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ASX Market Announcements Office
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F24 Half-Year Results significant items and trading update

Please see attached an announcement relating to significant items to be recognised at the F24 half-year results and a Group trading update.

Authorised by: Kate Eastoe, Group Company Secretary

For further information contact

Investors and analysts

Paul van Meurs
Head of Investor Relations
+61 407 521 651

Media

Woolworths Press Office
media@woolworths.com.au
+61 2 8885 1033

F24 Half-Year Results significant items and trading update

Woolworths Group today announces two significant items to be recognised in its F24 half-year results and also provides a trading update. The significant items relate to the non-cash impairment of the carrying value of the New Zealand Food reporting segment and a change in accounting treatment for the Group's investment in Endeavour Group.

New Zealand Food goodwill impairment

During the half, significant progress has been made on the Woolworths New Zealand transformation agenda with highlights including:

- 34 stores rebranded to Woolworths with positive customer sentiment and improved relative sales performance in these stores
- The relaunch of key price mechanics and in-store value communication for Weekly Specials and Low Price, supporting an ongoing monthly improvement in Value for Money scores (+4 pts vs. Dec 22) and customer basket and unit volume increases
- Customer and team advocacy has improved with Store-controllable Voice of Customer up two points on the prior year and Voice of Team scores up three points on the prior year
- Soft launch of Everyday Rewards in October with approximately 800,000 customers already recarded and ready for the full launch on 1 February
- Extending Woolworths New Zealand's lead in eCommerce with the launch of MILKRUN in 32 stores providing increased convenience for customers

Despite this early progress, including an improvement in sales momentum towards the end of Q2, the trading performance in New Zealand Food has continued to be challenging with H1 F24 EBIT expected to be NZ\$71 million, 42% below the prior year. The result includes approximately NZ\$13 million of costs associated with the transformation of Woolworths New Zealand.

Due to a weaker medium-term market outlook, the time for the transformation initiatives to reach full potential, and the impact of higher interest rates on discount rates, it is prudent to review the carrying value of the goodwill on the balance sheet that was booked as part of Woolworths Group's original acquisition of Foodland's New Zealand business (Progressive Enterprises Limited) in 2005.

Following a review of the New Zealand Food segment's forecasts for the next three years, a non-cash impairment of NZ\$1.6 billion will be recorded as a significant item in the F24 half-year results. The impairment will represent a write-down against the current goodwill balance of NZ\$2.3 billion.

Woolworths Group CEO, Brad Banducci, said: "Our confidence in the potential of Woolworths New Zealand and our transformation plan remains unchanged. While the short-term performance has been impacted by a variety of factors and the speed of improvement remains uncertain, we are seeing early positive signs from our Kiwi customers as our transformation gathers momentum."

Accounting treatment of Woolworths Group's shareholding in Endeavour Group

Woolworths Group currently holds a 9.1% interest in Endeavour Group. The Group has reviewed the facts and circumstances that affect the Group's assessment of significant influence over Endeavour Group and believes that as at 31 December 2023, it no longer has significant influence. As a result, the Group will derecognise its equity accounted investment in Endeavour Group and recognise an investment in Endeavour Group as a financial asset, measured at fair value. This is expected to result in a loss of \$209 million which will be recognised as a significant item in the Group's profit or loss based on an Endeavour Group closing share price of \$5.21 on 31 December 2023. Any subsequent gains or losses on the mark-to-market of the investment will be recognised in other comprehensive income within equity.

During H1 F24 the Group has recognised a share of profits in Endeavour Group, however following the loss of significant influence at the end of H1 F24, Woolworths Group will no longer recognise its share of Endeavour Group's profit or loss in the Other segment's EBIT. Future dividends from Endeavour Group will be recognised as income in the Other segment when declared.

Group trading update

Despite a more challenging half for New Zealand Food and BIG W, where H1 F24 EBIT is expected to be materially below the prior year, Australian Food (including Woolworths Supermarkets and WooliesX) and PFD's financial performance has remained solid. Woolworths Group's unaudited EBIT before significant items for H1 F24 is expected to be \$1,682 million - \$1,699 million (H1 F23: \$1,637 million), which represents EBIT growth before significant items in the range of 2.8% - 3.8%.

Further details on the trading performance and outlook will be provided at Woolworths Group's F24 half-year results scheduled for 21 February 2024. Results remain subject to finalisation and the audit review process.

For further information contact

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