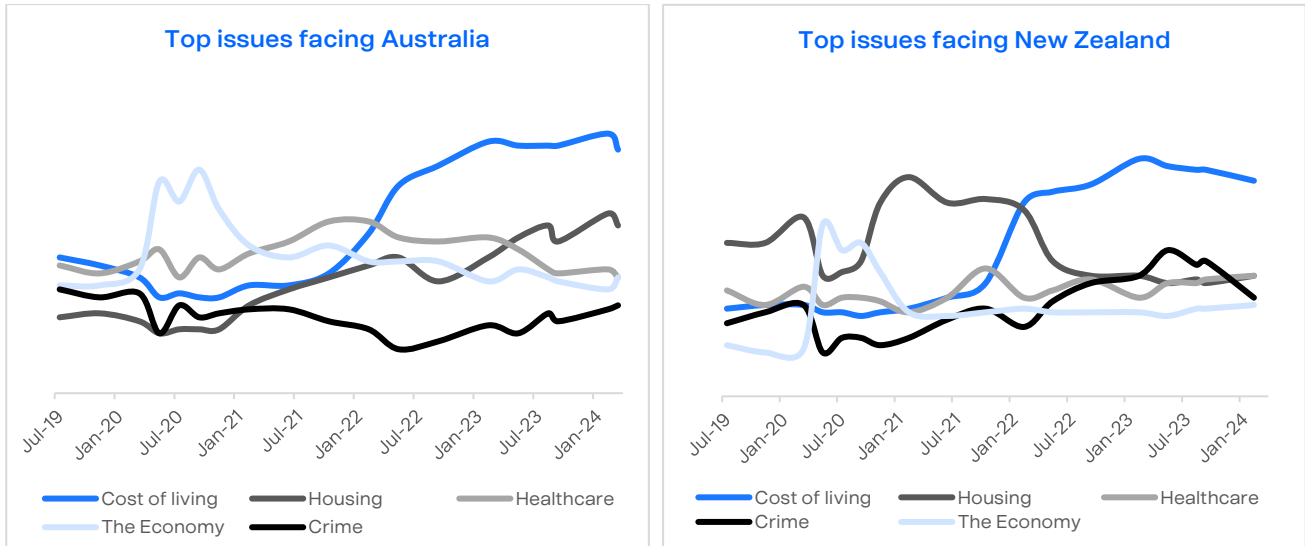


Woolworths Group customer update

Customer update

Brad Banducci continued: "Consumer sentiment in Australia and New Zealand has been weak for some time. However, since Christmas we have seen a noticeable change in consumer behaviour as customers have adjusted their budgets and spending following the holiday period which is consistent with Ipsos data which showed that the gap between cost-of-living concerns and other concerns continues to widen. Customers are looking for more ways to save, are cross-shopping more, buying more own brand and buying more product on promotion.



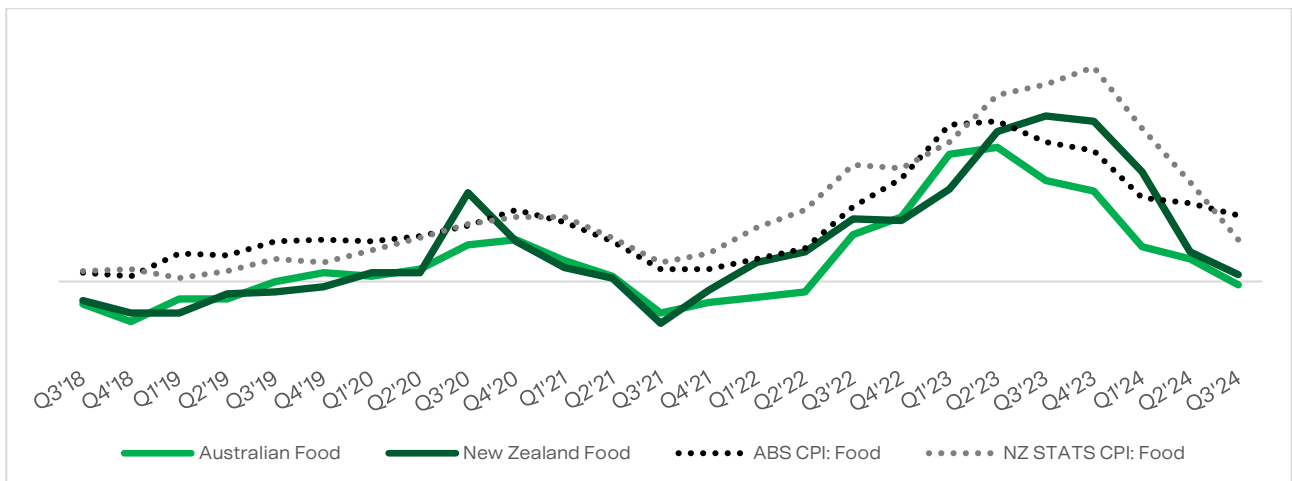
Source: Ipsos AU National Issues Monitor - March 2024; Ipsos 23rd NZ Issues Monitor - February 2024

"While we understand that our customers are fatigued by inflation, the rapid increase in grocery prices over the last two years is a relatively recent phenomenon after modest food inflation for much of the previous part of the decade. At the same time, household budgets are being materially impacted by increases in mortgages, rents, utilities, insurance and other key household expenses. However, customers shop our stores multiple times a week, are budget savvy and grocery price increases are very visible to them. This, together with customers feeling that they have some control over their food and grocery budget, brings grocery price increases into sharp focus.

Price inflation

"Importantly, food inflation has continued to moderate materially in Australia and New Zealand and in Q3 average prices were largely flat compared to the prior year. While not directly comparable due to methodology differences, our measure of food inflation is now below food consumer price inflation in both Australia and New Zealand.

Australian Food and New Zealand Food change in total average price vs. seasonally adjusted Food CPI

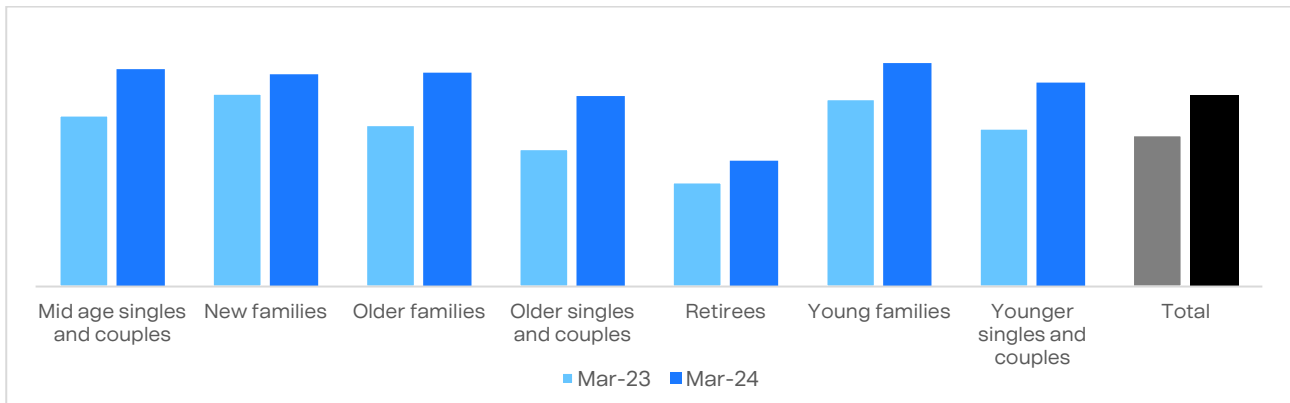


Source: Australian Bureau of Statistics Consumer Price Index: Food and Non-Alcoholic Beverages, March Quarter 2024; Statistics New Zealand Consumer Price Index: Food, March Quarter 2024

Customer insights by business

“When we listen to what our customers are telling us, all customer segments in **Australian Food** are reporting an increase in concerns around ‘making ends meet’ despite the recent moderation in inflation. Customer segments that are most exposed to the increase in housing costs (families with a mortgage or young singles, couples or families that are renters) report the highest levels of concern. We are also seeing these customer segments make the most use of ways to save such as buying products on promotions, comparing unit prices and making the most of reward and loyalty programs. Own brand penetration also continues to increase with categories such as Pantry, Frozen Foods and Household Care showing the strongest growth.

Proportion of customers who say they are struggling to make ends meet by life stage



Source: Woolworths consumer survey March 2024: Q. Thinking about how you feel right now, to what extent do you agree or disagree with each of the following statements? ‘I often struggle to make ends meet’

Percentage of customers using ways to save



Source: Woolworths consumer survey March 2024: Q. In response to increasing prices of food, products & services, are you doing any of the following more than usual?

“In **New Zealand Food**, cost-of-living also remains the key concern for customers. However, we have seen a gradual decline in the proportion of customers who perceive grocery prices to have increased (either substantially or marginally) over the last few months which is consistent with improvements in our Value for Money scores. New Zealand customers are also increasingly looking for new ways to save more on their overall basket.

“PFD, in our **Australian B2B** segment, has performed strongly in the post-COVID environment reflecting the ongoing strength in out-of-home consumption and its diversified customer base which includes segments such as airlines and cruise ships that have taken longer to return to pre-COVID levels of activity. More recently we have begun to see a modest slowdown in sales as out-of-home consumption has begun to moderate as more customer meal occasions move back into the home.

“**BIG W** sales have become increasingly event-driven and needs-based with the number of items in customers’ baskets continuing to decline. While customers are cutting back in all areas, the trading areas that have been impacted the most are Clothing and Home. Our higher price point or ‘Best’ products in our ‘Good, Better, Best’ pricing hierarchy have also been challenged. By customer segment, budget customers have unsurprisingly been impacted the most with increased trading down to cheaper items, deferring purchases or not purchasing at all.

“Specific examples during the quarter include the share of Lego sold under \$20 increasing from around a third of Lego sales last year to around half this year, and our Kids’ bike promotion led to around a 50% increase in Kids’ bikes sold under \$100. In contrast, we have seen material sales declines in our ‘Best’ vacuum cleaners.

“Looking ahead, we expect customers to remain cautious for at least the remainder of this calendar year. However, we are confident in the plans we have in place to navigate the more challenging environment to help customers find value and manage their household budgets.

Regulatory update

“Woolworths Group continues to engage constructively and in good faith with the inquiries and reviews that are currently underway.

“On 8 April 2024, the interim report on the Review of the Food and Grocery Code of Conduct was released with the final report expected in June 2024. We are considering the report in detail. We support the Code becoming mandatory and will continue to engage constructively with Dr Emerson and the Secretariat. The ACCC Supermarkets Inquiry interim report is due on 31 August 2024 with a final report due in February 2025 and we are well advanced in responding to the ACCC’s various information requests.

“The Senate Select Inquiry into Supermarket Pricing is due to report on 7 May 2024. Other parliamentary inquiries include the Victorian, Queensland, and South Australian State Inquiries with reports due over the course of the next 12 months.”

More information on these inquiries and reviews and access to the Woolworths Group’s submissions can be found on the [Woolworths Group website](#).