeavour may be required to withhold tax from dividends paid to Endeavour Shareholders at the highest marginal tax rate plus Medicare levy (currently 47%).

(ii) Goods and services tax

The transfer of the Endeavour Shares to Woolworths Shareholders and any other distribution as a result of the Capital Reduction and the Demerger Dividend will not be subject to Australian GST.

(iii) Stamp duty

No stamp duty will be payable by Woolworths Shareholders in any state or territory of Australia in respect of their participation in the Demerger and the transfer of Endeavour Shares to them.

6.2 NEW ZEALAND TAX IMPLICATIONS

(a) Introduction

The following is a summary of the main New Zealand tax implications arising for certain Woolworths Shareholders under the Demerger.

This summary is general in nature and does not take into account the individual circumstances of any particular Woolworths Shareholder. Accordingly, each Woolworths Shareholder should obtain their own independent tax advice, having regard to their individual circumstances.

This summary only applies to Woolworths Shareholders who:

- were registered on the Woolworths Share Register as the holders of Woolworths Shares on the Demerger Record Date;
- hold their Woolworths Shares on capital account for New Zealand income tax purposes (i.e. not on revenue account or as trading stock); and
- are a tax resident in New Zealand.

This summary is based on New Zealand tax law and administrative practice as at the date of this Demerger Booklet.

(b) New Zealand income tax implications associated with the Demerger

The Demerger Dividend should not be treated as a dividend under New Zealand income tax law and so should not be subject to tax as a dividend.

Any gain in the value of Endeavour Shares arising in the time between the shares being transferred to the Sale Agent and the sale of those shares by the Sale Agent for Endeavour Shareholders whose Endeavour Shares are sold under the Sale Facility should not be taxable provided that those Endeavour Shares are held on capital account. Certain Endeavour Shareholders may be subject to New Zealand income tax on gains made (or allowed a deduction for any loss incurred) on the disposal of the Endeavour Shares under the Sale Facility – this will generally apply to Endeavour Shareholders that are in the business of dealing in shares, dispose of Endeavour Shares as part of a profit-making undertaking or scheme, or acquired Endeavour Shares with the purpose of selling them.

(c) New Zealand income tax implications associated with holding Endeavour Shares after the Demerger

Given Endeavour is an Australian incorporated and tax resident company, the tax implications of dividends paid by Endeavour to Endeavour Shareholders will be the same as for the tax implications of dividends paid by Woolworths.

(d) New Zealand income tax implications associated with the sale of Endeavour Shares after the Demerger

Any gains for Endeavour Shareholders that sell their Endeavour Shares after the Demerger should not be taxable in New Zealand provided they are held on capital account. Certain Endeavour Shareholders may be subject to New Zealand income tax on gains made (or allowed a deduction for any loss incurred) on the disposal of Endeavour Shares after the Demerger – this will generally apply to Endeavour Shareholders that are in the business of dealing in shares, dispose of Endeavour Shares as part of a profit-making undertaking or scheme, or acquired Endeavour Shares with the purpose of selling them.

(e) New Zealand goods and services tax

The transfer of Endeavour Shares to Woolworths Shareholders will not be subject to New Zealand goods and services tax.

(f) New Zealand stamp duty

There is no stamp duty in New Zealand.



**Additional
information**

Section

7.1 WOOLWORTHS BOARD

As at the date of this Demerger Booklet, the Woolworths Directors are:

- Gordon Cairns
- Brad Banducci
- Maxine Brenner
- Jennifer Carr-Smith
- Holly Kramer
- Siobhan McKenna
- Scott Perkins
- Kathryn (Kathee) Tesija
- Michael Ullmer AO

7.2 INTERESTS OF WOOLWORTHS DIRECTORS

The number of Woolworths Shares or Share rights held directly, indirectly or beneficially by each Woolworths Director at the date of this Demerger Booklet, is set out below:

WOOLWORTHS DIRECTOR	SHARES (DIRECT, INDIRECT AND BENEFICIAL HOLDINGS)	SHARE RIGHTS
Gordon Cairns	38,681	574
Brad Banducci	332,643	423,113
Maxine Brenner	2,585	Nil
Jennifer Carr-Smith	Nil	1,666
Holly Kramer	13,275	380
Siobhan McKenna	8,865	Nil
Scott Perkins	17,473	Nil
Kathee Tesija	8,980	Nil
Michael Ullmer AO	31,044	765

No securities in Endeavour or any of its subsidiaries are held by or on behalf of any Woolworths Director as at the date of this Demerger Booklet.



7.3 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO ENDEAVOUR SHARES AND OTHER MATERIAL PROVISIONS OF THE ENDEAVOUR CONSTITUTION

The rights and liabilities attaching to ownership of the Endeavour Shares arise from a combination of the Endeavour Constitution, statute, the ASX Listing Rules and general law. A summary of the significant rights, liabilities and obligations attaching to Endeavour Shares and a description of other material provisions of the Endeavour Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Endeavour Shareholders. The summary assumes that Endeavour is admitted to the Official List.

(a) Voting at a general meeting

At a general meeting, every Endeavour Shareholder who is eligible to vote and is present in person or by proxy, attorney or body corporate representative has, on a poll, one vote for each Endeavour Share held and one vote on a show of hands.

(b) Notices

Each Endeavour Shareholder is entitled to receive notice of, attend, and vote at, general meetings of Endeavour and to receive all notices, accounts and other documents required to be sent to Endeavour Shareholders under the Endeavour Constitution, the Corporations Act and the ASX Listing Rules.

(c) Dividends

The Endeavour Board may determine or declare that a dividend is payable, fix the amount and the time for payment and authorise the payment or crediting by Endeavour to, or at the direction of, each Endeavour Shareholder entitled to that dividend. See [Section 3.10](#) for further information in respect of Endeavour's proposed dividend policy.

(d) Transfer of shares

Subject to the Endeavour Constitution and the ASX Listing Rules, Endeavour Shares may be transferred by a proper transfer effected in accordance with the operating rules of a relevant clearing and settlement facility or by any other method of transfer which is required or permitted by the Corporations Act and the ASX. If permitted by the ASX Listing Rules, the Endeavour Board may request the operator of a relevant clearing and settlement facility to apply a holding lock to prevent transfer of Endeavour Shares from being registered, or otherwise refuse to register a transfer of shares in any of the circumstances permitted by the ASX Listing Rules. The Endeavour Board must refuse to register a transfer of shares when required to do so by the ASX Listing Rules or where the transfer is in breach of the ASX Listing Rules or a restriction agreement.

(e) Issue of further shares

Subject to the Corporations Act, the ASX Listing Rules, the Endeavour Constitution and any special rights conferred on holders of any shares or class of shares, the Endeavour Board may issue, allot and cancel, or dispose of, shares or grant options over unissued shares on terms determined from time to time. Endeavour may also issue preference shares provided certain rights of preference shareholders are as set out in the Endeavour Constitution or as otherwise approved by a resolution of Endeavour in accordance with the Corporations Act.

(f) Winding up

Without prejudice to the rights of the holders of shares issued on special terms and conditions, if Endeavour is wound up, the liquidator may, with the sanction of a special resolution of Endeavour, divide among the shareholders in kind all or any of Endeavour's assets; and for that purpose, set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between shareholders or different classes of shareholders.

(g) Non-marketable parcels

Where Endeavour complies with the relevant procedure outlined in the Endeavour Constitution, Endeavour may sell Endeavour Shares held by an Endeavour Shareholder if the shareholding is less than a marketable parcel.

(h) Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, Endeavour may buy back shares in it on terms and at times determined by the Endeavour Board.

(i) Variation of class rights

Immediately following implementation of the Demerger, Endeavour's only class of securities on issue will be Endeavour Shares. Endeavour may issue other classes of shares, and the rights attached to any class of shares in Endeavour may be varied in accordance with the Corporations Act.

7.3 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO ENDEAVOUR SHARES AND OTHER MATERIAL PROVISIONS OF THE ENDEAVOUR CONSTITUTION (CONTINUED)

(j) Dividend reinvestment plan (DRP)

Subject to the ASX Listing Rules, the Endeavour Board may establish a DRP under which shareholders may elect to reinvest cash dividends paid by Endeavour on such terms and conditions of a DRP as the Endeavour Board think fit. As noted in Section 3.10(a), if the Endeavour Board decides to activate the DRP, Endeavour will provide further details to Endeavour Shareholders prior to the relevant dividend record date, including details of the elections that may be made in relation to participation in the DRP by Endeavour Shareholders.

(k) Endeavour Directors – appointment and retirement

Under the Endeavour Constitution, the number of directors shall be a minimum of three and a maximum of 10, unless Endeavour resolves otherwise at a general meeting. Directors are elected and re-elected at annual general meetings.

No Endeavour Director (other than the Managing Director) may hold office without re-election beyond the third annual general meeting following the director's appointment or last election, or three years (whichever is the longer period). The Endeavour Directors may at any time appoint any person to be an Endeavour Director, either to fill a casual vacancy or as an addition to the existing Endeavour Directors, who will hold office until the conclusion of the next annual general meeting of Endeavour (but is eligible for re-election).

(l) Endeavour Directors – voting

A question arising at a meeting of Endeavour Directors is to be decided by a majority of Endeavour Directors present and entitled to vote on the matter. The chairman has a casting vote, unless only two Endeavour Directors are present and entitled to vote at the meeting on the question.

Endeavour Directors may pass a resolution without a meeting being held if a majority of the Endeavour Directors who are entitled to vote on the resolution assent to a document stating that they are in favour of the resolution.

(m) Endeavour Directors – power and duties

The business of Endeavour is to be managed by the Endeavour Directors, who may exercise all such powers of Endeavour as are not, by the Corporations Act or by the Endeavour Constitution, required to be exercised by Endeavour in general meeting.

(n) Endeavour Directors – access to records

Endeavour may enter into contracts with current or former Endeavour Directors or Endeavour officers agreeing to provide continuing access to the books of Endeavour conferred by the Corporations Act or otherwise by law.

(o) Endeavour Directors – remuneration

The Endeavour Directors, other than an executive director, will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by Endeavour in a general meeting. The initial maximum aggregate sum is \$3,500,000 per annum, with the initial remuneration of the non-executive directors set out in Annexure C. Any change to that maximum aggregate sum needs to be approved by Endeavour Shareholders. Pursuant to the Endeavour Constitution, Endeavour Directors may also be paid all travelling, accommodation and other expenses incurred by them in attending and returning from meetings of the Endeavour Board or any committee of the Endeavour Board or when otherwise engaged on Endeavour business.

(p) Endeavour Directors – indemnities

To the extent permitted by law, Endeavour will indemnify any person who is or has been a director, and may indemnify any person who is or has been an officer or senior manager, of Endeavour against any liability incurred by that person in that capacity (including liabilities incurred by that person as a director or officer of a subsidiary of Endeavour), and legal costs incurred by that person in that capacity (including such legal costs incurred by that person as a director, officer or senior manager of a subsidiary of Endeavour). Endeavour may enter into an agreement with any director, officer or senior manager of Endeavour to give effect to those matters outlined in this paragraph. Endeavour, to the extent permitted by law, may pay a premium for a contract insuring a person who is or has been an Endeavour Director, officer or senior manager against liability incurred by that person in that role.

(q) Amendment

The Endeavour Constitution may be amended only by special resolution passed by at least three quarters of the votes cast by Endeavour Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of Endeavour.



7.4 SUBSTANTIAL INTERESTS IN WOOLWORTHS

Based on publicly available information, as at 7 May 2021 (being the last practicable trading day prior to the date of this Demerger Booklet), Woolworths had received notifications from the following substantial shareholders in accordance with section 671B of the Corporations Act:

NAME	NUMBER OF WOOLWORTHS SHARES	% OF WOOLWORTHS SHARES ON ISSUE
BlackRock Group	80,972,196	6.43
The Vanguard Group, Inc	75,845,088	6.01

7.5 REGULATORY RELIEF, CONFIRMATION AND WAIVERS

(a) ASIC

ASIC has granted Woolworths relief from:

- (i) the requirement to prepare a prospectus in relation to the invitation to Woolworths Shareholders to vote on the Meeting Resolutions to be considered at the General Meeting, and in relation to any secondary trading in Endeavour Shares; and
- (ii) various provisions in the Corporations Act (including the provisions relating to managed investment schemes and financial services licensing) that may otherwise apply to the Sale Facility.

(b) ASX

The ASX has:

- (i) provided an in principle waiver from ASX Listing Rule 6.23.2, 6.23.3 and 6.23.4 in relation to the proposed changes in respect of the team member incentive plans, as described in [Annexure C](#);
- (ii) provided an in principle waiver from ASX Listing Rule 7.22.3 in relation to the proposed changes in respect of the team member incentive plans, as described in [Annexure C](#);
- (iii) confirmed that ASX Listing Rule 7.22.6 does not apply in relation to the proposed changes in respect of the team member incentive plans, as described in [Annexure C](#);
- (iv) confirmed that ASX Listing Rule 10.1 does not apply to the Partnership Agreements;
- (v) provided an in principle waiver from ASX Listing Rule 10.1 in respect of Woolworths, and provided a confirmation of the availability of ASX Listing Rule 10.3(e) in respect of Endeavour, to the extent necessary to permit Woolworths and Endeavour to enter into arrangements which cover the sublease of premises leased to Woolworths Group without shareholder approval on the condition that:
 - (A) the Demerger Booklet, in ASX's opinion, adequately discloses the material terms of the Sublease Arrangements;
 - (B) a summary of the material terms of the Sublease Arrangements is made in each annual report of Woolworths Group and Endeavour Group during the term of the Sublease Arrangements;
 - (C) any material variation to the terms of the Sublease Arrangements is subject to shareholder approval under ASX Listing Rule 10.1, if ASX Listing Rule 10.1 applies to the Sublease Arrangements at that time; and
 - (D) the exercise of any option for renewal of the Sublease Arrangements will be subject to Shareholder approval under ASX Listing Rule 10.1, if ASX Listing Rule 10.1 applies to the Sublease Arrangements at that time.

ASX has confirmed to Woolworths that in its opinion, the Demerger Booklet adequately discloses the material terms of the Sublease Arrangements for the purpose of satisfying this waiver;
- (vi) confirmed that ASX Listing Rule 10.14 does not apply in relation to the proposed top-up shares, as described in [Annexure C](#);
- (vii) confirmed that ASX Listing Rule 10.18 does not apply in relation to the proposed changes in respect of the team member incentive plans, as described in [Annexure C](#);
- (viii) confirmed that Chapter 11 of the ASX Listing Rules does not apply to the Demerger and therefore additional approval of Shareholders is not required for the Demerger; and
- (ix) confirmed that the timetable for the Demerger is acceptable.

An application has been made to the ASX to confirm that Endeavour may use an information memorandum substantially in the form of the Demerger Booklet rather than a prospectus for the purpose of Endeavour's admission to the ASX.

7.6 SANCTION RESTRICTIONS

There are Australian sanction laws which restrict payments to certain specified persons, organisations and citizens of countries outside Australia, including under the Autonomous Sanctions Regulations and the Charter of the United Nations Act and related regulations. These sanction laws may prevent Woolworths or Endeavour making distributions or payments to certain shareholders. For information on designated persons or entities, refer to the Department of Foreign Affairs and Trade's website at www.dfat.gov.au/un/unsc_sanctions.

7.7 CONSENTS AND DISCLAIMERS

The following persons have given and have not, before the date of this Demerger Booklet, withdrawn their written consent to:

- be named in this Demerger Booklet in the form and context that they are named;
- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Demerger Booklet; and
- the inclusion of other statements in this Demerger Booklet which are based on, or referable to, statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included.

CONSENTING PARTY	ROLE
Deloitte Touche Tohmatsu	Auditor
Deloitte Corporate Finance Pty Limited	Independent Accountant
Citigroup Global Markets Australia Pty Limited	Financial advisor
Jarden Australia Pty Ltd	Financial advisor
Ashurst	Legal and tax advisor
Grant Samuel & Associates Pty Limited	Independent Expert
Link Market Services Limited	Woolworths Share Registry and Endeavour Share Registry
Frost & Sullivan Australia Pty Limited	Industry research consultant

Each of the above persons:

- has not authorised or caused the issue of this Demerger Booklet;
- does not make, or purport to make, any statement in this Demerger Booklet or any statement on which a statement in this Demerger Booklet is based, other than those reports or statements referred to above and as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Demerger Booklet other than a reference to its name and the report or statement (if any) that has been included in this Demerger Booklet with the consent of that person as set out above.

7.8 INTERESTS OF ADVISORS

Woolworths have engaged a number of advisors in connection with the Demerger.

Persons that have performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Demerger Booklet and the professional fees (exclusive of disbursements and GST) that Woolworths has paid or agreed to pay or may be required to pay for services provided in connection with the Demerger to the date of this Demerger Booklet are in aggregate approximately \$24 million.



7.9 THE TRANSFORMATION ARRANGEMENTS

(a) Introduction

Woolworths Group undertook an internal restructure to establish Endeavour as the owner of what was then the Woolworths Drinks Business. The internal restructure was implemented on 2 February 2020 under the Restructure Scheme which involved the transfer of the Woolworths Drinks Business, the Endeavour Liabilities and the Endeavour Litigation pending by or against Woolworths Group to Endeavour Group.

Several additional restructure steps were used for Woolworths Group to transfer to Endeavour Group those parts of the Woolworths Drinks Business which were not proposed to be transferred under the Restructure Scheme so that Endeavour was able to obtain the full benefit and risk of the Woolworths Drinks Business. The additional restructure steps also included the transfer of Woolworths' 75% interest in ALH to Endeavour Group and all of the securities held by Woolworths in ALE Property Group.

On 4 February 2020, Endeavour acquired the remaining 25% stake in ALH from BMG and BMG received a 14.6% interest in Endeavour as consideration for this stake.

A concise summary of the Restructure and ALH Merger is set out below. Further details of the Restructure and ALH Merger were set out in the Restructure Booklet.

(b) Restructure

(i) Restructure Deed

Woolworths and Endeavour entered into a Restructure Deed to facilitate the Restructure. The overriding principle of the Restructure set out in the Restructure Deed was that the position as between Endeavour and Woolworths will be such that Endeavour Group (following implementation of the Restructure) has:

- the entire economic and commercial benefit (including, without limitation, all income) of the Woolworths Drinks Business and the businesses operated by ALH Group only on and from completion of the ALH Share Sale Deed;
- the entire economic and commercial risk (including, without limitation, all liabilities) of the Woolworths Drinks Business and the businesses operated by ALH Group as if Endeavour (following implementation of the Restructure) had operated and owned the Woolworths Drinks Business and the businesses operated by ALH Group at all times; and
- none of the economic or commercial benefit (including, without limitation, the profits and income) of other Woolworths' businesses or economic or commercial risk or liabilities of other Woolworths businesses.

Wrong pockets – Prior to 31 March 2021, if there were assets or liabilities in Woolworths Group that should be assets or liabilities of Endeavour Group, they were to be transferred to or assigned by Endeavour Group. If there were assets or liabilities in Endeavour Group that should be assets or liabilities of Woolworths Group, they were to be transferred to or assigned by Woolworths Group.

Pass-through – Until 2 February 2021, various pass-through arrangements were effected between Woolworths Group and Endeavour Group, pursuant to which the benefit and burden of certain shared trade and non-trade supplier arrangements were extended to Endeavour Group as they are relevant to the Woolworths Drinks Business.

Team members – Following implementation of the Restructure, Endeavour Group assumed responsibility for and indemnifies Woolworths Group for all liabilities and claims arising from, or in connection with, any aspect of the employment of team members that have been transferred as part of the Restructure. Woolworths retained liability for the period up to transfer, in connection with team members that were transferred as part of the Restructure which arise in relation to salaried team member payment shortfalls first announced by Woolworths on 30 October 2019.

Litigation – The Restructure Deed sets out a procedure for the management of claims and costs which arise after the Restructure Scheme Implementation Date. Following implementation of the Restructure, Endeavour Group agreed to indemnify the Woolworths Group, against any liability or loss incurred in connection with such claim.

Tax matters – The Restructure Deed sets out specific provisions to give effect to the above restructure principle in relation to tax assets and liabilities and to provide for a procedure for the management of tax-related matters after the Restructure Scheme Implementation Date such as tax returns, audits and disputes. Woolworths will have control over the management and conduct of such matters where it involves any period, transaction or event that commences or occurs before completion of the Restructure.

Stamp duty – While any stamp duty liability in relation to the Restructure Deed, the Restructure Scheme and the ALH Merger is primarily a liability of Endeavour Group under the relevant state and territory stamp duty legislation, the Restructure Deed provides that Woolworths is solely responsible for the payment of any stamp duty that is payable on the Restructure Deed, the Restructure Scheme and the ALH Merger, and that Woolworths will attend to any required stamp duty lodgements.

7.9 THE TRANSFORMATION ARRANGEMENTS (CONTINUED)

(c) ALH Merger

(i) ALH Share Sale Deed

The ALH Merger was completed on 4 February 2020 in accordance with the ALH Share Sale Deed dated 3 July 2019. The ALH Share Sale Deed deals with the acquisition by Endeavour of BMG's 25% shareholding in ALH (comprising ordinary shares as well as preference shares), in consideration for BMG being issued with a 14.6% interest in Endeavour.

(ii) Other arrangements with BMG

Woolworths and BMG agreed a new shareholders agreement (Endeavour Shareholders Agreement) governing the relationship between Woolworths and BMG as shareholders of Endeavour. The Endeavour Shareholders Agreement became effective following the completion of the ALH Merger and will terminate when the Demerger takes place.

(d) Demerger Deed

Woolworths and Endeavour have entered into a Demerger Deed, which facilitates the implementation of the Demerger, including the steps required to be taken by each of Woolworths and Endeavour to give effect to the Demerger, the Capital Reduction, the Demerger Dividend and the listing of Endeavour on the ASX. The key terms of the Demerger Deed are set out below.

(i) Conditions Precedent

The obligations of Woolworths and Endeavour in relation to implementation of the Demerger are subject to the Conditions Precedent summarised in [Section 5.1](#) being satisfied, or waived by Woolworths (other than the Shareholder approval condition).

(ii) Woolworths' obligations in respect of the Demerger

Woolworths agrees to propose and implement the Demerger upon and subject to the terms and conditions of the Demerger Deed, and to use its best endeavours to do so as far as practicable in accordance with the proposed timetable for the Demerger, including:

- assisting Endeavour with the preparation and lodgement of its application to the ASX for the admission of Endeavour to the Official List and for the official quotation of all of the Endeavour Shares on the ASX, including by providing Endeavour with all reasonable assistance to enable it to satisfy any requirements the ASX imposes on it in relation to the listing of Endeavour on the ASX and ensure that trading in Endeavour Shares commences on the ASX as soon as possible after Shareholders approve the Demerger at the General Meeting;
- closing the Woolworths Share Register as at the Demerger Record Date to determine the identity of the Eligible Shareholders (other than Selling Shareholders) and to determine their entitlements to receive Endeavour Shares and doing all things necessary to give effect to the Demerger and to effect the transfer of the Endeavour Shares to the Eligible Shareholders (other than Selling Shareholders); and
- if the Demerger Resolutions are passed by the requisite majority of Shareholders, reducing the share capital of Woolworths by the Capital Reduction Amount in accordance with the Capital Reduction Resolution and paying the Demerger Dividend in accordance with the Demerger Resolutions.

(iii) Endeavour's obligations in respect of the Demerger

Endeavour agrees to assist Woolworths to implement the Demerger upon and subject to the terms and conditions of the Demerger Deed, and to use its best endeavours to do so as far as practicable in accordance with the proposed timetable for the Demerger, including:

- appointing the persons named in this Demerger Booklet as directors of Endeavour to the Endeavour Board (subject to receiving all necessary approvals);
- procuring that Endeavour adopts the corporate governance arrangements as described in this Demerger Booklet;
- entering into the deeds of indemnity, insurance and access with each member of the Endeavour Board;
- preparing and lodging the application to the ASX for the admission of Endeavour to the Official List and for the official quotation of all Endeavour Shares on the ASX, and otherwise use its best endeavours to ensure that the ASX grants approval to the listing application and that trading of Endeavour Shares commences on the ASX as soon as possible after Shareholders approve the Demerger at the General Meeting; and
- registering the Eligible Shareholders (other than the Selling Shareholders) as the holders of Endeavour Shares to which the Eligible Shareholders (other than the Selling Shareholders) are entitled under the Demerger and registering the Sale Agent as the holder of the Endeavour Shares in respect of the Ineligible Shareholders and the Selling Shareholders under the terms of the Demerger.

(iv) Obligations in relation to operation of the Sale Facility

The Demerger Deed also contains obligations on Woolworths and Endeavour to each procure that the Sale Agent effects the sale of the Endeavour Shares to which the Ineligible Shareholders and Selling Shareholders would otherwise be entitled and pays the proceeds of that sale in accordance with the terms of the Sale Facility, as described in [Section 5.4](#).



7.9 THE TRANSFORMATION ARRANGEMENTS (CONTINUED)

(v) Responsibility for disclosure claims

Woolworths assumes responsibility for the disclosure of all information set out in this Demerger Booklet other than the Concise Independent Expert's Report (for which the Independent Expert takes responsibility) and the Independent Accountant's Report (for which the Independent Accountant takes responsibility).

Woolworths indemnifies Endeavour and its beneficiaries to the maximum extent permitted by law against, and agrees to hold Endeavour harmless for and against, any liability or loss suffered or incurred by Endeavour or its beneficiaries in relation to any claim made by a third party against Endeavour Group (or its officers or employees) that the Restructure Booklet, the Demerger Booklet and/or the parts of the Demerger Booklet incorporated by reference into Endeavour's ASX listing information memorandum are misleading or deceptive. This indemnity does not extend to a disclosure claim liability caused by any conduct of Endeavour or a post Demerger Endeavour Group company following the Separation Date that causes or contributes to the disclosure documents containing information concerning Endeavour or the post Demerger Endeavour Group that is misleading or deceptive.

To the extent that Endeavour Group (or an officer or employee) has contributed to a liability or loss and part of that liability or loss also remains the subject of the indemnity by Woolworths in favour of Endeavour and its beneficiaries, Woolworths and Endeavour will share that liability or loss based on the relative responsibility for causing or contributing to that loss or liability.

(vi) Conduct of disclosure claims

Woolworths and Endeavour must co-operate with each other in good faith to resolve any disclosure claim brought against Endeavour Group (or an officer or employee). Endeavour must ensure that the post Demerger Woolworths Group is given access to copies of all material and documentation in the possession of the post Demerger Endeavour Group.

(vii) Termination of the Demerger Deed

Either Woolworths or Endeavour may terminate the Demerger Deed if:

- the Demerger has not been implemented by 31 December 2021;
- the required majority of Woolworths Shareholders do not approve the Demerger Resolutions; or
- a condition of the Demerger is not satisfied or waived by 31 December 2021.

7.10 PARTNERSHIP AGREEMENTS

Both Woolworths and Endeavour consider that there is a compelling rationale for a continued partnership which will benefit both parties beyond the Demerger. These key anticipated benefits include the pursuit of joint growth opportunities and protection of synergies and business continuity.

While the Partnership Agreements span most areas of the business – Supply Chain & Stores; Loyalty & Fintech; Digital & Media; Business Support; and International – their commercial terms have been tailored depending on the agreement's anticipated benefit.

In the case of Supply Chain & Stores, Loyalty & Fintech, Digital & Media and International, the anticipated benefit largely centres on the pursuit of joint growth opportunities and protection of synergies. The majority of these agreements generally have an initial five year term and in some instances incentives for ongoing collaboration. Examples of these agreements include Loyalty (Everyday Rewards), eCommerce and Marketing Services. The Supply Chain and Partner Stores agreements provide for a longer term which reflects the nature of the partnership service provided.

The Business Support Partnership Agreements are focused on business continuity and the successful establishment of Endeavour as a separate entity. These agreements have a one to five year term which reflects the anticipated time period during which Endeavour will establish a replacement standalone capability.

The termination rights and related arrangements for the Partnership Agreements can be summarised as follows:

- the Partnership Agreements are generally fixed term arrangements with limited rights to terminate for convenience or without cause;
- for arrangements that are focused on business continuity and the successful establishment of Endeavour as a standalone entity (e.g. services in respect of IT, Financial Services, People and Procurement), earlier termination is permitted where an appropriate transition plan is mutually agreed;
- the Loyalty (Everyday Rewards), eCommerce and Marketing arrangements contemplate review processes taking place during respective terms, following which the arrangements may or may not continue; and
- each party has customary rights to terminate for material unremedied breach or where there is an insolvency event affecting the other party. Given its significance, the Partner Store Agreement (refer [Section 7.10\(a\)](#) below) cannot be terminated for breach.

7.10 PARTNERSHIP AGREEMENTS (CONTINUED)

Refer also to Section 3.9 regarding termination rights which arise on a change of control which may have a material adverse effect on the unaffected party's reputation.

The sections below describe in more detail the key areas of collaboration and capabilities that are provided under the Partnership Agreements.

(a) Supply Chain & Stores

Supply Chain Agreement: Woolworths will provide full supply chain support to Endeavour under the Supply Chain Agreement including warehousing, national and international transportation and linked support services. Services in respect of liquor distribution centres are tied to the term of the underlying leases for those centres (up to 10 years with a potential to extend). Services in respect of other distribution centres can be terminated without penalty on 18 months' notice. The ongoing provision of these services has a term linked to the length of leases for Woolworths distribution centres that will be used to service Endeavour's supply chain requirements and may extend for up to 10 years. Endeavour pays Woolworths on a variety of bases under the agreement including agreed rates, direct pass-through of third party costs and proportional allocations between Woolworths and Endeavour for shared costs.

Partner Stores Agreement: The Partner Stores Agreement governs the operation and leasing of sites that include both a Woolworths Supermarket and a BWS or Dan Murphy's store. The agreement will last for the duration of the head leases for the combined premises extending for a maximum term to 2040 with an average term of 16 years for the BWS or Dan Murphy's stores. The agreement will formalise how Woolworths and Endeavour will collaborate at these co-located sites to ensure that Endeavour has continued access to certain facilities which are under the control of Woolworths at the co-located site.

Woolworths will also be Endeavour's preferred partner for facility management to the majority of Endeavour's Retail stores and tailored replenishment services across Endeavour Group.

Total payments by Endeavour to Woolworths under the Supply Chain & Stores arrangements are estimated to be \$379 million in F21.

(b) Loyalty & Fintech

Woolworths Group and Endeavour Group will collaborate in respect of Loyalty (Everyday Rewards), Customer Payments and Gift Cards services. In particular, BWS will continue to be a partner in the Everyday Rewards program, and Woolworths Group and Endeavour Group will be partners in relation to the ongoing marketing and honouring of Woolworths Group branded gift cards. Woolworths Group will provide customer payment services to Endeavour from point of sale through to settlement, with merchant service fees charged to Endeavour on a cost recovery basis.

Endeavour Group will partner with Woolworths for Loyalty services in connection with the BWS business. The arrangements contemplate that Woolworths and Endeavour Group will be each other's preferred partner for BWS' retail loyalty arrangements. The term of the agreement is five years, subject to the mid-term review process noted above. Total payments by Endeavour to Woolworths under the Loyalty & Fintech arrangements are estimated to be \$72 million in F21.

(c) Digital & Media

As part of the Digital & Media partnership, Woolworths Group will provide Endeavour Group with access to an additional online retail channel by enabling BWS' liquor range to be available on woolworths.com.au. These arrangements reflect that Woolworths Group and Endeavour Group will treat each other as a preferred partner for this online channel. Woolworths Group will also collaborate with Endeavour Group across their respective marketing channels (such as catalogues, receipts and in-store point of sale) and develop food and liquor cross-shop opportunities through joint promotional activities.

Total payments by Endeavour to Woolworths under the Digital & Media arrangements are estimated to be \$19 million in F21.

(d) Business Support

IT Services Agreement: Woolworths and Endeavour will enter into an IT Services Agreement under which Endeavour Group will receive IT services from Woolworths Group to ensure operational continuity (such as supporting the core retail systems underpinning both BWS and Dan Murphy's) while also supporting Endeavour Group in its transition to an independent operation. The term of the agreement is up to five years with a possible extension of a further 12 months.

Other business services: Woolworths Group will also provide Endeavour Group with people, financial, procurement and other incidental business services ensuring business continuity beyond the Demerger until such time that Endeavour Group is in a position to establish its own support services.

Total payments by Endeavour to Woolworths under the Business Support arrangements are estimated to be \$94 million in F21.



7.10 PARTNERSHIP AGREEMENTS (CONTINUED)

(e) International

Woolworths Group and Endeavour Group will collaborate to offer Pinnacle Drinks brands and products to Woolworths for their sale in Woolworths' retail network in New Zealand and distribute Pinnacle Drinks brands and products outside Australia and New Zealand through Woolworths' international distribution networks. The initial term of these agreements is five years.

Total payments by Woolworths to Endeavour that relate to the value of products sold to Woolworths to sell or distribute under the International arrangement are estimated to be \$13 million in F21.

(f) Preferred partner arrangements

During the term of the Commercial Alliance Agreement, Endeavour and Woolworths have agreed to treat each other as their preferred partner in respect of future material strategic commercial initiatives which lend themselves to having a Woolworths or Endeavour business involved. Further, the parties will acquire various services from each other pursuant to the Partnership Agreements on certain conditions during the term of the relevant agreement. The conditions of each such supply arrangement are summarised in the table below.

SUPPLY AGREEMENT	TERM	RELEVANT CONDITION	
		ENDEAVOUR MUST:	WOOLWORTHS MUST:
eCommerce	Five years	not permit the sale of its BWS products on specified retailers' eCommerce platforms	not permit specified liquor retailers to sell their products on Woolworths' eCommerce platforms
Loyalty	Five years	ensure BWS does not: <ul style="list-style-type: none">participate in specified classes of third party loyalty programs; oroffer loyalty benefits other than Everyday Rewards loyalty benefits and ensure BWS only uses Everyday Rewards as the platform for certain exclusive customer offers	<ul style="list-style-type: none">not permit any other liquor retailer or supplier to participate in the Everyday Rewards program; andnot operate as a liquor retailer within Australia whether through physical or digital presence
Supply Chain	Lease term of respective regional distribution centre	generally not appoint other providers for the services where Woolworths provides a supply chain service to Endeavour as at the date of entry into the Supply Chain Agreement	not provide supply chain services in relation to drinks products to a liquor retail competitor or an on-premise competitor of Endeavour
Subleases	Matched to head lease duration	only use subleased premises for retail liquor sales and the ancillary retail sale of non-liquor products and snack lines	not grant any other sublease for use for retail liquor sales where there is an Endeavour partner store
Master Property Agreement	Matched to maximum head lease duration	until 31 December 2030, give Woolworths a right of first refusal if it intends to develop a site with grocery	until 31 December 2030, give Endeavour a right of first refusal if it intends to develop a site with liquor

7.10 PARTNERSHIP AGREEMENTS (CONTINUED)

(g) Subleases between Woolworths and Endeavour

While Endeavour Group is the tenant for a majority of site lease arrangements, certain BWS and Dan Murphy's stores occupy premises leased to Woolworths Group. Woolworths has, or will have, prior to the Separation Date, entered into approximately 560 subleases with Endeavour in respect of these subleased premises.

The Sublease Arrangements provide for a sharing of the costs of the Woolworths Group leases based on the BWS or Dan Murphy's proportion of trading area with Woolworths Group not intended to profit from the entry into these subleases.

The key terms and conditions of the subleases are as follows:

TERM	DESCRIPTION
Form	Each sublease is a separate agreement. The subleases are generally in identical form, save for lease particulars, option term arrangements (see below) and state specific formatting.
Head lease	The subleases contain an obligation on Endeavour to perform and observe Woolworths' obligations as tenant under the head lease that relate to the liquor premises. This includes any obligation to repaint or refurbish the liquor premises. Endeavour must not do anything which would constitute a breach of the head lease or prejudice Woolworths' interest in the head lease. There is an obligation on Woolworths to observe and perform its obligations under the head lease. The sublease automatically terminates if the head lease is terminated or surrendered for any reason.
Commencement date and term	Most of the subleases commenced on 3 February 2020, being approximate to the time of the Restructure. The term and further terms of each sublease align with the term and further terms under the relevant head lease, minus one day. Initial terms of the relevant head lease are between five and 12 years.
Option terms	Where Woolworths exercises its option to renew the head lease, it must offer a further term to Endeavour. However, in circumstances where head leases include an obligation to trade as a liquor store, Endeavour is obliged to exercise its option if Woolworths does.
Occupancy costs	The rent and outgoings payable are calculated according to the proportion of the area of the liquor premises against the area of the whole premises. All occupancy costs must be paid by Endeavour to Woolworths, with any adjustments to outgoings to be made at the end of the financial year.
Turnover	Endeavour must comply with Woolworths' obligations under the head lease relating to maintaining records of turnover, and providing statements of turnover to Woolworths in the form and at the times required under the head lease.
Maintenance and repair	Endeavour must keep the premises in good and tenantable repair and condition. Endeavour is not responsible for structural repairs or repairs for damage resulting from reasonable fair wear and tear, fire, storm, earthquake and other customary matters, except to the extent the damage or need for repair was caused or contributed to by Endeavour. These matters are the responsibility of the head landlords under the head leases.
Amenity	Endeavour must not do anything that would detract from the amenity of the supermarket premises or interfere with Woolworths' business; this includes reducing the visibility of the shop front of the supermarket premises, reducing or interfering with access to and from the supermarket, or interfering with the efficient operation of the loading docks servicing the supermarket premises.
Liquor licence	Endeavour is the beneficial owner of the liquor licence. However, it can only vary the terms and conditions of the liquor licence with Woolworths' consent, which is not to be unreasonably withheld or delayed.
Dealings	Endeavour must not assign, sublet or license without Woolworths' consent. Consent may be granted or withheld at Woolworths' absolute discretion. A change in control of Endeavour is a breach of the sublease.



7.10 PARTNERSHIP AGREEMENTS (CONTINUED)

TERM	DESCRIPTION
Make good obligations	Endeavour is required to leave the liquor premises in good and tenantable repair and condition. Where Woolworths is vacating the supermarket on or around the end date of the sublease, Endeavour must comply with the make good obligations under the head lease. Where Woolworths is not vacating the supermarket on or around the end date of the sublease, Endeavour must put the premises back to Base Building Condition, as defined in the sublease.
Damage and destruction	Any rent abatement granted due to damage and destruction of the premises under the head lease must be passed on to Endeavour in the proportion that the liquor premises is affected. Woolworths must enforce any of its rights against the head lessor to reinstate the premises if requested by Endeavour.
Relocation	If the head lease allows Woolworths to relocate the premises, Endeavour must relocate the liquor premises so that it continues to form part of the supermarket premises.

The ASX has granted a waiver to Woolworths from ASX Listing Rule 10.1 to the extent necessary to permit Woolworths and Endeavour to enter into the subleases described above without shareholder approval. The approval is conditional on, among other conditions, this Demerger Booklet adequately disclosing the material terms of the subleases.

7.11 DEED OF CROSS GUARANTEE

Endeavour and its wholly owned subsidiaries are parties to a deed of cross guarantee dated 4 February 2020 (Endeavour Cross Guarantee). Under the Endeavour Cross Guarantee, Endeavour and its wholly owned subsidiaries (including ALH Group) guarantee, to each creditor of those companies, payment in full of any debt in accordance with the deed. The guarantees take effect upon the winding up of any company in the Endeavour Group that is a party to the Endeavour Cross Guarantee.

The effect of entering the Endeavour Cross Guarantee and complying with other ASIC requirements will be that wholly owned subsidiaries of Endeavour are not required to prepare standalone annual financial reports, on the basis that Endeavour will prepare a consolidated financial report for itself and its subsidiaries.

7.12 FOREIGN JURISDICTIONS AND SELLING RESTRICTIONS

This Demerger Booklet has been prepared to comply with the requirements of the laws of Australia.

The distribution of this Demerger Booklet outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. Woolworths disclaims all liabilities to such persons.

No action has been taken to register or qualify this Demerger Booklet or the Endeavour Shares in any jurisdiction outside Australia. Nominees, custodians and other Woolworths Shareholders who hold Woolworths Shares on behalf of a beneficial owner resident outside Australia and its external territories, Canada, Hong Kong, Malaysia, New Zealand, Singapore, the United Kingdom or the United States may not forward this Demerger Booklet (or accompanying documents) to anyone outside these countries without the consent of Woolworths.

Woolworths Shareholders who reside outside Australia should refer to the “Foreign jurisdictions and Shareholders” section of the “Important notices” at the beginning of this Demerger Booklet.

7.12 FOREIGN JURISDICTIONS AND SELLING RESTRICTIONS (CONTINUED)

(a) Canada

This Demerger Booklet may be distributed, and the Endeavour Shares distributed, in Canada solely to existing Woolworths Shareholders in reliance upon exemptions from the prospectus and registration requirements of the applicable Canadian securities law in each province and territory of Canada. No securities commission in Canada has reviewed or in any way passed upon this Demerger Booklet or the merits of the Demerger.

(b) Hong Kong

WARNING: The contents of this Demerger Booklet have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Demerger. If you are in any doubt about any of the contents of this Demerger Booklet, you should obtain independent professional advice.

Unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Demerger Booklet in Hong Kong nor the Endeavour Shares may be offered or sold in Hong Kong, other than to persons who are “professional investors” as defined in the *Securities and Futures Ordinance* (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder or in other circumstances which do not result in the document being a “prospectus” as defined in the *Companies (Winding Up and Miscellaneous Provisions) Ordinance* (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of the *Companies (Winding Up and Miscellaneous Provisions) Ordinance*.

No person may issue or have in its possession for the purpose of issue, this Demerger Booklet or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the *Securities and Futures Ordinance* (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

Copies of this Demerger Booklet may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this Demerger Booklet, or any offer or an invitation in respect of these securities, to the public in Hong Kong. This Demerger Booklet is for the exclusive use of Woolworths Shareholders in connection with the Demerger, and no steps have been taken to register or seek authorisation for the issue of this Demerger Booklet in Hong Kong.

This Demerger Booklet is confidential to the person to whom it is addressed and no person to whom a copy of this Demerger Booklet is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Demerger Booklet to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with consideration of the Demerger by the person to whom this Demerger Booklet is addressed.

(c) Malaysia

This Demerger Booklet may be distributed, and the Endeavour Shares distributed, in Malaysia solely to existing Woolworths Shareholders. This Demerger Booklet does not constitute an offer of securities in Malaysia and no approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to this Demerger Booklet.

(d) New Zealand

The Endeavour Shares being offered under this Demerger Booklet are offered to Woolworths Shareholders with registered addresses in New Zealand in reliance on the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016* (New Zealand). This Demerger Booklet is not a product disclosure statement under New Zealand law and has not been registered, filed with, or approved by the Financial Markets Authority or any other New Zealand regulatory authority or under or in accordance with the *Financial Markets Conduct Act 2013* (New Zealand) or any other relevant law in New Zealand. It may not contain all the information that a product disclosure statement is required to contain under New Zealand law.



7.12 FOREIGN JURISDICTIONS AND SELLING RESTRICTIONS (CONTINUED)

(e) Singapore

This Demerger Booklet has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Demerger Booklet and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Endeavour Shares may not be circulated or distributed, nor may the Endeavour Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) pursuant to section 272(1) of the *Securities and Futures Act, Chapter 289 of Singapore* (SFA) or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Any offer is not made to you with a view to the Endeavour Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly. Neither this Demerger Booklet nor any copy of it may be taken or transmitted into any country where the distribution or dissemination is prohibited. This Demerger Booklet is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person.

If you are in any doubt in relation to this Demerger Booklet or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax advisor or other professional advisor immediately. Nothing in this Demerger Booklet constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

(f) United Kingdom

Neither the information in this Demerger Booklet nor any other document relating to the Demerger has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended (FSMA)) has been published or is intended to be published in respect of the Endeavour Shares.

This Demerger Booklet does not constitute an offer of transferable securities to the public within the meaning of the *Prospectus Regulation (2017/1129/EU)* or the FSMA. Accordingly, this Demerger Booklet does not constitute a prospectus for the purpose of the Prospectus Regulation or the FSMA. Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the Endeavour Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to Woolworths.

In the United Kingdom, this Demerger Booklet is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members of certain bodies corporate) of the *Financial Services and Markets Act 2000 (Financial Promotions) Order 2005*, or (ii) to whom it may otherwise be lawfully communicated (together, "relevant persons").

The investments to which this Demerger Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Demerger Booklet or any of its contents.

(g) United States

This Demerger Booklet has not been filed with, or reviewed by, the US Securities and Exchange Commission or any US state securities authority and none of them has passed upon or endorsed the merits of the Demerger or the accuracy, adequacy or completeness of the Demerger Booklet. Any representation to the contrary is a criminal offence.

The Endeavour Shares have not been, and will not be, registered under the *US Securities Act of 1933* or the securities laws of any US state or other jurisdiction. The Demerger is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

US shareholders of Woolworths should note that the Demerger is made of securities of an Australian company in accordance with the laws of Australia and the listing rules of the ASX. The Demerger is subject to disclosure requirements of Australia that are different from those of the United States.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since Woolworths and Endeavour are located in Australia and most of their officers and directors are residents of Australia. You may not be able to sue their respective officers or directors in Australia for violations of the US securities laws. It may be difficult to compel Woolworths and Endeavour to subject themselves to a US court's judgement.

7.13 TRADING ON A CONDITIONAL AND DEFERRED SETTLEMENT BASIS

Endeavour Shares are expected to trade on a conditional and deferred settlement basis from the commencement of trading on 24 June 2021.

Trades occurring on the ASX on and from 24 June 2021 until the trading day before the Implementation Date will be conditional on the transfer of Endeavour Shares to Eligible Shareholders under the Demerger. The transfer of Endeavour Shares to Eligible Shareholders is expected to occur on the Implementation Date. If the transfer of Endeavour Shares to Eligible Shareholders does not occur on the Implementation Date, the relevant condition for the conditional and deferred settlement is not satisfied. In such circumstance (unless otherwise approved by the ASX), there is a risk that all trades conducted during the conditional and deferred settlement trading period will be invalid and will not settle.

It is the responsibility of each Eligible Shareholder to confirm their holding before trading in Endeavour Shares to avoid the risk of selling shares they do not own. Holders of Endeavour Shares who sell their shares before they receive their holding statement or confirm their uncertificated holdings of Endeavour Shares do so at their own risk.

Endeavour Shares will commence trading on the ASX on a normal settlement basis from the Implementation Date (or such other date as the ASX requires).

7.14 NO OTHER MATERIAL INFORMATION

Except as set out in this Demerger Booklet, there is no other information material to the making of a decision in relation to the Demerger, being information that is within the knowledge of any Woolworths Director, which has not been previously disclosed to Shareholders.

7.15 SUPPLEMENTARY DISCLOSURE

Woolworths will issue a supplementary document to this Demerger Booklet if it becomes aware of any of the following between the date of this Demerger Booklet and the General Meeting:

- a material statement in this Demerger Booklet being misleading or deceptive;
- a material omission from this Demerger Booklet; or
- a significant change affecting a matter included in this Demerger Booklet.

The form which the supplementary document may take, and whether a copy will be sent to each Shareholder, will depend on the nature and timing of the new or changed circumstances. Any such supplementary document will be made available on Woolworths' website (www.woolworthsgroup.com.au) and released to the ASX (and, accordingly, available from ASX's website (www.asx.com.au)).



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Glossary

Section



TERM	DEFINITION
AASB	means Australian Accounting Standards Board.
AASB 16	means Australian Accounting Standard AASB 16 <i>Leases</i> .
AEST	means Australian Eastern Standard Time.
AGM	means annual general meeting.
ALH	means ALH Group Pty Ltd ABN 68 098 212 134.
ALH Group	means ALH and its subsidiaries.
ALH Merger	means the acquisition by Endeavour of BMG's 25% shareholding in ALH pursuant to the ALH Share Sale Deed entered into by Woolworths, Endeavour and BMG on 3 July 2019.
ALH Share Sale Deed	means the ALH Share Sale Deed entered into by Woolworths, Endeavour and BMG on 3 July 2019, as amended and as described in <u>Section 7.9(c)(i)</u> .
ASIC	means Australian Securities and Investments Commission.
ASX	means the Australian Securities Exchange market, as operated by ASX Limited ABN 98 008 624 691.
ASX Listing Rules	means the rules, as amended from time to time, that govern the admission, quotation, suspension and removal of entities from the Official List.
ASX Settlement	means ASX Settlement Pty Limited ABN 49 008 504 532.
ATO	means Australian Taxation Office.
AUD, A\$, \$ or Australian dollar or cent	means the lawful currency of the Commonwealth of Australia.
Australian Accounting Standards or AAS	means the Australian Accounting Standards and other authoritative pronouncements including interpretations issued by the AASB.
BMG	means Bruce Mathieson Group, a group of private companies controlled by the family of Mr Bruce Mathieson Sr.
Bruandwo	means Bruandwo Pty Ltd and its subsidiaries.
Business Day	means any day that is each of the following: <ul style="list-style-type: none"> • a "Business Day" within the meaning given in the ASX Listing Rules; and • a day that banks are open for business in both Sydney, New South Wales and Melbourne, Victoria.
CAGR	means compound annual growth rate.
Capital Reduction	means an equal reduction of the share capital of Woolworths by the Capital Reduction Amount, to be effected and satisfied by the transfer of Endeavour Shares.



TERM	DEFINITION
Capital Reduction Amount	<p>means the amount of Woolworths' share capital that is to be reduced in accordance with the following formula:</p> $A = (B / (B+C)) \times D$ <p>where:</p> <p>A = Capital Reduction Amount;</p> <p>B = Endeavour Group market value, being the VWAP of Endeavour Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of Endeavour Shares on the ASX multiplied by the number of Endeavour Shares transferred to Woolworths Shareholders under the Demerger (which will equal the number of Woolworths Shares on issue on the Demerger Record Date);</p> <p>C = Woolworths Group market value, being the VWAP of Woolworths Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of Endeavour Shares on the ASX multiplied by the number of Woolworths Shares on issue on the Demerger Record Date; and</p> <p>D = Woolworths Share Capital Amount.</p>
Capital Reduction Resolution	means the ordinary resolution to approve the Capital Reduction under section 256C(1) of the Corporations Act, to be considered by Shareholders at the General Meeting, the form of which is set out in resolution 1(b) of the Notice of Meeting in this Demerger Booklet.
CEO	means the Chief Executive Officer.
CFO	means the Chief Financial Officer.
CGT	means Australian capital gains tax.
CHESS	means the clearing house electronic subregister system of share transfers operated by ASX Settlement in accordance with the Corporations Act.
Class Ruling	<p>means the class ruling that Woolworths has applied for from the Commissioner confirming that certain income tax implications of the Demerger for Woolworths Shareholders, including that:</p> <ul style="list-style-type: none"> • demerger tax relief will be available under Division 125 of the <i>Income Tax Assessment Act 1997</i> (Cth) in relation to the Demerger; and • no determination will be made under section 45B of the <i>Income Tax Assessment Act 1936</i> (Cth) in respect of the Capital Reduction or the Demerger Dividend, <p>as referred to in Section 6.</p>
Commissioner	means the Australian Commissioner of Taxation.
Conditional and deferred settlement trading	means, as further described in Section 7.13 , trading on the basis that settlement of the trades will occur at a later time than the usual T+2 settlement (i.e. deferred) and that, if the Demerger is terminated before implementation, all trades conducted prior to the date of termination will be invalid and will not settle (i.e. conditional on the implementation of the Demerger).
Conditions Precedent	means the conditions precedent to the Demerger set out in Section 5.1 .
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Demerger	means the proposed demerger of Endeavour Group from Woolworths Group, to be implemented pursuant to the Capital Reduction and the Demerger Dividend in the manner more fully described in this Demerger Booklet.

TERM	DEFINITION
Demerger Approval Resolution	means the ordinary resolution to approve the Demerger and all agreements and arrangements entered into by Woolworths and Endeavour and their respective related bodies corporate to give effect to the Demerger, to be considered by Shareholders at the General Meeting, the form of which is set out in resolution 1(a) in the Notice of Meeting in this Demerger Booklet.
Demerger Booklet	means this document, including each Annexure and the Notice of Meeting.
Demerger Deed	means the Demerger Deed entered into by Woolworths and Endeavour on or around 10 May 2021.
Demerger Distribution Amount	means the VWAP of Endeavour Shares on the ASX, whether on a deferred or normal settlement basis, over the first five trading days following the quotation of Endeavour Shares on the ASX (including the day of quotation of Endeavour Shares), multiplied by the number of Woolworths Shares on issue at the Demerger Record Date.
Demerger Dividend	means the dividend to be determined to be paid on each Woolworths Share as part of the Demerger, being equal to the Demerger Dividend Amount divided by the number of Woolworths Shares on issue at the Demerger Record Date.
Demerger Dividend Amount	means the Demerger Distribution Amount less the Capital Reduction Amount.
Demerger Record Date	means the time and date which determine the entitlements of Shareholders to Endeavour Shares under the Demerger, which is expected to be 7:00pm (AEST), Friday, 25 June 2021 or such other date determined by the Woolworths Board and advised to Shareholders.
Demerger Resolutions	means the Demerger Approval Resolution and the Capital Reduction Resolution.
Demerger Tax Relief	has the meaning given in <u>Section 6.1(b)</u> .
Demerger Website	means www.woolworthsgroup.com.au/demerger .
EBIT	means earnings before interest and tax.
EBITDA	means earnings before interest, tax, depreciation and amortisation.
EGM Entitlements	means EGM permits, entitlements or licences (depending on state or territory).
EGMs	means electronic gaming machines.
Eligible Shareholder	<p>means a Shareholder whose address is shown in the Woolworths Share Register on the Demerger Record Date in the following jurisdictions:</p> <ul style="list-style-type: none"> • Australia and its external territories, Canada, Hong Kong, Malaysia, New Zealand, Singapore, the United Kingdom, the United States; or • any other jurisdiction in which Woolworths reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and to transfer Endeavour Shares to the Shareholder.
Employee Incentive Resolution	means the ordinary resolution to approve the team member incentive arrangements to be considered by Shareholders at the General Meeting, the form of which is set out in resolution 2 of the Notice of Meeting in this Demerger Booklet.
Endeavour	means Endeavour Group Limited ABN 77 159 767 843.
Endeavour Board	means the board of directors of Endeavour from time to time.



TERM	DEFINITION
Endeavour Constitution	means the constitution of Endeavour to take effect on or prior to Endeavour's listing on the ASX.
Endeavour Cross Guarantee	means a deed of cross guarantee dated 4 February 2020 entered into by Endeavour and its wholly owned subsidiaries which provides that Endeavour and its wholly owned subsidiaries that are relevant parties to the deed (including ALH Group), guarantee to each creditor of those companies, payment in full of any debt in accordance with the deed and will become effective upon the winding up of any company in the Endeavour Group that is a party to the deed.
Endeavour Director	means each of the directors of Endeavour from time to time.
Endeavour Group	means Endeavour and its subsidiaries.
Endeavour Group Business	means the business and investments of Endeavour Group (including its subsidiaries) as described in Section 3.1 .
Endeavour Group Facilities	means the bilateral bank loan facilities outlined in Section 3.10(b) .
Endeavour Group Pro Forma Historical Financial Information	has the meaning given in Section 3.13 .
Endeavour Liabilities	means the relevant liabilities of Woolworths and the transferring entities associated with the Woolworths Drinks Business, as further described in the Restructure Scheme.
Endeavour Litigation	means the relevant litigation or claims by or against Woolworths or a transferring entity associated with the Woolworths Drinks Business, as further described in the Restructure Scheme.
Endeavour Share	means a fully paid ordinary share in the capital of Endeavour.
Endeavour Share Register	means the register of Endeavour Shares.
Endeavour Share Registry	means Link Market Services Limited ABN 54 083 214 537.
Endeavour Shareholder	means a registered holder of an Endeavour Share.
ESG	means environmental, social and governance.
Everyday Rewards	means the loyalty program owned and operated in Australia by Woolworths.
Financial Information	means the Woolworths Group Historical Financial Information, the Woolworths Group (Post Demerger) Pro Forma Historical Financial Information and the Endeavour Group Pro Forma Historical Financial Information.
F18	means the 52 week period ended 24 June 2018.
F19	means the 53 week period ended 30 June 2019.
F20	means the 52 week period ended 28 June 2020.
F21	means the 52 week period ended 27 June 2021.
General Meeting	means the general meeting of Shareholders to consider the Meeting Resolutions at the General Meeting to be held on Friday, 18 June 2021.
GST	means goods and services or similar tax imposed in Australia.

TERM	DEFINITION
Hotels	means Endeavour Group's on-premise venue operations as outlined in Section 3.4(c) .
H1 F20	means the 27 week period ended 5 January 2020.
H1 F21	means the 27 week period ended 3 January 2021.
IFRS	means International Financial Reporting Standards.
Implementation Date	means the date of final implementation steps of the Demerger and the transfer of Endeavour Shares to Eligible Shareholders (other than Selling Shareholders) and the Sale Agent pursuant to the Demerger Resolutions, which is expected to be Thursday, 1 July 2021 or such other date as determined by the Woolworths Board.
Independent Accountant	means Deloitte Corporate Finance Pty Limited ABN 19 003 833 127.
Independent Accountant's Report	means the independent limited assurance report of the Independent Accountant on the Financial Information set out in Annexure B .
Independent Expert	means Grant Samuel & Associates Pty Limited ABN 28 050 036 372, AFSL 240985.
Independent Expert's Report	means the report of the Independent Expert (a concise version of which is set out in Annexure A). A copy of the full version can be obtained by calling the Woolworths Share Registry on 1300 420 545 (within Australia) or +61 1300 420 545 (outside Australia) on Business Days between 8:30am and 7:30pm (AEST) Monday to Friday or from Woolworths' website (www.woolworthsgroup.com.au), and any update to such report that the Independent Expert issues.
Industry Data	means data relating to the retail drinks and hospitality industries in which Endeavour Group operates.
Ineligible Shareholder	means a Shareholder who is not an Eligible Shareholder.
IPO	means initial public offering.
LTI	has the meaning given in Annexure C .
Meeting Resolutions	means the Demerger Resolutions and the Employee Incentive Resolution.
Monty's Rewards	means the loyalty program owned and operated by ALH Group.
My Dan's	means the loyalty program owned and operated by Endeavour.
Notice of Meeting	means the notice of General Meeting set out in this Demerger Booklet.
NPAT	means net profit after tax.
Official List	means the official list of entities that the ASX has admitted to and not removed from listing.
Partnership Agreements	means the partnership agreements to be entered into between Woolworths and Endeavour as described in Sections 3.9 and 7.10 .
Proxy Form	means the proxy form for the General Meeting accompanying this Demerger Booklet (or any replacement or substitute proxy form).



TERM	DEFINITION
Restructure	means the restructure of Woolworths Group whereby the Woolworths Drinks Business and 75% ownership interest in ALH were transferred to Endeavour Group with effect from 2 February 2020.
Restructure Booklet	means the Restructure Booklet of Woolworths dated 4 November 2019.
Restructure Deed	means the Restructure Deed between Woolworths and Endeavour dated 31 January 2020 as described in <u>Section 7.9(b)(i)</u> .
Restructure Scheme	means the compromise and arrangement undertaken in accordance with Part 5.1 of the Corporations Act whereby that part of the undertaking of Woolworths and the transferring entities representing the Woolworths Drinks Business was transferred to Endeavour, in the manner described in the Restructure Booklet.
Restructure Scheme Implementation Date	means 2 February 2020, which was the implementation date of the Restructure.
Retail	means Endeavour Group's liquor retailing operations as described in <u>Sections 3.4(a) and 3.4(b)</u> which was previously reported as Endeavour Drinks under Woolworths' reportable segments.
Sale Agent	means the person nominated by Woolworths to sell or facilitate the sale of Endeavour Shares under the Sale Facility as described in <u>Section 5.4</u> .
Sale Facility	means the facility to be established by Woolworths and managed by the Sale Agent under which Ineligible Shareholders' Endeavour Shares and Selling Shareholders' Endeavour Shares may be sold in accordance with the terms described in <u>Section 5.4</u> .
Sale Facility Form	means the form to be completed by a Small Shareholder to elect to participate in the Sale Facility.
Sale Facility Proceeds	means the cash proceeds (free of any brokerage costs or stamp duty, but after deducting any applicable withholding tax) from the sale of an Ineligible Shareholder's Endeavour Shares and a Selling Shareholder's Endeavour Shares under the Sale Facility, calculated on an averaged basis so that all Ineligible Shareholders and Selling Shareholders receive the same price for each Endeavour Share sold on their behalf.
Selling Shareholders	means Small Shareholders who validly elect to have their Endeavour Shares sold pursuant to the Sale Facility.
Separation Date	means the date Woolworths and Endeavour separate (expected to be 12:01am (AEST), Monday, 28 June 2021), with final implementation steps including the transfer of Endeavour Shares to Eligible Shareholders (other than Selling Shareholders) and the Sale Agent pursuant to the Demerger Resolutions, to occur by the Implementation Date or such other date as determined by the Woolworths Board.
Shareholder	means a Woolworths Shareholder.
Small Shareholder	means an Eligible Shareholder who individually holds 800 or fewer Woolworths Shares as at the Demerger Record Date.
STI	has the meaning given in <u>Annexure C</u> .
Sublease Arrangements	means the subleasing arrangements between Woolworths Group and Endeavour Group as described in <u>Section 7.10(f)</u> .
Voting Record Date	means 7:00pm (AEST), Wednesday, 16 June 2021.

TERM	DEFINITION
VWAP	means the volume weighted average price of the shares traded on the ASX during the relevant period, except for trades otherwise than in the ordinary course of trading.
Woolworths	means Woolworths Group Limited ABN 88 000 014 675.
Woolworths Board	means the board of directors of Woolworths from time to time.
Woolworths Director	means each of the directors of Woolworths from time to time.
Woolworths Drinks Business	means the business division owned by Woolworths at the time of the Restructure (including Dan Murphy's, BWS, Langton's, Cellarmasters, Jimmy Brings, Shorty's Liquor and Pinnacle Drinks), then known as Endeavour Drinks Group, which under the Restructure was transferred to Endeavour on 2 February 2020.
Woolworths Group	means Woolworths and its subsidiaries.
Woolworths Group Historical Financial Information	has the meaning given in Section 4.6 .
Woolworths Group (Post Demerger)	means Woolworths Group excluding Endeavour Group.
Woolworths Group (Post Demerger) Pro Forma Historical Financial Information	has the meaning given in Section 4.6 .
Woolworths Share	means a fully paid ordinary share in the capital of Woolworths.
Woolworths Share Capital Amount	means the balance in Woolworths' share capital account immediately prior to the Separation Date.
Woolworths Share Register	means the share register of Shareholders maintained by or on behalf of Woolworths in accordance with section 168(1) of the Corporations Act.
Woolworths Share Registry	means Link Market Services Limited ABN 54 083 214 537.
Woolworths Shareholder	means a registered holder of a Woolworths Share.

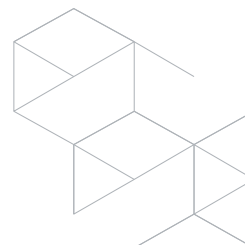


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Concise Independent Expert's Report

Annexure

GRANT SAMUEL



10 May 2021

The Directors
Woolworths Group Limited
1 Woolworths Way
Bella Vista NSW 2153

Dear Directors

**Concise Independent Expert's Report in relation to the
Proposed Demerger of Endeavour Group Limited by Woolworths Group Limited**

1 Introduction

On 3 July 2019, Woolworths Group Limited ("Woolworths Group") announced the intention to combine its retail drinks business and ALH Group Pty Ltd ("ALH Group") to create Endeavour Group Limited ("Endeavour Group") (the "Restructure and Merger") and pursue a separation of Endeavour Group through a demerger or other value accretive alternative (such as an initial public offering or sale to a third party). The Restructure and Merger was completed on 4 February 2020 and resulted in Bruce Mathieson Group ("BMG") exchanging its 25% shareholding in ALH Group for a 14.6% interest in Endeavour Group, with the remaining 85.4% of Endeavour Group owned by Woolworths Group.

In March 2020, the separation of Endeavour Group was postponed as Woolworths Group prioritised its response to the COVID-19 pandemic amid a highly uncertain operating environment. However, work continued to prepare Endeavour Group to operate as a standalone business, including the implementation of partnership agreements with Woolworths Group. On 24 February 2021, in conjunction with the release of its 1HY21¹ results, Woolworths Group announced that the separation of Endeavour Group was expected to take place in June 2021, most likely by way of a demerger of Endeavour Group to create a separate listed company on the Australian Securities Exchange ("ASX") (the "Demerger")². Woolworths Group will retain a 14.6% equity interest in Endeavour Group, with its remaining 70.8% shareholding distributed to Woolworths Group shareholders on the basis of one Endeavour Group share for each Woolworths Group share held.

The Demerger is to be effected via a distribution of Endeavour Group shares by way of a return of capital and a dividend ("demerger dividend") to Woolworths Group shareholders. The following steps are required to implement the Demerger (if it is approved by Woolworths Group shareholders and other conditions precedent are satisfied or waived):

- Woolworths Group will undertake the capital reduction;
- the Woolworths Group Board will declare, and Woolworths Group will pay, the demerger dividend;
- by application to the ASX, Endeavour Group will be admitted to the Official List and shares in Endeavour Group will be quoted to trade on the market operated by the ASX; and

¹ 1HY21 is the 27 weeks ended 3 January 2021.

² The legal and accounting separation of Woolworths Group and Endeavour Group will occur on the separation date (expected to be 28 June 2021) and the Demerger will be implemented on 1 July 2021.

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- the capital reduction and the demerger dividend will be satisfied through the transfer by Woolworths Group of Endeavour Group shares to Woolworths Group shareholders (other than ineligible shareholders³ and selling shareholders⁴).

The effect of the Demerger is that Woolworths Group shareholders (other than ineligible shareholders and selling shareholders) will receive shares in Endeavour Group that represent, in aggregate, 70.8% of Endeavour Group's issued capital. BMG will hold a 14.6% interest in Endeavour Group. Woolworths Group will hold the remaining 14.6% of Endeavour Group as well as its other business operations and will remain listed on the ASX. The ongoing company is referred to in this report, where the context requires it, as "Woolworths Group post Demerger". BMG's and Woolworths Group's shareholdings in Endeavour Group will not be subject to any escrow or retention arrangements.

Ineligible shareholders and selling shareholders will not receive Endeavour Group shares. Such shareholders will receive in cash the proceeds from the sale on the ASX of the Endeavour Group shares to which they would otherwise have been entitled (free of any brokerage costs or stamp duty but after deducting any applicable withholding tax).

The Demerger requires Woolworths Group shareholders to pass an ordinary resolution to approve the capital reduction pursuant to Section 256C of the *Corporations Act, 2001 (Cth)* ("Corporations Act"). Woolworths Group shareholders will also be asked to approve the Demerger and all agreements and arrangements entered into by Woolworths Group and Endeavour Group to give effect to the Demerger.

If the Demerger is approved and implemented, Woolworths Group and Endeavour Group will operate independently of each other apart from the following ongoing key arrangements:

- subleasing arrangements for approximately 560 BWS and *Dan Murphy's* stores (out of a total of 1,630 stores) (where the stores occupy premises leased to Woolworths Group); and
- Partnership Agreements across five key platforms – supply chain and stores, loyalty and fintech, digital and media, business support and international. The business support agreements are focused on business continuity for a limited period while Endeavour Group establishes its own standalone capabilities. The other agreements are medium and long term partnership arrangements that are intended to be mutually beneficial to Woolworths Group and Endeavour Group.

The Woolworths Group Board has unanimously recommended that shareholders vote in favour of the Demerger. Each Woolworths Group director who holds or controls Woolworths Group shares intends to vote in favour of the Demerger.

The directors of Woolworths Group have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Demerger is in the best interests of Woolworths Group shareholders. Grant Samuel has also been requested to give its opinion as to whether the demerger dividend and the capital reduction associated with the Demerger materially prejudices Woolworths Group's ability to pay its existing creditors.

This concise report contains a summary of Grant Samuel's opinion and main conclusions and will accompany the Notice of Meeting and Explanatory Memorandum ("Demerger Booklet") to be sent to shareholders by Woolworths Group. It includes all material information contained in the full report. The full report from which this concise report has been extracted is available on Woolworths Group's website and will be mailed to shareholders on request. Both reports have been submitted to the Australian Securities & Investments Commission ("ASIC") and the ASX. ASIC and the ASX take no responsibility for the content of the reports.

³ Woolworths Group shareholders other than those with registered addresses in Australia or its external territories, or in Canada, Hong Kong, Malaysia, New Zealand, Singapore, the United Kingdom or the United States or any other jurisdiction in respect of which Woolworths Group reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and to transfer Endeavour Group shares to Woolworths Group shareholders.

⁴ Woolworths Group shareholders who individually hold 800 or fewer Woolworths Group shares on the Demerger record date who elect to have the Endeavour Group shares that they would otherwise receive under the Demerger sold on the ASX via a share sale facility.

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**2 Opinion**

In Grant Samuel's opinion, the Demerger is in the best interests of Woolworths Group shareholders.

3 Summary and Conclusions

Retail drinks has been part of Woolworths Group's business operations for approximately 60 years, and its entry into the hotel sector was an outcome of a desire to expand this business into Queensland, where licensing laws require that retail liquor stores are operated by a hotelier. Woolworths Group facilitated this expansion through a joint venture with BMG (and others) in 2001, initially to buy and operate hotels in Queensland. The joint venture was highly successful, culminating in the formation of ALH Group in 2005 which grew to become Australia's largest hotels business.

Recognising its potential, BMG has been keen to accelerate ALH Group's hotels business (now the Hotels division of Endeavour Group) growth in the fragmented hotels sector. However, this desire has, at times, differed from the interests of Woolworths Group which:

- had to prioritise investment in its food businesses (particularly in 2016 and 2017) to protect its market share from growing competition from domestic and international competitors; and
- generally required investments or acquisitions undertaken by ALH Group's hotels business to be aligned with Woolworths Group's broader retail strategy (including return on capital profiles), resulting in a lack of appetite for the acquisition of hotels without a retail component and several hotel opportunities being deferred or forgone.

The Woolworths Group board determined that the growth objectives of ALH Group and the Woolworths Group's retail drinks business (given the shared *BWS* and *Dan Murphy's* banners) would be better achieved if they were separated from the food and everyday needs business but on a basis that preserved a seamless integrated customer offering. A merger of Woolworths Group's retail drinks business and ALH Group to establish Endeavour Group and the subsequent separation of the combined entity (with commercial agreements in place) was determined to be the most viable option given the compatibility of both businesses and the Queensland liquor licensing requirements.

The primary advantage of the Demerger is its attraction relative to alternative divestment methods, such as a trade sale or IPO. A trade sale would be challenging to execute, particularly given the size of Endeavour Group (broker valuations have been in the range \$9.3-12.5 billion). There are no obvious trade or strategic acquirers of Endeavour Group (as opposed to financial buyers). A trade sale process would be protracted and disruptive and would have no certainty of success, particularly in current market conditions. Importantly, the process and outcome would not be within Woolworths Group's control and an unsuccessful process could have a material adverse impact on Endeavour Group's business. A 100% IPO of Endeavour Group is highly unlikely to be achievable, again largely due to the size of Endeavour Group. A staged exit, with progressive sell downs over time, is potentially more realistic, but would be wholly dependent on market conditions and pricing at each stage would inevitably reflect some discount. Both a trade sale and an IPO would crystallise a significant capital gains tax liability for Woolworths Group.

In contrast, the Demerger:

- can be executed relatively quickly and with a high degree of certainty;
- provides Woolworths Group shareholders with the opportunity to retain exposure to the upside potential from realisation of significant growth opportunities by Endeavour Group; and
- is expected to provide Woolworths Group shareholders with demerger tax relief, enabling them to defer any tax payable until the sale of their Endeavour Group shares.

The Demerger is definitionally fair as shareholders (except ineligible shareholders and selling shareholders) will hold exactly the same underlying economic interests in the business before and after the Demerger is



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implemented. Evaluation of whether the Demerger is in the best interests of shareholders therefore involves subjective judgements about the benefits such as financial and strategic flexibility and management focus weighed against the risks, costs and other disadvantages of the Demerger, rather than analysis of quantifiable financial or other verifiable factors.

In some circumstances there is a clear case for a demerger because the relevant businesses are in completely different industries or there is some “hidden” value that will emerge through re-rating by the market of the separate companies. This is not the situation with Woolworths Group. The key benefit of the Demerger is that it gives both Endeavour Group and Woolworths Group post Demerger the strategic and financial flexibility to better execute on their core strategies:

- Endeavour Group will have greater ability to take advantage of significant growth opportunities in the retail drinks and hotel hospitality sectors (including new store roll-outs to expand its national footprint, vertical integration in Retail, consolidation of the highly fragmented hotels market and development opportunities across the existing Hotels portfolio). Across its available facilities and its substantial portfolio of freehold properties, Endeavour Group has access to liquidity to fund these growth opportunities. It will also be able to pursue strategic opportunities by offering its own scrip (which is likely to be more attractive to vendors or merger partners than Woolworths Group scrip); and
- Woolworths Group post Demerger will be able to focus on its food and everyday needs business and pursue other opportunities consistent with its retail ecosystem strategy. It will also benefit from an effective increase in available debt facilities and will have the opportunity to undertake capital management initiatives if appropriate.

At the same time, the synergies between the two businesses are expected to be preserved through the Partnership Agreements, including enabling Woolworths Group to continue to provide a seamless customer experience across supermarkets and liquor in Australia.

The Demerger will have other benefits (which are common to most demergers):

- greater board and management focus on each company’s strategic objectives and priorities, enabling decision making appropriate to the risk/return profile of each business and specific operational and regulatory issues to be addressed in a timely manner;
- simplified decision making processes resulting in greater clarity and speed of decision making;
- enhanced ability to provide targeted management incentives that are directly related to the business under the respective management team’s control;
- increased scrutiny (e.g. in terms of disclosure, public profile and interaction with analysts and investors) that should place additional pressure on management to perform and, in the longer run, lead to better outcomes; and
- flexibility for shareholders to choose their level of exposure to either the food and everyday needs business (i.e. Woolworths Group post Demerger) or the retail drinks and hospitality business (i.e. Endeavour Group) as they see fit.

Nevertheless, there are a number of risks, disadvantages and costs arising from the Demerger. The main risk of the Demerger is that the key Partnership Agreements and sublease arrangements between Endeavour Group and Woolworths Group post Demerger give rise to commercial risks that could adversely affect shareholders, even if they retain their shareholdings in both entities:

- Endeavour Group will be reliant on Woolworths Group for critical aspects of its business (e.g. information technology (“IT”) support, supply chain and attached *BWS* stores). Failure by Woolworths Group to provide services at the expected level may have a material impact on Endeavour Group;

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- there may be disputes under the agreements or they may not cover situations that emerge over the term of the relevant agreement;
- there may be divergence of interests or strategy, particularly as new management teams without the benefit of history take over; and
- extension of the Partnership Agreements beyond the initial term has not been formalised, so it is possible that any new terms could favour either party or either party could elect not to renew certain (or all) Partnership Agreements, which could disadvantage the other or both parties.

Essentially, while entry into the subleases was unavoidable in the circumstances, they mean that Endeavour Group does not have unfettered control over the subleased premises. There is a risk that a sublease is terminated, renewed or relocated and the result is not optimal for Endeavour Group.

While these risks are real, the Partnership Agreements generally reflect the internal arrangements that currently exist within Woolworths Group, and formalising the existing arrangements may encourage those involved to prioritise the partnership to ensure that it succeeds. Separate ownership may lead to more intense efforts to “make it work” whereas common ownership runs the risk of taking the success of the arrangements for granted. Ultimately, the success of the key Partnership Agreements and the sublease arrangements will rest on the individuals involved and their commitment to making the arrangements work. Further, the Partnership Agreements have been in place and operational since July 2020 and were subject to a review in January/February 2021. Neither Endeavour Group nor Woolworths Group identified any major issues with the operation of the agreements.

The main disadvantage of the Demerger is the loss of diversification and increased vulnerability to external shocks. While Endeavour Group and Woolworths Group post Demerger will both be very substantial businesses, the Demerger will result in two smaller and less diversified companies than Woolworths Group that will individually be less able to readily absorb the financial and business impact of significant adverse events as the events will have a greater relative impact (e.g. the impact of bushfires, drought, the COVID-19 pandemic, etc). Woolworths Group is less likely to be severely impacted as it operates in the consumer staples retail sector. While Endeavour Group will be the leading retail drinks and hospitality business in Australia, its exposure to the hotels sector is likely to make its performance more volatile than that of Woolworths Group or Woolworths Group post Demerger.

Other risks and costs of the Demerger (which are common to most demergers) include:

- transition and implementation risks associated with the separation of Endeavour Group from Woolworths Group at an operational level;
- the relationships between the new board and Endeavour Group management and the relationships within the board itself are untested. However, there is continuity and experience through the Woolworths Group and BMG representatives on the board and the experience of the CEO-elect;
- additional corporate and operating costs for Endeavour Group (estimated at approximately \$47 million per annum) and stranded costs⁵ for Woolworths Group; and
- there will be one-off transaction and implementation costs which are estimated to be approximately \$50 million (subsequent to 3 January 2021).

While these risks, disadvantages and costs of the Demerger cannot be disregarded, the risks and disadvantages are not outside the normal risks of any corporate restructuring transaction and/or have mitigating factors and the costs are not material in the overall context of the demerged entities.

⁵ Stranded costs are costs that were allocated to Endeavour Group prior to the Demerger relating to shared services that will remain with Woolworths Group and will not be provided to Endeavour Group on an ongoing basis.

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Following the Demerger, Woolworths Group will hold a 14.6% interest in Endeavour Group and have a representative on its board. Given the integrated nature of Endeavour Group's retail drinks business with Woolworths Group, Woolworth Group's ownership interest and board representation may assist in maintaining a culture of collaboration, ameliorating any tensions as a result of having a better understanding of Endeavour Group's position and strategy and providing confidence in Endeavour Group as a standalone business. However there is no certainty that the investment or the board representation would, on its own, solve any significant issues that might arise in relation to the Partnership Agreements. While Endeavour Group will be a liquid investment listed on the ASX, the Woolworths Group investment could create a potential overhang and the relatively large size of the shareholding may make it difficult to sell quickly or in one line (although neither of these impacts have been evident in Wesfarmers retention of a 15% interest in Coles and the subsequent sale of 4.9% of this interest in February 2020 and a further 5.2% in March 2020). On balance, while Woolworths Group's investment in Endeavour Group is probably not critical, it may provide some benefits and is unlikely to be detrimental to either party.

The critical question is whether shareholders are likely to realise greater value over time if the Demerger is implemented than if Woolworths Group's current structure is maintained. The evaluation is essentially subjective. While the benefits are real, they are not quantifiable or testable. The benefits are, at least to some extent, a matter of perception. However, in Grant Samuel's view, the potential advantages of the Demerger outweigh the potential disadvantages. While implementation of the Demerger is not a guarantee of future performance, shareholders are ultimately likely to be better off if the Demerger proceeds.

4 Woolworths Group

4.1 Business Operations and Strategy

Business Operations

Woolworths Group's business operations are summarised below:

















WOOLWORTHS GROUP – BUSINESS OPERATIONS

DIVISION	BUSINESS	DESCRIPTION
Australian Food		994 full-scale supermarkets offering fresh food, groceries and general merchandise across Australia
		70 small-scale stores generally located in high-density areas close to public transport with an emphasis on convenience, including grab-and-go and ready-made meals
		Development and management of Woolworths Group's collection of in-house and exclusive brands (including <i>Macro</i> and <i>Freefrom</i>)
	 	Digital, eCommerce, customer loyalty and customer service offering across Woolworths Group Everyday rewards members program has 12.8 million members
		Consolidates Woolworths Group's export initiatives to develop a group-wide export strategy and build up the presence of own brands in Asia
		Financial services platform offering insurance, credit cards and gift cards to Woolworths Group customers
		Operates a distribution network across Australia and New Zealand, consisting of road, rail and ocean transport services and third party logistics storage facilities

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WOOLWORTHS GROUP – BUSINESS OPERATIONS (CONT)

SEGMENT	BUSINESS	DESCRIPTION
New Zealand Food		181 full-scale supermarkets offering fresh food, groceries and general merchandise across New Zealand Woolworths New Zealand also has wholesale operations which supply a further 71 franchised stores (SuperValue and FreshChoice supermarkets)
		Digital, eCommerce, customer loyalty and customer service offering for Countdown customers Countdown OneCard loyalty/rewards program has 1.9 million members
Complementary Businesses		179 discount department stores across Australia, focused on family consumers and a one-stop shop for general merchandise and household needs
		Digital, eCommerce and customer service offering for BIG W customers
		Development of in-store, digital and other media assets for supplier partners (established March 2019)
		Provides solutions in data science and artificial intelligence (47.2% interest ⁶)
Endeavour Group (85.4% interest)		Destination liquor retailer with 246 stores across Australia. Aims to offer the widest range of liquor at prices underpinned by the lowest liquor price guarantee Loyalty program across the <i>Dan Murphy's</i> network with 5.1 million members
		Convenience focused liquor retailer with 1,384 stores that are either standalone or co-located with <i>Woolworths</i> supermarkets or <i>Metro</i> stores
		Operator of 332 licensed venues ⁷ . Hotels services including food and dining (~300 venues), on-premise drinks (900+ bars, nightclubs and themed areas), gaming (293 venues with a total of 12,364 electronic gaming machines), entertainment (~230 dedicated function rooms) and accommodation (~2,200 rooms across 103 locations, including 60 venues that operate under the Nightcap Hotels and Nightcap Plus brands) Monty's Reward membership program across most of the Hotels network
		Collection of own and exclusive brands across wine, spirits, beer and other drink products supplied exclusively through Endeavour Group channels as well as export markets Wine manufacturing assets including vineyards, wineries, wine brands and bottling plants
		Brings together Endeavour Group's digital and fulfilment capabilities and platforms and loyalty propositions and oversees the trading operations of the speciality and eCommerce businesses
		Fine wine auction house, private wine broking, wholesale and online sales and "Winery Direct"
		Direct to consumer wine subscription business servicing customers across Australia
		Ultra-convenient online drinks delivery specialist servicing customers in Sydney, Melbourne, Brisbane, Adelaide, Perth, Canberra, the Sunshine Coast and the Gold Coast
		Corporate beverage supplier to businesses in the Sydney and Melbourne central business districts (80% interest)
		Specialist home delivery provider for <i>Dan Murphy's</i> , <i>BWS</i> , <i>Langton's</i> and <i>Cellarmasters</i>
Woolworths Group		ASX listed property investment company which owns a portfolio of 86 hotels across Australia that are leased to ALH Group (8.9% interest)

⁶ On 20 April 2021, Woolworths announced that it had entered into an agreement to increase its shareholding in Quantum to 75%. The transaction is expected to complete prior to the end of FY21.

⁷ Excluding five Victorian clubs managed by Endeavour Group for third parties.



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There are varying levels of integration between the Australian Food and Endeavour Group divisions, including the common usage of property, systems and services and administration functions.

In addition to its business operations, Woolworths Group has:

- an “other” division, which comprises Woolworths Group’s property division responsible for the construction, development and management of retail centres around Australia and central overheads (which primarily represent the cost of unallocated support functions for Woolworths Group); and
- key partnerships (in addition to its investment in The Quantum Group Holdings Pty Limited (“Quantium”)) with Qantas Airways Limited, Ampol Limited (“Ampol”)⁸, EG Group (“EuroGarages”) and Takeoff Technologies Inc. (“Takeoff Technologies”).

Strategy

Woolworths Group’s FY21⁹ strategy consists of six priorities that reflect Woolworths Group’s transformation into a food and everyday needs ecosystem and focus on the key growth drivers to deliver positive outcomes for customers and employees, and in turn, grow shareholder value:

- **better together for a better tomorrow for its customers, teams and communities**, seeking to embed Woolworths Group’s ways of working and values into its businesses to earn trust and grow advocacy by delivering its brand promise to communities;
- **accelerate digital, eCommerce and convenience for increasingly connected customers**, providing customers with more choice on how they can shop across Woolworths Group’s brands through ongoing investment in the digital customer experience, enhancing on-demand delivery capabilities and improving personalisation and increasing redemption opportunities;
- **differentiate the food customer propositions** through continuing the renewals and upgrades program, opening new stores and continuing to invest in development of its own brands to provide fresh, convenient and healthy options, range localisation and other exclusive products to create a point of difference;
- **stand up Endeavour Group** with the focus for FY21 on progressing the operating model to build more effective shared capabilities across Endeavour Group and completing the separation of Endeavour Group;
- **evolve the portfolio businesses and build strong adjacencies** by continuing BIG W’s turnaround plan to create a sustainably profitable store and distribution centre network and building out the Woolworths Group retail ecosystem and complementary businesses and partnerships; and
- **keep the business COVIDSafe and future proof the end-to-end operating model** to be “better for customers” and “simpler and safer for stores and support” through driving improvements in end-to-end productivity, safety, stock flow and inventory levels, simplifying store operations, continuing its supply chain transformation and leveraging its IT infrastructure and applications platforms to deliver efficiencies and create new business opportunities.

⁸ Caltex Australia Limited changed its name to Ampol in May 2020.

⁹ FY21 is the financial year ending 27 June 2021.

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4.2 Key Financial Information

Woolworths Group's key financial information (on a restated¹⁰ basis) is summarised below:

WOOLWORTHS GROUP – KEY RESTATED FINANCIAL INFORMATION (\$ MILLIONS)

	FY18 ¹¹ RESTATED 52 WEEKS	FY19 ¹¹ RESTATED 53 WEEKS	FY20 ¹¹ RESTATED 52 WEEKS	1HY21 ¹¹ ACTUAL 27 WEEKS
Financial Performance				
Sales revenue from continuing operations	56,944	59,984	63,675	35,845
EBITDA ¹²	5,180	5,655	5,675	3,415
EBIT ¹³	3,051	3,333	3,214	2,092
OPAT ¹⁴ attributable to Woolworths Group shareholders	1,055	1,331	1,608	1,139
Dividend payout ratio ¹⁵	71%	70%	74%	59%
Amount of dividend franked	100%	100%	100%	100%
Sales revenue growth	+3.4%	+3.4% ¹⁶	+8.1% ¹⁶	+10.6% ¹⁷
EBIT growth		+7.2% ¹⁶	-1.8% ¹⁶	+10.7% ¹⁷
EBIT margin	5.4%	5.6%	5.0%	5.8%
Interest cover ¹⁸	2.8x	3.2x	3.8x	5.1x
Financial Position				
Net working capital				(2,869)
Net assets employed				25,515
Net borrowings ¹⁹ (excluding lease liabilities)				(1,067)
Net borrowings (including lease liabilities)				(16,453)
Net assets attributable to Woolworths Group shareholders				8,774
Issued shares (millions)				1,267.6
Net assets per share				\$6.92
Net tangible assets ²⁰ per share				\$0.82
Leverage ²¹				2.8x
Gearing ²² (excluding lease assets and liabilities)				8.4%
Gearing (including lease assets and liabilities)				64.5%
Cash Flow				
Operating cash flow	2,994	2,948	4,561	2,880
Capital expenditure (net)	(1,763)	(1,814)	(1,888)	(707)
Cash realisation ratio ²³	101%	98%	124%	115%

Source: Woolworths Group and Grant Samuel analysis

¹⁰ The restated financial performance for Woolworths Group has been adjusted to reflect the impact of adopting AASB16 Leases ("AASB16") and remediation of salaried store team members. The restated financial position for Woolworths Group has been adjusted for payment of the 1HY21 dividend of \$0.53 per share (including the impact of the dividend reinvestment plan) and payment by Endeavour Group of its 1HY21 dividend of \$269 million (which, on a consolidated basis, impacts cash and non-controlling interests for the quantum of the dividend paid to BMG but has no impact on net assets).

¹¹ Woolworths Group operates on a 52 or 53 week annual reporting period ending on the last Sunday in June. Consequently, the annual results for each period are for the 52 weeks ended 24 June 2018 ("FY18"), the 53 weeks ended 30 June 2019 ("FY19") and the 52 weeks ended 28 June 2020 ("FY20").

¹² EBITDA is earnings from continuing operations before net finance costs, tax, depreciation and amortisation and significant items. It includes share of profits of associates although this is immaterial in the context of Woolworths Group's earnings.

¹³ EBIT is earnings from continuing operations before net finance costs, tax and significant items. It includes share of profits of associates although this is immaterial in the context of Woolworths Group's earnings.

¹⁴ OPAT is operating profit from continuing operations after tax and before significant items.

¹⁵ Dividend payout ratio excludes the special dividend of 10¢ per share in FY18 and is based on NPAT attributable to Woolworths Group shareholders before significant items.

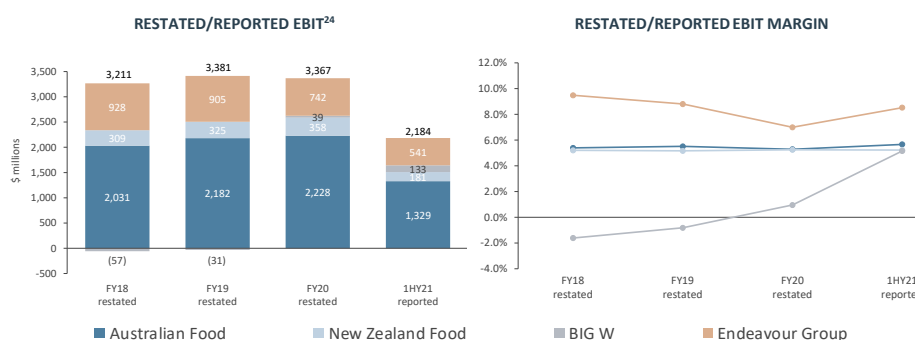


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Restated EBIT and EBIT margin by business division for FY18 to FY20 along with reported EBIT and EBIT margin by business division for 1HY21 is shown in the charts below:

WOOLWORTHS GROUP – EBIT AND EBIT MARGIN BY BUSINESS DIVISION



Source: Woolworths Group

EBIT Contribution

Australian Food is the largest contributor to Woolworths Group's EBIT (excluding other) at around 65%. Combined with New Zealand Food, Woolworths Group has consistently generated around 75-80% of annual EBIT from its food divisions. These percentages have changed in 1HY21 as BIG W has become more profitable and Endeavour Group's Hotels division has been adversely impacted by the COVID-19 pandemic, with Australian Food's contribution to group EBIT falling to around 60% and the combined food divisions generating around 70% of EBIT.

The benefit from investment in customer service and experience in earlier years translated into sales and EBIT growth for Australian Food in FY18 and FY19. Strong growth in sales and EBIT continued in FY20 and 1HY21, with FY20 sales benefiting from the successful Lion King collectibles and Discovery Garden community program in 1HY20 and COVID-19 pantry loading and higher at-home consumption in 2HY20 (which continued into 1HY21). Growth in EBIT was achieved despite cost pressures from implementation of a new enterprise agreement during FY19, higher supply chain costs and additional costs related to the COVID-19 pandemic in FY20 and 1HY21. New Zealand Food reported steady growth in sales and EBIT in FY19 driven by successful marketing campaigns and a greater focus on cost control and a reduction in stock

¹⁶ Normalised for the 53 week year in FY19. Normalised growth rates have been estimated by Grant Samuel based on comparable normalised FY19 sales revenue growth disclosed in Woolworths Group's Annual Reports of 3.4% in FY19 and 8.1% in FY20 and assuming the restated FY19 EBIT margin remains as reported.

¹⁷ Growth rates are over the prior corresponding period (i.e. 1HY20).

¹⁸ Interest cover is EBIT divided by net interest.

¹⁹ Net borrowings is after net debt related derivatives and financial instruments of \$44 million.

²⁰ Net tangible assets ("NTA") is calculated as equity attributable to Woolworths Group shareholders less intangible assets. This calculation of NTA understates NTA per share to the extent that intangible assets relate to the non-controlling interests, but it is consistent with the basis on which Woolworths Group reports NTA per share.

²¹ Leverage is net borrowings plus lease liabilities divided by EBITDA for the previous 12 months.

²² Gearing is net borrowings divided by net assets plus net borrowings.

²³ Cash realisation ratio is operating cash flow as a percentage of group net profit after tax before depreciation and amortisation. In FY18 and FY19, the cash realisation ratio is shown on a pre AASB16 basis. In FY20 and 1HY20, the cash realisation ratio is shown on a post AASB16 basis.

²⁴ In addition to adjusting for AASB16 and remediation of salaried store team members, restated EBIT by business division also reflects the transfer of the Summergate business from Endeavour Group to Australian Good from 1 July 2019 and the impact of the Restructure and Merger. EBIT contribution by business division excludes "other" (i.e. EBIT from various support functions including property and central overheads).

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loss. Sales and EBIT in FY20 and 1HY21 also benefited from strong COVID-19 related demand (albeit this demand has moderated in 1HY21) with growth in FY20 EBIT also assisted by ongoing stock loss reduction, mix improvement and use of data driven tools in category management, offset in part by higher team member wages from implementation of a new enterprise agreement in 1HY20 and additional COVID-19 related costs in 2HY20.

BIG W EBIT losses in FY18 reflected continued investment in the turnaround plan (implemented in FY16²⁵) to stabilise the business by rebuilding customer trust on price and enhancing the range and shopping experience in-store and online. While EBIT losses continued in FY19, the quantum of the loss reduced as a result of sales growth and store efficiencies. In FY20, BIG W reported a profit for the first time since FY16, as sales continued to grow across all categories despite a challenging market, and there was improved category mix and cost control. This growth momentum continued in 1HY21, with sales increasing by 20% over the prior period (buoyed by solid seasonal events) and EBIT benefiting from fewer mark downs, less clearance activity, improved stock loss and strong cost management offsetting investment in safety, digital and COVID-19 related costs.

In FY18 and FY19, Endeavour Group contributed 27-29% of Woolworths Group's EBIT (excluding other). Endeavour Drinks is the primary contributor to Endeavour Group, consistently generating 84% of sales and around 60% of EBIT. Hotels is a relatively small contributor to sales revenue and EBIT, although its contribution to EBIT is greater than its contribution to sales revenue given the significantly higher margins it generates (21-22% compared to 6.5-7% for Endeavour Drinks). In FY19, EBIT for both businesses declined slightly, with sales growth offset by higher freight costs and investment required to position the Endeavour Drinks business for the future (e.g. customer experience, ranging and data and analytics) as well as subdued gaming earnings. The COVID-19 pandemic had a material impact on Endeavour Group's FY20 and 1HY21 performance. Endeavour Drinks benefited from unprecedented demand from higher in-home consumption resulting in an 8% increase in FY20 sales and a 19% increase in 1HY21 sales. However, EBIT increased by only 3% in FY20 (not normalised for the 53 week year in FY19) reflecting a COVID-19 related mix shift to value products and larger pack sizes and an increase in higher cost online sales as well as COVID-19 related costs, higher team wages and salaries and targeted investments in digital, online and in-store customer experience. In 1HY21, EBIT increased by 24%, driven by lower promotional activity, premiumisation and strong sales of Pinnacle Drinks brands. The COVID-19 pandemic had a material adverse impact on Hotels sales revenue and EBIT as government restrictions resulted in the closure of venues for much of 2HY20 and some continued closures and restrictions on hotel capacity during 1HY21. Sales declined by 21% in FY20 and by 27% in 1HY21. EBIT declined by 51% in FY20, impacted by reduced leverage from fixed and unavoidable costs (including occupancy, team costs, COVID-19 related costs and depreciation and amortisation). While EBIT also declined in 1HY21, the decline (of 46%) was lower (relative to FY20) as average selling prices improved and there was less promotional activity. As a result, Endeavour Group contributed only 22-24% of Woolworths Group's EBIT (excluding other) in FY20 and 1HY21.

EBIT Margins

Australian Food's EBIT margin has ranged from 5.3-5.5% over the period from FY18 to FY20 and increased to 5.7% in 1HY21, supported by effective cost controls, ongoing improvements in stock loss and favourable product mix, partially offset by COVID-19 costs, higher eCommerce and supply chain costs and IT and digital investment in FY20 and 1HY21. New Zealand Food's EBIT margin has generally been consistent at around 5.2% over the past three and a half years. The flat EBIT margin for New Zealand Food in 1HY21 (relative to Australian Food) reflects higher team member wages with the implementation of a new enterprise agreement in 1HY20, as well as more subdued growth in sales revenue in 1HY21. BIG W's EBIT margin has been more variable, at -1.6% in FY18, improving to -0.8% in FY19, 0.9% in FY20 and 5.2% in 1HY21 as the business has successfully implemented its turnaround plan. Endeavour Group's EBIT margin declined from 9.5% in FY18 to 8.8% in FY19 as sales increased but EBIT declined. The FY20 EBIT margin declined to 7.0%,

²⁵ FY16 is the 52 weeks ended 26 June 2016.



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primarily due to the adverse impact of the COVID-19 pandemic on Hotels EBIT (which generates a substantially higher margin than Endeavour Drinks). While there was a recovery in the EBIT margin to 8.5% in 1HY21 as venues reopened and COVID-19 restrictions eased, it remained below FY18 and FY19 levels.

Dividends

Over the past three and a half years, Woolworths Group has consistently delivered a dividend payout ratio of 70-75% of NPAT attributable to Woolworths Group shareholders before significant items (with dividends typically weighted towards the second half of the financial year). The dividend payout ratio was slightly higher in FY20 (at 74%) reflecting the impact of AASB16 on NPAT but remained at 70% on a pre AASB16 basis. The dividend payout ratio was 59% 1HY21, reflecting the growth in NPAT over the period.

In addition to ordinary dividends, Woolworths Group has undertaken further capital management initiatives (in FY18 and FY19) to return capital to shareholders, consistent with its long term capital structure objectives and to enhance shareholder value. In FY18, it paid a special dividend of 10 cents per share, reflecting improved trading performance, balance sheet strength and a strong franking credit balance, as well as the benefits from its petrol alliance with Ampol. In FY19, the proceeds from the sale of the Petrol business were returned to shareholders through a \$1.7 billion off-market share buyback completed in May 2019.

Working Capital

Negative working capital of \$2.9 billion reflects the operating cycle of supermarket and retail businesses where inventory is generally moved through the network and sold for cash (including credit card payments) with the related creditors paid later. Trade and other receivables generally have terms of less than 30 days whereas Woolworths Group's payment terms with suppliers are generally less than 60 days.

Borrowings

Woolworths Group has a diversified funding mix that includes unsecured bank loans with a number of domestic and international banks (approximately 67% of total facilities) as well as capital markets debt (approximately 33% of total facilities). At 3 January 2021, it had available undrawn facilities of \$3.0 billion.

Woolworths Group had very modest gearing (excluding lease assets and lease liabilities) at 3 January 2021 of 8.4% (after payment of the 1HY21 interim dividends). The substantial increase in gearing including lease assets and liabilities (to 64.5%) reflects the relatively long initial terms and renewal options in place in relation to its leases. Leverage (including lease liabilities) was also conservative at 2.8 times.

In FY20, Woolworths Group's weighted average borrowing rate was 3.68%. Woolworths Group has not disclosed its 1HY21 weighted average borrowing rate. However, certain bank loans, US Senior Notes and European Medium Term Notes matured and were refinanced with domestic Medium Term Notes issued in May 2020. This change in composition of Woolworths Group's debt facilities has resulted in a material decline in the weighted average borrowing rate in 1HY21.

Woolworths Group has an investment grade credit rating of BBB (stable outlook) from Standard & Poor's and Baa2 (stable outlook) from Moody's.

At 3 January 2021, Endeavour Group had intercompany borrowings from Woolworths Group totalling \$1.480 billion. These intercompany borrowings are eliminated on consolidation (other than in relation to the carrying value of the non-controlling interest).

Cash Flow

Woolworths Groups' businesses are highly cash generative, illustrated by the consistently high (~100%) cash realisation ratio and reflecting the retail nature of the majority of its business operations (which have negative net investment in inventory).

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Gross capital expenditure has been in the range \$1.9-2.2 billion per annum over the three years to FY20, representing continued investment in the store network (new stores as well as refurbishments and renewals) and expenditure associated with supply chain and IT initiatives (including enhancement of online capabilities). Annual gross capital expenditure includes operating capital expenditure for continuing operations of \$1.6-1.7 billion and property development capital expenditure, which has increased from \$245 million in FY18 to \$585 million in FY20. The vast majority of Woolworths Group's capital expenditure relates to Australian Food.

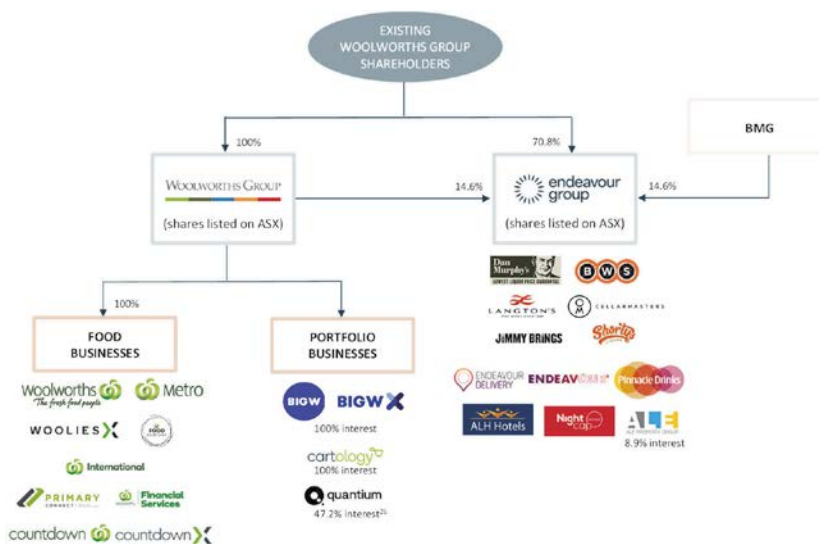
5 Demerger Process

If the Demerger is approved and implemented, Woolworths Group and Endeavour Group will operate independently of each other apart from the following ongoing commercial arrangements:

- subleasing arrangements for Endeavour Group retail stores that occupy premises leased to Woolworths Group;
- short term Partnership Agreements under which certain services (IT and other business support services) will be provided for specified periods generally of three years (or five years for IT); and
- medium and long term Partnership Agreements relating to supply chain and replenishment services, attached *BWS* and *Dan Murphy's* stores and other site support, loyalty and fintech, digital and media and international distribution (by Woolworths Group) and supply of liquor products (by Endeavour Group).

The effect of the Demerger on Woolworths Group's structure and ownership is shown below:

WOOLWORTHS GROUP STRUCTURE – AFTER THE DEMERGER



Source: Woolworths Group

Following the Demerger, the relative ownership interest held by each Woolworths Group shareholder (other than ineligible shareholders and selling shareholders) in Endeavour Group will be equal to their ownership interest in Woolworths Group prior to implementation of the Demerger. However, the ownership interest will be held 70.8% directly and 14.6% indirectly (via Woolworths Group).

²⁶ On 20 April 2021, Woolworths announced that it had entered into an agreement to increase its shareholding in Quantum to 75%. The transaction is expected to complete prior to the end of FY21.



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6 Endeavour Group

6.1 Business Operations and Strategy

Business Operations

If the Demerger is implemented, Endeavour Group will be the leading retail drinks and hospitality business in Australia with \$10.6 billion in pro forma FY20 sales revenue and pro forma FY20 EBIT of \$693 million.

Endeavour Group will have two key divisions:

- **Retail**, Australia's leading retail drinks network across multiple channels, formats and brands comprising:
 - a retail footprint of 1,630 stores operating under the *Dan Murphy's* and *BWS* brands (including operation of the My Dan's loyalty program across the *Dan Murphy's* division and participation in Everyday Rewards across *BWS*);
 - specialty retail and online drinks brands Cellarmasters, Langton's, Jimmy Brings and Shorty's Liquor;
 - products and services capabilities across the group through Pinnacle Drinks, including building a portfolio of exclusive drinks brands, vertically integrated production and services (including owned vineyards, wineries and bottling facilities) and premium wine brand ownership; and
 - shared digital and delivery platform capabilities (EndeavourX and Endeavour Delivery); and
- **Hotels**, operator of a portfolio of 332²⁷ licensed venues across Australia providing a range of hospitality experiences including:
 - food and beverages (~300 venues operating on-premise restaurants, bistros and cafes and 900+ on-premise bars);
 - 12,364 electronic gaming machines across 293 venues²⁷ as well as approximately 290 TABs and KENO in 250+ venues. Endeavour Group's Hotels division is the leading operator of electronic gaming machines across Australia (excluding Western Australia where electronic gaming machines are not permitted);
 - accommodation, with ~2,200 rooms across 103 locations, including 60 venues that operate under the Nightcap Hotels and Nightcap Plus brands; and
 - entertainment, with ~230 dedicated function rooms.

The Monty's Rewards loyalty program operates across most of the Hotels network.

Endeavour Group also holds an 8.9% interest in ALE Property Group (which owns a portfolio of 86 hotels across Australia that are leased to Endeavour Group).

Endeavour Group aims to be the industry leader in the responsible service of alcohol and the responsible conduct of gaming.

Retail represents the vast majority of revenue and earnings, representing 88% of pro forma FY20 sales revenue and 77% of pro forma FY20 EBIT. Hotels represented 12% of pro forma FY20 sales revenue and 23% of pro forma FY20 EBIT. However, COVID-19 had a material impact on the composition of Endeavour Group's FY20 sales revenue and EBIT, with the closure of Hotels venues for much of the last four months of FY20, partially offset by strong growth in the Retail business due to an increase in at-home consumption. In FY18 and FY19, Hotels contributed 16% of pro forma sales revenue and 38% of pro forma EBIT.

Retail is predominantly a consumer staples business with reasonably defensive characteristics. Despite arguably being a discretionary purchase, the business has generated stable earnings and cash flows through economic cycles (including the COVID-19 pandemic) and is highly cash generative. Both the Retail and the

²⁷ Excluding five Victorian clubs managed by Endeavour Group for third parties.

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Hotels businesses have upside from growth opportunities due to the fragmented nature of the retail drinks (outside of Endeavour Group, Coles, Metcash and ALDI) and hotel hospitality sectors.

Strategy

Following the Demerger, Endeavour Group intends to pursue growth through the creation of simplified and customer centric businesses that will focus on three core pillars of its strategy:

- **knowing our customer:** continuing to invest in knowing its customers, supplemented by leveraging its customer data (VOC and NPS) and targeted market research to generate customer insights that are incorporated into Endeavour Group's decision making;
- **innovating to meet customer needs:** through a focus on five key areas of growth opportunity:
 - growing digital engagement by continuing to invest in digital to grow customer traffic, loyalty and sales and continuously strengthening its web and app experience focusing on search optimisation, content and convenient shopping to improve conversion;
 - increasing the productivity of its store and venue footprint through a focus on the in-store and in-venue experience and continuous innovation in new formats as well as rolling out new tools to support product discovery and efficiency;
 - strategic expansion of the network to better serve communities including continuing the acquisition and development of new Hotels venues, the roll out of new Retail stores into strategic catchments, deploying new eCommerce fulfilment capabilities across the network and expanding speciality businesses such as Jimmy Brings;
 - expanding product range and reach by using its reach, customer insights and data analytics platform to respond to emerging trends such as the ongoing introduction of premium products and using Pinnacle Drinks' capabilities to introduce new and exclusive products that meet evolving customer preferences and trends (including premiumisation) and growing the customer resonance of Pinnacle Drinks brands both within Endeavour Group and offshore through selective partnerships; and
 - enhancing end-to-end cost and asset efficiency by operating more efficiently and continuing to reduce the cost to service its customers and communities (including the continued expansion of technology capabilities to support growth and adopting more agile and integrated ways of working) and unlocking further value in its freehold and leasehold property assets over time (e.g. through ongoing portfolio optimisation and redevelopment opportunities); and
- **being one team living our purpose and values:** through a culture in which team members are strong advocates for Endeavour Group and are empowered to express Endeavour Group's purpose of *creating a more sociable future together*. Core to this purpose is Endeavour Group's commitment to being Australia's most responsible operator of retail drinks and hospitality venues.

6.2 Key Financial Information

Endeavour Group's key financial information is summarised below:

ENDEAVOUR GROUP – KEY FINANCIAL INFORMATION (\$ MILLIONS)

	FY18 PRO FORMA 52 WEEKS	FY19 PRO FORMA 53 WEEKS	FY20 PRO FORMA 52 WEEKS	1HY21 PRO FORMA 27 WEEKS
Financial Performance				
Sales revenue	9,795	10,294	10,624	6,357
EBITDA	1,320	1,336	1,172	772
EBIT	885	861	693	515
OPAT attributable to Endeavour Group shareholders	462	445	328	278



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ENDEAVOUR GROUP – KEY FINANCIAL INFORMATION (\$ MILLIONS) (CONT)

	FY18 PRO FORMA 52 WEEKS	FY19 PRO FORMA 53 WEEKS	FY20 PRO FORMA 52 WEEKS	1HY21 PRO FORMA 27 WEEKS
Financial Performance (cont)				
Sales revenue growth		+2.2% ²⁸	+6.1% ²⁸	+11.3% ²⁹
EBIT growth		-5.4% ²⁸	-17.2% ²⁸	-4.6% ²⁹
EBIT margin	9.0%	8.4%	6.5%	8.1%
Interest cover	4.1x	4.0x	3.2x	4.9x
Financial Position				
Net working capital				(160)
Net assets employed				8,249
Net borrowings (excluding lease liabilities)				(1,266)
Net borrowings (including lease liabilities)				(5,054)
Net assets attributable to Endeavour Group shareholders				3,195
Issued shares (millions)				1,790.5
Net assets per share				\$1.78
Net tangible assets per share				\$(0.36)
Leverage				4.4x
Gearing (excluding lease assets and liabilities)				24.8%
Gearing (including lease assets and liabilities)				61.3%
Cash Flow				
Operating cash flow	813	933	1,033	813
Capital expenditure (net)	(309)	(276)	(288)	(116)
Cash realisation ratio	91%	101%	128%	152%

Source: Demerger Booklet and Grant Samuel analysis

The basis on which the pro forma financial information has been prepared is set out in Section 3.13 of the Demerger Booklet.

Endeavour Group has a seasonally low level of intercompany borrowings which is offset by a seasonally high level of trade and other payables at 3 January 2021 due to the Christmas and New Year holiday trading period. The level of pro forma external borrowings reflects the estimated amount that would have been drawn down had the Demerger been implemented on 3 January 2021. Immediately after the separation date, it is expected that Endeavour Group will have net borrowings in the range \$1.4-1.5 billion (an increase of \$134-234 million over the pro forma net borrowings at 3 January 2021 of \$1.266 billion³⁰) as cash is absorbed into working capital. The ratios assuming a normalised level of net borrowings at 3 January 2021 (of \$1.45 billion based on the midpoint of the expected range) are 4.5x for leverage, 27.4% for gearing (excluding lease assets and lease liabilities) and 62.1% for gearing (including lease assets and lease liabilities).

Financial Performance

While pro forma revenue has grown consistently over the past three and a half years, pro forma EBIT has declined. In FY19, the decline in pro forma EBIT was across both Retail and Hotels, with above inflation cost pressures and higher freight and eCommerce delivery costs as well as investment in customer experience, ranging, and data and analytics impacting Retail, and changes in business mix and increasing input prices

²⁸ Normalised for the 53 week year in FY19. Normalised growth rates have been estimated by Grant Samuel based on comparable normalised FY19 sales revenue growth disclosed in the Demerger Booklet of 2.3% for Retail and 1.9% for Hotels and assuming EBIT margins remain as reported.

²⁹ Growth rates are over the prior corresponding period (i.e. 1HY20).

³⁰ Before \$20 million of capitalised borrowing costs. Net borrowings in the statement of financial position is shown net of the \$20 million of capitalised borrowing costs.

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for food impacting Hotels. The COVID-19 pandemic had a material impact on the composition of pro forma FY20 sales revenue and EBIT, with Retail experiencing increased demand from at-home consumption but Hotels venues being closed for much of the last four months of the year. Hotels sales revenue declined by 19.6%²⁸ but this was more than offset by an 11.1%²⁸ increase in Retail sales revenue. However, a 4.9%²⁸ increase in Retail EBIT was more than offset by the 50.1%²⁸ decline in Hotels EBIT as it continued to incur fixed costs such as occupancy, team costs and depreciation. This trend continued in 1HY21.

As a result of additional operating costs, on a pro forma basis the standalone Endeavour Group generates lower EBIT margins (~35-50 basis points lower) than as part of Woolworths Group.

Dividends

Endeavour Group's approach to dividends will be determined by the Endeavour Group board at its discretion and may change over time. Endeavour Group intends to follow Woolworths Group's long established dividend policy which has regard to current year earnings, available franking credits, future cash flow requirements and targeted credit metrics. This approach is expected to initially deliver a dividend payout ratio ranging from 70% to 75% of NPAT (before significant items). Endeavour Group intends that its dividends will be franked to the maximum extent possible, although the extent to which a dividend can be franked will depend on Endeavour Group's franking credit balance (and forecast franking position for the relevant income year) at the time the dividends are declared. Endeavour Group had an accumulated franking balance of \$609 million at 3 January 2021 and is expected to continue to generate franking credits post Demerger. Endeavour Group has confirmed to Woolworths Group that it expects to pay a dividend during the second half of calendar year 2021 of 70% to 75% of 2HY21 NPAT, subject to the Endeavour Group directors at that time being satisfied that the payment of the dividend is in accordance with legal requirements for the payment of dividends and is appropriate having regard to their fiduciary and statutory duties.

Working Capital

Prior to allowing for the seasonally high level of trade and other payables at 3 January 2021, Endeavour Group had a small pro forma negative investment in working capital. After allowing for the seasonally high level of trade and other payables, Endeavour Group would have a pro forma positive investment in working capital (in contrast to Woolworths Group). This small investment in working capital reflects lower stock turns for retail drinks (i.e. stock is held for longer periods) relative to supermarkets.

Borrowings

Endeavour Group is expected to have a moderately leveraged capital structure, with pro forma book gearing at 3 January 2021 of 24.8% (before leases) (27.4% on a normalised basis). It will have:

- committed syndicated revolving credit facilities and bilateral revolving credit facilities totalling \$2.5 billion. These facilities have maturities of three to five years and are on market standard terms and conditions consistent with facilities of this nature. Pro forma drawn debt at 3 January 2021 is \$1.852 billion³¹. The higher level of drawn debt relative to the intercompany borrowings at 3 January 2021 (of \$1.48 billion) is offset by a relatively high cash balance and reflects the normal seasonal trading cycle where there is a lower level of intercompany borrowings arising over the Christmas and New Year trading period; and
- lease liabilities totalling \$3.8 billion with a weighted average lease profile of 12.6 years and approximately 36% of leases (by dollar value on an undiscounted basis) expiring within the next five years.

This capital structure is expected to be consistent with an investment grade credit profile.

There is expected to be sufficient headroom in the bank facilities (in conjunction with Endeavour Group's operating cash flows and its substantial portfolio of freehold properties) to fund Endeavour Group's working capital and capital expenditure requirements as well as potential growth opportunities. Net

³¹ Before \$20 million of capitalised borrowing costs.



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capital expenditure is around \$280-310 million per year. Endeavour Group's freehold properties had a pro forma carrying value at 3 January 2021 of \$592 million that it will be able to use to provide liquidity (e.g. through sale and leaseback) or as development opportunities.

Cash Flow

Endeavour Group is expected to have a strong cash realisation ratio of around or above 100%. The considerably higher cash realisation ratio in 1HY21 reflects the impact of the Christmas and New Year trading period. The cash flow benefit from this seasonality reverses early in the new year.

On a pro forma basis, capital expenditure was around \$280-310 million per year over the period from FY18 to FY20. Endeavour Group had capital expenditure commitments at 3 January 2021 of \$22 million.

6.3 Directors and Management

On Demerger, Endeavour Group's board will comprise eight directors:

- one non-executive director, Holly Kramer, who will be Woolworths Group's nominee on the Endeavour Group board;
- one non-executive director, Bruce Mathieson (Senior), who will be BMG's nominee on the Endeavour Group board;
- five non-executive directors, four of whom will be independent of Woolworths Group and BMG, including the Chairman, Peter Hearl as well as Duncan Makeig, Joanne Pollard and Catherine West. The fifth non-executive director will be Colin Storrie. Colin Storrie is currently Managing Director of New Business and Partnerships at Woolworths Group and led the shareholder aspects of the Restructure and Merger and Demerger but his role as an executive of Woolworths Group will conclude on 27 June 2021; and
- one executive director (Managing Director and CEO-elect, Steve Donohue).

Endeavour Group intends to appoint a further independent non-executive director to the Endeavour Group board shortly after the Demerger is implemented, following which the Endeavour Group board will have a majority of independent directors.

The senior management of Endeavour Group will include Endeavour Drinks' current Managing Director, Steve Donohue, who has been appointed as CEO-elect. Shane Gannon has been appointed as Chief Financial Officer ("CFO") and commenced in April 2021, supported by the current Finance Director, Kate Beattie, who will become Deputy CFO.

The existing operational management team is to remain in place. Further details of the board and senior management of Endeavour Group are set out in Section 3.8 of the Demerger Booklet.

6.4 Capital Structure and Ownership

On implementation of the Demerger, Endeavour Group will have approximately 1,790.5 million shares on issue. Woolworths Group shareholders will collectively hold 70.8% of the shares on issue, Woolworths Group will hold 14.6% and BMG will hold 14.6%.

Woolworths Group and BMG will be the only substantial shareholders. Other than the Woolworths Group and BMG shareholdings, Endeavour Group will have a relatively open share register.

Endeavour Group has established several equity-based plans for executive management and salaried team members to align their interests with the interests of Endeavour Group shareholders. The details of these equity plans are set out in Annexure C to the Demerger Booklet. While aligned to Endeavour Group performance and measures (where applicable), the equity plans represent a continuation of the structure of the equity arrangements in place at Woolworths Group. Post Demerger, the Endeavour Group board will review the remuneration framework on an ongoing basis to ensure that it meets the strategic needs of Endeavour Group.

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7 Woolworths Group post Demerger

7.1 Business Operations and Strategy

Business Operations

If the Demerger is implemented, Woolworths Group will remain Australia and New Zealand's leading food and everyday needs business. It will have a retail food business, strong digital and data capabilities (through WooliesX, CountdownX and BIG WX) and complementary businesses and partnerships (including BIG W, Cartology, its investments in Endeavour Group and Quantum and its partnerships with Qantas, Ampol, EuroGarages and Takeoff Technologies).

The focus of Woolworths Group post Demerger will be its supermarkets businesses in Australia and New Zealand, which represented 93% of FY20 pro forma sales revenue and 99% of FY20 pro forma EBIT.

Strategy

Woolworths Group post Demerger will continue its strategy that leverages its food and everyday needs retail business to build a retail ecosystem that attracts more partners and services for the benefit of customers (see Section 4.1 for details of Woolworths Group's strategy). It intends to continue to increase its physical and digital reach, where appropriate, and add new services for customers through complementary adjacencies and partnerships, including:

- expanding points of presence to adjacent services to meet customers where and how they want to shop;
- growing the food offering into broader channels including B2B, wholesale and exports;
- entering strategic partnerships to extend choice for customers in new categories; and
- leveraging its platforms and service businesses for Woolworths Group and its partners.

A detailed description of Woolworths Group post Demerger is set out in Section 4 of the Demerger Booklet.

7.2 Key Financial Information

Woolworths Group post Demerger's key financial information is summarised below:

WOOLWORTHS GROUP POST DEMERGER – KEY FINANCIAL INFORMATION (\$ MILLIONS)

	FY18 PRO FORMA 52 WEEKS	FY19 PRO FORMA 53 WEEKS	FY20 PRO FORMA 52 WEEKS	1HY21 PRO FORMA 27 WEEKS
Financial Performance				
Sales revenue	47,209	49,758	53,131	29,538
Operating EBITDA ³²	3,815	4,268	4,449	2,607
Operating EBIT ³²	2,120	2,421	2,467	1,541
EBIT	2,187	2,485	2,519	1,591
OPAT attributable to Woolworths Group shareholders	1,066	1,303	1,303	907
Sales revenue growth		+3.3% ³³	+8.9% ³³	+10.5% ³⁴
Operating EBIT growth		+11.9% ³³	+4.0% ³³	+16.4% ³⁴
Operating EBIT margin	4.5%	4.9%	4.6%	5.2%
Interest cover	3.0x	3.7x	3.7x	4.8x

³² Operating EBITDA and operating EBIT are before share of profits of associates. Share of profits of associates primarily represents Woolworths Group's 14.6% investment in Endeavour Group but also includes other equity accounted investments that are immaterial in the context of Woolworths Group post Demerger's earnings.

³³ Normalised for the 53 week year in FY19. Normalised growth rates have been estimated by Grant Samuel based on comparable normalised FY19 sales revenue growth disclosed in the Demerger Booklet of 3.1% for Australian Food, 3.4% for New Zealand Food and 5.3% for BIG W and assuming EBIT margins remain as reported.

³⁴ Growth rates are over the prior corresponding period (i.e. 1HY20).

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WOOLWORTHS GROUP POST DEMERGER – KEY FINANCIAL INFORMATION (\$ MILLIONS) (CONT)

	FY18 PRO FORMA 52 WEEKS	FY19 PRO FORMA 53 WEEKS	FY20 PRO FORMA 52 WEEKS	1HY21 PRO FORMA 27 WEEKS
Financial Position				
Net working capital				(2,640)
Net assets employed				19,214
Net borrowings (excluding lease liabilities)				119
Net borrowings (including lease liabilities)				(11,813)
Net assets attributable to Woolworths Group shareholders				7,372
Net assets per share				\$5.82
Net tangible assets per share				\$2.74
Leverage				2.5x
Gearing (excluding lease assets and liabilities)				-1.2%
Gearing (including lease assets and liabilities)				61.5%
Cash Flow				
Operating cash flow	2,886	2,863	3,807	2,341
Capital expenditure (net)	(1,452)	(1,538)	(1,599)	(591)
Cash realisation ratio	105%	91%	116%	119%

Source: Demerger Booklet and Grant Samuel analysis

The basis on which the pro forma financial information has been prepared is set out in Section 4.6 of the Demerger Booklet.

Financial Performance

As a result of no longer including the higher margin Endeavour Group businesses, on a pro forma basis Woolworths Group post Demerger generates lower EBIT margins than Woolworths Group (generally 70-90 basis points lower although only 40 basis points lower in FY20 due to the impact of the COVID-19 pandemic on Endeavour Group's EBIT margin).

Woolworths Group's financial results for FY21 will fully consolidate Endeavour Group (and include a non-controlling interest for the 14.6% of Endeavour Group held by BMG) as the separation date is expected to be 28 June 2021. FY22³⁵ will be the first full year following the demerger of Endeavour Group and will include Woolworths Group's 14.6% interest in Endeavour Group as an equity accounted investment (i.e. Woolworths Group's share of Endeavour Group's FY22 NPAT will be included in earnings).

Following the Demerger, Woolworths Group will remain the head company of the Woolworths Group Australian consolidated tax group (from which Endeavour Group has already exited) and the unused capital losses and franking credits are expected to be preserved in Woolworths Group.

Dividends

While the level of future dividend payments is a matter for the board of Woolworths Group, Woolworths Group's dividend policy is not expected to change as a result of the Demerger. Woolworths Group's first dividend on a post Demerger basis is likely to be the final dividend for 2HY21, which will be paid in September/October 2021. Post Demerger, Woolworths Group will receive any dividends declared by Endeavour Group in relation to its 14.6% post Demerger interest in Endeavour Group. It will recognise its share of Endeavour Group's NPAT in its earnings and this will form part of the profits from which Woolworths Group post Demerger will subsequently declare its own dividends.

³⁵ FY22 is the financial year ending 26 June 2022.

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**Financial Position**

The pro forma financial position of Woolworths Group post Demerger indicates (relative to Woolworths Group's restated financial position at 3 January 2021):

- a slightly smaller negative investment in net working capital as Endeavour Group's pro forma negative investment in net working capital at 3 January 2021 is removed;
- net assets per share falls from \$6.92 to \$5.82 due to the removal of Endeavour Group's net assets but NTA per share increases from \$0.82 to \$2.74 as a result of no longer recognising goodwill and liquor and gaming licences associated with Endeavour Group. No new intangible assets arise as a result of the Demerger; and
- a reduction in net borrowings and gearing (before and after leases) as a result of repayment of the intercompany borrowings by Endeavour Group. Gearing before leases falls from 8.4% to -1.2% (i.e. a net cash position) and gearing after leases falls from 64.5% to 61.5%. The relatively smaller reduction in gearing after leases reflects the significant proportion of lease assets and liabilities attributable to Woolworths Group's Australian Food and New Zealand Food businesses. Woolworths Group post Demerger will have lease liabilities totalling \$11.9 billion, 36% of which (by dollar value on an undiscounted basis) relate to leases that expire in the next five years.

All of Woolworths Group's existing debt facilities are expected to remain in place and Woolworths Group post Demerger expects to retain its existing investment grade credit rating. As a result, Woolworths Group post Demerger has substantial balance sheet capacity.

Cash Flow

Woolworths Group post Demerger continues to have a strong cash realisation ratio which has generally been around or above 100%. On a pro forma basis, net capital expenditure was around \$1.5-1.6 billion from FY18 to FY20. Woolworths Group post Demerger had capital expenditure commitments at 3 January 2021 of \$770 million.

7.3 Directors and Management

Woolworths Group post Demerger's board will comprise the current directors of Woolworths Group.

Gordon Cairns will continue as the Chairman, Brad Banducci will continue as Managing Director and CEO and Stephen Harrison will continue as CFO following implementation of the Demerger.

7.4 Capital Structure and Ownership

There will be no change to the number of Woolworths Group ordinary shares on issue or the ownership of Woolworths Group immediately following implementation of the Demerger.

The impact of the Demerger on the various incentive plans and share purchase plans operated by Woolworths Group will vary depending on:

- the plan and the awards granted under the plan; and
- whether the plan participant remains an employee of Woolworths Group post Demerger or will be an employee of Endeavour Group.

The treatment of each type of plan is set out in detail in Annexure C to the Demerger Booklet.

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8 Evaluation of the Demerger

8.1 Approach to Evaluation

Woolworths Group shareholders are being asked to split their current investment into two parts, a shareholding in Woolworths Group post Demerger and a separate shareholding in Endeavour Group.

The transaction is a “clean” split in so far as there is no change in the underlying economic interest of each shareholder (except for ineligible shareholders and selling shareholders). They will, in aggregate, continue to own 85.4% of the Endeavour Group business, but in a different form, with 70.8% held directly and 14.6% owned indirectly through their ongoing shareholding in Woolworths Group. There is:

- no purchase or sale of equity in either Endeavour Group or Woolworths Group to third parties;
- no value leakage to third parties from either entity; and
- not expected to be any adverse tax consequences for the separate entities and for the vast majority of Woolworths Group shareholders (see Section 8.6.2).

Accordingly, the Demerger is definitionally fair as shareholders (except ineligible shareholders and selling shareholders) will hold exactly the same underlying economic interests in the Endeavour Group business before and after the Demerger is implemented. Evaluation of whether the Demerger is in the best interests of shareholders therefore involves weighing up the advantages and disadvantages of the Demerger for shareholders. This involves judgements about the advantages and benefits such as strategic and financial flexibility and management focus weighed against the disadvantages, costs and risks such as duplicated operating costs and transaction costs, rather than analysis of quantifiable financial or other verifiable factors.

8.2 Rationale for the Demerger

Retail drinks has been part of Woolworths Group’s business operations for approximately 60 years and was one of its first efforts to diversify its activities beyond supermarkets. Its first store with a limited liquor licence was acquired in Western Australia in 1960 and the business subsequently expanded to other states through a number of acquisitions including Victorian based *Dan Murphy’s* in 1998, *Langton’s* in 2009 and *Cellarmasters* in 2011. *BWS* was established in 2001 and liquor stores attached to Woolworths supermarkets were rebranded to *BWS* in 2012.

Woolworths Group’s entry into the hotel sector was the outcome of a desire to expand its retail drinks business into Queensland, where licensing laws require that retail liquor stores are operated by a hotelier. To facilitate its expansion, in 2001 Woolworths Group entered into a joint venture with BMG, a leading operator of hotels in Victoria (and others). The initial aim of the joint venture was to buy and operate hotels in Queensland, giving Woolworths Group an entry to the state’s retail liquor market, as well as on-premises activities. Under the joint venture arrangement, Woolworths Group managed the retail liquor outlets and BMG had oversight of the hotel operations. The joint venture was highly successful, acquiring a portfolio of 31 hotels and 110 retail liquor outlets in three years. It subsequently expanded across Australia with the acquisition of Australian Leisure & Hospitality Group Limited in 2004 (133 hotels and 261 retail liquor outlets across five states, predominantly in Queensland and Victoria), and merged with certain hotel interests of the Mathieson family (to create ALH Group) in 2005. ALH Group continued to expand its hotel portfolio through numerous acquisitions including the Taverner Hotel Group (33 hotels across Victoria, South Australia and New South Wales), the Compass Hotel Group (12 hotels in Western Australia) and from the Laundy, Waugh, De Angelis and Bayfield Hotel Groups (29 hotels and 10 retail liquor outlets). Prior to the Restructure and Merger, ALH Group was 75% owned by Woolworths Group and 25% owned by BMG.

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Recognising its growth potential, BMG has been keen to accelerate the growth of ALH Group's hotels business in the fragmented hotels sector. However, this desire has, at times, differed from the interests of Woolworths Group, which:

- had to prioritise investment in Australian Food and New Zealand Food (particularly in 2016 and 2017) to protect its market share from growing competition from Coles and international entrants, ALDI and Costco; and
- generally required investments or acquisitions undertaken by ALH Group's hotels business to be aligned with Woolworths Group's broader retail strategy. This included consideration of return on capital (Hotels generates lower return on funds employed than Australian Food), resulting in a lack of appetite for the acquisition of hotels without a retail liquor component and several hotel opportunities being deferred or foregone. Consequently, the number of hotel venues across the business has been broadly the same since 2013.

The Woolworths Group board determined that the growth objectives of ALH Group and the Woolworths Group's retail drinks business (given the shared *Dan Murphy's* and *BWS* banners) would be better achieved if they were separated from the food and everyday needs business but on a basis that preserved a seamless integrated offering for customers. As a result, in February 2020, Woolworths Group implemented the Restructure and Merger to create Endeavour Group. The Restructure and Merger brought together, under a single corporate structure within Woolworths Group, the retail drinks businesses owned by Woolworths Group and ALH Group (reported as Endeavour Drinks) (so that all *Dan Murphy's* and *BWS* stores are owned by a single entity) and ALH Group's hotels business. Endeavour Group is Australia's leading retail drinks (with 1,630 retail outlets) and hospitality (with 332 hotels) business and is 85.4% owned by Woolworths Group and 14.6% owned by BMG.

The Restructure and Merger to create Endeavour Group (and the subsequent separation of the combined entity) was determined to be the most viable option given the compatibility of both businesses and the Queensland liquor licensing requirements (which were not expected to change materially in the near future). While the approach of separating its supermarket and liquor operations is contrary to the situation in most of the rest of the world (where supermarket and liquor operations are typically fully integrated), an outright sale by Woolworths Group of its 75% interest in ALH Group would have resulted in part of the *Dan Murphy's* and *BWS* networks being owned by an independent third party. The Restructure and Merger enabled the existing integrated national liquor footprint to be retained. In any event, Woolworths Group retains its exposure to liquor in New Zealand (where liquor is sold in supermarkets).

Having made the decision to separate Endeavour Group, a number of alternative separation methods were available to Woolworths Group. These included:

- trade sale (to a global strategic acquirer or private equity);
- IPO (of 100% or with retention of a minority interest); or
- demerger (of 100% or with retention of a minority interest).

While it is inevitable that any proposal will involve some compromises and drawbacks, the board and management of Woolworths Group have considered each of these alternatives and determined that the Demerger is the most effective means of achieving its objectives.

A trade sale would have its attractions, particularly if there was an acquirer that could extract significant synergies, but:

- there are no obvious trade/strategic acquirers of Endeavour Group. It is a very substantial business and would be the largest Australian listed retail drinks and hospitality group. Broker valuations of Endeavour Group have been in the range \$9.3-12.5 billion (enterprise value). A private equity funded acquisition is more likely, but an acquisition of this scale would require a consortium of financial



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investors and the universe of available co-investors may be limited by Endeavour Group's exposure to liquor and gaming (e.g. certain middle eastern sovereign wealth funds have restrictions on investments in liquor or gaming). A consortium of financial investors would also be likely to be heavily leveraged, increasing execution risk and the ability to maximise the acquisition price;

- a trade sale process would be protracted and disruptive and there would be no certainty of success. A failed trade sale process could have an adverse impact on the Endeavour Group business; and
- a trade sale would crystallise a significant capital gains tax liability for Woolworths Group and there would be tax leakage on any distribution of proceeds to shareholders.

In any event, there is no impediment to a trade sale taking place either before or after the Demerger. Woolworths Group has commented that it remains open to considering any proposal up until the Demerger is implemented. Endeavour Group will have an open share register except for the 14.6% interests that will be held by each of Woolworths Group and BMG, neither of which are subject to any escrow or retention arrangements, so an interested party could make a takeover offer or other change of control proposal. Since announcement of the Restructure and Merger and separation, Woolworths Group has received a number of preliminary, confidential and incomplete proposals from third parties in relation to the acquisition of Endeavour Group. However, Woolworths Group and the third parties were not able to reach agreement.

An IPO would be subject to significant uncertainty as to value and timing (or even achievability given the number of large Australian IPOs that have been pulled in the past 12 months and ongoing market volatility associated with the COVID-19 pandemic). It would be dependent on market conditions at the time as well as investor perception developed throughout the marketing program. In any event, the size of Endeavour Group is a significant impediment to a 100% IPO. A staged exit, with progressive sell downs over time, is more realistic, but would be wholly dependent on market conditions and pricing at each stage would inevitably reflect some discount. An IPO would also be subject to the same tax issues on the proceeds as a sale.

While a demerger would incur one-off costs and some dis-synergies, it has several advantages:

- it provides much more certainty of execution compared to the other options. The outcome is largely in the control of Woolworths Group;
- Woolworths Group shareholders are provided with the opportunity to retain exposure to the upside potential from realisation of significant growth opportunities by Endeavour Group. As a result of Woolworths Group retaining a 14.6% interest in Endeavour Group, Woolworths Group will also benefit from this upside potential;
- it provides shareholders with ownership of Endeavour Group at its market value and, to the extent that shareholders wish to sell their Endeavour Group shares, they will receive the full market price (less brokerage costs) on sale and will (in general) have the flexibility to choose when to sell; and
- demerger tax relief should be available to Woolworths Group shareholders, deferring any tax payable until they sell any of their Endeavour Group shares (see Section 8.6.2).

Ultimately, the board settled on the Demerger of Endeavour Group as the preferred way forward. Woolworths Group has decided to retain a 14.6% interest in Endeavour Group given the ongoing commercial relationships with Endeavour Group. The advantages and disadvantages of Woolworths Group's retention of an interest in Endeavour Group are discussed in Section 8.5.4 of this report.

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**8.3 Advantages and Benefits of the Demerger****8.3.1 Strategic Flexibility**

The Demerger will enable Endeavour Group and Woolworths Group post Demerger to pursue growth and strategic opportunities independently, whether by way of capital investment (new/renewal/refurbishment) programs, new business and product innovation, acquisitions or divestments.

Woolworths Group is a financially robust business with minimal leverage and strong cash flows. While it is not capital constrained, the reality is that there are always limits on capital investment and acquisitions financially as well as in terms of alignment with strategic priorities. Managerial and operational capacity to implement such initiatives efficiently with adequate oversight and control is also limited. Within almost any business, individual business units need to compete for these resources.

Just over \$1 billion has been invested in the retail drinks and hospitality business over the past three and a half years (including the contribution from BMG in relation to its 14.6% interest in Endeavour Group) to open new stores and enhance the digital experience. Woolworths Group has directed the majority of its capital resources over this period (over \$4 billion) towards the much larger (and higher return on capital) Australian Food division, which represents the vast majority of sales revenue and earnings and is the business of primary interest to many of Woolworths Group's institutional investors.

Within the Woolworths Group structure, Endeavour Group must compete to secure the capital required to take advantage of significant growth opportunities in the retail drinks and hotel hospitality sectors, including:

- further development of exclusive brands;
- pursuit of inorganic growth opportunities for retail drinks (such as vertical integration, especially through Pinnacle Drinks, or international expansion);
- consolidation of the highly fragmented hotels market, particularly where the hotels did not come with meaningful retail opportunities; and
- development opportunities across the existing hotel portfolio (e.g. one-off mixed use redevelopments).

As a standalone entity, Endeavour Group will have a significant degree of freedom and greater capacity and flexibility to pursue its own strategic agenda. Management of Endeavour Group intends to aggressively pursue these opportunities over the next few years.

The Demerger is a logical extension of Woolworths Group's strategy of transformation and building long term alliances and partnerships that extend the group's range and services. Woolworths Group post Demerger will have greater ability to:

- focus on its food and everyday needs businesses; and
- pursue other opportunities consistent with its retail ecosystem strategy,

while retaining the benefits of the integration of Endeavour Group (particularly for eCommerce, loyalty and marketing, BWS attached stores, supply chain and international distribution and supply) through partnership rather than ownership.

8.3.2 Financial Flexibility

Endeavour Group is being established with its own capital structure tailored to its operations and growth profile. A summary of Woolworths Group's existing borrowing facilities and the new external borrowing facilities to be entered into by Endeavour Group is set out below:



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EXTERNAL BORROWINGS

	WOOLWORTHS GROUP ACTUAL (3 JANUARY 2021)			ENDEAVOUR GROUP PRO FORMA		
Type of borrowing	Syndicated facilities	Capital markets debt	Bank loans	Syndicated revolving facilities	Syndicated revolving facilities	Bilateral revolving facilities
Size	\$2.0 billion	\$1.9 billion	\$1.5 billion	\$1.0 billion	\$0.9 billion	\$0.6 billion
Initial term/maturity	up to 7 years	5-10 years	up to 5 years	5 years	4 years	3 years
Weighted average term to maturity	4.0 years	4.6 years	1.2 years	5 years	4 years	3 years

Source: Woolworths Group and Grant Samuel analysis

Woolworths Group does not expect to make any changes to its external borrowing facilities as a result of the Demerger. The Demerger does not trigger any change of business or change of control provisions that would enable its lenders to exit or renegotiate the existing facilities and any relevant consents will be obtained. The debt facilities put in place by Endeavour Group essentially represent access to “additional” funding capacity that will be available solely to meet the working capital requirements and fund growth opportunities for Endeavour Group (albeit these debt facilities will be drawn to \$1.852 billion following repayment of the intercompany borrowings to Woolworths Group and recognition of a normal level of trade and other payables³⁶). The smaller size of Endeavour Group’s facilities relative to those of Woolworths Group largely reflect its size and different risk profile (with exposure to hotels), given that both businesses are highly cash generative. Woolworths Group post Demerger will benefit from an effective increase in its available debt facilities, subject to continuing to meet financial covenants, given it will no longer provide funding to Endeavour Group.

In addition to its available debt facilities, Endeavour Group will also have:

- access to a substantial portfolio of freehold properties to fund or pursue growth opportunities. At 3 January 2021, Endeavour Group had pro forma freehold properties with a carrying value of \$592 million that it will be able to use to provide liquidity (e.g. through sale and leaseback) or as development opportunities; and
- greater ability and flexibility to pursue strategic opportunities such as scrip based mergers or acquisitions. Under the current structure such transactions are problematic:
 - vendors of retail drinks and hospitality businesses are unlikely to be attracted to scrip in Woolworths Group with its significant exposure to the Australian and New Zealand supermarket sector; and
 - alternatively, Woolworths Group receiving a scrip interest in a merged entity through the sale of Endeavour Group that is then locked up under Woolworths Group ownership may not be attractive to Woolworths Group or its shareholders (and, in any event, is considered highly unlikely).

In contrast, scrip in a pure retail drinks and hospitality business such as Endeavour Group may be highly attractive to vendors (and Endeavour Group will have some ability to include cash in the mix). In an environment where:

- Endeavour Group will be the only significant listed retail drinks and hospitality business in Australia; and
 - there is an expectation of consolidation in the highly fragmented Australian hotels market,
- this flexibility may be very valuable for shareholders.

³⁶ Endeavour Group has a seasonally high level of trade and other payables which is offset by a seasonally low level of intercompany borrowings at 3 January 2021 due to the impact of the Christmas and New Year holiday trading period.

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Woolworths Group post Demerger will have minimal gearing and conservative leverage ratios. It is intended that the repayment of the intercompany borrowings by Endeavour Group will be held in cash (at least initially), providing Woolworths Group with the opportunity to undertake capital management initiatives (e.g. share buybacks, special dividends) if appropriate. Woolworths Group's capital management strategy is to return capital to shareholders when this is consistent with its long term capital structure objectives and where it will enhance shareholder value.

8.3.3 Board and Management Focus

The Demerger will result in the creation of two companies with separate boards and senior management teams focused on their respective businesses. The board and management of each company will be able to focus on their business' strategic objectives and priorities, make decisions appropriate to each business' risk/return profile and address specific operational and regulatory issues in a timely manner.

Under Woolworths Group's current structure, the time of the Woolworths Group board needs to be divided between each of the businesses and may not always be reflective of the size and earnings of the business. As a standalone entity, Endeavour Group, in particular the Hotels business, will be more relevant and will by definition get more attention. Similarly, while the management teams of the Australian Food, New Zealand Food and Endeavour Group divisions currently operate largely independently from each other, Woolworths Group's CEO and other senior head office functions need to split their time between the businesses.

Woolworths Group post Demerger should also benefit from a dedicated board and management team that can focus on the supermarkets business and is not distracted by the operating, legal and regulatory demands of Endeavour Group. In particular, Woolworths Group post Demerger should be able to better execute against its core strategy to build a retail ecosystem leveraging its assets, customer loyalty and data.

8.3.4 Simplified Structure and Decision Making

While a simpler corporate structure was in part achieved through the Restructure and Merger, Endeavour Group remains a jointly owned subsidiary (i.e. the position is essentially the same as prior to the Restructure and Merger). Decision making processes remain complicated by BMG's interest in Endeavour Group in that key decisions will involve each of Endeavour Group, Woolworths Group and BMG management and the Woolworths Group board. Inevitably, this results in longer decision making processes and the potential for conflict. As part of Woolworths Group, Endeavour Group is also subject to the same operating procedures (e.g. terms of trade), a number of which are not necessarily appropriate for the smaller Endeavour Group business.

The Demerger will simplify the decision making process as decision making will only involve Endeavour Group management and the board. The Demerger should therefore lead to greater speed of decision making which can be important in taking advantage of investment opportunities. It will also simplify Endeavour Group's dealings with suppliers, staff and other stakeholders as operating procedures can be tailored to the specific requirements of Endeavour Group.

In the case of Woolworths Group post Demerger, there is arguably little or no change. However, as oversight of the Endeavour Group business will become the responsibility of the Endeavour Group board (albeit Woolworths Group will have a representative on the Endeavour Group board), the Woolworths Group board and management will no longer have the distraction of the Endeavour Group and dealing with the jointly owned subsidiary and should be able to give greater attention to the remaining businesses. It should also benefit from being able to remove a layer of management and communication, which should result in greater clarity and speed of decision making.



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8.3.5 Management Incentives

The Demerger will enable each of the companies to align management remuneration and incentives more closely with the financial performance of the business that is directly under the respective management team's control and the consequent share price performance. At present, equity based incentive schemes in Woolworths Group mean that remuneration for senior management in either Australian Food or Endeavour Group is impacted by the performance of the other business (for better or worse). The more targeted regime achievable under the Demerger is expected to create a more transparent link between management performance and remuneration and better align the interests of shareholders and management.

While the evidence is inherently anecdotal, previous demerger transactions indicate that the cumulative effect of these factors will be improved management performance over time.

8.3.6 Increased Scrutiny

The Demerger should increase the incentives for the boards and management of the demerged companies to improve performance. Analysts and investors will be focused on the performance of each business separately and the board and management will be directly answerable to investors. As a separate listed company, Endeavour Group will come under a much greater level of scrutiny including:

- higher levels of financial disclosure (compared to being a business segment of Woolworths Group);
- a higher public profile;
- focused research by analysts;
- regular interaction between management (and potentially board members) and analysts and institutional investors (e.g. during financial results roadshows); and
- annual general meetings.

In theory, all of this focus should be able to occur under the current structure. Woolworths Group discloses detailed performance data for each business. However, the reality is that, in practice, separation generally brings a greater intensity. Each company will also be obliged to fund future growth from its own resources, providing additional discipline on capital and operating expenditure.

While it is not possible to establish any direct or measurable link, it is not unreasonable to believe that this increased scrutiny will put additional pressure on management to perform which should, in the longer run, lead to better outcomes.

8.3.7 Shareholder Flexibility

Immediately following the Demerger, Woolworths Group shareholders (except ineligible shareholders and selling shareholders) will retain their existing economic exposure to Woolworths Group's assets by holding both Endeavour Group and Woolworths Group shares. Shareholders' interests will simply be split in two (albeit with part of the retail drinks and hospitality exposure held via Woolworths Group post Demerger). The Demerger will therefore provide shareholders with increased flexibility to manage their investment exposures to each company.

Notwithstanding that both businesses operate predominantly in the broader retail sector, the two entities will have different investment characteristics and it is likely that they will appeal to different sets of investors:

- Endeavour Group will provide investors with an exposure to the retail drinks and hotel hospitality sectors which generate higher margins and have greater growth potential. However, the earnings profile of Endeavour Group could potentially be more volatile as it is heavily regulated (with regulation varying from state to state) and any change in the regulatory environment can materially impact the profitability of the business; and

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- Woolworths Group post Demerger will provide exposure to a lower growth, but stable and defensive retail food business with strong market positions in Australia and New Zealand, no exposure to gaming³⁷ (which may have deterred some investor interest in the combined entity) and steady dividend payments supported by its strong cash generation.

At present, Woolworths Group shareholders by definition have an exposure to both businesses. They cannot make their own investment decision between these exposures, their only alternative is to have no exposure at all. Following the Demerger, shareholders will be able to make their own investment exposure decisions and shift their relative exposures between the two businesses as they see fit. The higher growth potential of Endeavour Group is likely to appeal to investors seeking capital growth, while Woolworths Group post Demerger with its stable and defensive cash generation would attract yield focused investors. The ability to make more precisely targeted investments into these businesses should also be attractive to investors who wish to invest in specific sectors and may attract investors who would not choose to invest in Woolworths Group in its current form.

Woolworths Group post Demerger's retention of a 14.6% interest in Endeavour Group does "muddy the waters" for shareholder flexibility and attractiveness to investors in some respects, but the retained investment is immaterial in the overall context of Woolworths Group post Demerger's overall operations and will be treated as an equity accounted investment for accounting purposes.

8.3.8 Additional Advantages

Section 1.3 of the Demerger Booklet details a number of other perceived advantages of the Demerger. Shareholders should consider these factors in making a decision on whether to vote for the Demerger.

8.3.9 Other Typical Advantages of Demergers

The relative size of Endeavour Group means that some of the typical advantages of demergers do not apply to the Demerger:

- the Demerger does not result in any substantial improvement for Endeavour Group in terms of transparency. Woolworths Group has reported Endeavour Group's predecessor business segments (Endeavour Drinks and Hotels) as separate segments since FY16 (Endeavour Drinks) and FY05³⁸ (Hotels). A significant amount of information on Endeavour Group is already disclosed by Woolworths Group, including:
 - sales revenue split between retail drinks and hospitality; and
 - key financial metrics such as gross margin, sales per square metre, ROFE, total sales revenue growth and comparable sales growth (quarterly), online sales, sales growth and penetration, store (freestanding and attached)/hotel numbers and gross and net store/hotel openings, renewals/refurbishments and trading area.

While a separately listed Endeavour Group will inevitably provide more information (and with greater granularity), the market already has access to sufficient information to enable assessment of Endeavour Group's performance and outlook (and comparison to its peers); and

- the Demerger is also unlikely to result in any increase in takeover potential for the demerged entities. Endeavour Group and Woolworths Group post Demerger will be substantial entities, and both will be among the 50 largest companies listed on the ASX based on market capitalisation. The size of both entities will be a deterrent to any takeover.

³⁷ Other than through the retained 14.6% interest in Endeavour Group.

³⁸ FY05 is the 52 weeks ended 26 June 2005.



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8.4 Risks, Disadvantages and Costs of the Demerger

8.4.1 Ongoing Risks from Key Partnership Agreements and Sublease Arrangements

As part of the Demerger, future commercial dealings between Endeavour Group and Woolworths Group post Demerger will be governed by key Partnership Agreements (see Section 1). In addition, there are sublease arrangements in place for certain retail stores (where a *BWS* or *Dan Murphy's* store occupies premises leased to Woolworths Group).

Services provided under the Partnership Agreements (including IT support, supply chain, attached *BWS* stores, loyalty and fintech, eCommerce, international distribution and other business support services) generally reflect the internal arrangements that currently exist within Woolworths Group in relation to the operation of the retail drinks business. The majority of services will be provided at cost but in some instances, will include a margin (e.g. payments, eCommerce). The agreements run for two to five (or more) years but the commercial terms (other than term) of some Partnership Agreements (e.g. eCommerce and loyalty) can be reviewed midway through the term.

The commercial agreements are intended to allow each group to focus on its core strengths while obtaining the mutual benefits from a strong working partnership (including enabling Woolworths Group to continue to provide a seamless customer experience across supermarkets and liquor in Australia).

Such arrangements give rise to a number of commercial risks that could adversely impact shareholders even if they retain their shareholdings in both entities:

- while the Partnership Agreements should enable Woolworths Group to maintain a seamless customer interface and Woolworths Group post Demerger will have representation on the Endeavour Group board, Woolworths Group post Demerger will not control Endeavour Group's strategy and there is the potential that Endeavour Group's strategy will not align with the interests of Woolworths Group over the long term;
- Endeavour Group will be reliant on Woolworths Group's performance under key Partnership Agreements for critical aspects of its business (e.g. IT support, supply chain and attached *BWS* stores). Failure by Woolworths Group to provide services at the expected level may have a material impact on Endeavour Group. The cost of these services is around \$564 million annually;
- there could be disputes under the agreements or they may not cover situations that emerge over the term of the relevant agreement. Disputes involving two public listed companies will inevitably be more difficult to resolve than disputes between Woolworths Group and its unlisted subsidiary and could be detrimental to the performance or reputation of either or both businesses and a distraction for management;
- there could also be divergence of interests or strategy (particularly as new management teams without the history of the current management teams takeover) and this divergence of interests is almost inevitable over time; and
- extension of the Partnership Agreements beyond the initial term has not been formalised. It is possible that:
 - any new terms agreed could favour one party or the other to a significant degree; and
 - either party could elect not to renew certain (or all) Partnership Agreements, which could disadvantage the other or both parties.

More generally, the two companies as separate listed entities could fail to fully exploit the mutual benefits of the partnership.

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All of these risks are real, but:

- the Partnership Agreements generally reflect the internal arrangements that currently exist within Woolworths Group in relation to the operation of the retail drinks business rather than a whole set of “new” arrangements (albeit that they are on a more formal and comprehensive basis);
- formalising the existing arrangements with an external third party (rather than the arrangements being internal) may encourage those involved to prioritise the partnership to ensure that it succeeds (rather than just taking it for granted). Indeed, some of the Partnership Agreements (e.g. payments, eCommerce) include incentives (i.e. margins) to ensure the partnerships work effectively and help both businesses to grow;
- self interest normally drives parties to reach sensible commercial agreement on business relationships that are mutually beneficial;
- Woolworths Group post Demerger’s continuing 14.6% shareholding in Endeavour Group (and board representation) may assist in ensuring that:
 - both companies continue to seek to maximise the value of the relationships; and
 - disputes are dealt with having regard to common goals;
- it is unlikely that the agreements will not be renewed if they are providing mutual benefits to both parties (and if they are not, the end of the initial term provides an opportunity to revise those terms so that they are mutually beneficial); and
- longer term contracts that lock parties into pricing or other terms make little sense in the rapidly changing retail environment and changing customer needs.

Subleases between Woolworths Group and Endeavour Group commenced on 3 February 2020 and have initial terms of five to 12 years (to align with the term of the relevant head lease). While entry into subleases was unavoidable in the circumstances, they do give rise to some risks that would not exist if Endeavour Group was a party to a separate head lease for the relevant retail stores. For example:

- the sublease automatically terminates if the head lease is terminated or surrendered for any reason;
- where a head lease includes an obligation to trade as a liquor store, Endeavour Group is obliged to exercise its option to renew a sublease if Woolworths exercises its right to renew the lease;
- while Endeavour Group is the beneficial owner of the liquor licence, it can only vary the terms and conditions of the liquor licence with Woolworths Group’s consent (which cannot be unreasonably withheld or delayed); and
- if the head lease allows Woolworths Group to relocate the premises, Endeavour Group must relocate the liquor premise so that it continues to form part of the supermarket premises (unless Endeavour Group, acting reasonably, considers that the area, access, amenity of the proposed liquor premises or the payment terms for recovery of its relocation costs are not acceptable, in which case it may surrender the sublease for the liquor premises without penalty).

Essentially, the sublease arrangements mean that Endeavour Group does not have unfettered control over the subleased premises. There is a risk that a sublease is terminated, renewed or relocated and the result is not optimal for Endeavour Group.

Ultimately, the success of the key Partnership Agreements and the sublease arrangements will rest on the individuals involved and their commitment to making the arrangements work.

In addition, in anticipation of separation, the Partnership Agreements have been in place and operational since July 2020 and were subject to a review in January/February 2021. Neither Endeavour Group nor Woolworths Group identified any major issues with the operation of the Partnership Agreements.



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8.4.2 Vulnerability to External Shocks

The Demerger will result in two smaller and less diversified companies than Woolworths Group. Definitionally, this means that each will be individually less able to readily absorb the financial and business impact of significant adverse events as the events will have a greater relative impact. These adverse events might include, for example, the impact of bushfires, drought, the next equivalent of the COVID-19 pandemic, etc.

Woolworths Group is less likely to be severely impacted as it operates in the consumer staples retail sector, which has defensive investment characteristics and is less volatile than other retail and market sectors. It is therefore less prone (although not exempt from) shock events. Endeavour Group will be the leading retail drinks and hospitality business in Australia. However, its exposure to the hotels sector is likely to make its performance more volatile than that of Woolworths Group or Woolworths Group post Demerger. The impact of adverse events on Endeavour Group, in particular, has been witnessed during the COVID-19 pandemic, when the closure of pubs and clubs forced deferral of the original separation process.

However:

- Endeavour Group and Woolworths Groups will both be very substantial businesses. Endeavour Group had pro forma FY20 sales revenue of \$10.6 billion and pro forma FY20 EBIT of \$693 million³⁹ and Woolworths Group post Demerger had pro forma FY20 sales revenue of \$53.1 billion and pro forma FY20 EBIT of \$2.5 billion;
- Endeavour Group's largest exposure is to retail drinks which has similar characteristics to the consumer staples sector;
- Woolworths Group post Demerger will have a pro forma net cash position and Endeavour Group will have moderate pro forma gearing of 24.8% (before leases) (27.4% after adjusting for seasonality). Endeavour Group's pro forma gearing is not materially different to its gearing prior to the Demerger of 21.6%. Endeavour Group and Woolworths Group post Demerger will have pro forma FY20 interest cover ratios of 3.2 times and 3.7 times respectively. These interest cover ratios are not particularly conservative but are impacted by long term leased assets. The comparable interest cover ratios excluding leases are around 16.6 times for Endeavour Group and around 14.4 times for Woolworths Group post Demerger. Woolworths Group post Demerger will have a conservative leverage ratio (including leases) of 2.5 times. While Endeavour Group will have a higher leverage ratio (of 4.4 times, or 4.5 times after adjusting for seasonality), this ratio is also impacted by long term leased assets (Endeavour Group has a weighted average lease term of 12.6 years compared to Woolworths Group post Demerger of 10.1 years as hotel leases tend to be longer than other retail leases) and the impact of the COVID-19 pandemic on EBITDA over the last 12 months. Endeavour Group's comparable leverage ratio before leases is 1.8 times (or 2.0 times after adjusting for seasonality) and is 1.4 times (or 1.6 times after adjusting for seasonality) based on FY19 EBITDA which was not impacted by the COVID-19 pandemic. These ratios are indicative of capital structures that have the ability to withstand significant adverse events; and
- both Endeavour Group and Woolworths Group should have access to equity markets to raise additional equity capital if necessary.

³⁹ Endeavor Group's pro forma FY20 EBIT was impacted by the COVID-19 pandemic. Pro forma EBIT in FY18 and FY19 was around \$860-880 million.

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**8.4.3 Transition and Implementation Risks**

Any separation of two organisations is a complicated exercise at an operational level. There are inevitably risks relating to the implementation of the Demerger, including:

- delays and increased costs in achieving legal and practical separation of the businesses, including a full business support service capacity for Endeavour Group;
- failure to obtain any third party consents required as a result of triggering change of control clauses in supplier or service contracts or property leases;
- disruption and management distraction during the implementation period; and
- retention of key management personnel.

Grant Samuel does not regard these risks as being outside the normal risks of any corporate restructuring transaction. In any event:

- Endeavour Group is already established as a separate business with its own management team and premises. The operational separation largely relates to corporate office functions, shared infrastructure (i.e. IT) and the restructuring of group wide arrangements and there are dedicated teams in place to isolate these activities from the operation of the core business;
- Woolworths Group and Endeavour Group have assessed the need to obtain consents from key suppliers and lessors. The process has been completed in relation to key suppliers and is underway for lessors and Woolworths Group and Endeavour Group consider that the risk of disruption as a result of a consent being validly withheld is unlikely to be material; and
- there are Partnership Agreements which provide for the sharing of business support services for a period post the Demerger. This should facilitate the smooth establishment of standalone support services capacity at Endeavour Group over time.

8.4.4 Newly Formed Board

Endeavour Group will be a new standalone ASX listed company with a new board of directors including a number of recently appointed non-executive directors. The relationships between the new board and Endeavour Group management and the relationships within the board itself are untested and, inevitably, there is a risk that it does not work as planned. In addition, certain of the senior management of Endeavour Group (including the CEO-elect) do not have previous experience in their roles in a public listed company. However:

- the board will have continuity and experience with the business through the appointment of:
 - Holly Kramer as Woolworths Group's representative on the Endeavour Group board. Ms Kramer has more than 25 years' experience in executive management, marketing and sales and has been on the Woolworths Group board since February 2016;
 - Bruce Mathieson (Senior) as BMG's representative on the Endeavour Group board. Mr Mathieson (Senior) is the founder of BMG and has over 45 years' experience in the hotels business. He is a director of BMG, other privately held companies and ASX listed Mayne Pharma Group Limited (since February 2007), was previously a director of ALH Group and is an existing director of Endeavour Group; and
 - Colin Storrie as a non-executive director. Mr Storrie is currently the Managing Director of New Business and Partnerships at Woolworths Group but his role as an executive at Woolworths Group will conclude on 27 June 2021. He has held various senior roles at Woolworths Group since 2015 and is an existing director of Endeavour Group;



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- the Chairman, Peter Hearl, is an experienced ASX50 director. He is currently a non-executive director of Telstra Limited and Santos Limited and was previously a non-executive director of Treasury Wine Estates Limited and Goodman Fielder Limited. He has also held several senior executive leadership roles in the hospitality and food and beverage sector, including PepsiCo Restaurants International and YUM! Brands Incorporated;
- the CEO-elect, Steven Donohue, has been with Woolworths Group for over 25 years and has held numerous leadership roles across Woolworths Group in food, drinks and hospitality, including as Managing Director of Endeavour Drinks since April 2018;
- while Shane Gannon has only recently been appointed as CFO of Endeavour Group, he is an experienced public listed company CFO, having previously held the position of CFO at Mirvac Group, Goodman Fielder Limited and CSR Limited. He also has extensive experience in the property industry through his role at Mirvac as well as 10 years with Lendlease Group where he held a number of finance executive roles. This experience will be relevant to the strategic opportunities for Hotels; and
- more than half of the other key members of the Endeavour Group senior management team have been with Endeavour Group (or its antecedent entities) for at least 10 years.

The Demerger has implications primarily for the management of Endeavour Group and any organisational change involves some degree of risk. However, change is a regular part of corporate development and any negative impact is unlikely to be material.

8.4.5 Additional Corporate and Operating Costs

The Demerger will result in the loss of the financial benefits of operating the two businesses under a single corporate structure. These benefits are largely derived from operating a corporate head office and the central provision of a number of administrative functions.

Although the businesses already operate independently in many respects, they currently share infrastructure and corporate overheads in addition to costs related to being a listed company. While certain services will be covered by short term Partnership Agreements for a period, ultimately each of the demerged companies will have to support these overheads from its own resources.

Following the Demerger, Endeavour Group will incur additional corporate and operational costs including:

- costs associated with listing Endeavour Group on the ASX such as listing fees, share registry, annual reports, shareholder communications, legal and regulatory compliance, board of directors and secretarial;
- a separate executive team;
- funding facilities;
- insurance costs; and
- other corporate functions to support a standalone listed company.

These incremental costs are estimated by Woolworths Group to be approximately \$47 million per annum.

In addition to these incremental corporate and operating costs, Woolworths Group may incur stranded costs. These potential stranded costs have not been quantified. However, Woolworths Group intends to mitigate and reduce some portion of the impact of the stranded costs over time. The Partnership Agreements are expected to minimise stranded costs for Woolworths Group arising from the Demerger.

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**8.4.6 One-Off Transaction and Implementation Costs**

Woolworths Group estimates that costs of implementing the Demerger (subsequent to 3 January 2021) will total \$50 million on a before tax basis. These costs include external consulting and adviser fees, costs associated with regulatory requirements, fees associated with the ASX listing of Endeavour Group and other costs, and are in addition to approximately \$230 million of costs incurred in FY20, predominantly in relation to the Restructure and Merger. Approximately \$25 million of the total costs of \$50 million will have been incurred prior to the Woolworths Group shareholders' meeting to approve the Demerger. Therefore, additional costs to be incurred if the Demerger proceeds are approximately \$25 million. All of these transaction costs are being paid by Woolworths Group. It is not expected that Endeavour Group will incur any material additional one-off separation costs to allow it to operate as an independent entity.

The total one-off transaction costs (before tax) of the Demerger are not significant, representing less than 0.1% of Woolworths Group's current market capitalisation.

There is a risk that total transaction and implementation costs could exceed the estimate of \$50 million (before tax). However, any excess is unlikely to be material in the context of Woolworths Group as a whole.

8.4.7 Additional Disadvantages and Risks

Sections 1.4 and 1.5 of the Demerger Booklet detail a number of other disadvantages and risks relating to the Demerger and investment in Endeavour Group and Woolworths Group post Demerger. Shareholders should consider these factors in making a decision on whether to vote for the Demerger.

8.4.8 Other Typical Disadvantages of Demergers

The relative size of Endeavour Group means that some of the typical disadvantages of demergers do not apply. The Demerger is unlikely to have any material impact, for Endeavour Group or Woolworths Group post Demerger, on market liquidity:

- Endeavour Group and Woolworths Group post Demerger will be substantial listed companies, with both among the 50 largest companies listed on the ASX;
- for index tracking or benchmarked investors, Woolworths Group post Demerger and Endeavour Group are both expected to be included in all relevant indices (S&P/ASX 50, S&P/ASX 100 and, most importantly, the S&P/ASX 200), even after allowing for the retained interests in Endeavour Group held by Woolworths Group and BMG (collectively almost 30%) which would not be included in the free float. The aggregate market capitalisation included in the indices will, all things being equal, be the same. Consequently, there should be no forced selling by index investors;
- both companies operate in the broad retail sector. Existing investors were, by definition, happy to be exposed to both businesses as each represents a significant proportion of Woolworths Group and were therefore a fundamental feature of any investment. There is no obvious reason for there to be a high level of selling of either entity by existing investors although it could be argued that there is more likely to be some pressure on Endeavour Group given its exposure to liquor and gaming; and
- there may be some short-term impacts, but the net effect on overall demand is likely to be minimal. For example:
 - selling by holders of small parcels of Endeavour Group shares, although the sale facility made available to Woolworths Group shareholders who individually hold 800 or fewer Woolworths Group shares will allow these Endeavour Group shares to be placed with investors in a more structured manner that should minimise any impact on the Endeavour Group share price;



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- there are reasons to expect that there may be some level of “new” demand for Woolworths Group post Demerger shares, particularly from environmental, social and governance (“ESG”) and socially responsible investment (“SRI”) focused investors who want to participate in the defensive supermarket sector, but were deterred from investing in Woolworths Group because of its exposure to liquor and/or gaming; and
- there may be demand for Endeavour Group shares given it will be the only significant pure listed retail drinks and hospitality business in Australia with a number of attractive features, including its strong market position in the highly fragmented hotels sector with potential for consolidation, vertically integrated retail liquor business with a strong national footprint and growing digital platform and substantial real estate and land bank with significant redevelopment potential.

8.5 Other Considerations

8.5.1 Market Value

For any demerger to be in the best interests of shareholders it must ultimately be expected to enhance shareholder value relative to the status quo (albeit that this can never be proven in hindsight given the absence of a counterfactual).

Sometimes, it is expected that a demerger will create value immediately or in the very short term because the market is believed to be mispricing the existing combined business for some reason. For example, one of the businesses, often a smaller business, is not being closely scrutinised and may warrant a higher multiple than the group but is just rolled up in the overall multiple applied to the dominant business. This undervaluation may also occur where a business unit is loss making or in the early stages of development and therefore not contributing to group earnings.

Similarly, adverse market attitudes to the “core” business may be tainting all of the businesses in a group in terms of value parameters (or vice versa).

These arguments tend to be less prevalent when the listed company is relatively large (and therefore closely followed and scrutinised by a range of analysts and sophisticated investment institutions) and both businesses are substantial contributors in which case disclosure rules mean that investors have reasonably detailed information on the performance of, and outlook for, each of the businesses. Analysts (and others) can easily undertake a comprehensive “sum of the parts” valuation.

Accordingly, as most larger entities enjoy a well informed and liquid market, the arguments for a demerger are typically not so much about immediate value uplifts but rather around the incremental value expected to be created in the future through factors such as enhanced strategic and financial flexibility, management and board focus, better alignment of incentive structures in remuneration, and increased takeover potential (over and above incremental costs). In these situations the incremental value emerges only over time although there is often a small “bump” at the time of announcement (effectively a risk adjusted present value market estimate of the benefits).

In the case of Woolworths Group the case for any market re-rating is not strong:

- prior to the Demerger, Woolworths Group was capitalised at approximately \$50 billion and was ranked among the top 10 companies listed on the ASX. It receives close scrutiny from investment analysts and fund managers as it is the largest listed supermarket business in Australia;
- there is already a significant level of disclosure in relation to Woolworths Group and its underlying businesses. Woolworths Group discloses financial performance (sales revenue, EBITDA, EBIT, average funds employed, etc) by business division; and
- there is no reason to believe that Woolworths Group’s share price is not a true reflection of the fair market value of Woolworths Group’s businesses, or that it has traded at a discount relative to its major

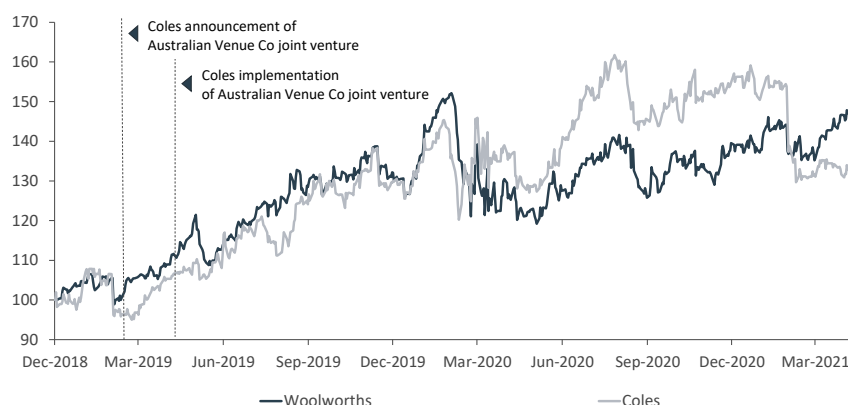
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competitor, Coles, since Coles listed on the ASX (even subsequent to Coles establishing the joint venture with Australian Venue Co that effectively removed hotels from its remit):

WOOLWORTHS GROUP VS COLES SHARE PRICE

DECEMBER 2018 TO APRIL 2021



Source: IRESS

Note: Share prices have been rebased to 100 from 19 December 2018, four weeks after Coles listed on the ASX on 21 November 2018, to allow a period for the Coles share price to settle following its listing. The Coles share price was particularly volatile during this period, reaching a high of \$13.30 in its first week of trading and a low of \$11.26 the following week, before settling at around \$11.80.

While there have been periods of underperformance/outperformance by both companies (e.g. outperformance by Coles in late February-early March 2020 at the start of the global equities market correction associated with the COVID-19 pandemic), the differential in share price performance has not been material or sustained.

There are arguments that suggest that the separate companies could be rated more highly by the market following the Demerger (i.e. the aggregate market capitalisations of the separate companies may exceed the current market capitalisation of Woolworths Group, all other things being equal):

- as a separately listed company, Endeavour Group will have a higher level of visibility to the investment community. It will be the only Australian listed retail drinks and hospitality company of any magnitude;
- the success, or otherwise of Endeavour Group's ability to participate in the significant growth opportunities in the retail drinks and hotel hospitality sectors will be more transparent and assume greater relative importance;
- compared to Woolworths Group, Woolworths Group post Demerger will benefit from:
 - a more focused business (and potentially, better execution against its core strategy);
 - a simplified organisation structure; and
 - financial flexibility; and
- the marginal (i.e. price setting) investors in both entities should be those investors that value the respective businesses most highly.

The question of where Endeavour Group shares might trade is a difficult one given its particular characteristics:



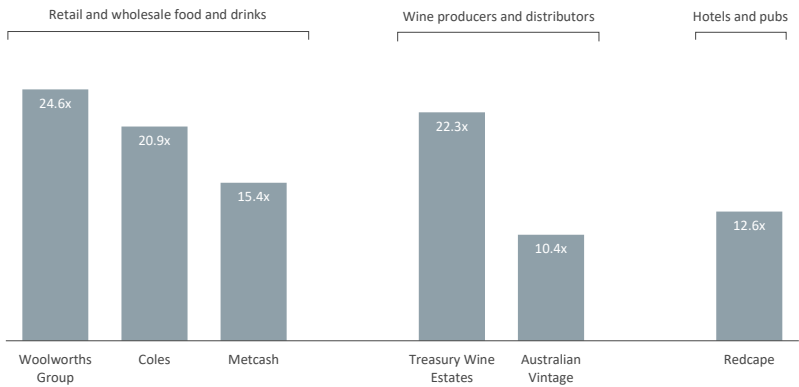
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- while it is a retail drinks and hospitality business, retail drinks represents the vast majority of sales revenue and earnings (88% of FY20 pro forma sales revenue and 77% of FY20 pro forma EBIT). Consequently, it is exposed to the same key drivers (population and consumption growth) and defensive characteristics (an earnings profile that is resilient through economic cycles) as Woolworths Group;
- Endeavour Group will be the only significant Australian listed company with exposure to both the retail drinks and hotel hospitality sectors and the ability to benefit from the synergies of operating both businesses. There is no listed company in Australia or internationally that is directly comparable to Endeavour Group:
 - in Australia, the closest comparable companies for Retail are Woolworths Group, Coles and Metcash Limited (“Metcash”) as well as Treasury Wine Estates Limited (“Treasury Wine Estates”) and Australian Vintage Limited (“Australian Vintage”) (for the Pinnacle Drinks business) and Redcape Hotel Group (“Redcape”) for Hotels:

ENDEAVOUR GROUP – COMPARABLE COMPANIES

FORECAST FY22 PRICE EARNINGS MULTIPLES



Source: S&P Global Market Intelligence
Note: Based on share prices at 30 April 2021

Woolworths and Coles trade at very high forecast FY22 price earnings multiples (of 20-25 times), but this reflects their scale (with market capitalisations of \$50 billion and \$22 billion respectively) and leading positions in the Australian retail food market. Metcash trades at a lower multiple of 15.4 times, reflecting a combination of its smaller scale (market capitalisation of \$3.6 billion) and its operations as a wholesaler (rather than retailer) of food, drinks and hardware. Wine producers and distributors and hotels and pubs businesses generally trade at lower multiples. Redcape’s trading multiple of 12.6 times reflects its relatively small scale (market capitalisation of \$560 million), geographical concentration (32 pubs and hotels and 23 bottle shops in New South Wales and Queensland) and higher gearing (36% excluding leases) and its share price has not yet recovered to pre COVID-19 levels given its exposure to the hotels sector. Treasury Wine Estate’s higher multiple reflects its larger size (market capitalisation of \$7.2 billion compared to \$205 million for Australian Vintage) and lower gearing (10% compared to 14%, excluding lease assets and liabilities). While Treasury Wine Estate’s share price had been adversely impacted by challenging market conditions in the United States, a provisional anti-dumping measure on imports of certain categories of wine from Australia into China and the COVID-19 pandemic, it has partially recovered due to greater confidence in the reallocation of its premium wine range from China to other markets, a turnaround in the performance of its United States business, the announced divestment of its commercial brand portfolio in the United States and recent takeover speculation.

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Endeavour Group is smaller than Woolworths Group and Coles, but larger than Metcash, and is a retailer so would be expected to trade at higher multiples than Metcash. Pinnacle Drinks is only a very small part of Endeavour Group's business and provides the benefits of vertical integration (e.g. higher margins). Redcape does not have the scale and geographical diversification of Endeavour Group's hotels business. Endeavour Group would be expected to trade at higher multiples than Australian Vintage and Redcape; and

- international comparable companies are exposed to different operating and regulatory environments. The international retail drinks market is highly fragmented with many businesses being family owned or independently operated. In addition, most overseas jurisdictions (including New Zealand) allow the sale of alcohol in convenience stores and supermarkets. As a result, there are no listed pure retail drinks companies. Different regulatory environments also make comparisons across markets more difficult.

It is difficult to draw any definitive conclusions from the available market evidence, particularly taking into account Endeavour Group's relative size, mix of business, gearing and growth outlook.

In any event, the actual trading price of Endeavour Group and Woolworths Group post Demerger shares is uncertain and will depend on a range of factors at the time of listing including:

- equity market conditions (particularly the current volatile market conditions);
- economic conditions (including the effects of the COVID-19 pandemic and temporary government stimulus packages on employment and household incomes);
- interest rates;
- factors specific to each company including:
 - operating performance;
 - the ability to successfully achieve growth and to identify and pursue investment opportunities;
 - market perceptions about earnings prospects;
 - the effectiveness in communication by each company of its strategy and prospects to analysts, institutional investors and other market participants; and
 - differentiating factors between the companies and their peers.

On balance, Grant Samuel believes it is unlikely that there would be any immediate material value gain through re-rating. Incremental value for shareholders is more likely to be realised over time either through improved performance (relative to the status quo), successful execution of the growth strategy (for Endeavour Group) or through a realisation event such as a takeover (albeit a takeover is considered unlikely given the size of both companies). Equally, it is unlikely that there will be a diminution in value because of factors such as incremental costs.

8.5.2 Funding Costs

The Demerger is not expected to have any impact on the funding costs of Woolworths Group post Demerger relative to Woolworths Group prior to the Demerger:

- the existing debt facilities of Woolworths Group will remain on foot on their current terms; and
- Woolworths Group post Demerger remains a very substantial company and it is expected that it will retain the current investment grade ratings of Woolworths Group (BBB (stable outlook) from Standard & Poor's and Baa2 (stable outlook) from Moody's):
 - on 23 February 2021, Standard & Poor's released a statement that Woolworths Group was well placed to deal with the complexities around its plan to separate its drinks and hotels business, although the reduction in the group's scale and diversity could weigh on credit quality; and



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- there is no dramatic impact on Woolworths Group's financial metrics, with Woolworths Group post Demerger having lower gearing (before and after leases) as a result of repayment of intercompany borrowings by Endeavour Group.

Following the Demerger, Endeavour Group will have to raise its own finance to fund growth and capital investment without the financial support or credit profile associated with being part of the larger Woolworths Group. Given Endeavour Group's smaller size and different risk profile relative to Woolworths Group, as well as it being a new, untested credit it might be expected that it would incur higher interest margins than Woolworths Group would incur in the same circumstances.

However, it is not straightforward to isolate this impact because the Woolworths Group facilities in place comprise a portfolio of facilities that were established in different market conditions and involve different debt structures (e.g. maturity profiles), funding strategies and access different debt markets. Specifically:

- Endeavour Group is putting in place a relatively vanilla funding structure based on bank debt (revolving credit facilities and syndicated facilities with terms of 3 to 5 years), while Woolworths Group has a diversified funding mix including domestic and international capital markets debt (with terms of 5-10 years) as well as bank debt (with terms of up to 7 years); and
- the base rates on Endeavour Group's new facilities will reflect current market conditions, which have been positively impacted by government stimulus in response to the COVID-19 pandemic as well as other factors, and which will apply to Endeavour Group for the term of the facilities.

In this context, Woolworths Group has advised that the margins on Endeavour Group's new facilities result in an all up cost well below Woolworths Group's weighted average cost of debt (given Woolworths Group's different capital structure including capital markets debt) and not inconsistent with the margins on Woolworths Group bank debt taking into account current market conditions. While there may be some incremental cost relative to funding the status quo structure over the long term, the impact on the net earnings of Endeavour Group is unlikely to be material.

Just as important as interest cost are the other terms of the facilities (in particular financial and other covenants) as these can have a significant impact on financial flexibility. The key financial covenants of the Endeavour Group facilities are the same as those that apply to Woolworths Group's facilities (fixed charges cover and leverage). The ratio limits applicable to the facilities:

- are not materially different to the covenants that Woolworths Group currently has in place; and
- provide sufficient headroom and flexibility relative to Endeavour Group's pro forma leverage ratio of 1.8 times (before leases) (or 2.0 times after adjusting for seasonality)⁴⁰.

8.5.3 Dividends

Following implementation of the Demerger, the level of dividends paid will be a matter for the boards of each of the companies having regard to a range of company specific factors. However:

- in relation to the final dividend for 2HY21 (which is yet to be determined), it is anticipated that shareholders will be no worse off as a result of the Demerger (i.e. in aggregate, the final dividends to be declared by Woolworths Group and Endeavour Group for 2HY21 will be broadly comparable to the final dividend that would have been declared by Woolworths Group if the Demerger did not proceed);
- Woolworths Group post Demerger intends to maintain the same dividend policy and Endeavour Group intends to initially target a dividend payout ratio of 70-75% of NPAT before significant items; and

⁴⁰ Noting that this leverage ratio is based on EBITDA for the 12 months to 3 January 2021 and has been impacted by the COVID-19 pandemic. The leverage ratio based on FY19 EBITDA (unaffected by the COVID-19 pandemic) is 1.4 times (or 1.6 times after adjusting for seasonality).

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- if the Demerger proceeds, it is estimated that, in aggregate, incremental corporate and operating costs of \$47 million plus incremental net interest costs of around \$30 million (as a result of a higher level of aggregate gross borrowings and after taking into account interest earned on Woolworths Group post Demerger's substantial cash balance) will be incurred annually.

On this basis, it is likely that (at least initially) the aggregate dividends paid by Endeavour Group and Woolworths Group post Demerger will be similar to (or marginally less than) those that would have been paid by Woolworths Group in the absence of the Demerger.

In relation to the level of franking of dividends, Woolworths Group post Demerger's accumulated franking credits will be impacted by:

- the reduction in tax instalment income as a result of some Endeavour Group entities that were previously members of the Woolworths Group tax consolidated group no longer being members of Woolworths Group's tax consolidated group following the Restructure and Merger (although this is not an impact of the Demerger and has been the case since 3 February 2020); and
- the extent of its non-Australian sourced earnings (expected to be less than 15%).

However, Woolworths Group has substantial accumulated franking credits (of \$1,475 million at 3 January 2021) and is expected to be able to continue to pay fully franked dividends subsequent to the Demerger.

Endeavour Group's ability to frank future dividends will depend on the amount of Australian income tax paid in the future. It will start with an initial balance of franking credits available from within ALH Group and accumulated since the Restructure and Merger (of \$609 million at 3 January 2021), and close to 100% of earnings are expected to be sourced from Australia. As a result, Endeavour Group's dividends are expected to be fully franked. Endeavour Group electing not to form a separate tax consolidated group is not expected to have any impact on its ability to pay fully franked dividends.

8.5.4 Investment in Endeavour Group

Following the Demerger, Woolworths Group will retain a 14.6% interest in Endeavour Group and have one representative on the board of Endeavour Group.

Woolworths Group's stated rationale for retaining a 14.6% interest in Endeavour Group is that it:

- provides alignment of interests given the ongoing commercial relationships (Partnership Agreements) between Woolworths Group and Endeavour Group; and
- provides an initial balance of control and influence (with BMG).

The 14.6% interest in Endeavour Group should provide Woolworths Group with a "voice" at board meetings, particularly in relation to the ongoing Partnership Agreements, which generally have terms of at least five years, with some (in relation to attached BWS stores) having an average term of 16 years. Given the integrated nature of Endeavour Group's retail drinks business with Woolworths Group, particularly the common customer base and the attached BWS stores, Woolworths Group's ownership interest and board representation may provide benefits such as:

- assisting to maintain a culture of collaboration between Endeavour Group and Woolworths Group;
- ameliorating any tensions that might arise as a result of having a better understanding of Endeavour Group's position and strategy;
- reassuring investors of Woolworths Group's conviction and commitment to Endeavour Group (although the opposite can also occur, creating investor concern when a decision is made to sell); and
- enabling Woolworths Group to benefit from the upside potential from realisation of significant growth opportunities by Endeavour Group and/or corporate activity.



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Endeavour Group may also benefit from the experience and insight a Woolworths Group director is able to offer the newly formed Endeavour Group board.

However, there is no certainty that the investment or representation on the board would, on its own, solve any significant issues that might arise in relation to the Partnership Agreements.

While Endeavour Group will be a liquid investment listed on the ASX:

- the Woolworths Group investment in Endeavour Group could create a potential overhang if Woolworths Group was perceived either as a seller or not a long term holder of the interest. In this regard:
 - Woolworths Group considers its investment in Endeavour Group to be a reflection of the strategic importance of the Partnership Agreements in providing a framework for Woolworths Group and Endeavour Group to exploit joint growth opportunities and develop shared capabilities for their mutual benefit; and
 - by way of example, Wesfarmers' retention of a 15% interest in Coles following its demerger in November 2018 did not result in Coles trading at any material discount to Woolworths Group (after allowing for the Coles share price to settle following its listing) (see the chart in Section 8.5.1); and
- the relatively large size of Woolworths Group's shareholding as Endeavour Group's largest shareholder (along with BMG) may mean that it is difficult to sell quickly or in one line and may restrict the price at which Woolworths Group is able to sell its interest.

However, Wesfarmers was able to execute the sale of a 4.9% interest in Coles (reducing its shareholding to 10.1%) on 19 February 2020 and the sale of a further 5.2% interest in Coles (reducing its interest to 4.9%) on 31 March 2020:

- the initial 4.9% interest was sold at a price of \$16.08 per share (a 4% discount to the closing share price on 18 February 2020 of \$16.75) and the subsequent 5.2% interest was sold at a price of \$15.39 per share (an 8.5% discount to the closing share price of \$16.82 on 30 March 2020, albeit this was post the global equities market correction associated with the COVID-19 pandemic over the period from late February to mid March 2020). Recent ASX block trade discounts have typically ranged from 3-10%;
- while there was a fall in the Coles share price on 19 February 2020, closing down 4.2% when the market was relatively flat, it was up 0.7% (closing at \$16.15) on 20 February 2020, prior to the global equities market correction. There was also a fall in the Coles share price on 31 March 2020, closing down 9.9% (with the market down 2.0%). Again, the Coles share price recovered over the following two days, up by 5.9% (closing at \$16.05 on 2 April 2020) compared to a market increase of only 1.5% over the same period; and
- substantial pre-tax proceeds of \$2.11 billion were realised (\$1.86 per Wesfarmers share), representing a pre-tax profit on sale of approximately \$290 million.

On balance, while Woolworths Group's investment in Endeavour Group is probably not critical, it may provide some benefits and is unlikely to be detrimental to either party.

8.5.5 Ineligible Shareholders

Ineligible shareholders will not be entitled to receive Endeavour Group shares under the Demerger. The Endeavour Group shares that would otherwise have been distributed to them will be transferred to a sale agent and sold on the ASX on their behalf and they will receive the net proceeds (free of any brokerage costs or stamp duty but after deducting any applicable withholding tax). Ineligible shareholders may also be required to pay tax on any profit on that disposal (in their country of residence). However:

- the Endeavour Group shares will be sold for market value;

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- they can acquire Endeavour Group shares through the ASX following listing if they wish to retain (or increase) their exposure to the Endeavour Group business; and
- shareholders representing around 0.1% of Woolworths Group registered shareholders and less than 0.05% of Woolworths Group's issued shares are expected to be impacted by the ineligible shareholder provisions.

8.5.6 Selling Shareholders

Woolworths Group shareholders who individually hold 800 or fewer Woolworths Group shares on the Demerger record date (25 June 2021) may elect to have all the Endeavour Group shares that they would otherwise receive under the Demerger sold on the ASX via a share sale facility. In this case, selling shareholders:

- will receive the net proceeds (free of any brokerage costs or stamp duty but after deducting any applicable withholding tax) following sale of the Endeavour Group shares for market value;
- will not be able to defer the capital gains consequences of the Demerger. However, the net cash proceeds will be available to meet any capital gains tax liability; and
- can acquire Endeavour Group shares through the ASX if they wish to retain an exposure to the Endeavour Group business.

Shareholders representing 60% of Woolworths Group shareholders but less than 5% of Woolworths Group's issued shares will be able to elect (but will not be obliged) to participate in the sale facility as selling shareholders.

8.6 Taxation Issues

8.6.1 Corporate Taxation

The Demerger is not expected to result in any capital gains tax ("CGT") or income tax liability for Woolworths Group.

The CGT consequences of the Demerger are set out in Division 125 of the *Income Tax Assessment Act 1997 (Cth)* ("the demerger provisions"). Woolworths Group is seeking a private ruling from the Australian Taxation Office ("ATO") confirming that demerger tax relief is available to it under the demerger provisions (i.e. the transfer of Endeavour Group shares to Woolworths Group shareholders will have no CGT implications for Woolworths Group).

Woolworths Group has Australian unused capital losses. These losses are expected to be preserved within Woolworths Group post Demerger. Endeavour Group has no Australian unused income losses or capital losses.

Following implementation of the Demerger, Woolworths Group Limited will remain the head company of the Woolworths Group post Demerger Australian tax consolidated group.

The effective tax rates of Woolworths Group post Demerger and Endeavour Group as standalone companies are expected to be different from the rates that would have applied to Woolworths Group in the absence of the Demerger. The pro forma FY20 effective tax rates for Woolworths Group post Demerger and Endeavour Group are 30.0% and 31.1% respectively which compares to Woolworths Group's effective tax rate in FY20 (before significant items) of 30.8%. The difference in the effective tax rates reflect the tax rates that apply in the different jurisdictions in which each company operates (e.g. Woolworths Group post Demerger will operate in Australia and New Zealand (corporate tax rates of 30% and 28% respectively) while Endeavour Group will operate primarily in Australia (corporate tax rate of 30%). Going



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forward, the effective tax rate for Woolworths Group post Demerger is not expected to be materially different to that of Woolworths Group if the Demerger did not proceed.

8.6.2 Tax Consequences for Australian Resident Shareholders

The Demerger is not expected to give rise to any adverse tax consequences for shareholders who are residents of Australia for income tax purposes and hold Woolworths Group shares on capital account.

Woolworths Group has applied to the ATO for a class ruling to confirm the Australian income tax consequences of the Demerger for Australian resident shareholders. Woolworths Group has received a draft of the class ruling which sets out the ATO's preliminary views. In summary, for Australian resident shareholders who hold their shares on capital account and elect to obtain demerger tax relief, the tax consequences of the Demerger are expected to be as follows:

- any capital gain that arises in relation to the capital reduction will be disregarded;
- the demerger dividend (i.e. the difference between the fair value of Endeavour Group shares and the amount of the capital reduction) will not be assessable to Australian resident shareholders; and
- the existing cost base of their Woolworths Group shares will be apportioned between the Woolworths Group post Demerger shares and Endeavour Group shares on the basis of market values of the respective shares immediately following the Demerger.

For Australian resident shareholders who hold their shares on capital account and do not elect to obtain demerger tax relief, the CGT consequences are expected to be similar to shareholders who elect to obtain demerger tax relief except that the cost base of the Woolworths Group shares must be reduced by the amount of the capital reduction and, to the extent that the capital reduction amount exceeds the cost base, will realise a capital gain. Any capital gain may be eligible for the CGT discount concession.

8.6.3 Disclaimer

The analysis set out above outlines that major tax consequences for Australian resident shareholders of the Demerger and should be viewed as indicative only. It does not purport to represent formal advice regarding the taxation consequences of the Demerger for shareholders. Further details of the taxation consequences of the Demerger are set out in Section 6 of the Demerger Booklet. In any event, the tax consequences for shareholders will depend upon their individual circumstances. If in any doubt, shareholders should consult their own professional adviser.

The non-Australian taxation implications for non-Australian resident Woolworths Group shareholders will depend on the country of domicile of the shareholder. Non-Australian residents should seek their own taxation advice in relation to the taxation consequences of the Demerger.

9 Impact on Woolworths Group's Ability to Pay its Creditors

In Grant Samuel's opinion, the demerger distribution (comprising the demerger dividend and the capital reduction) does not materially prejudice the ability of Woolworths Group to pay its existing creditors.

The Demerger will result in two independent corporate groups, Endeavour Group and Woolworths Group post Demerger. However, the Demerger differs from most other demergers in that Woolworths Group and Endeavour Group have been operating as separate entities (from a creditors perspective) since implementation of the Restructure and Merger in February 2020 (i.e. over 12 months):

- the current deeds of cross guarantee will continue on foot for Endeavour Group and for Woolworths Group post Demerger. The Demerger does not result in any change to the Woolworths Group Closed

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Group⁴¹ or the Endeavour Group Closed Group⁴². At the time that the Restructure scheme of arrangement was put to Woolworths Group shareholders, the Woolworths Group directors formed the view that creditors of Woolworths Group (at the time) would not be materially prejudiced by the Restructure. This view was supported by an independent report by KPMG Financial Advisory Services (Australia) Pty Ltd) and was ultimately accepted by the Federal Court; and

- there will be no change to Woolworths Group's financial covenants⁴³ subsequent to the Demerger and it will remain well within these covenants, even after excluding Endeavour Group as a consolidated entity and including only the 14.6% equity interest in Endeavour Group.

In Grant Samuel's view, the critical issue is the impact of the Demerger on the financial stability of Woolworths Group. If the Demerger is implemented, Woolworths Group post Demerger:

- will remain a leading Australian supermarket business, with a strong market share in a mature industry with relatively high barriers to entry. Woolworths Group post Demerger will retain its defensive characteristics (e.g. an earnings profile that is resilient through economic cycles);
- will have a net cash position and despite the removal of Endeavour Group's earnings, cash flows and net assets, will have generally improved credit metrics relative to Woolworths Group and more conservative leverage and gearing than its primary competitor, Coles:

WOOLWORTHS GROUP VS WOOLWORTHS GROUP POST DEMERGER VS COLES – KEY LEVERAGE METRICS

	WOOLWORTHS GROUP RESTATE	WOOLWORTHS GROUP POST DEMERGER PRO FORMA	COLES RESTATE ⁴⁴
Net borrowings (excluding lease liabilities) (3 January 2021)	(1,067)	119	(523)
Net borrowings (including lease liabilities) (3 January 2021)	(16,453)	(11,813)	(10,214)
FY20 interest cover (including leases)	3.8x	3.7x	4.0x
Leverage (including leases)	2.8x	2.5x	2.8x
Gearing (excluding lease assets and liabilities) (3 January 2021)	8.4%	not meaningful	9.5%
Gearing (including lease assets and liabilities) (3 January 2021)	64.5%	61.5%	80.3%

Source: Demerger Booklet and Grant Samuel analysis

⁴¹ Woolworths Group Limited and certain of its wholly owned subsidiaries are parties to a deed of cross guarantee under which each company guarantees the debts of the others in the event of their winding up (the "Woolworths Group Closed Group"). The Woolworths Group Closed Group comprises most (but not all) of the Australian subsidiaries of Woolworths Group and includes most of the Australian Food division and the BIG W business.

⁴² Endeavour Group and its wholly owned subsidiaries are parties to a deed of cross guarantee under which each company guarantees the debts of the others in the event of their winding up (the "Endeavour Group Closed Group").

⁴³ Woolworths Group Limited (the head company) is the primary borrowing entity for the group's bilateral and syndicated borrowing facilities. There is no common terms deed or guarantor group. However, the financial covenants in place relate to the financial health of the whole group (including New Zealand Food and Endeavour Group as a consolidated entity). If the Demerger is implemented, Woolworths Group's financial performance and financial position will no longer include Endeavour Group as a consolidated entity but will include its 14.6% equity investment in Endeavour Group.

⁴⁴ Coles' FY20 leverage metrics have been adjusted to reflect the payment of the 1HY21 dividend (consistent with the basis on which the Woolworths Group leverage metrics have been calculated).



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- has committed medium term debt facilities and significant unutilised capacity within those facilities:

WOOLWORTHS GROUP POST DEMERGER – FACILITY PROFILE (\$ BILLIONS)

	WOOLWORTHS GROUP POST DEMERGER
Bank loans	1.5
Syndicated bank loans	2.0
Capital markets debt	1.9
Total facilities	5.4
Pro forma borrowings (gross) at 3 January 2021	2.6

Source: Demerger Booklet and Grant Samuel analysis

- expects to retain all of its existing debt facilities. These facilities do not contain any change of business or change of control provisions (i.e. there is no ability for banks to reassess their exposure to Woolworths Group post Demerger) and any relevant consents will be obtained. Woolworths Group management has advised that it does not expect any breach of its financial covenants as a result of the Demerger as the headroom under its financial covenants is sufficient to cover the replacement of Endeavour Group on a consolidated basis with a 14.6% equity interest in Endeavour Group; and
- as a substantial listed company would, if necessary, have access to the public equity markets to raise funds to support creditor payments (although there is no indication that this might be required).

Other factors relevant to creditors include the following:

- most trade creditors are short term in nature (i.e. typically repayable within 60 days at any point in time) and accordingly their existing debts will be repaid within, say, 2-3 months and they will have the opportunity at the time of implementation of the Demerger to reassess for themselves whether they wish to continue to grant credit to Woolworths Group post Demerger.

In this respect, the primary trade creditors at risk from the Demerger are those with exposures that are medium to longer term in nature. While this includes lessors (Woolworths Group post Demerger has lease liabilities of circa \$12 billion), these creditors are protected through ownership of the underlying assets (e.g. properties); and

- the directors of Woolworths Group have stated that in their opinion, the demerger dividend and the capital reduction will not materially prejudice Woolworths Group’s ability to pay its existing creditors.

Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by Woolworths Group at the date of this report or at any subsequent time. Grant Samuel’s opinion relates only to the impact of the Demerger on Woolworths Group’s ability to pay its existing creditors. Future creditors must rely on their own investigations of the financial positions of Endeavour Group and Woolworths Group post Demerger.

10 Other Matters

This concise report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Woolworths Group shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Demerger Booklet issued by Woolworths Group in relation to the Demerger.

Voting for or against the Demerger is a matter for individual shareholders, based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Demerger should consult their own professional adviser.

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Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Woolworths Group (pre or post Demerger) or Endeavour Group. These are investment decisions upon which Grant Samuel does not offer an opinion and they are independent of a decision on whether to vote for or against the Demerger. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included as Appendix 1 to this concise report.

This concise report is a summary of Grant Samuel's full independent expert's report. The full report from which this concise report has been extracted is available on Woolworths Group's website (www.woolworthsgroup.com.au) or available to Woolworths Group shareholders on request. All limitations, disclaimers and declarations set out in the full report apply to this concise report.

In particular, advance drafts of the full report from which this concise report has been extracted were provided to Woolworths Group. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. In particular, following the provision of a full draft report, Grant Samuel received the pro forma cash flows for Endeavour Group and Woolworths Group post Demerger, revised pro forma statements of profit or loss and revised pro forma statements of financial position for Endeavour Group and Woolworths Group post Demerger and details of Endeavour Group's debt facilities. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

The opinion is made as at the date of this concise report and reflects circumstances and conditions as at that date.

Yours faithfully

GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

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APPENDIX 1

FINANCIAL SERVICES GUIDE

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The *Corporations Act, 2001 (Cth)* ("Corporations Act") requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") or a concise independent expert's report ("Concise Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report and the Concise Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports and Concise Reports, Grant Samuel's client is the Entity to which it provides the Report and the Concise Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report and the Concise Report for Woolworths Group Limited in relation to the proposed demerger of Endeavour Group Limited ("the Woolworths Group Report" and "the Woolworths Group Concise Report" respectively), Grant Samuel will receive a fixed fee of \$800,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report and the Concise Report (as stated in Section 8.3 of the Woolworths Group Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Woolworths Group Report and the Woolworths Group Concise Report.

Grant Samuel is required to be independent of the Entity to provide a Report and a Concise Report. The guidelines for independence in the preparation of Reports and Concise Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 8.3 of the Woolworths Group Report:

"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Woolworths Group or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Demerger.

Grant Samuel had no part in the formulation of the Demerger. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$800,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Demerger. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."

Grant Samuel has internal complaints-handling mechanisms and is a member of the Australian Financial Complaints Authority, No. 11929. If you have any concerns regarding the Woolworths Group Report or the Woolworths Group Concise Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Australian Financial Complaints Authority at GPO Box 3 Melbourne VIC 3001 or 1800 931 678. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act.

Grant Samuel is only responsible for the Woolworths Group Report, the Woolworths Group Concise Report and their respective FSGs. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

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Independent Accountant's Report

Annexure

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The Directors
Woolworths Group Limited
1 Woolworths Way
Bella Vista NSW 2153

The Directors
Endeavour Group Limited
26 Waterloo Street
Surry Hills NSW 2010

10 May 2021

Dear Directors,

INDEPENDENT LIMITED ASSURANCE REPORT ON THE FINANCIAL INFORMATION INCLUDED IN THE DEMERGER BOOKLET

Introduction

This report has been prepared at the request of the Directors of Woolworths Group Limited (**Woolworths Group**) and the Directors of Endeavour Group Limited (**Endeavour Group**) to report on the Endeavour Group Pro Forma Historical Financial Information, Woolworths Group Historical Financial Information and Woolworths Group (Post Demerger) Pro Forma Historical Financial Information included in the Demerger Booklet prepared by Woolworths Group (**Demerger Booklet**).

References to Woolworths Group, Endeavour Group and other terminology and expressions used in this report have the same meaning as defined in the glossary of the Demerger Booklet.

Scope

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of Woolworths Group and the Directors of Endeavour Group to review the following financial information included in the Demerger Booklet:

Endeavour Group Pro Forma Historical Financial Information

- Endeavour Group pro forma historical statements of profit or loss for H1 F21, H1 F20, F20, F19 and F18 as set out in Section 3.13(b);
- Endeavour Group pro forma historical segment information for H1 F21, H1 F20, F20, F19 and F18 as set out in Section 3.13(c);
- Endeavour Group pro forma historical statements of cash flows for H1 F21, H1 F20, F20, F19 and F18 as set out in Section 3.13(e);
- Endeavour Group pro forma historical statement of financial position as at 3 January 2021 as set out in Section 3.13(f);
- Endeavour Group AASB 16 Leases information as set out in Section 3.13(j); and
- Endeavour Group other financial information as set out in Sections 3.13(g), (h), (i), (k), (l) and (m)

(together the "**Endeavour Group Pro Forma Historical Financial Information**").

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Woolworths Group Historical Financial Information

- Woolworths Group reported historical consolidated statements of profit or loss for H1 F21, H1 F20, F20, F19, and F18 as set out in Section 4.6(b);
- Woolworths Group reported historical consolidated statements of cash flows for H1 F21, H1 F20, F20, F19, and F18 as set out in Section 4.6(f); and
- Woolworths Group reported historical consolidated statement of financial position as at 3 January 2021 as set out in Section 4.6(h)

(together the “**Woolworths Group Historical Financial Information**”)

Woolworths Group (Post Demerger) Pro Forma Historical Financial Information

- Woolworths Group (Post Demerger) pro forma historical statements of profit or loss for H1 F21, H1 F20, F20, F19, and F18 as set out in Section 4.6(c);
- Woolworths Group (Post Demerger) pro forma historical segment information for H1 F21, H1 F20, F20, F19 and F18 as set out in Section 4.6(d);
- Woolworths Group (Post Demerger) pro forma historical statements of cash flows for H1 F21, H1 F20, F20, F19, and F18 as set out in Section 4.6(g);
- Woolworths Group (Post Demerger) pro forma historical statement of financial position as at 3 January 2021 as set out in Section 4.6(h);
- Woolworths Group (Post Demerger) AASB 16 *Leases* information as set out in Section 4.6(l); and
- Woolworths Group (Post Demerger) other financial information as set out in Sections 4.6(i), (j), (k), (m), (n), (o) and (p)

(together the “**Woolworths Group (Post Demerger) Pro Forma Historical Financial Information**”), and together with the Endeavour Group Pro Forma Historical Financial Information, the “**Pro Forma Historical Financial Information**”).

The Pro Forma Historical Financial Information and the Woolworths Group Historical Financial Information is collectively referred to as the **Financial Information**.

The Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards (“AAS”) and the adopted accounting policies of Woolworths Group, which are consistent with IFRS, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS (ii) the exclusion of certain transactions that occurred in the relevant periods, and (iii) the impact of certain transactions as if they occurred as at 3 January 2021 in the pro forma historical balance sheet and from 26 June 2017 in the pro forma historical statements of profit or loss and pro forma historical statements of cash flows.

Due to its nature, the Pro Forma Historical Financial Information does not represent Woolworths Group’s or Endeavour Group’s actual or prospective financial performance, financial position or cash flows.

Where relevant the Financial Information has been extracted from the Woolworths Group’s relevant consolidated annual reports and the relevant consolidated half-year reports, which were respectively audited and reviewed by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued unmodified audit opinions and review conclusions.



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The Financial Information has been derived from the Woolworths Group Consolidated Statement of Profit or Loss and Other Comprehensive Income and Segment Disclosures from Continuing Operations for the periods ended 28 June 2020 (F20), 30 June 2019 (F19) and 24 June 2018 (F18) and the half-year periods ended 3 January 2021 (H1 F21) and 5 January 2020 (H1 F20) and the Consolidated Statement of Financial Position at 3 January 2021 as contained in the Woolworths Group annual and half-year reports (the **Woolworths Group Historical Financial Information**) after adjusting for the effects of pro forma adjustments described in Section 3.13 and 4.6 of the Demerger Booklet (the **Pro Forma Adjustments**).

The Financial Information presented in the Demerger Booklet is in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

The Financial Information has been prepared by management of Woolworths Group and adopted by the Directors of Woolworths Group and the Directors of Endeavour Group in order to provide shareholders of Woolworths Group with a guide to the impact of the Demerger on the historical financial position and performance of Woolworths Group and Endeavour Group.

Directors' Responsibility

The Directors of Woolworths Group are responsible for the preparation and presentation of the Financial Information, including the selection and determination of pro forma adjustments made to the Financial Information.

This responsibility includes the operation of such internal controls as the Directors determine are necessary to enable the preparation of Financial Information which is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express an independent limited assurance conclusion on the Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Financial Information comprising the:

- Endeavour Group Pro Forma Historical Financial Information as set out in section 3.13;
- Woolworths Group (Post Demerger) Pro Forma Historical Financial Information as set out in section 4.6; and
- Woolworths Group Historical Financial Information as set out in section 4.6

is not prepared and presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Sections 3.13 and 4.6 of the Demerger Booklet.

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Restrictions on Use

Without modifying our conclusion, we draw attention to Sections 3.13 and 4.6 of the Demerger Booklet, which describes the purpose of the Financial Information, being for inclusion in the Demerger Booklet. As a result, the independent limited assurance report may not be suitable for use for another purpose.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Demerger other than the preparation of this independent limited assurance report and participation in the due diligence procedures for which normal professional fees will be received.

Yours sincerely



Taralyn Elliott

Authorised Representative Number: 1269681

Deloitte Corporate Finance Pty Limited



Endeavour Board and governance overview

Annexure

ANNEXURE C.1 CORPORATE GOVERNANCE

Good corporate governance is central to Endeavour Group's ability to fulfil its purpose of **"creating a more sociable future together"** and to deliver on its strategy within the risk parameters set by the Endeavour Board.

The Endeavour Board is responsible for the overall corporate governance of Endeavour Group.

Its role is to provide leadership and strategic guidance in managing Endeavour Group's business and overseeing and appraising its strategies, policies and performance, having regard to the interests of Endeavour Shareholders, customers, team members, suppliers and the community more broadly. The Endeavour Board is committed to protecting and optimising performance, effective risk management, and building sustainable value for Endeavour Shareholders, as well as promoting a good corporate culture within the organisation in which team members act lawfully, ethically and responsibly.

The corporate governance framework for managing Endeavour Group will be based on clear lines of accountability, effective delegation and adequate oversight. It will include adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Endeavour Group and that are designed to promote the responsible management and conduct of Endeavour Group.

(a) Endeavour Board

In addition to the role of the Endeavour Board set out above, the key responsibilities of the Endeavour Board can be summarised as:

- setting the strategic objectives and risk framework for Endeavour Group and leading the culture, values and behaviour that will deliver those strategic objectives;
- appointing Endeavour Group's Managing Director and Chief Executive Officer; and
- overseeing the management, performance and corporate governance frameworks of Endeavour Group.

The charter for the Endeavour Board will provide the framework for:

- the composition of the Endeavour Board and the key processes for its effective operation;
- the Endeavour Board's role and responsibilities; and
- the authority delegated to Endeavour Board committees.

The board charter will also outline specific responsibilities of the Endeavour Board, which will include:

- approving the purpose and values;
- setting the strategic direction and approving the corporate strategy and business plan and the annual budget and capital expenditure plan;
- overseeing the effectiveness of risk management and compliance, including safety and health governance arrangements;
- approving Endeavour's Group's half-yearly and annual financial statements;
- evaluating the size, composition and performance of the Endeavour Board;
- evaluating the performance of the Managing Director and Chief Executive Officer;
- overseeing succession plans for the board, Managing Director and Chief Executive Officer and executive management and approving executive remuneration;
- considering the social, ethical and environmental impact of Endeavour Group's activities and setting standards for Endeavour Group's social responsibilities and practices;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- overseeing and monitoring Endeavour Group's corporate governance policies and practices;
- monitoring material interactions with key regulators; and
- selecting, and recommending to Endeavour Shareholders the appointment of, the external auditor.

Subject to formal delegations of authority, the Endeavour Board will delegate the management of Endeavour Group to the Managing Director and Chief Executive Officer. However, ultimate responsibility for strategy and control will rest with the Endeavour Board.

The Managing Director and Chief Executive Officer is accountable to the board for the exercise of the delegated authority and, with the support of senior management, must report to the Endeavour Board on the exercise of that authority. The Endeavour Board will set an expectation of concise, clear, accurate and timely information from management that will enable the Endeavour Board to be fully informed to discharge its duties effectively.

The Endeavour Board will adopt appropriate structures and procedures to ensure it retains its independence from management. This includes clear definition to separate the roles and responsibilities of the Chairman of the Endeavour Board and the Managing Director and Chief Executive Officer.



ANNEXURE C.1

CORPORATE GOVERNANCE (CONTINUED)

(b) Endeavour Board committees

The Endeavour Board will establish committees from time to time to assist it in fulfilling its role and responsibilities. Upon implementation of the Demerger, the Endeavour Board will have the following standing committees:

- People, Culture and Performance Committee;
- Audit, Risk and Compliance Management Committee; and
- Nominations Committee.

Other committees may be established by the Endeavour Board as and when required.

The composition, role, responsibilities and powers provided to each board committee will be contained in the respective committee charters.

(i) People, Culture and Performance Committee

The People, Culture and Performance Committee is to consist of a minimum of three non-executive directors, a majority of whom must be independent. The committee is intended to comprise:

- Catherine West (Chair);
- Holly Kramer; and
- Duncan Makeig.

The role of People, Culture and Performance Committee will be to assist the Endeavour Board in discharging its responsibilities in relation to:

- people strategies for Endeavour Group;
- organisational culture and employee engagement;
- diversity and inclusion (including board diversity);
- health, safety and wellbeing policies and systems;
- remuneration strategy and policy for Endeavour Group;
- remuneration arrangements for non-executive directors;
- recommendations to the board with respect to remuneration arrangements for Endeavour Group's Managing Director and Chief Executive Officer and executive management;
- employee equity and variable remuneration plans; and
- remuneration disclosures.

(ii) Audit, Risk and Compliance Management Committee

The Audit, Risk and Compliance Management Committee is to consist of a minimum of three non-executive directors, a majority of whom must be independent. All members will have appropriate business expertise, including financial literacy. At least one member will have accounting or relevant financial expertise. The Chair of the committee will be an independent non-executive director, and will not be the Endeavour Board Chair. On Demerger the committee is intended to comprise:

- Duncan Makeig (Chair) (Interim);
- Joe Pollard;
- Colin Storrie; and
- Catherine West.

Endeavour intends to appoint a further independent non-executive director to the Endeavour Board shortly after the Demerger is completed, and for this independent non-executive director to be the Chair of the Audit, Risk and Compliance Management Committee on appointment.

ANNEXURE C.1 CORPORATE GOVERNANCE (CONTINUED)

The role of the Audit, Risk and Compliance Management Committee will be to assist the Endeavour Board in discharging its responsibilities in relation to:

- the quality, integrity and external reporting of financial information for Endeavour Group;
- the external audit engagement, including the external auditor's qualification, performance, independence and fees and the audit plan;
- the internal auditor and the performance of the internal audit function;
- whistleblower processes, procedures and reporting;
- the enterprise risk management framework and internal control processes required to manage Endeavour Group's key risks;
- the risk profile and risk appetite of Endeavour Group;
- compliance and policy frameworks;
- adequacy of the risk management and compliance function; and
- the risk culture of Endeavour Group.

(iii) **Nominations Committee**

The Nominations Committee is to consist of a minimum of three directors, a majority of whom will be independent non-executive directors. The Chair of the committee will be the Endeavour Board Chair. The committee is intended to comprise:

- Peter Hearl (Chair); and
- all non-executive directors of Endeavour (provided there is a majority of independent directors).

The role of the Nominations Committee will be to assist the Endeavour Board in discharging its responsibilities in relation to:

- the composition and renewal of the Endeavour Board and board committees;
- the appointment, election and re-election of non-executive directors;
- assessment of director independence;
- programs for director induction and continuing development;
- performance review processes for the Endeavour Board, board committees and non-executive directors; and
- succession planning for Endeavour Group's Managing Director and Chief Executive Officer.



(c) Corporate governance policies**(i) Risk Management Policy and framework**

Endeavour Group will seek to achieve its business objectives by effectively managing its risks, which creates shareholder value and protects its people, customers and assets. Effective risk management is integral to supporting Endeavour Group's purpose, strategy, core values and ways of working. Accordingly, the Endeavour Board will implement a Risk Management Policy to articulate Endeavour Group's overall approach and principles adopted in relation to risk management. Some of these principles may include:

- risk leadership: everybody in the organisation is responsible for risk management with key team members having accountability for specified areas;
- risk culture: Endeavour Group defines desired behaviours that characterise desired risk culture. The Endeavour Board and senior management lead by example and demonstrate a strong commitment to risk management;
- business context: Endeavour Group considers potential effects of business context on risk profiles, including internal, external and emerging risk drivers. Risk management should be aligned to support strategy, objectives and initiatives; and
- industry standards: Endeavour Group seeks, as a minimum, to adhere to all relevant laws, regulations, legislation and codes of conduct as applicable.

Endeavour Group's Risk Management Policy will operate alongside Endeavour Group's Enterprise Risk Management (ERM) framework which will outline Endeavour Group's approach to, and key elements of, risk management. The Endeavour Board is responsible for overseeing the implementation and operation of the ERM framework; however, the Endeavour Board may delegate governance oversight to a board committee and day-to-day oversight to the executive management of Endeavour Group.

(ii) Code of Conduct

The Endeavour Board recognises the need to observe the highest standards of integrity and ethical standards in all business practices. Accordingly, the Endeavour Board will adopt a formal Code of Conduct that outlines how Endeavour Group expects its team members and Endeavour Directors to behave and conduct business during the course of their employment or engagement.

The key aspects of this code include:

- complying with all Endeavour Group policies, procedures and legislation;
- acting with integrity and being fair in dealings with customers, suppliers and other internal or external parties;
- setting out how to report, and support team members who report, inappropriate workplace behaviour; and
- setting out what team members, customers, suppliers and communities can expect from Endeavour Group, and in turn, setting out what Endeavour Group expects from its team members and leaders.

(iii) Diversity Policy

Endeavour Group is committed to an inclusive workplace that embraces and promotes diversity. The Diversity Policy provides a framework for new and existing diversity-related initiatives and policies within the Endeavour Group business.

The Endeavour Board will establish diversity-related measurable objectives for the company. Assessment of these objectives and review of progress will be carried out on an annual basis by the People, Culture and Performance Committee, who will report its assessment to the Endeavour Board and make recommendations as appropriate. Progress against targets will be included in Endeavour's annual reports.

Endeavour Group will adopt a number of objectives in place which may include:

- continue to recognise and celebrate its multi-cultural diversity and grow its workforce to reflect the diversity of the Australian population;
- continue to grow the number of women performing senior roles;
- as part of Endeavour's ongoing commitment to the reconciliation process, continue to assist indigenous Australians to access employment opportunities through its business; and
- provide people with disability employment opportunities and career advancement.

The Managing Director and Chief Executive Officer and the Chief People Officer will monitor the progress and report to the People, Culture and Performance Committee on the effectiveness of diversity-related initiatives.

ANNEXURE C.1 CORPORATE GOVERNANCE (CONTINUED)

(iv) Continuous Disclosure and Communications Policy

Once listed, Endeavour will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Endeavour is aware of its obligation to keep the market fully informed of any information Endeavour becomes aware of concerning it, which may have a material effect on the price or value of Endeavour Shares, subject to certain exceptions.

Endeavour Group will have a Continuous Disclosure and Communications Policy that will take effect from the listing of Endeavour which establishes procedures aimed at ensuring that Endeavour fulfils its obligations in relation to the timely disclosure of material price sensitive information.

Endeavour Group also aims to communicate all important information relating to Endeavour Group to Endeavour Shareholders. Additionally, Endeavour recognises that potential investors and other interested stakeholders may wish to obtain information about Endeavour Group from time to time. To achieve this, Endeavour will communicate information to Endeavour Shareholders and other stakeholders through a range of forums and publications, including Endeavour's website, at the AGM, and through Endeavour's annual reports and ASX announcements.

(v) Conflicts of Interest Protocol

The Endeavour Board will adopt a Conflicts of Interest Protocol to manage actual or perceived conflicts of interest involving an Endeavour Director that has been nominated or appointed by a shareholder of Endeavour.

Where an actual or perceived conflict of interest has been identified, the Endeavour Board may determine that the relevant director should not be present at the relevant part of the board or committee meeting where the relevant matter is considered and must not vote on the matter. Such a matter may be dealt with by the Endeavour Board establishing a board committee to deal with the matter without the involvement of the relevant director. The Endeavour Board may also determine that the relevant director not be provided with board papers concerning the matter.

The protocol will also address disclosure and access to confidential or commercially sensitive information that may be received by relevant directors.

(vi) Securities Trading Policy

Endeavour Group will adopt a Securities Trading Policy which will outline the types of conduct in relation to dealings in securities that are prohibited and set out procedures designed to ensure that Endeavour Group, its directors and its employees do not trade in Endeavour Shares while in possession of non-public information, which could materially affect the price or value of Endeavour Shares.

In particular, the policy will provide that Endeavour Group's directors, officers and employees (including contractors and consultants) must not:

- trade Endeavour Shares while in possession of inside information;
- deal in Endeavour Shares except only where permitted to do so under the policy;
- deal in Endeavour Shares on a short-term or speculative basis; and
- use derivatives in relation to any vested or unvested rights over Endeavour Shares or any holdings in Endeavour Shares that are subject to disposal restrictions.

In all instances, trading securities is prohibited when in possession of inside information, regardless of whether the trade is permitted under the policy.

Each non-executive director, the Managing Director and Chief Executive Officer and each of the Managing Director and Chief Executive Officer's direct reports who wishes to trade in Endeavour Shares must first seek approval in writing. Requests to trade from directors (including the Managing Director and Chief Executive Officer) and the Company Secretary require the approval of the Endeavour Board Chair, and in the case of the Endeavour Board Chair, consent is to be obtained from the Chair of the Audit, Risk and Compliance Management Committee. The Managing Director and Chief Executive Officer's direct reports will require approval from the Managing Director and Chief Executive Officer. In all cases the Chief Legal Officer and Company Secretary are to be consulted prior to any approval being granted.



(d) Corporate social responsibility

Endeavour Group's commitment is to sustain its position as an industry leader in the responsible service of alcohol and the responsible conduct of gaming as a cornerstone of long-term sustainability goals, underpinned by the intent to operate as a purpose led organisation. Endeavour Group's sustainability objectives are managed through its risk management systems in combination with a cross-functional sustainability team that works across the Endeavour Group business.

(i) The most responsible service of alcohol and conduct of gaming

As part of living its purpose, Endeavour Group is committed to leading with responsibility by advocating for responsible choices in the products and services provided, and the manner in which they are provided, consumed and enjoyed. In addition to a dedicated team that manages regulatory compliance, Endeavour Group has implemented a wide range of voluntary measures for managing and mitigating issues relating to responsible drinking, responsible conduct of gaming, responsible service of alcohol and the ranging, sale and marketing of alcohol.

See [Section 3.6](#) for further detail on the responsible business practices of Endeavour Group, in particular its demonstrated leadership in the responsible service of alcohol and responsible gaming.

(ii) Carbon emissions reduction

Endeavour Group supports Australia's commitment under the Paris Agreement and is progressively adopting the recommendations of the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures. The evaluation of the long-term implications of climate change is being incorporated into Endeavour's strategic planning and in the ongoing management of its business risks. Solar installations have already been completed at 35 Dan Murphy's stores and 17 BWS stores, and LED lighting has been installed in most of the store fleet. From 2019, all new Endeavour Retail stores began to include doors installed on refrigeration cases. Three solar systems have been installed at Dorrien Estate and Vinpac, with a combined capability of 1.4MW providing a significant proportion of the sites' electricity requirements.

(iii) Waste reduction, recyclability and circular economy

Endeavour Group continues to make progress towards the commitment to zero waste to landfill and improving the recyclability of its own brand packaging at its winery and production facilities in South Australia. The Dorrien Estate winery and Vinpac Angaston production facility completed the implementation of their own environmental management systems and each obtained an ISO 14001:2015 Environmental Management System certification, covering matters including storage, packaging materials, resource and solid waste usage and effluent quality. Other highlights include:

- the general waste produced on site at Dorrien Estate winery is now processed at the ResourceCo facility in Adelaide. The waste is converted into processed engineered fuel (PEF), which can be used to replace fossil fuels to generate energy;
- participation in the Barossa Regional Recycling Project as a member of the advisory group with local authorities and other members of the region's wine industry. The project's objective is to understand waste management systems, impacts to the area and identify opportunities to improve the waste management practices; and
- the Wine Industry Sustainable Packaging Alliance (WISPA), chaired by Endeavour Group, is now into its second year. This "collective impact model" is a collaboration between the Australian Packaging Covenant Organisation (APCO) and key businesses across the wine industry value chain, working together to improve recycling rates, drive innovation and fuel the circular economy within the Australian wine industry.

ANNEXURE C.1 CORPORATE GOVERNANCE (CONTINUED)

(iv) Responsible sourcing

Endeavour Group's Responsible Sourcing Program outlines how Endeavour Group engages with suppliers to promote the rights of workers in Endeavour Group's global supply chains, and is supported by the Responsible Sourcing Policy and Responsible Sourcing Standards.

Using the logic of risk assessment, segmentation, due diligence and mutual recognition, Endeavour Group focuses on the highest risks in the supply chain and where the biggest positive impact on human rights can be found. In F21, Endeavour Group has collaborated with members of the Australian Grape and Wine Association (AGWA) and the South Australian Wine Industry Association (SAWIA) to create a shared understanding of the challenges in responsible sourcing and ethical recruitment in the wine sector, and committed to work collaboratively with the Fair Work Ombudsman (FWO) to determine the best mechanism to seek positive human rights outcomes in the wine labour market.

(v) Safety, health and wellbeing

Endeavour Group cares about the physical and psychological safety and health of its customers, team members and business partners. It is committed to creating a safe work environment and has safety and health policies, a safety and health governance framework and safety and health standards. Each Endeavour Group business has engineering controls, procedures, training, personal protective equipment and maintenance requirements to manage their risks. A quarterly update reports on the monitoring of the effectiveness of the implementation of the safety and health policies, standards, plans, risk program, processes, resources, compliance and assurance.

(vi) Diversity and indigenous team members

Endeavour Group believes that a more diverse workforce leads to better decision making and better long-term outcomes for its businesses. Focusing on a commitment to improving gender equality, Endeavour Group has achieved the milestone of 36.4% of all senior management being female and will continue to seek increased diversity at all management levels.

Endeavour Group supports the Uluru Statement from the Heart and advocates for change to empower First Nations people, with constitutional recognition and a guaranteed voice. Endeavour Group views this as an important part of its culture: to build strong community engagement, support local employment opportunities and foster respect for all cultures. As a participant in the Woolworths Reconciliation Action Plan, Endeavour Group committed to drive inclusivity and support Aboriginal and Torres Strait Islander communities.



ANNEXURE C.2 ENDEAVOUR DIRECTORS’ INTERESTS AND REMUNERATION

(a) Non-executive directors’ remuneration policy and structure

Non-executive director fees are paid from an annual aggregate fee pool of \$3,500,000. Non-executive directors will not receive variable pay and no director fees are paid to executive directors. The table below provides a summary of the Endeavour Board and committee fees for F22 (including superannuation):

BOARD AND COMMITTEE FEE	CHAIR	MEMBER
Board	\$500,000	\$200,000
People, Culture and Performance Committee	\$45,000	\$25,000
Audit, Risk and Compliance Management Committee	\$45,000	\$25,000
Nominations Committee	Nil	Nil

(b) Non-executive directors’ minimum shareholding requirement

Non-executive directors are required to hold a minimum number of shares for alignment with other shareholders. The minimum shareholding requirement is:

CATEGORY	MINIMUM SHAREHOLDING REQUIREMENT	COMPLIANCE PERIOD
Chair	100% of the annual Chair base fee	By the later of five years from establishment of Endeavour as a listed entity or five years from appointment for future non-executive directors
Non-executive director	100% of the annual non-executive director base fee	

The shares or share instruments may be held personally or by a close family member either directly, within a self-managed superannuation fund, or by a family trust or private company.

(c) Non-executive directors’ equity plan

A non-executive director equity plan will be introduced in F22 to further encourage and facilitate share ownership for board members. The plan will provide an automated mechanism for participants to acquire shares, recognising that non-executive directors can often be limited in their ability to purchase shares as a result of the Australian insider trading laws.

Non-executive director share rights will be allocated quarterly and convert into ordinary shares each half year, subject to compliance with Endeavour Group’s Securities Trading Policy. The plan will support the minimum shareholding requirement for board members as it allows non-executive directors to reach the minimum shareholding requirement more quickly, as shares are acquired on a pre-tax basis.

ANNEXURE C.2 ENDEAVOUR DIRECTORS' INTERESTS AND REMUNERATION (CONTINUED)

(d) Deeds of indemnity, insurance and access

Endeavour will enter into deeds of indemnity, insurance and access with each of the Endeavour Directors.

In summary, each deed will provide the directors with rights of access to Endeavour Board papers and requires Endeavour to indemnify the director, to the maximum extent permitted by law, against all losses or liabilities (including, on a full indemnity basis, all reasonable legal costs) incurred by the director in the performance of, or in connection with, their role as a director of Endeavour or of a subsidiary of Endeavour, on the terms set out in the deed.

Under the deeds of indemnity, insurance and access, Endeavour must, to the extent permitted by law, use reasonable endeavours to maintain a directors and officers insurance policy insuring a director (among others) against liability incurred as a director and officer of Endeavour or a subsidiary from their appointment date until the later of seven years after a director ceases to hold office as a director of Endeavour or a director of a subsidiary or the date any relevant proceedings commenced (and were notified by the director to Endeavour) during that seven year period have been finally resolved.

As permitted by the Endeavour Constitution, Endeavour may enter into deeds of indemnity, insurance and access with officers or senior managers (including the Endeavour executives noted in [Annexure C.3](#)) on similar terms.



ANNEXURE C.3 EXECUTIVE REMUNERATION STRUCTURE AND KEY POLICIES

(a) Managing Director and Chief Executive Officer

TERM	DESCRIPTION									
Incumbent	Stephen Donohue									
Total fixed remuneration (TFR)	\$1,650,000, which is inclusive of base salary, compulsory superannuation and car allowance.									
Short-term incentive (STI)	<p>Mr Donohue is eligible to participate in the Endeavour STI plan with the following opportunity levels:</p> <ul style="list-style-type: none">target: 100% of TFR; andstretch: 150% of TFR. <p>STI outcomes will be based on individual and Endeavour Group performance, paid in equal proportions of cash and deferred Endeavour Share rights, with the share rights component vesting two years after the conclusion of the performance year.</p>									
Long-term incentive (LTI)	<p>Mr Donohue will participate in the Endeavour F22 LTI offer (covering the three year period F22 to F24 inclusive) under the terms specified in Annexure C.3(g)(i).</p> <p>Under the Endeavour LTI plan, Mr Donohue will receive a grant of performance share rights with the face value at time of grant of \$2,805,000 (170% of TFR) with vesting outcomes dependent on Endeavour Group performance and continued service, and delivered in Endeavour Shares.</p>									
Transitional arrangements	<p>In consideration of the fact that Mr Donohue will forego participation in LTI plans on foot with Woolworths as a result of commencing with Endeavour, pro-rata grants of performance rights will be made to him as set out below, also under the terms specified in Annexure C.3(g)(i), with vesting outcomes dependent on Endeavour Group performance and continued service, and delivered in Endeavour Shares:</p> <table><tr><th>PERFORMANCE PERIOD</th><th>NUMBER OF WOOLWORTHS PERFORMANCE SHARE RIGHTS FORFEITED</th><th>FORMULA TO CALCULATE FACE VALUE OF PRO-RATA ENDEAVOUR PERFORMANCE SHARE RIGHTS GRANT¹</th></tr><tr><td>28 June 2021 to 1 July 2022</td><td>16,530</td><td>16,530 x Woolworths Share five day VWAP prior to 24 June 2021 (Woolworths Share pre-Demerger VWAP)²</td></tr><tr><td>28 June 2021 to 1 July 2023</td><td>29,860</td><td>29,860 x Woolworths Share pre-Demerger VWAP</td></tr></table> <p>Furthermore, pursuant to the current Woolworths incentive plans under which rights have been granted, Mr Donohue will receive additional shares on vesting of his rights in:</p> <ul style="list-style-type: none">the Woolworths F19 and F20 deferred STI (DSTI); andthe Woolworths F19, F20 and F21 LTI, <p>to accommodate for the fall in the Woolworths Share price as a result of the Demerger.</p> <p>The number of additional shares to be granted will be calculated by comparing the Woolworths Share pre-Demerger VWAP with the VWAP of Woolworths Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of Endeavour Shares on the ASX (Woolworths Share post Demerger VWAP). See Annexure C.4 for further information.</p>	PERFORMANCE PERIOD	NUMBER OF WOOLWORTHS PERFORMANCE SHARE RIGHTS FORFEITED	FORMULA TO CALCULATE FACE VALUE OF PRO-RATA ENDEAVOUR PERFORMANCE SHARE RIGHTS GRANT ¹	28 June 2021 to 1 July 2022	16,530	16,530 x Woolworths Share five day VWAP prior to 24 June 2021 (Woolworths Share pre-Demerger VWAP) ²	28 June 2021 to 1 July 2023	29,860	29,860 x Woolworths Share pre-Demerger VWAP
PERFORMANCE PERIOD	NUMBER OF WOOLWORTHS PERFORMANCE SHARE RIGHTS FORFEITED	FORMULA TO CALCULATE FACE VALUE OF PRO-RATA ENDEAVOUR PERFORMANCE SHARE RIGHTS GRANT ¹								
28 June 2021 to 1 July 2022	16,530	16,530 x Woolworths Share five day VWAP prior to 24 June 2021 (Woolworths Share pre-Demerger VWAP) ²								
28 June 2021 to 1 July 2023	29,860	29,860 x Woolworths Share pre-Demerger VWAP								
Minimum shareholding requirement	Equal to 200% of TFR, with compliance to be achieved by five years from establishment of Endeavour as a listed entity.									
Termination	<p>A mutual requirement of 12 months’ notice by Mr Donohue or Endeavour. Endeavour may elect to make a payment in lieu of notice.</p> <p>Mr Donohue’s employment may also be terminated by Endeavour without notice in circumstances including serious misconduct, breaches of Endeavour Group’s Code of Conduct or Conflicts of Interest Protocol, or bankruptcy.</p> <p>Upon further payment (where required), Endeavour can implement a restraint period of up to 12 months following separation, preventing Mr Donohue from conducting business activity with competitors.</p> <p>Any payments made to Mr Donohue upon termination of his employment are subject to the termination benefits cap under the Corporations Act. Approval from Woolworths Shareholders is being sought for the provision of benefits on cessation of employment to Mr Donohue, including the benefits described above.</p>									

¹ The number of Endeavour performance share rights to be granted is then determined by dividing the face values calculated by the VWAP of Endeavour Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) on the ASX (Endeavour Share post Demerger VWAP).

² 23 June 2021 is the last day Woolworths Shares trade on the ASX on a cum-entitlements basis under the Demerger, and as a result, the Woolworths Shares VWAP for the purposes of determining the face value of Woolworths performance share rights forfeited is the five days up to and including this date, which then allows the value to be used for the replacement grant of Endeavour performance share rights to be fairly calculated.

ANNEXURE C.3 EXECUTIVE REMUNERATION STRUCTURE AND KEY POLICIES (CONTINUED)

(b) Chief Financial Officer

TERM	DESCRIPTION
Incumbent	Shane Gannon
TFR	\$850,000, which is inclusive of base salary and compulsory superannuation.
STI	<p>Mr Gannon is eligible to participate in the Endeavour STI plan with the following opportunity levels:</p> <ul style="list-style-type: none"> target: 80% of TFR; and stretch: 120% of TFR. <p>STI outcomes will be based on individual and Endeavour Group performance, paid in equal proportions of cash and deferred Endeavour Share rights, with the share rights component vesting two years after the conclusion of the performance year.</p>
LTI	<p>Mr Gannon will participate in the Endeavour F22 LTI offer (covering the three year period F22 to F24 inclusive) under the terms specified in Annexure C.3(g)(i).</p> <p>Under the Endeavour LTI plan, Mr Gannon will receive a grant of performance share rights with the face value at time of grant of \$1,190,000 (140% of TFR) with vesting outcomes dependent on Endeavour Group performance and continued service, and delivered in Endeavour Shares.</p>
Minimum shareholding requirement	Equal to 100% of TFR, with compliance to be achieved by five years from the establishment of Endeavour as a listed entity.
Termination	<p>A mutual requirement of six months' notice by Mr Gannon or Endeavour. Endeavour may elect to make a payment in lieu of notice.</p> <p>Mr Gannon's employment may also be terminated by Endeavour without notice in circumstances including serious misconduct, breaches of Endeavour Group's Code of Conduct or Conflicts of Interest Protocol, or bankruptcy.</p> <p>Upon further payment (where required), Endeavour can implement a restraint period of up to 12 months following separation, preventing Mr Gannon from conducting business activity with competitors.</p> <p>Any payments made to Mr Gannon upon termination of his employment are subject to the termination benefits cap under the Corporations Act.</p>



ANNEXURE C.3 EXECUTIVE REMUNERATION STRUCTURE AND KEY POLICIES (CONTINUED)

(c) Managing Director, BWS

TERM	DESCRIPTION									
Incumbent	Scott Davidson									
TFR	\$694,920, which is inclusive of base salary, compulsory superannuation and car allowance.									
STI	<p>Mr Davidson is eligible to participate in the Endeavour STI plan with the following opportunity levels:</p> <ul style="list-style-type: none">▪ target: 80% of TFR; and▪ stretch: 120% of TFR. <p>STI outcomes will be based on individual and Endeavour Group performance, paid in equal proportions of cash and deferred Endeavour Share rights, with the share rights component vesting two years after the conclusion of the performance year.</p>									
LTI	<p>Mr Davidson will participate in the Endeavour F22 LTI offer (covering the three year period F22 to F24 inclusive) under the terms specified in Annexure C.3(g)(i).</p> <p>Under the Endeavour LTI plan, Mr Davidson will receive a grant of performance share rights with the face value at time of grant of \$972,888 (140% of TFR) with vesting outcomes dependent on Endeavour Group performance and continued service, and delivered in Endeavour Shares.</p>									
Transitional arrangements	<p>In consideration of the fact that Mr Davidson will forego participation in LTI plans on foot with Woolworths as a result of commencing with Endeavour, pro-rata grants of performance rights will be made to him as set out below, also under the terms specified in Annexure C.3(g)(i), with vesting outcomes dependent on Endeavour Group performance and continued service, and delivered in Endeavour Shares:</p> <table><tr><th>PERFORMANCE PERIOD</th><th>NUMBER OF WOOLWORTHS PERFORMANCE SHARE RIGHTS FORFEITED</th><th>FORMULA TO CALCULATE FACE VALUE OF PRO-RATA ENDEAVOUR PERFORMANCE SHARE RIGHTS GRANT¹</th></tr><tr><td>28 June 2021 to 1 July 2022</td><td>5,604</td><td>5,604 x Woolworths Share pre-Demerger VWAP</td></tr><tr><td>28 June 2021 to 1 July 2023</td><td>21,324</td><td>21,324 x Woolworths Share pre-Demerger VWAP</td></tr></table> <p>Furthermore, pursuant to the current Woolworths incentive plans under which rights have been granted, Mr Davidson will receive additional shares on vesting of his rights in the Woolworths F19, F20 and F21 LTI to accommodate for the fall in the Woolworths Share price as a result of the Demerger.</p> <p>The number of additional shares to be granted will be calculated by comparing the Woolworths Share pre-Demerger VWAP with the Woolworths Share post Demerger VWAP. See Annexure C.4 for further information.</p>	PERFORMANCE PERIOD	NUMBER OF WOOLWORTHS PERFORMANCE SHARE RIGHTS FORFEITED	FORMULA TO CALCULATE FACE VALUE OF PRO-RATA ENDEAVOUR PERFORMANCE SHARE RIGHTS GRANT ¹	28 June 2021 to 1 July 2022	5,604	5,604 x Woolworths Share pre-Demerger VWAP	28 June 2021 to 1 July 2023	21,324	21,324 x Woolworths Share pre-Demerger VWAP
PERFORMANCE PERIOD	NUMBER OF WOOLWORTHS PERFORMANCE SHARE RIGHTS FORFEITED	FORMULA TO CALCULATE FACE VALUE OF PRO-RATA ENDEAVOUR PERFORMANCE SHARE RIGHTS GRANT ¹								
28 June 2021 to 1 July 2022	5,604	5,604 x Woolworths Share pre-Demerger VWAP								
28 June 2021 to 1 July 2023	21,324	21,324 x Woolworths Share pre-Demerger VWAP								
Minimum shareholding requirement	Equal to 100% of TFR, with compliance to be achieved by five years from establishment of Endeavour as a listed entity.									
Termination	<p>A mutual requirement of six months’ notice by Mr Davidson or Endeavour. Endeavour may elect to make a payment in lieu of notice.</p> <p>Mr Davidson’s employment may also be terminated by Endeavour without notice in circumstances including serious misconduct, breaches of Endeavour Group’s Code of Conduct or Conflicts of Interest Protocol, or bankruptcy.</p> <p>Upon further payment (where required), Endeavour can implement a restraint period of up to 12 months following separation, preventing Mr Davidson from conducting business activity with competitors.</p> <p>Any payments made to Mr Davidson upon termination of his employment are subject to the termination benefits cap under the Corporations Act. Approval from Woolworths Shareholders is being sought for the provision of benefits on cessation of employment to Mr Davidson, including the benefits described above.</p>									

¹ The number of Endeavour performance share rights to be granted is then determined by dividing the face values calculated by the Endeavour Share post Demerger VWAP.

ANNEXURE C.3 EXECUTIVE REMUNERATION STRUCTURE AND KEY POLICIES (CONTINUED)

(d) Managing Director, Dan Murphy's

TERM	DESCRIPTION									
Incumbent	Alex Freudmann									
TFR	\$708,076, which is inclusive of base salary, compulsory superannuation and car allowance.									
STI	<p>Mr Freudmann is eligible to participate in the Endeavour STI plan with the following opportunity levels:</p> <ul style="list-style-type: none">target: 80% of TFR; andstretch: 120% of TFR. <p>STI outcomes will be based on individual and Endeavour Group performance, paid in equal proportions of cash and deferred Endeavour Share rights, with the share rights component vesting two years after the conclusion of the performance year.</p>									
LTI	<p>Mr Freudmann will participate in the Endeavour F22 LTI offer (covering the three year period F22 to F24 inclusive) under the terms specified in Annexure C.3(g)(i).</p> <p>Under the Endeavour LTI plan, Mr Freudmann will receive a grant of performance share rights with the face value at time of grant of \$991,306 (140% of TFR) with vesting outcomes dependent on Endeavour Group performance and continued service, and delivered in Endeavour Shares.</p>									
Transitional arrangements	<p>In consideration of the fact that Mr Freudmann will forego participation in LTI plans on foot with Woolworths as a result of commencing with Endeavour, pro-rata grants of performance rights will be made to him as set out below, also under the terms specified in Annexure C.3(g)(i), with vesting outcomes dependent on Endeavour Group performance and continued service, and delivered in Endeavour Shares:</p> <table><tr><th>PERFORMANCE PERIOD</th><th>NUMBER OF WOOLWORTHS PERFORMANCE SHARE RIGHTS FORFEITED</th><th>FORMULA TO CALCULATE FACE VALUE OF PRO-RATA ENDEAVOUR PERFORMANCE SHARE RIGHTS GRANT¹</th></tr><tr><td>28 June 2021 to 1 July 2022</td><td>12,028</td><td>12,028 x Woolworths Share pre-Demerger VWAP</td></tr><tr><td>28 June 2021 to 1 July 2023</td><td>21,727</td><td>21,727 x Woolworths Share pre-Demerger VWAP</td></tr></table> <p>Furthermore, pursuant to the current Woolworths incentive plans under which rights have been granted, Mr Freudmann will receive additional shares on vesting of his rights in the Woolworths F19, F20 and F21 LTI to accommodate for the fall in the Woolworths Share price as a result of the Demerger.</p> <p>The number of additional shares to be granted will be calculated by comparing the Woolworths Share pre-Demerger VWAP with the Woolworths Share post Demerger VWAP. See Annexure C.4 for further information.</p>	PERFORMANCE PERIOD	NUMBER OF WOOLWORTHS PERFORMANCE SHARE RIGHTS FORFEITED	FORMULA TO CALCULATE FACE VALUE OF PRO-RATA ENDEAVOUR PERFORMANCE SHARE RIGHTS GRANT ¹	28 June 2021 to 1 July 2022	12,028	12,028 x Woolworths Share pre-Demerger VWAP	28 June 2021 to 1 July 2023	21,727	21,727 x Woolworths Share pre-Demerger VWAP
PERFORMANCE PERIOD	NUMBER OF WOOLWORTHS PERFORMANCE SHARE RIGHTS FORFEITED	FORMULA TO CALCULATE FACE VALUE OF PRO-RATA ENDEAVOUR PERFORMANCE SHARE RIGHTS GRANT ¹								
28 June 2021 to 1 July 2022	12,028	12,028 x Woolworths Share pre-Demerger VWAP								
28 June 2021 to 1 July 2023	21,727	21,727 x Woolworths Share pre-Demerger VWAP								
Minimum shareholding requirement	Equal to 100% of TFR, with compliance to be achieved by five years from establishment of Endeavour as a listed entity.									
Termination	<p>A mutual requirement of six months' notice by Mr Freudmann or Endeavour. Endeavour may elect to make a payment in lieu of notice.</p> <p>Mr Freudmann's employment may also be terminated by Endeavour without notice in circumstances including serious misconduct, breaches of Endeavour Group's Code of Conduct or Conflicts of Interest Protocol, or bankruptcy.</p> <p>Upon further payment (where required), Endeavour can implement a restraint period of up to 12 months following separation, preventing Mr Freudmann from conducting business activity with competitors.</p> <p>Any payments made to Mr Freudmann upon termination of his employment are subject to the termination benefits cap under the Corporations Act. Approval from Woolworths Shareholders is being sought for the provision of benefits on cessation of employment to Mr Freudmann, including the benefits described above.</p>									

¹ The number of Endeavour performance share rights to be granted is then determined by dividing the face values calculated by the Endeavour Share post Demerger VWAP.



ANNEXURE C.3 EXECUTIVE REMUNERATION STRUCTURE AND KEY POLICIES (CONTINUED)

(e) Managing Director, Hotels

TERM	DESCRIPTION									
Incumbent	Bruce Mathieson Jr									
TFR	\$831,657, which is inclusive of base salary, compulsory superannuation and car allowance.									
STI	<p>Mr Mathieson is eligible to participate in the Endeavour STI plan with the following opportunity levels:</p> <ul style="list-style-type: none">target: 80% of TFR; andstretch: 120% of TFR. <p>STI outcomes will be based on individual and Endeavour Group performance, paid in equal proportions of cash and deferred Endeavour Share rights, with the share rights component vesting two years after the conclusion of the performance year.</p>									
LTI	<p>Mr Mathieson will participate in the Endeavour F22 LTI offer (covering the three year period F22 to F24 inclusive) under the terms specified in Annexure C.3(g)(i).</p> <p>Under the Endeavour LTI plan, Mr Mathieson will receive a grant of performance share rights with the face value at time of grant of \$1,164,319 (140% of TFR) with vesting outcomes dependent on Endeavour Group performance and continued service, and delivered in Endeavour Shares.</p>									
Transitional arrangements	<p>In consideration of the fact that Mr Mathieson will forego participation in LTI plans on foot with Woolworths as a result of commencing with Endeavour, pro-rata grants of performance rights will be made to him as set out below, also under the terms specified in Annexure C.3(g)(i), with vesting outcomes dependent on Endeavour Group performance and continued service, and delivered in Endeavour Shares:</p> <table><tr><th>PERFORMANCE PERIOD</th><th>NUMBER OF WOOLWORTHS PERFORMANCE SHARE RIGHTS FORFEITED</th><th>FORMULA TO CALCULATE FACE VALUE OF PRO-RATA ENDEAVOUR PERFORMANCE SHARE RIGHTS GRANT¹</th></tr><tr><td>28 June 2021 to 1 July 2022</td><td>14,126</td><td>14,126 x Woolworths Share pre-Demerger VWAP</td></tr><tr><td>28 June 2021 to 1 July 2023</td><td>25,518</td><td>25,518 x Woolworths Share pre-Demerger VWAP</td></tr></table> <p>Furthermore, pursuant to the current Woolworths incentive plans under which rights have been granted, Mr Mathieson will receive additional shares on vesting of his rights in the Woolworths F19, F20 and F21 LTI to accommodate for the fall in the Woolworths Share price as a result of the Demerger.</p> <p>The number of additional shares to be granted will be calculated by comparing the Woolworths Share pre-Demerger VWAP with the Woolworths Share post Demerger VWAP. See Annexure C.4 for further information.</p>	PERFORMANCE PERIOD	NUMBER OF WOOLWORTHS PERFORMANCE SHARE RIGHTS FORFEITED	FORMULA TO CALCULATE FACE VALUE OF PRO-RATA ENDEAVOUR PERFORMANCE SHARE RIGHTS GRANT ¹	28 June 2021 to 1 July 2022	14,126	14,126 x Woolworths Share pre-Demerger VWAP	28 June 2021 to 1 July 2023	25,518	25,518 x Woolworths Share pre-Demerger VWAP
PERFORMANCE PERIOD	NUMBER OF WOOLWORTHS PERFORMANCE SHARE RIGHTS FORFEITED	FORMULA TO CALCULATE FACE VALUE OF PRO-RATA ENDEAVOUR PERFORMANCE SHARE RIGHTS GRANT ¹								
28 June 2021 to 1 July 2022	14,126	14,126 x Woolworths Share pre-Demerger VWAP								
28 June 2021 to 1 July 2023	25,518	25,518 x Woolworths Share pre-Demerger VWAP								
Minimum shareholding requirement	Equal to 100% of TFR, with compliance to be achieved by five years from establishment of Endeavour as a listed entity.									
Termination	<p>A mutual requirement of six months’ notice by Mr Mathieson or Endeavour. Endeavour may elect to make a payment in lieu of notice.</p> <p>Mr Mathieson’s employment may also be terminated by Endeavour without notice in circumstances including serious misconduct, breaches of Endeavour Group’s Code of Conduct or Conflicts of Interest Protocol, or bankruptcy.</p> <p>Upon further payment (where required), Endeavour can implement a restraint period of up to 12 months following separation, preventing Mr Mathieson from conducting business activity with competitors.</p> <p>Any payments made to Mr Mathieson upon termination of his employment are subject to the termination benefits cap under the Corporations Act. Approval from Woolworths Shareholders is being sought for the provision of benefits on cessation of employment to Mr Mathieson, including the benefits described above.</p>									

¹ The number of Endeavour performance share rights to be granted is then determined by dividing the face values calculated by the Endeavour Share post Demerger VWAP.

ANNEXURE C.3 EXECUTIVE REMUNERATION STRUCTURE AND KEY POLICIES (CONTINUED)

(f) Endeavour executive management

Senior management are employed under individual executive employment contracts. These agreements set out their TFR which is inclusive of superannuation and car allowance (where applicable).

Members of senior management may be eligible to participate in Endeavour's STI plan, subject to the terms of that plan.

The STI is an annual opportunity to receive an award, subject to business and individual (including behavioural) performance, 50% of which is paid as cash and 50% awarded as deferred Endeavour Share rights (which vest after two years). Performance is assessed against a STI balanced scorecard, with 60% weighted on financial objectives and 40% on non-financial objectives:

1. sales – 20%;
2. EBIT – 20%;
3. working capital – 20%;
4. customer satisfaction – 20%; and
5. safety – 20%.

Members of senior management will also be eligible to participate in the LTI offer on the terms specified in [Annexure C.3\(g\)\(i\)](#).

Senior management have executive employment contracts that provide for mutual notice of termination periods of six months (and 12 months for the Managing Director and Chief Executive Officer). Endeavour may also terminate employment without notice in circumstances including serious misconduct, breaches of Endeavour Group's Code of Conduct or Conflicts of Interest Protocol, or bankruptcy.

On termination of employment, senior management will be subject to a restraint period equal to their notice period, subject to enforceability. The terms of the restraint allow for Endeavour to pay senior managers during the restraint period as part of effecting the restraint.

Payments made to senior management upon termination of employment are subject to the termination benefits cap under the Corporations Act. Approval from Woolworths Shareholders is being sought for the provision of benefits on cessation of employment to senior management, including the benefits described above.



ANNEXURE C.3 EXECUTIVE REMUNERATION STRUCTURE AND KEY POLICIES (CONTINUED)

(g) Employee equity plans

Endeavour will operate several equity-based plans to attract, retain, motivate, reward and align team members with the interests of Endeavour Shareholders by providing an opportunity to receive an equity interest in Endeavour as part of their remuneration. The table below outlines the key terms of the equity plans:

PLAN	PARTICIPATION	PLAN DETAILS
DSTI	Senior management	<ul style="list-style-type: none"> Grants reflect 50% of the annual STI award which are determined with reference to individual business performance goals, ways of working, and business strategy progress, and Endeavour Group performance based on a scorecard Deferred Endeavour Share rights for two years At risk, variable and subject to board discretion Deferral allows for operation of Malus Policy, if required Contributes to minimum shareholding requirement calculation
LTI	Senior management plus other key senior leaders	<ul style="list-style-type: none"> Focused on delivery of long-term goals Rewards based on Endeavour Group performance against three measures over a three year performance period At risk, variable and subject to board discretion Allows for operation of Malus Policy, if required
Recognition share plan (RSP)	Selected salaried team members	<ul style="list-style-type: none"> Provides an opportunity for team members below senior leader level, who play a critical role in the business, to benefit from the value created for shareholders Rewards based on individual performance Delivered in Endeavour Shares At risk, variable and subject to manager discretion Two year service period for vesting enhances alignment and drives ownership culture
Share purchase plan (SPP)	All salaried team members	<ul style="list-style-type: none"> Focused on providing an easy and accessible way for team members to share in the performance of Endeavour Group Opportunity to acquire up to \$1,000 of Endeavour Shares by way of a pre-tax salary sacrifice via payroll Three year holding period enhances alignment and drives ownership culture

While aligned to Endeavour Group performance and measures (where applicable), the equity plans outlined represent a continuation of the structure of the equity arrangements in place at Woolworths Group, promoting stability and continuity for the transferring team. Post Demerger, the Endeavour Board will, in the normal course of business, review the remuneration framework in F23 and on an ongoing basis to ensure that it meets the strategic needs of Endeavour Group.

ANNEXURE C.3 EXECUTIVE REMUNERATION STRUCTURE AND KEY POLICIES (CONTINUED)

(i) Long-term incentive offer

After the Endeavour listing, the Endeavour Board intends to make an LTI grant of performance share rights (LTI Offer). The key terms of the LTI Offer (which covers the F22 LTI as well as any transitional LTI arrangements, where applicable), are set out below:

TERM	DESCRIPTION																																				
Eligibility to participate in the LTI Offer	Offers may be made at the Endeavour Board's discretion, based on its determination of the eligible team members. The LTI Offer is being made to members of the executive management team, and other selected senior leaders.																																				
Offers under the Endeavour LTI plan	Under the Endeavour LTI plan, the Endeavour Board may make equity-based incentive grant offers at its discretion, subject to any requirements for shareholder approval. The board sets out the terms and conditions on which it will offer an equity-based incentive grant in an individual offer document to participants. Offers granting performance share rights must be accepted by a participant and can be made on an opt-in or an opt-out basis. The offer will be made as soon as practicable after the Endeavour listing, having regard to trading blackout periods, will be no later than 12 months after the Endeavour listing, and will be made on an opt-out basis.																																				
Grant of performance share rights	The LTI Offer is a grant of performance share rights. A performance share right is the right to acquire one share in Endeavour, subject to the achievement of the specified performance measures. Performance share rights are granted at no cost to the participant, and are non-transferable, except with board approval.																																				
Quantum of grants	The quantum of performance share rights granted will be calculated by dividing the cash face value of the grant by the Endeavour Share five day post Demerger VWAP. Under this formula, Mr Donohue will be granted the following performance share rights for the specified performance periods: <table> <tr> <th>PERFORMANCE PERIOD</th><th>FACE VALUE OF GRANT (\$)</th></tr> <tr> <td>28 June 2021 to 1 July 2022</td><td>16,530 x Woolworths Share pre-Demerger VWAP</td></tr> <tr> <td>28 June 2021 to 1 July 2023</td><td>29,860 x Woolworths Share pre-Demerger VWAP</td></tr> <tr> <td>1 July 2021 to 1 July 2024</td><td>\$2,805,000</td></tr> </table> <p>Mr Gannon will be granted the following performance share rights for the specified performance period:</p> <table> <tr> <th>PERFORMANCE PERIOD</th><th>FACE VALUE OF GRANT (\$)</th></tr> <tr> <td>1 July 2021 to 1 July 2024</td><td>\$1,190,000</td></tr> </table> <p>Mr Davidson will be granted the following performance share rights for the specified performance periods:</p> <table> <tr> <th>PERFORMANCE PERIOD</th><th>FACE VALUE OF GRANT (\$)</th></tr> <tr> <td>28 June 2021 to 1 July 2022</td><td>5,604 x Woolworths Share pre-Demerger VWAP</td></tr> <tr> <td>28 June 2021 to 1 July 2023</td><td>21,324 x Woolworths Share pre-Demerger VWAP</td></tr> <tr> <td>1 July 2021 to 1 July 2024</td><td>\$972,888</td></tr> </table> <p>Mr Freudmann will be granted the following performance share rights for the specified performance periods:</p> <table> <tr> <th>PERFORMANCE PERIOD</th><th>FACE VALUE OF GRANT (\$)</th></tr> <tr> <td>28 June 2021 to 1 July 2022</td><td>12,028 x Woolworths Share pre-Demerger VWAP</td></tr> <tr> <td>28 June 2021 to 1 July 2023</td><td>21,727 x Woolworths Share pre-Demerger VWAP</td></tr> <tr> <td>1 July 2021 to 1 July 2024</td><td>\$991,306</td></tr> </table> <p>Mr Mathieson will be granted the following performance share rights for the specified performance periods:</p> <table> <tr> <th>PERFORMANCE PERIOD</th><th>FACE VALUE OF GRANT (\$)</th></tr> <tr> <td>28 June 2021 to 1 July 2022</td><td>14,126 x Woolworths Share pre-Demerger VWAP</td></tr> <tr> <td>28 June 2021 to 1 July 2023</td><td>25,518 x Woolworths Share pre-Demerger VWAP</td></tr> <tr> <td>1 July 2021 to 1 July 2024</td><td>\$1,164,319</td></tr> </table>	PERFORMANCE PERIOD	FACE VALUE OF GRANT (\$)	28 June 2021 to 1 July 2022	16,530 x Woolworths Share pre-Demerger VWAP	28 June 2021 to 1 July 2023	29,860 x Woolworths Share pre-Demerger VWAP	1 July 2021 to 1 July 2024	\$2,805,000	PERFORMANCE PERIOD	FACE VALUE OF GRANT (\$)	1 July 2021 to 1 July 2024	\$1,190,000	PERFORMANCE PERIOD	FACE VALUE OF GRANT (\$)	28 June 2021 to 1 July 2022	5,604 x Woolworths Share pre-Demerger VWAP	28 June 2021 to 1 July 2023	21,324 x Woolworths Share pre-Demerger VWAP	1 July 2021 to 1 July 2024	\$972,888	PERFORMANCE PERIOD	FACE VALUE OF GRANT (\$)	28 June 2021 to 1 July 2022	12,028 x Woolworths Share pre-Demerger VWAP	28 June 2021 to 1 July 2023	21,727 x Woolworths Share pre-Demerger VWAP	1 July 2021 to 1 July 2024	\$991,306	PERFORMANCE PERIOD	FACE VALUE OF GRANT (\$)	28 June 2021 to 1 July 2022	14,126 x Woolworths Share pre-Demerger VWAP	28 June 2021 to 1 July 2023	25,518 x Woolworths Share pre-Demerger VWAP	1 July 2021 to 1 July 2024	\$1,164,319
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ANNEXURE C.3

EXECUTIVE REMUNERATION STRUCTURE AND KEY POLICIES (CONTINUED)

TERM	DESCRIPTION									
Performance measures	<p>The performance share rights are subject to three independent performance measures that will be tested separately at the end of each of the applicable performance periods set out above:</p> <ol style="list-style-type: none">1. Relative Total Shareholder Return (Relative TSR): measured by taking into account the change in the Endeavour Share price over the relevant performance period as well as the dividends received (and assumed to be reinvested into Endeavour Shares). The comparator group is the ASX 100 companies. This condition was chosen as it provides alignment with shareholder value creation;2. Return on Funds Employed (ROFE): measured by dividing Endeavour’s earnings before interest and tax (EBIT) by funds employed. This condition was chosen as it provides alignment with shareholder value creation; and3. Leading in Responsibility: assessed by the board considering the initiatives implemented that enhance the responsible sale, service and consumption of alcohol and conduct of gaming and the management of regulatory transgressions. This metric was chosen to encourage proactivity and accountability on critical sustainability issues.									
Performance targets	<p>Relative TSR (40%): requires minimum performance at or above the 50th percentile of the comparator group over the performance period before vesting commences. Stretch performance is reached at the 75th percentile of the comparator group.</p> <p>ROFE (40%): is based on Endeavour Group’s strategic plan and reflective of Endeavour Group’s continued growth objectives and market conditions. The ROFE target will be published following the end of the performance period given the commercial sensitivity of this information.</p> <p>Leading in Responsibility (20%): reflects Endeavour Group’s commitment to implementing initiatives that enhance responsible sale, service and consumption of alcohol and conduct of gaming and running a sustainable business for the long term. This level of achievement will be assessed by the board who will consider the management of compliance or regulatory transgressions and initiatives implemented that advance and sustain the industry. Progress will be reported at the end of the performance period.</p>									
Vesting schedule	<table><tr><th>RELATIVE TSR</th><th>ROFE</th><th>LEADING IN RESPONSIBILITY</th></tr><tr><td>50% vesting at 50th percentile</td><td>50% vesting at target</td><td>50% where initiatives are progressed and compliance or regulatory transgressions are managed to board satisfaction</td></tr><tr><td>100% vesting at 75th percentile</td><td>100% vesting at stretch</td><td>100% where initiatives are implemented that enhance responsibility as assessed by the board</td></tr></table>	RELATIVE TSR	ROFE	LEADING IN RESPONSIBILITY	50% vesting at 50 th percentile	50% vesting at target	50% where initiatives are progressed and compliance or regulatory transgressions are managed to board satisfaction	100% vesting at 75 th percentile	100% vesting at stretch	100% where initiatives are implemented that enhance responsibility as assessed by the board
RELATIVE TSR	ROFE	LEADING IN RESPONSIBILITY								
50% vesting at 50 th percentile	50% vesting at target	50% where initiatives are progressed and compliance or regulatory transgressions are managed to board satisfaction								
100% vesting at 75 th percentile	100% vesting at stretch	100% where initiatives are implemented that enhance responsibility as assessed by the board								
Voting and dividend entitlements	Performance share rights do not carry any voting rights prior to vesting. There is no entitlement to dividends on vested rights.									
Restrictions on dealing	<p>Participants must not sell, transfer, encumber, hedge or otherwise deal with the performance share rights comprising the LTI Offer prior to vesting unless otherwise permitted by the Endeavour Board.</p> <p>Under the Securities Trading Policy, senior management may not enter into any derivative (including hedging) transaction that will protect the value of either unvested securities or vested securities that are subject to a disposal restriction, issued as part of the LTI plan. Compliance with the policy is a condition of participation in the LTI plan.</p>									

ANNEXURE C.3 EXECUTIVE REMUNERATION STRUCTURE AND KEY POLICIES (CONTINUED)

TERM	DESCRIPTION
Cessation of employment	<p>If a LTI plan participant ceases employment with Endeavour Group before the end of the performance period(s), the Endeavour Board will assess the treatment of any unvested performance share rights.</p> <p>Generally, all performance share rights will be forfeited upon resignation, or dismissal for cause (such as in the case of fraud, wilful misconduct and dishonesty) or significant underperformance, unless the board determines otherwise.</p> <p>If a participant ceases employment in other circumstances (such as in the case of redundancy, illness, retirement or death), the Endeavour Board has discretion to determine whether some or all unvested performance share rights will vest, remain on foot subject to the original performance/vesting period(s) and performance conditions, or lapse, having regard to the circumstances.</p>
Change of control	The Endeavour Board has discretion to determine whether some or all of the unvested performance share rights held by plan participants will vest, remain on foot subject to the original performance/vesting period(s) and performance conditions, or lapse, having regard to all relevant circumstances.
Malus provision	The LTI Offer and participation in the plan are subject to malus provisions that enable the Endeavour Board to adjust unpaid and/or unvested awards (including to reduce to zero) where it is appropriate to do so (see Annexure C.3(h)).

(h) Malus Policy

The Endeavour Board may determine that any unpaid cash STI, unvested deferred STI, and/or unvested LTI awards will be forfeited in the event of wilful misconduct, dishonesty or severe breach of the Code of Conduct by the executive. The board may also adjust these awards in cases of unexpected or unforeseen events impacting performance outcomes, performance with regard to non-financial risk, an outcome which would cause significant reputational damage to the Endeavour brand, or a broader assessment of performance indicating there should be an adjustment.



ANNEXURE C.4 IMPACT OF THE DEMERGER ON EXISTING WOOLWORTHS EMPLOYEE EQUITY PLANS

(a) Legacy Woolworths employee equity plans

Some Endeavour Group team members have previously received, and have on foot, a number of existing Woolworths Group incentives and/or other equity awards which will be impacted by the Demerger. Upon Demerger, the following treatment will apply to the legacy equity plan arrangements¹:

SHARE PLAN	TEAM REMAINING IN WOOLWORTHS GROUP	TEAM TRANSFERRING TO ENDEAVOUR GROUP
Woolworths F19 DSTI Due to vest 1 July 2021	<ul style="list-style-type: none"> Top up the number of shares to be received on vesting to accommodate for the fall in Woolworths Share price resulting from the Demerger 	<ul style="list-style-type: none"> Retain 100% of the awards (including the F21 DSTI, which will be granted post Demerger) on foot to future vesting date
Woolworths F20 DSTI Due to vest 1 July 2022	<ul style="list-style-type: none"> No change to other terms and conditions 	<ul style="list-style-type: none"> Top up the number of shares to be received on vesting in the F19 and F20 awards to accommodate for the fall in Woolworths Share price resulting from the Demerger
Woolworths F21 DSTI Due to vest 1 July 2023		
Woolworths F19 LTI Due to vest 1 July 2021	<ul style="list-style-type: none"> Retain sales/m² and ROFE performance measures unchanged for end F21 measurement Adjust the TSR outcome by the ASX disclosed adjustment factor to factor in that the Demerger has occurred during the measurement period Top up the number of shares to be received on vesting to accommodate for the fall in Woolworths Share price resulting from the Demerger 	<ul style="list-style-type: none"> Same treatment as the remaining Woolworths Group team
Woolworths F20 LTI Due to vest 1 July 2022	<ul style="list-style-type: none"> Retain sales/m² and ROFE performance measures but adjust and pro-rate performance measurement for pre and post Demerger portions of the relevant performance periods 	<ul style="list-style-type: none"> Awards to be pro-rated and the portion that represents tenure prior to the Demerger remains on foot for future vesting. This tranche for F20 and F21 awards is then treated in line with remaining Woolworths Group team (being to top up the number of shares to be received on vesting to accommodate for the fall in Woolworths Share price resulting from the Demerger)
Woolworths F21 LTI Due to vest 1 July 2023	<ul style="list-style-type: none"> Adjust the TSR outcome by the ASX disclosed adjustment factor to factor in that the Demerger has occurred during the measurement period Top up the number of shares to be received on vesting to accommodate for the fall in Woolworths Share price resulting from the Demerger 	<ul style="list-style-type: none"> Endeavour to make replacement awards in Endeavour equity post Demerger, in respect of the F20 and F21 forfeited portion
Woolworths F19 Recognition share plan (RSP) Due to vest 1 September 2021	<ul style="list-style-type: none"> Top up the number of shares to be received on vesting to accommodate for the fall in Woolworths Share price resulting from the Demerger 	<ul style="list-style-type: none"> F19 RSP and F20 RSP and ESP awards to vest prior to the Demerger then treated as general Shareholders upon Demerger
Woolworths F20 RSP and Extraordinary share plan (ESP) Due to vest 1 July 2022	<ul style="list-style-type: none"> No change to other terms and conditions 	<ul style="list-style-type: none"> F21 RSP would be delivered by Endeavour into an Endeavour equivalent plan when launched
Woolworths F21 RSP Due to vest 1 July 2023		

¹ In the table in Annexure C.4(a) where reference is made to increasing the number of share rights or performance rights to accommodate for the fall in the Woolworths Share price resulting from the Demerger, the formula to be used is as follows: the number of additional performance rights = (number of performance rights held before the Demerger x ((Woolworths Share five day post Demerger VWAP + Endeavour Share five day post Demerger VWAP)/Woolworths Share five day post Demerger VWAP) - number of performance rights held immediately prior to the Demerger).

ANNEXURE C.4 IMPACT OF THE DEMERGER ON EXISTING WOOLWORTHS EMPLOYEE EQUITY PLANS (CONTINUED)

SHARE PLAN	TEAM REMAINING IN WOOLWORTHS GROUP	TEAM TRANSFERRING TO ENDEAVOUR GROUP
Share purchase plan for team members (SPP) Better Together Share Award (BTSA) Share purchase plan for non-executive director on Woolworths Board (NEDSPP)	<ul style="list-style-type: none"> SPP, BTSA and NEDSPP restricted shares will be treated as per general Shareholders upon Demerger and no action is required NEDSPP holders of share rights (from sacrificed fees) that are not vested at the time of Demerger to receive a top up in the number of shares to be received on vesting of the share rights in August 2021 to accommodate for the fall in Woolworths Share price resulting from the Demerger Endeavour Shares awarded based on an underlying (SPP, BTSA or NEDSPP) restricted Woolworths shareholding will not be restricted when granted 	<ul style="list-style-type: none"> Release all restricted SPP awards made prior to 2 February 2020 All SPP and BTSA shares received after 2 February 2020 will remain restricted as no cessation of employment Not relevant for NEDSPP (as no non-executive directors will 'transfer' their Woolworths directorship engagement to the Endeavour Board) Endeavour Shares awarded based on an underlying restricted (SPP or BTSA) Woolworths shareholding will not be restricted when granted
Sign-on, buy-out and legacy retention awards (various vesting dates)	<ul style="list-style-type: none"> Top up the number of shares to be received on vesting to accommodate for the fall in Woolworths Share price resulting from the Demerger No change to other terms and conditions 	<ul style="list-style-type: none"> Awards to vest prior to the Demerger then treated as general Shareholders upon Demerger

For personal use only



Notice of Meeting

Woolworths Group Limited ACN 000 014 675

A General Meeting of Shareholders of Woolworths Group Limited (Woolworths) will be held at 11:00am (AEST), Friday, 18 June 2021, to transact the business set out in this Notice of Meeting.

Items of business

1. DEMERGER RESOLUTIONS

1(a) Demerger Approval Resolution: That the Demerger of Endeavour Group from Woolworths described in the Demerger Booklet and all agreements and arrangements entered into by Woolworths and Endeavour and their respective related bodies corporate to give effect to that demerger are approved for all purposes.

Note: This resolution requires approval by a simple majority (more than 50%) of the votes cast by Shareholders on the resolution.

1(b) Capital Reduction Resolution: That, for the purpose of section 256C(1) of the Corporations Act and for all other purposes, and conditional upon the Demerger Approval Resolution being passed, the share capital of Woolworths be reduced by the Capital Reduction Amount on the Implementation Date, with the reduction to be effected and satisfied by applying such amount equally against each Woolworths Share on issue at the Demerger Record Date in the manner more particularly described in the Demerger Booklet.

Note: This resolution requires approval by a simple majority (more than 50%) of the votes cast by Shareholders on the resolution.

The Demerger Approval Resolution and Capital Reduction Resolution are interconditional so that if one of those resolutions is not passed by the required majority of Shareholders, neither resolution will be considered as having been approved.

2. EMPLOYEE INCENTIVE RESOLUTION

Employee Incentive Resolution: To approve for all purposes, including sections 200B and 200E of the Corporations Act, the giving of benefits to:

- (a) any current or future holder of a managerial or executive office of Endeavour or a subsidiary of Endeavour (Endeavour Team Member) in connection with the Endeavour Team Member ceasing to hold that office; and
- (b) an Endeavour Team Member in the form of replacement incentive plan awards over Endeavour Shares equivalent to incentive plan awards over Woolworths Shares forfeited upon becoming employees of Endeavour Group in connection with the Demerger or in the form of top up awards of Woolworths Shares in connection with the Demerger,

as set out in the Explanatory Notes.

Information on the Demerger and the Meeting Resolutions is set out in the Demerger Booklet (of which this Notice of Meeting forms part). Terms having a defined meaning in the Demerger Booklet have a corresponding meaning in this Notice of Meeting.

Acknowledging the potential for restrictions on public gatherings imposed from time to time in response to COVID-19, and in the interests of the health and safety of our Shareholders and the broader community, we encourage you to attend the General Meeting via the online portal rather than in person. Instructions on how to access the online portal, including voting, appointing a proxy, attorney or body corporate representative, or asking questions are set out in the "General Meeting information" in the pages that follow. You can also vote by submitting a Proxy Form by 11:00am (AEST), Wednesday, 16 June 2021.

If you do wish to attend the General Meeting in person, you will be required to register your intention to attend in person at www.woolworthsgroup.com.au/demerger. Due to the requirements for restrictions on public gatherings, we may be required to limit the number of Shareholders who can attend the General Meeting or to restrict access to certain persons.

Further details about the General Meeting and items of business are set out under "General Meeting information" in the pages that follow.

By order of the Woolworths Board

Kate Eastoe
Company Secretary
10 May 2021



How to participate in the

Woolworths Group 2021 General Meeting

Before the General Meeting

Notice of Meeting



- Access the **Demerger Booklet** including the **Notice of Meeting** online at www.woolworthsgroup.com.au/demerger
- Request a hard copy **Notice of Meeting** by phone: +61 1300 420 545 or email: woolworths@linkmarketservices.com.au



Vote or appoint proxy

- Follow the General Meeting voting link emailed to you or return the hard copy Proxy Form
- If you appoint a proxy other than the Chairman, you must provide your intended proxy's email address
- If you have more than one shareholding, we strongly encourage you to vote your shareholdings **prior to the General Meeting** via one of the above methods

Ask a question

- Follow the General Meeting voting link emailed to you or return the hard copy question form

Prepare to attend the General Meeting

- We encourage Shareholders to attend the General Meeting online rather than in person**
- Shareholders who intend to attend in person are required to register to do so
- Register and access up-to-date information about COVID-19 restrictions at www.woolworthsgroup.com.au/demerger

For your vote or proxy appointment to be valid, it must be received by:

**11:00am (AEST)
Wednesday,
16 June 2021**

At the General Meeting



Watch

Online:

- Enter <https://web.lumiagm.com/309403870> into a web browser or follow the link via www.woolworthsgroup.com.au/demerger
- Select your registration type: shareholder (including proxyholders, attorneys and body corporate representatives) or guest
- If you selected shareholder, enter your SRN/HIN or employee ID and postcode
- If you are a proxyholder, enter the code that Link Market Services will email to you 24 hours before the General Meeting

In person:

- The General Meeting will be held at the International Convention Centre Sydney, Level 4, 14 Darling Drive, Sydney NSW 2000 on Friday, 18 June 2021
- Registration on the day will commence at 10:00am



Vote

Online:

- Shareholders (including proxyholders, attorneys and body corporate representatives) can vote online
- Once logged in, Shareholders can access the voting screen by clicking on the icon at the top of the left-hand screen
- Voting will open at the start of the General Meeting

In person:

- If attending in person, you will receive an electronic handset at registration
- Voting will open at the start of the General Meeting



Ask a question

Online:

- Shareholders (including proxyholders, attorneys and body corporate representatives) can ask a question
- Once logged in, Shareholders can access the question screen by clicking on the icon at the top of the left-hand screen
- Questions will be read aloud to the General Meeting

In person:

- Shareholders (including proxyholders, attorneys and body corporate representatives) attending in person will be invited to ask questions about the items of business at the General Meeting



Listen by telephone

Shareholders (including their representatives) and guests can listen to the General Meeting. You will not be able to vote or ask questions by telephone. To join by telephone:

- Dial 1800 558 698 (within Australia) or +61 7 3145 4010 (outside Australia) at least five minutes before the General Meeting starts to allow time to register your attendance

General Meeting information

KEY DATES

Eligibility to vote

You are entitled to vote at the General Meeting if you are a Shareholder at 7:00pm (AEST), Wednesday, 16 June 2021.

Last time and date to submit Proxy Form

11:00am (AEST), Wednesday, 16 June 2021.

Proxy Forms received or online proxy voting instructions recorded after this time will be invalid.

Registration and attendance

Shareholders may attend the General Meeting online or in person.

Acknowledging the potential for restrictions on public gatherings imposed from time to time in response to COVID-19, and in the interests of the health and safety of our Shareholders and the broader community, we encourage you to attend the General Meeting via the online portal. If you wish to attend the General Meeting in person, you will be required to register your intention to attend in person at www.woolworthsgroup.com.au/demerger.

Please access www.woolworthsgroup.com.au/demerger for up-to-date information before attending the General Meeting.

The details of the General Meeting are as follows:

Online participation

Access the online portal via www.woolworthsgroup.com.au/demerger or <https://web.lumiagm.com/309403870>

Date

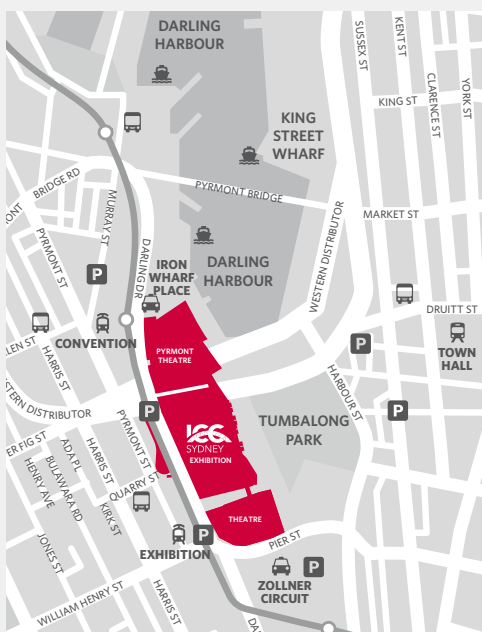
Friday, 18 June 2021

Time

11:00am (AEST)

PHYSICAL LOCATION

International Convention Centre Sydney (ICC Sydney), Level 4, 14 Darling Drive, Sydney NSW 2000



The ICC Sydney can be reached by any of the following transport options:

By train: The closest train stations are Town Hall and Central Stations, both a 10 minute walk from the ICC Sydney.

By bus: The closest bus stops are located on Harris Street near Allen Street.

By ferry: Direct ferry services operate to Darling Harbour from Circular Quay, King Street Wharf and Pyrmont Bay Wharf.

By light rail: The closest light rail stops are Convention Centre and Exhibition Centre.

By taxi: Taxi drop off and pick up locations include Iron Wharf Place next to Harbourside Shopping Centre and Zollner Circuit at the southern end of the ICC Sydney. Both are accessible via Darling Drive.

Walking: The General Meeting is located on Level 4 and is accessible from the ground level by lift, escalators or stairs.

More information can also be found online at www.iccsydney.com.au/Visit-ICC-Sydney/Getting-to-ICC-Sydney.

Venue registration will open from 10:00am (AEST) on the morning of the General Meeting for Shareholders attending the General Meeting in person.

Shareholders attending via the online portal available at www.woolworthsgroup.com.au/demerger will be able to register from 10:00am (AEST) on the day of the General Meeting. Further details on how to participate in the General Meeting via the online portal are set out in the General Meeting Online Portal Guide available at www.woolworthsgroup.com.au/demerger.



Voting

VOTE ONLINE DURING THE GENERAL MEETING

During the General Meeting, you can vote directly through the online portal at any time between the commencement of the General Meeting at 11:00am (AEST), Friday, 18 June 2021 and the closure of voting as announced by the Chairman of the General Meeting (Chairman).

VOTE IN PERSON DURING THE GENERAL MEETING

Voting in person at the General Meeting will be conducted via the use of electronic handsets.

VOTE BY PROXY

Prior to the General Meeting, you can appoint a proxy to vote on your behalf at the General Meeting. You can do this by using either the Proxy Form sent to you or via the voting link emailed to you. Please indicate in the relevant box on the Proxy Form whether you wish to appoint the Chairman as your proxy or someone else.

If you appoint someone other than the Chairman as your proxy, you must provide their name and email address. Your proxy will be sent a code via email no later than 24 hours prior to the General Meeting. This code is required to register to attend the General Meeting and vote by proxy via the online portal. If you do not provide an email address, your proxy will be unable to cast a vote on your behalf and your proxy appointment will revert to the Chairman.

If you lodge the Proxy Form and do not appoint someone else, the Chairman will act as your proxy by default.

Your appointment of a proxy must be received by the share registry, Link Market Services Limited (Link) no later than 11:00am (AEST), Wednesday, 16 June 2021. If it is not received by this time, it will not be valid.

You can lodge the Proxy Form:

- online: www.linkmarketservices.com.au;
- by mail: to Link (using the enclosed reply paid envelope) to:
Woolworths Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia;
- by fax: to Link on +61 2 9287 0309; or
- by hand during business hours (Monday to Friday, between 9:00am and 5:00pm), to:
Woolworths Group Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
Australia.

A proxy does not need to be a Shareholder. They may be an individual or a company. A company that is a proxy must appoint an individual as its body corporate representative to exercise its powers at the General Meeting. You may appoint up to two proxies. If you do so, you should specify the proportion or number of votes for each proxy. If not specified, each proxy will exercise half of the votes.

You are encouraged to direct your proxy how to vote. You can do this by marking the appropriate box on the Proxy Form or online. If you appoint a proxy, you may still attend the General Meeting online or in person. However, your proxy's right to speak and vote will be suspended while you are present. If you would prefer that this did not occur, consider watching the webcast as a guest rather than registering as a Shareholder.

If your proxy does not attend the General Meeting (or attends, but does not vote), then the Chairman will automatically be appointed as your proxy (and will vote as directed if you provided voting directions on the Proxy Form).

NOTICE OF MEETING

VOTING BY ATTORNEY

You can appoint up to two attorneys to attend the General Meeting on your behalf under a power of attorney. A copy of the power of attorney must be received by Link no later than 11:00am (AEST), Wednesday, 16 June 2021, unless it has been previously provided. Your attorney(s) will need your SRN/HIN and postcode for the holding to register on your behalf.

VOTING BY BODY CORPORATE REPRESENTATIVE

In order for a body corporate Shareholder to attend and vote at the General Meeting, an individual must be appointed to represent the body corporate. Appointed body corporate representatives will need to provide a signed "Appointment of Corporate Representative" form to Link no later than 11:00am (AEST), Wednesday, 16 June 2021, unless it has been previously provided. The form can be obtained online at www.linkmarketservices.com.au or by calling Link on +61 1300 420 545. Body corporate representatives will require the SRN/HIN and postcode for the holding to register as a Shareholder at the General Meeting.

Questions**HOW TO ASK QUESTIONS DURING THE GENERAL MEETING**

During the General Meeting, Shareholders and their authorised representatives can ask questions in person or via the online portal. Please refer to above "How to participate" instructions or to the Online Portal Guide available at www.woolworthsgroup.com.au/demerger for instructions on how to ask questions online.

Questions should relate to the items of business before the General Meeting.

To allow as many Shareholders (whether they are attending the General Meeting online or in person) as possible to have their questions read, please:

- state your question clearly (whether you submit it via the online portal or in person);
- ask questions relevant to the business of the General Meeting. Shareholders should not ask questions at the General Meeting relating to any matters that are personal to the Shareholder or commercial in confidence; and
- if you have more than one question on an item of business, ask one question at a time.

Questions submitted online will be read out to the General Meeting by a moderator.

As with every general meeting, the Chairman reserves the right to determine that questions on a certain topic should no longer be asked, once she or he has determined that Shareholders attending online or in person have had a reasonable opportunity to ask questions on that matter.

HOW TO SUBMIT QUESTIONS BEFORE THE GENERAL MEETING

A Shareholder who is entitled to vote at the General Meeting may submit written questions before the General Meeting by returning the question form sent to them or online through the Link investor centre at www.linkmarketservices.com.au. Questions must be submitted by 5:00pm (AEST), Friday, 11 June 2021. Key themes from questions submitted before the General Meeting will be addressed in the Chairman's address.

HOW TO ASK QUESTIONS ABOUT ISSUES YOU ARE EXPERIENCING AS A CUSTOMER

If you have specific questions about your experience as a Woolworths Group or Endeavour Group customer, please raise those questions through our Customer Service team, who will be able to assist with any concerns.

Chat online to one of our customer service representatives at:

Website: www.woolworths.com.au/shop/discover/about-us/contact-us
Phone: 1300 767 969



Explanatory Notes

ITEM 1(A) DEMERGER APPROVAL RESOLUTION

On 16 December 2019, Shareholders approved an amendment to the constitution of Woolworths which allows Woolworths to undertake a Demerger of Endeavour Group without a scheme of arrangement.

Accordingly, it is not a legal requirement that Woolworths seek approval of the Demerger from Shareholders, other than for the purpose of the Capital Reduction referred to in resolution 1(b) below. However, given the size and nature of the Demerger, the Woolworths Directors believe it is in the best interests of Woolworths to seek the approval of Shareholders under this Demerger Approval Resolution.

Information on the Demerger is contained in the Demerger Booklet (of which this Notice of Meeting forms part).

ITEM 1(B) CAPITAL REDUCTION RESOLUTION

The Capital Reduction Resolution is being put to Shareholders to obtain approval under section 256C of the Corporations Act to undertake an equal capital reduction in Woolworths' share capital under section 256B of the Corporations Act.

The Capital Reduction is a return of capital on Woolworths Shares which will be applied, together with the Demerger Dividend, as consideration for the transfer of Endeavour Shares to the Eligible Shareholders (or in the case of Ineligible Shareholders and Selling Shareholders, to the Sale Agent) in accordance with the Demerger. As a consequence of this, Shareholders will not be required to pay cash for Endeavour Shares they receive under the Demerger.

Under the Demerger, the Capital Reduction Amount will be calculated as follows:

$$A = (B / (B+C)) \times D$$

where:

A = Capital Reduction Amount;

B = Endeavour Group market value, being the VWAP of Endeavour Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of Endeavour Shares on the ASX multiplied by the number of Endeavour Shares transferred to Woolworths Shareholders under the Demerger (which will equal the number of Woolworths Shares on issue on the Demerger Record Date);

C = Woolworths Group market value, being the VWAP of Woolworths Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of Endeavour Shares on the ASX multiplied by the number of Woolworths Shares on issue on the Demerger Record Date; and

D = Woolworths Share Capital Amount.

The Demerger Approval Resolution and Capital Reduction Resolution are interconditional so that if one of those resolutions is not passed by the required majority of Shareholders, neither resolution will be considered as having been approved.

The effect on Woolworths and its Shareholders, if the Demerger Approval Resolution and Capital Reduction Resolutions are passed, together with all other factors that are material to the making of a decision by Shareholders whether to approve these resolutions, is set out in the Demerger Booklet.

The Woolworths Directors are of the view that, taking into account all relevant matters, the Demerger is in the best interests of Shareholders and will not materially prejudice Woolworths' ability to pay its existing creditors.

The Woolworths Directors recommend that Shareholders VOTE IN FAVOUR of the Demerger Approval Resolution and Capital Reduction Resolution. Each Woolworths Director who holds or controls Woolworths Shares intends to vote in favour of these resolutions at the General Meeting.

NOTICE OF MEETING

ITEM 2 EMPLOYEE INCENTIVE RESOLUTION

Why is Shareholder approval being sought?

The law in Australia restricts the benefits that can be given without shareholder approval to team members who hold (or have held within the previous three years) a managerial or executive office (as defined in the Corporations Act) on cessation of their employment with Endeavour and its subsidiaries (Endeavour Team Member).

Under the Corporations Act (section 200B), a company may only give an Endeavour Team Member a benefit in connection with their ceasing to hold a managerial or executive office if approved by shareholders or if an exemption applies. Endeavour's position in relation to awards under the Endeavour Deferred Short Term Incentive Plan (Endeavour DSTI) and the Endeavour Long Term Incentive Plan (Endeavour LTI), and any future replacement plans (together, the Endeavour Group's Team Member Share Plans) is to treat departing team members appropriately having considered the relevant circumstances in which the Endeavour Team Member is ceasing employment, and in accordance with applicable laws and Endeavour policy.

To allow this policy to be achieved, Woolworths has determined that it is appropriate to seek Shareholder approval of the approach that the Endeavour Board proposes to take to these benefits, now, in advance of any such potential benefits being provided.

No new benefits

Shareholders are not being asked to approve any change or increase in the remuneration, benefits or entitlements for Endeavour Team Members, or any variations to the existing discretions of the Endeavour Board.

Board discretion

The Endeavour Group's Team Member Share Plans provide the Endeavour Board with an overriding discretion in relation to the treatment of grants on cessation of employment. The Endeavour Board may determine that awards are forfeited, partially forfeited or retained, and that vesting is unchanged or accelerated on cessation of employment. In exercising its discretion, the Endeavour Board will always consider all relevant circumstances in which the Endeavour Team Member is ceasing employment. However, in order to provide transparency, the Endeavour Board proposes to adopt the following positions as its likely default treatment:

Event	<ul style="list-style-type: none"> Genuine retirement Death, serious illness or incapacity 	<ul style="list-style-type: none"> Resignation Termination for misconduct Termination for poor performance 	<ul style="list-style-type: none"> Redundancy Mutual separation Other circumstances determined by the Endeavour Board
Default for Endeavour DSTI	<ul style="list-style-type: none"> Up to all awards will vest The Endeavour Board will consider immediate vesting in extenuating circumstances (e.g. death) Otherwise, vesting will remain at the end of the deferral period, unless the Endeavour Board determines that vesting should be accelerated 	<ul style="list-style-type: none"> All awards will lapse on date of cessation of employment 	<ul style="list-style-type: none"> The Endeavour Board will determine treatment in these circumstances
Default for Endeavour LTI	<ul style="list-style-type: none"> Pro-rata lapse to reflect the performance period elapsed, unless the Endeavour Board determines a different treatment in the circumstances Vesting will remain at the end of the performance period and subject to the performance conditions, unless the Endeavour Board determines that vesting should be accelerated 	<ul style="list-style-type: none"> All awards will lapse on date of cessation of employment 	<ul style="list-style-type: none"> The Endeavour Board will determine treatment in these circumstances



Shareholder approval is sought for the purpose of the relevant provisions of the Corporations Act (sections 200B and 200E) for any “termination benefits” resulting from the future exercise of the Endeavour Board’s discretion under the Endeavour Group’s Team Member Share Plans. If Shareholder approval is obtained, the value of the above benefits will be disregarded when calculating the Endeavour Team Member’s termination benefits cap for the purpose of the relevant provisions of the Corporations Act. If the Endeavour Board exercises a discretion to allow a member of the Key Management Personnel (KMP) to retain any equity securities under any of the Endeavour Group’s Team Member Share Plans that would otherwise be forfeited, this will be fully described in the Remuneration Report of Endeavour for the relevant financial year. This approval does not guarantee the Endeavour Board will exercise the discretions set out above. Depending on the circumstances of cessation, any specific individual may not ultimately receive the benefits covered by this approval.

While these discretions are given to the Endeavour Board, approval is being sought from Woolworths Shareholders. This necessity arises because, prior to the Separation Date, Endeavour is a subsidiary of Woolworths. Where shareholder approval is sought for the giving of “termination benefits” under the Corporations Act and the company is a subsidiary of a listed domestic company, shareholder approval of the listed corporation (i.e. in this case Woolworths) is also required.

The existing shareholders of Endeavour (being Woolworths and BMG) have already approved the giving of the above benefits for these purposes.

The amount and value of the benefits or entitlements

The amount and value of the benefits being approved is the maximum potential benefit that could be provided under the Endeavour Group’s Team Member Share Plans as a result of the exercise of the Endeavour Board’s discretion. The amount and value of the benefits that may be provided cannot be ascertained in advance. This is because various matters, events and circumstances will or are likely to affect the calculation of the amount and value. These include:

- the Endeavour Team Member’s base salary at the time of cessation of employment;
- the length of their service with Endeavour or a subsidiary of Endeavour and the portion of any relevant performance or qualification periods that have expired at the time they cease employment;
- the number of the Endeavour Group’s Team Member Share Plans equity securities held by the Endeavour Team Member prior to cessation of employment and the number that the Endeavour Board determines to forfeit or leave on foot in accordance with the relevant plans;
- the Endeavour Share price at the relevant time;
- any other factors that the Endeavour Board determines to be relevant when exercising a discretion (such as its assessment of the Endeavour Team Member’s performance up to the termination date);
- the jurisdiction in which the Endeavour Team Member is based at the time they cease employment, and the applicable laws in that jurisdiction; and
- any changes in law prior to the date the Endeavour Team Member ceases to hold office.

Approval is sought for a three year period

If approval is obtained, it will be effective for a three year period. That is, Woolworths Shareholder approval will be effective:

- if the Endeavour Board exercises discretions under the Endeavour Group’s Team Member Share Plans;
- in relation to any LTI awards granted under the Endeavour LTI, or its replacement;
- in relation to any deferred STI awards granted under the Endeavour DSTI, or its replacement; and/or
- if the Endeavour Team Member ceases to hold office, during the period beginning from the Separation Date and expiring at the conclusion of the AGM in 2024.

If considered appropriate, Endeavour may seek fresh shareholder approval at the Endeavour AGM in 2024. In this situation, Woolworths Shareholder approval would not be required as Endeavour will have ceased to be a subsidiary of Woolworths.

It can be reasonably anticipated that Endeavour Team Member remuneration and aspects of the Endeavour Group’s Team Member Share Plans, and the rules that underpin them, will be amended from time to time in line with market practice and changing governance standards. Where relevant, changes in relation to KMP remuneration will be reported in the Remuneration Report of Endeavour for the relevant financial year. However, as set out above, the Endeavour Board has an overriding discretion in relation to the treatment of grants of equity securities on cessation of employment. Subject to the three year approval period, it is intended that this approval will remain valid for as long as the Endeavour Group’s Team Member Share Plans provide for these Endeavour Board discretions.

NOTICE OF MEETING

Transitional LTI arrangements

Certain of the executives of Endeavour who will be transferring employment from Woolworths to Endeavour in connection with the Demerger will receive replacement incentive plan awards of Endeavour performance share rights reflecting Woolworths performance share rights that will be forfeited on cessation of their employment with Woolworths.

These arrangements are not intended to confer a commercial advantage on these executives as the replacement awards of Endeavour performance share rights are intended to be of equivalent value to the Woolworths performance share rights that are forfeited. Nevertheless, the making of replacement awards in these circumstances might be considered to be the giving of a benefit by Endeavour (as a subsidiary of Woolworths) in connection with the Endeavour Team Member ceasing to hold a managerial or executive officer position with Woolworths.

In general terms, the replacement awards of Endeavour performance share rights will be calculated by multiplying the number of Woolworths performance share rights to be forfeited by the five day VWAP of Woolworths Shares prior to 24 June 2021 (Woolworths Share pre-Demerger VWAP).

In addition, the executives of Endeavour will receive top up awards of Woolworths performance share rights, reflecting the reduction in the price of Woolworths Shares after giving effect to the Demerger.

In general terms, the top up awards will be calculated by comparing the Woolworths Share pre-Demerger VWAP with the VWAP of Woolworths Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of Endeavour Shares on the ASX.

Details of replacement awards and top up awards to be made under these transitional arrangements as they apply to the Managing Director and Chief Executive Officer of Endeavour, Managing Director, BWS, Managing Director, Dan Murphy's and Managing Director, Hotels, are set out in [Annexure C](#) to this Demerger Booklet.

The Employee Incentive Resolution is not interconditional with the passing of the Demerger Resolutions. This means that if the Demerger Resolutions are approved by the required majority of Shareholders but the Employee Incentive Resolution is not approved by the required majority of Shareholders, the Demerger will still proceed.

The Woolworths Directors recommend that Shareholders VOTE IN FAVOUR of the Employee Incentive Resolution. Each Woolworths Director who holds or controls Woolworths Shares intends to vote in favour of that resolution at the General Meeting.

VOTING EXCLUSION APPLYING TO RESOLUTION 2

Woolworths will disregard any votes cast on resolution 2 by:

- any member of Woolworths' KMP who will hold a managerial or executive office of Endeavour Group following the Demerger and any of their associates; and
- any other team member who holds a managerial or executive office of Endeavour Group (or is expected to in the future) and any of their associates,

unless the vote is cast as a proxy appointed in writing that specifies how the proxy is to vote on the resolution and is not cast on behalf of the persons specified above.

Additionally, Woolworths will disregard any votes cast on resolution 2 by a member of Woolworths KMP at the date of the General Meeting who will hold a managerial or executive office of Endeavour Group following the Demerger or their Closely Related Parties (as defined in the Corporations Act) as a proxy unless the vote is cast on behalf of a person entitled to vote:

- in accordance with a direction as to how to vote in the proxy appointment; or
- by the Chairman of the General Meeting pursuant to an express authorisation in the proxy appointment to vote undirected proxies as the Chairman sees fit.



Corporate directory

WOOLWORTHS REGISTERED OFFICE

1 Woolworths Way
Bella Vista NSW 2153
Tel: (02) 8885 0000
Website: www.woolworthsgroup.com.au

WOOLWORTHS SHARE REGISTRY

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000

For Shareholders:

Tel: 1300 420 545 (within Australia)
Tel: +61 1300 420 545 (outside Australia)
Email: woolworths@linkmarketservices.com.au

For team members:

Tel: 1800 111 281
Email: wow.eps@linkmarketservices.com.au

FINANCIAL ADVISORS

Citigroup Global Markets Australia Pty Limited

Level 23, Citigroup Centre
2 Park Street
Sydney NSW 2000

Jarden Australia Pty Ltd

Level 24, 60 Martin Place
Sydney NSW 2000

LEGAL AND TAX ADVISOR

Ashurst

Level 11, 5 Martin Place
Sydney NSW 2000

INDEPENDENT EXPERT

Grant Samuel & Associates Pty Limited

Level 19, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

AUDITOR

Deloitte Touche Tohmatsu

Level 9, Grosvenor Place
225 George Street
Sydney NSW 2000

INDEPENDENT ACCOUNTANT

Deloitte Corporate Finance Pty Limited

Level 9, Grosvenor Place
225 George Street
Sydney NSW 2000

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WOOLWORTHS GROUP



www.woolworthsgroup.com.au

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Woolworths Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138



ALL ENQUIRIES TO

Telephone: +61 1300 420 545



X99999999999

PROXY FORM

I/We being a shareholder(s) of Woolworths Group Limited (Woolworths) and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the General Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the General Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the General Meeting (Chairman), as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit and to do all other things as the proxy sees fit on any matter appropriately put to the General Meeting) at the General Meeting of Woolworths, to be held at **11:00am (AEST) on Friday, 18 June 2021** (the General Meeting) and at any postponement or adjournment of the General Meeting.

The General Meeting will be conducted online and in person. The Notice of Meeting and details about how to register your intention to attend in person and participate online in the General Meeting can be found at www.woolworthsgroup.com.au/demerger

Important for Resolution 2: If the Chairman is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman to exercise the proxy in respect of Resolution 2 as the Chairman sees fit, even though Resolution 2 is connected directly or indirectly with the remuneration of a member of Woolworths' Key Management Personnel (KMP).

The Chairman of the General Meeting intends to vote all available undirected proxies in favour of all the Resolutions.

VOTING DIRECTIONS

Proxies will only be valid and accepted by Woolworths if they are signed and received no later than 48 hours before the General Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

For Against Abstain

1a Demerger Approval Resolution

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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1b Capital Reduction Resolution

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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2 Employee Incentive Resolution

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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SIGNATURE OF SHAREHOLDER(S) – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

Contact Name

Contact Day Telephone

Date

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the share registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

APPOINTMENT OF PROXY

To appoint a proxy to attend and vote on your behalf at the General Meeting you will need to complete each of Steps 1-3 on the front page. A proxy does not need to be a shareholder.

If you wish to appoint the Chairman as your proxy, mark the box in Step 1.

If you wish to appoint someone other than the Chairman as your proxy, please write the name of that individual or body corporate in Step 1 and provide their email address in the box supplied. Your proxy will be sent a code via email no later than 24 hours prior to the General Meeting. This code is required to register to vote via the online portal during the General Meeting. If you do not provide an email address, your proxy will be unable to cast a vote on your behalf and your proxy appointment will revert to the Chairman.

If you lodge this Proxy Form and do not appoint someone else, the Chairman will act as your proxy by default.

APPOINTMENT OF A SECOND PROXY

You may appoint up to two proxies. If you do so, you should specify the proportion or number of votes for each proxy. If not specified, each proxy will exercise half of the votes. Fractions of votes will be disregarded. A separate Proxy Form should be used for each proxy. You can obtain an additional Proxy Form by telephoning +61 1300 420 545.

VOTING ON ITEMS OF BUSINESS

To direct your proxy how to vote, you should clearly mark the boxes in Step 2 to indicate your voting instruction for each item of business.

If you appoint the Chairman as your proxy and do not direct the Chairman how to vote, by signing and returning this Proxy Form you are authorising the Chairman to cast your undirected vote on all proposed Resolutions as the Chairman sees fit.

If you appoint any other member of the KMP who will hold a managerial or executive office of Endeavour Group following the Demerger or their Closely Related Parties (as defined in the *Corporations Act 2001* (Cth)) as your proxy, they will not be able to vote your proxy on Resolution 2 unless you direct them how to vote.

All your shares will be voted in accordance with your direction unless you specify that a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes.

If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

If you mark the abstain box for a particular item, your vote will not be counted on that resolution.

DEFAULT TO CHAIRMAN

If your proxy does not attend the General Meeting (or attends, but does not vote), then the Chairman is appointed as your proxy. In addition, any directed proxy appointments that are not voted on a poll at the General Meeting by your appointed proxy will automatically default to the Chairman, who is required to exercise the relevant votes as directed on the poll (subject to applicable voting exclusions as set out in the Notice of Meeting).

VOTING BY CORPORATE REPRESENTATIVE

In order for a body corporate shareholder to attend and vote at the General Meeting, an individual must be appointed to represent the body corporate. Appointed corporate representatives will need to provide a signed "Appointment of Corporate Representative" form no later than 48 hours before the General Meeting, unless previously provided. The form can be obtained online at www.linkmarketservices.com.au or by calling Link on +61 1300 420 545.

LODGEMENT OF A PROXY FORM

This Proxy Form may be used to appoint a proxy to attend the General Meeting. This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **11:00am (AEST) on Wednesday, 16 June 2021**. Any Proxy Form received after that time will not be valid for the General Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login using the Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the reverse of this Proxy Form. Select 'Proxy' and follow the prompts to lodge your vote.



BY MOBILE DEVICE

Scan the QR code adjacent or enter the proxy link www.linkmarketservices.com.au into your mobile device. Log in using the SRN or HIN and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Woolworths Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)