

WOOLWORTHS GROUP



24 February 2021

ASX Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Half-Year Results Announcement

Attached for release to the market is the Half-Year Results Announcement for the period ended 3 January 2021.

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F21 Half-Year Profit and Dividend Announcement

WOOLWORTHS GROUP

For the 27 weeks ended 3 January 2021

A strong start to F21 through focus on customers and team

Group Sales  \$35,845m  10.6%	eCommerce Sales  \$2,937m  77.9%	Group EBIT¹  \$2,092m  10.5%	Group NPAT¹  \$1,135m  15.9%	Dividend Per Share  53¢  15.2%
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Woolworths Group CEO, Brad Banducci, said: "I am incredibly proud of the achievements of our team during the half, which went well beyond our financial results. We supported our customers, whether they wanted to shop in store or online, and were able to do this in a safe and convenient way. We also provided them with great value and inspiration as they spent more time at home. We employed a record number of team members over the Christmas trading period and continued our focus on supporting our team's mental wellbeing.

"The first half of F21 continued to be impacted by COVID, with elevated sales and higher costs as we worked to maintain a COVIDSafe environment for our customers and team. While we have all been living in this uncertain environment now for 12 months, ongoing localised outbreaks remind us that we need to remain both vigilant and agile.

"H1 sales growth was strong across all Group businesses, with the exception of Hotels, with record Christmas trading. Group sales increased by 10.6% in H1 (Q2: +9.0%) with Australian Food, BIG W and Endeavour Drinks all reporting sales growth well above trend. Sales growth in New Zealand Food slowed in Q2 with lower market growth rates impacted by a reduction in international tourism. In Hotels, sales trends improved over the half but growth was below the prior year due to continued COVID-related operating restrictions.

"Despite incremental COVID costs of \$277 million and the Hotels EBIT being well below the prior year, H1 Group EBIT¹ grew by 10.5% to \$2,092 million, with NPAT¹ up 15.9%. BIG W's profit improvement was a particular highlight with EBIT of \$133 million, up 166% on the prior year.

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H21 key financial metrics

\$ MILLION	H21 (27 WEEKS)	H20 (27 WEEKS)	CHANGE
Before significant items			
Sales	35,845	32,410	10.6%
EBIT	2,092	1,893	10.5%
NPAT attributable to equity holders of the parent entity	1,135	979	15.9%
Basic EPS - cents	90.5	77.9	16.1%
After significant items			
EBIT	2,092	1,762	18.7%
NPAT attributable to equity holders of the parent entity	1,135	887	28.0%
Basic EPS - cents	90.5	70.6	28.1%
Dividend per share - cents	53	46	15.2%

¹ Before significant items

Summary

A strong start to F21 through focus on customers and team

"In **Australian Food**, improving customer scores in December demonstrated our teams' continued focus on our customers despite the challenging operating environment. Total H1 sales growth was 10.6%, moderating gradually over the half with Q2 sales growth of 8.3%. EBIT grew by 13% despite incremental COVID costs of \$168 million in the half.

- In Woolworths Supermarkets, VOC NPS increased by one point on the prior year to 52, and Store-controllable VOC at 81% was also up one point on the prior year. Store-originated sales (excluding eCommerce sales) increased by 7.2%, with customers continuing to shop less frequently with bigger baskets
- In WooliesX, Online VOC NPS was in line with Q1 but was below the prior year, impacted by Home Delivery and the challenges of rapid sales growth. eCommerce sales increased by 92% to \$1.8 billion in the half, as we further increased online capacity with sales penetration of 7.7%
- Metro Food Stores continued to be materially impacted by reduced foot traffic in city and transit locations, with sales declining by 6.7% to \$456 million

"In **New Zealand Food**, customer scores in December were back to recent highs with Team Attitude and Availability measures particularly strong. Total sales increased by 4.3% in the half but growth in Q2 was muted (+1.8%), with lower market growth impacted by fewer international tourists. eCommerce sales continued to grow strongly at 47.7% for H1, with penetration of 11.6%. EBIT increased by 4.4% on the prior year.

"**BIG W** had a very strong half with all key metrics improving, including positive momentum in customer metrics, sales growth of 20.1% and EBIT growth of 166%. Sales increased in all destination areas and were buoyed by seasonal sales events such as Halloween, Click Frenzy, Big Sale (Black Friday) and Christmas. eCommerce sales through BIG W X increased by 120%, with penetration in H1 of 9.5%. EBIT growth was driven by strong sales, gross margin improvements and good cost control despite higher COVID-related costs.

"**Endeavour Drinks** sales continued to benefit from increased at-home consumption and trading up with Dan Murphy's and BWS both maintaining strong sales growth during the half and achieving record Christmas Eve sales. Spirits and RTDs were the strongest performing categories during the half, driven by ongoing innovation in the gin and seltzer categories. Total sales increased by 19.0% and EBIT grew 24.1%, despite higher costs associated with COVID, team wages, and investment in digital and eCommerce. Through EndeavourX, demand for eCommerce services remained high, with sales growth of 50.2% and penetration reaching 8.5% in the half.

"**Hotels** sales and profit trends improved in the half relative to H2 F20, as Victorian venues reopened in early November 2020 and operating restrictions eased. Total sales declined by 27.5% and EBIT was 45.4% below the prior year at \$122 million, a material improvement on the loss of \$52 million in H2 F20.

"In November 2020, we launched our **Group Sustainability Plan 2025**, underpinned by five guiding principles and organised into three focus areas of **People, Planet** and **Product** to guide our journey towards a **better tomorrow**.

"For each focus area we have outlined detailed commitments that we aim to achieve by 2025, including:

- Being a truly inclusive workplace bringing diversity of thought to all decision-making forums
- 100% renewable electricity to power our business by 2025 and zero food waste going to landfill. In line with climate science, we also aim to reach net positive emissions for our operations by 2050, and much earlier if possible
- Materially increasing healthier choices in our customer baskets

"During the half, we saw a 16% reduction in the Total Recordable Injury Frequency Rate compared to the same time last year, which was particularly pleasing given the challenging operating environment for our teams. We have continued to roll out solar across our network, with 174 sites by the end of H1 with a total capacity of 28,786 kW. We are also making it easier for our customers to choose products that are healthier, sustainably sourced and responsibly packaged. By the end of the half, we had removed a further 20 tonnes of saturated fat, 71 tonnes of sugar and five tonnes of salt from our Own Brand products when compared to equivalent Own Brand products since July 2017.

"In summary, by living our purpose of **Creating Better Experiences Together for a Better Tomorrow**, we have successfully navigated a challenging 2020, continued to put our customers and team first, and delivered a strong Group financial result. While we are fortunate that COVID continues to be well managed in Australia and New Zealand, we need to ensure that we continue to do what is necessary to keep our community safe. Looking forward, we are beginning to cycle the initial COVID demand surge in F20, which will impact sales growth in H2 F21. Despite this, we remain confident that our businesses are well positioned for the remainder of this financial year and beyond."

Woolworths Group Chairman, Gordon Cairns, said: "Over the last six months we have delivered a strong result for our customers, team, supplier partners and shareholders, while still making progress on our longer-term strategic priorities. We had previously indicated that we were targeting calendar 2021 for a potential separation of Endeavour Group. Our plans are progressing well, with June the most likely date. Further announcements on timelines and other relevant details will be made in due course. Reflecting our strong result and confidence in the Group to continue to deliver for all of our stakeholders, the Board has declared a dividend of 53 cents per share, up 15.2% on the prior year."

Summary

Progress against Woolworths Group key priorities over the half:

Better Together for a Better Tomorrow for our Customers, Teams and Communities

- December VOC NPS improved across all businesses supported by customer Care metrics
- Woolworths named Australia's most valuable brand (Brand Finance) and most trusted brand (Roy Morgan)
- Committed to 100% green energy by 2025; 6.7 million meals donated in H1 via OzHarvest
- Further progress on salaried team member remediation with \$228 million paid in the half
- More to do to maintain momentum in brand advocacy

Accelerate Digital, eCom and Convenience for our increasingly Connected Customers

- Record digital traffic and eCom sales
- Material increases in eCom capacity and range of services across X businesses
- New CFCs opened in Notting Hill and Lidcombe as well as Wellington, NZ; commissioned first eStore with Takeoff in Carrum Downs
- Continued growth in loyalty members, scan rates and app usage
- More to do to accelerate digital and improve the eCom customer experience and operating efficiency

Differentiate our Food Customer Propositions

- Tailored store propositions launched at Crows Nest, Park Sydney and Cabramatta
- 13 new stores and 45 Renewals completed in H1 in Australia and New Zealand
- Strong sell-through of seasonal products reflecting Own Brand resonance with customers; retained title of healthiest supermarket Own Brand range (The George Institute)
- Launched a new online Healthier Options tool for customers
- More to do to adapt our store propositions - CORE, VALUE, UP and deliver personalised value for our customers

Stand up Endeavour Group

- Strong trading momentum in H1 in Drinks and good progress in online and digital
- Hotels more resilient than expected despite operating restrictions
- Progress on operating model to build more effective shared capabilities across Endeavour Group
- Continued preparation for separation of Endeavour Group; targeting June demerger
- More to do to maintain trading momentum and successfully execute Endeavour Group separation

Evolve our Portfolio and Build Strong Adjacencies

- Material profit improvement for BIG W in H1
- Announced acquisition of PFD in August; ACCC decision expected in April
- Progress in scaling up Cartology, Woolworths International and Woolworths@Work during the half
- Supply Chain rebranded to Primary Connect as it evolves to become an end-to-end logistics service provider
- More to do to build out the Woolworths Group ecosystem

Keep our Business COVIDSafe and Futureproof our E2E Operating Model

- Continued improvements in team safety with a reduction in TRIFR of 16% in H1 despite challenges of COVID
- Successfully executed a COVIDSafe Christmas across operations
- Solid progress on scaling MSRDC, now consistently over two million cases per week
- New Melbourne Fresh DC opened ahead of time and successful Townsville and Adelaide expansions
- More to do to progress supply chain transformation

Group profit or loss

For the 27 weeks ended 3 January 2021

\$ MILLION	H21 (27 WEEKS)	H20 (27 WEEKS)	CHANGE
Continuing operations before significant items			
EBITDA	3,415	3,141	8.7%
Depreciation and amortisation	(1,323)	(1,248)	5.9%
EBIT	2,092	1,893	10.5%
Finance costs	(412)	(440)	(6.4)%
Income tax expense	(505)	(429)	17.7%
NPAT	1,175	1,024	14.8%
Non-controlling interests	(40)	(45)	(11.0)%
NPAT from continuing operations attributable to equity holders of the parent entity	1,135	979	15.9%
Significant items from continuing operations after tax	-	(92)	n.m.
NPAT attributable to equity holders of the parent entity after significant items	1,135	887	28.0%

MARGINS - CONTINUING OPERATIONS

Gross profit (%)	29.4	29.6	(22) bps
Cost of doing business (CODB) (%)	23.5	23.7	(22) bps
EBIT (%)	5.8	5.8	(1) bps

EARNINGS PER SHARE AND DIVIDENDS	H21 (27 WEEKS)	H20 (27 WEEKS)	CHANGE
Weighted average ordinary shares on issue (million)	1,255.3	1,256.6	(0.1)%
Total Group basic EPS (cents) before significant items	90.5	77.9	16.1%
Total Group basic EPS (cents) after significant items	90.5	70.6	28.1%
Diluted EPS (cents) - from continuing operations before significant items	90.1	77.5	16.2%
Diluted EPS (cents) - from continuing operations after significant items	90.1	70.2	28.3%
Interim dividend per share ¹ (cents)	53	46	15.2%

¹The 2021 interim dividend payable on or around 14 April 2021 will be fully franked

Group trading performance

Sales summary - H21

\$ MILLION	H21 (27 WEEKS)	H20 (27 WEEKS)	CHANGE
Australian Food	23,449	21,200	10.6%
New Zealand Food	3,465	3,367	2.9%
<i>New Zealand Food (NZD)</i>	3,717	3,564	4.3%
BIG W	2,581	2,149	20.1%
Endeavour Drinks	5,683	4,775	19.0%
Hotels	667	919	(27.5)%
Group sales (including eCommerce)	35,845	32,410	10.6%
Group eCommerce sales	2,937	1,650	77.9%
eCommerce sales penetration (%)	8.2%	5.1%	310 bps
Average weekly traffic to Group digital assets (million)	20.2	12.5	62.4%

EBIT

\$ MILLION	H21 (27 WEEKS)	H20 (27 WEEKS)	CHANGE
Before significant items			
Australian Food	1,329	1,177	13.0%
New Zealand Food	181	175	3.0%
<i>New Zealand Food (NZD)</i>	194	186	4.4%
BIG W	133	50	165.7%
Endeavour Drinks	419	338	24.1%
Hotels	122	224	(45.4)%
Central overheads	(92)	(71)	29.9%
EBIT before significant items	2,092	1,893	10.5%
Significant items	-	(131)	n.m.
Group EBIT after significant items	2,092	1,762	18.7%

Group sales increased by 10.6% in H1 to \$35.8 billion, with strong sales growth across all Group businesses except Hotels. The food and everyday needs businesses benefited from customers consuming more in the home, spending more time at home, the Group's focus on maintaining a COVIDSafe shopping environment and the successful execution of seasonal events. Australian Food, BIG W and Endeavour Drinks all reported double-digit sales growth on the prior year.

Group eCommerce sales increased by 77.9% to \$2.9 billion in the half, with eCommerce penetration of Group total sales increasing by 310 bps to 8.2%. Average weekly traffic to Group digital assets also increased materially, up 62.4% to 20.2 million visits per week as customers increasingly look to engage digitally as part of their shopping journey.

Group gross profit (%) declined by 22 bps to 29.4%. Despite all businesses reporting a higher gross margin in the half, Group gross profit was impacted by a change in business mix, with a lower contribution from the higher-margin Hotels business due to the COVID impact on its sales. Gross margins in the Food businesses benefited from stock loss improvements and mix changes. BIG W's gross margin improvement reflects fewer markdowns, less clearance activity and stock loss improvements, while Endeavour Drinks gross margin was driven by lower promotional activity and product mix benefits. These improvements were offset somewhat by the cost to fulfil eCommerce sales and increased rewards promotions and personalisation.

Group CODB (%) declined by 22 bps again primarily due to a change in business mix, with the impact of the higher CODB (%) Hotels business reducing due to its lower sales contribution. CODB (%) also declined in Australian Food (-1 bps) and BIG W (-165 bps) due to fixed-cost leverage despite higher COVID costs.

Finance costs declined by 6.4% to \$412 million, primarily due to a decline in non-lease interest expense as a result of lower average net debt; interest savings from refinancing of maturing long-term debt and lower borrowing costs. Lease interest was broadly in line with the prior year.

NPAT attributable to equity holders of the parent entity before significant items increased by 15.9% and **NPAT attributable to equity holders of the parent entity after significant items** increased by 28.0%.

Australian Food

\$ MILLION	H21 (27 WEEKS)	H20 (27 WEEKS)	CHANGE
Sales	23,449	21,200	10.6%
EBITDA	2,128	1,929	10.3%
Depreciation and amortisation	(799)	(752)	6.1%
EBIT	1,329	1,177	13.0%
Gross margin (%)	29.2	29.1	11 bps
COBD (%)	23.6	23.6	(1) bps
EBIT to sales (%)	5.7	5.6	12 bps
Sales per square metre (\$)	18,538	17,236	7.6%
Funds employed	9,371	9,047	3.6%
ROFE before significant items (%)	25.9	25.2	78 bps

Sales performance by channel

\$ MILLION	H21 (27 WEEKS)	H20 (27 WEEKS)	CHANGE
Woolworths Supermarkets (store-originated) ¹	20,783	19,380	7.2%
WooliesX eCommerce sales	1,807	942	91.8%
Woolworths Supermarkets & WooliesX (stores and eCommerce)	22,590	20,322	11.2%
Metro Food Stores	456	489	(6.7)%
Adjacency revenue ²	403	389	3.5%
Total Australian Food sales	23,449	21,200	10.6%

Operating metrics

YEAR ON YEAR (%)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)	Q4'20 (12 WEEKS)	Q3'20 (13 WEEKS)
Customer metrics				
VOC NPS (Store and Online)	52	50	53	44
Store-controllable VOC ³	81%	80%	82%	n.m. ⁴
Sales productivity metrics				
Total sales (\$ million)	11,416	12,033	9,780	11,171
Total sales growth	8.3%	12.9%	9.3%	11.3%
Comparable sales growth	7.1%	11.5%	8.9%	10.3%
Two-year average comparable sales growth	5.5%	9.1%	6.2%	7.3%
Volume productivity metrics⁶				
Comparable transactions growth	(9.0)%	(9.3)%	(11.0)%	0.5%
Comparable items per basket growth	13.0%	15.8%	15.4%	6.2%
Comparable items growth	2.9%	5.0%	2.7%	6.7%
Change in average prices				
Total	0.3%	1.2%	2.4%	2.1%
Total excluding Tobacco	(1.4)%	(0.2)%	1.0%	0.6%
Total excluding Tobacco and Fruit & Veg	(1.0)%	(0.1)%	1.5%	1.2%

¹Excludes eCommerce sales fulfilled from store

²Adjacency revenue includes FinTech (Insurance and Payments), Exports, Summergate and Wholesale revenues

³From April 2020, a new survey was introduced for in-store and online. The new survey did not have a significant impact on the results reported

⁴A comparable Store-controllable VOC was not available in Q3 F20 given the suspension of in-store Pick up and the material impact on availability due to COVID

⁵Normalised growth reflects adjustments to remove the impact of the 53rd week in F19

⁶Volume productivity metrics are disclosed as percentages and therefore may not add

Trading performance

Australian Food customer metrics finished the half with VOC NPS (Store and Online) of 52, an increase of one point on the prior year and two points on the prior quarter. Store-controllable VOC was 81%, an increase of one point on both the prior year and prior quarter. This momentum in customer scores reflects a well-executed Christmas trading plan; engagement of the team and customers through '24 days of Good Acts' for Christmas; and an ongoing focus on maintaining a COVIDSafe shopping experience.

Australian Food

Australian Food total sales for the half increased 10.6% to \$23.4 billion, with comparable sales increasing 9.3% (9.6% ex Tobacco). eCommerce sales increased 91.8% to \$1.8 billion, with sales penetration for the half of 7.7% (H1 F20: 4.4%). Sales benefited from COVID-related demand as well as the successful Disney+ Ooshies campaign in Q1 with sales growth moderating gradually from Q1 (12.9%) to Q2 (8.3%) as COVID restrictions eased. Metro Food Stores sales for the half declined 6.7% to \$456 million, impacted by reduced foot traffic across CBD areas and transit hubs, where comparable sales declined approximately 50%.

H1 comparable items growth (+4.0%) was driven by an increase in comparable items per basket (+14.4%), partially offset by a decline in comparable transactions (-9.1%), with customers continuing to shop less frequently but with larger baskets. Higher eCommerce penetration also contributed to the growth in items per basket.

Australian Food sales per square metre increased 7.6% to \$18,538. During the half, 13 net new stores were opened including eight Supermarkets and five Metro Food Stores, with 35 Renewals completed. Three new dedicated eCommerce fulfilment centres were also opened in Notting Hill, Lidcombe, and Carrum Downs. Carrum Downs was also the first eStore to deploy Takeoff micro-fulfilment technology in the Southern Hemisphere. At the end of the quarter, there were 994 Supermarkets and 70 Metro Food Stores, with a total fleet of 1,064 stores. At the end of the half, six Metro Food Stores in metropolitan locations remained closed.

Average prices increased 0.8% in the first half and 0.3% in Q2. Excluding Tobacco, average prices declined 0.8% in H1 and 1.4% in Q2 due to the cycling of drought, extreme heat and bushfires in the prior year, as well as favourable growing conditions for fruit and vegetables and more normal levels of promotional activity compared to H2 F20. Excluding Tobacco and Fruit & Veg, average prices declined 0.6% in H1 and 1.0% in Q2. Grocery Food remained in modest inflation.

Gross margin (%) increased 11 bps to 29.2% with stock loss improvements through higher sales velocity and successful stock loss initiatives, as well as product mix being favourably impacted by COVID. Offsetting this somewhat were higher eCommerce delivery costs and higher Everyday Rewards activity.

CODB (%) decreased 1 bp to 23.6%. Incremental COVID-related costs were \$168 million* (excluding discretionary additional team discount and bonus payments) in the half including store wage costs to support safety and social distancing; additional warehouse capacity and supply chain costs; and security, cleaning and personal protective equipment costs. These costs moderated over the half.

CODB also included costs associated with higher eCommerce penetration and addition of capacity, higher supply chain costs, and IT and digital investment. With eCommerce penetration increasing materially following the onset of COVID, further capacity was added in H1 including the opening of two new CFCs. In supply chain, higher costs were attributable to incremental volume, depreciation from recent investments and Melbourne Fresh DC transition costs. Investment in IT and digital platforms included technology across stores and DCs including enhancing networks, cyber security and core infrastructure, as well as developing new digital capabilities to improve the shopping experience for customers. Productivity improvements largely offset underlying inflation.

Depreciation and amortisation increased 6.1% to \$799 million, driven by depreciation of new stores, Renewals and higher digital investment including into shorter-life technology and digital assets.

EBIT increased by 13.0% to \$1,329 million with the EBIT margin increasing 12 bps to 5.7%.

Funds employed increased \$324 million to \$9,371 million compared to H1 F20, with investment in new stores, Renewals, eCommerce and Supply Chain as well as higher lease assets from new stores and the reassessment of lease options. This was partially offset by lower net working capital. Despite higher average funds employed, ROFE increased by 78 bps due to the increase in EBIT.

During the half, together with Woolworths customers, our OzHarvest Christmas Appeal raised \$3.4 million to fund 6.7 million meals for Australians in need, and our donation to WIRES of 10 cents from each packet of Reindeer Carrots sold funded \$334,000 for native animals.

* Some COVID costs are booked as an offset to sales or included in cost of sales

Digital metrics

	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)	Q4'20 (12 WEEKS)	Q3'20 (13 WEEKS)
Average weekly traffic to digital assets ¹ (million)	12.4	11.4	10.1	8.4
Average weekly traffic growth (year on year %)	69.8%	75.5%	79.2%	66.9%

eCommerce metrics

	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)	Q4'20 (12 WEEKS)	Q3'20 (13 WEEKS)
Customer metrics				
Online VOC NPS	58	58	64	56
eCommerce sales metrics				
eCommerce sales (\$ million) ³	846	961	614	461
eCommerce sales growth	83.3%	100.0%	69.0%	26.5%
eCommerce penetration	7.4%	8.0%	6.3%	4.1%
Pick up mix (% of eCommerce sales)	33.1%	32.1%	25.1%	32.0%

Everyday Rewards metrics

	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)	Q4'20 (12 WEEKS)	Q3'20 (13 WEEKS)
Total Everyday Rewards members (million)	12.8	12.6	12.3	12.2
Scan rate ⁴ (%)	50.8	50.1	49.6	48.2

¹ Digital assets include Woolworths website and app, Everyday Rewards website and app, and Woolworths Insurance website

² Normalised growth reflects adjustments to remove the impact of the 53rd week in F19

³ WooliesX sales numbers are included in Australian Food total and comparable sales

⁴ Scan rate for Woolworths Supermarkets

Trading performance

In H1, the WooliesX **Digital & Media** business continued its evolution from a retail website to a customer-centric digital content and media platform. This included a refreshed digital catalogue and the launch of Fresh Ideas for You to inspire customers with healthy ideas and personalised value. During the half, the team also continued its focus on delivering more seamless and frictionless shopping experiences through new online search features, an improved checkout process, better speed and reliability of the woolworths.com.au website, and increased availability of Home Delivery and Pick up times.

Everyday Rewards app downloads now exceed 3.9 million, with the convenience of real time eReceipts resonating well with customers. Enhancements to the Woolworths app during the half – including new in-built capabilities such as aisle navigation, smarter lists and Scan & Go integration – have assisted customers to shop quickly and safely. Weekly visits to all digital properties were up 69.8% on Q2 F20 to 12.4 million.

eCommerce sales grew by 91.8% in the half to \$1.8 billion, representing 7.7% of Australian Food sales, up 3.3 points on the prior year. While Q2 growth remained very strong at 83.3%, eCommerce penetration in Q2 was below Q1 reflecting seasonality and easing COVID restrictions in NSW and Victoria.

VOC NPS ended Q2 at 58, in line with Q1 and down three points on Q2 F20. While scores in Pick up and Direct to boot remained relatively stable compared to Q1 and last year, there were challenges with Home Delivery, reflecting some of the challenges of rapid sales growth.

Further network expansion also took place in H1 with the opening of 83 additional Home Delivery stores and the opening of two new CFCs in December in Lidcombe and Notting Hill. The rollout of Direct to boot also accelerated with 377 additional sites added in the half, bringing the total number of sites that have the service to 627. In October, the first automated eStore in partnership with Takeoff went live with capacity ramping up over the quarter.

eCommerce directly-attributable profit and profit margin improved in the half due to higher volumes and improved efficiencies, particularly in last-mile logistics.

During the half, Everyday Rewards was refreshed and formally launched in Tasmania where a legacy program had been in place previously. Our Bank for Christmas incentive and glass container collectable program delivered through Everyday Rewards resonated strongly with members, with record levels of interest and participation. The membership base grew to 12.8 million by the end of December, and scan rates at Woolworths Supermarkets increased to 50.8%.

Everyday Rewards also partnered with Origin Energy and Bupa, rewarding customers with points on new green electricity and gas plans, and health insurance respectively.

New Zealand Food

NZD \$ MILLION	H21 (27 WEEKS)	H20 (27 WEEKS)	CHANGE
Sales	3,717	3,564	4.3%
EBITDA	333	316	5.3%
Depreciation and amortisation	(139)	(130)	6.5%
EBIT	194	186	4.4%
Gross margin (%)	25.0	24.7	31 bps
CODB (%)	19.8	19.5	31 bps
EBIT to sales (%)	5.2	5.2	-
Sales per square metre (\$)	17,863	16,704	6.9%
Funds employed	4,430	4,346	1.9%
ROFE (%)	8.9	8.1	79 bps

Operating metrics

YEAR ON YEAR (%)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)	Q4'20 (12 WEEKS)	Q3'20 (13 WEEKS)
Customer metrics				
VOC NPS (Store and Online)	50	48	47	44
Store-controllable VOC	83%	83%	82%	n.m. ¹
Sales metrics				
Total sales (\$ million)	1,840	1,877	Normalised ² 1,703	1,925
Total sales growth	1.8%	6.9%	13.9%	13.7%
Comparable sales growth	0.8%	5.8%	13.9%	13.4%
Two-year average comparable sales growth	2.7%	5.3%	8.7%	8.6%
Volume productivity metrics³				
Comparable transactions growth	(9.6)%	(12.5)%	(26.2)%	(3.5)%
Comparable items per basket growth	7.3%	13.6%	38.5%	10.8%
Comparable items growth	(3.0)%	(0.6)%	2.2%	7.3%
Change in average prices				
Total	0.2%	0.8%	2.3%	5.1%
Total excluding Tobacco	(0.2)%	0.6%	2.6%	5.5%

CountdownX

YEAR ON YEAR (%)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)	Q4'20 (12 WEEKS)	Q3'20 (13 WEEKS)
Customer metrics				
Online VOC NPS	65	67	64	57
eCommerce sales metrics				
eCommerce sales (\$ million)	206	224	Normalised ² 203	151
eCommerce sales growth	44.8%	50.5%	74.8%	36.2%
eCommerce penetration	11.2%	11.9%	11.9%	7.9%
Loyalty				
Countdown Onecard members (million)	1.9	1.8	1.7	1.9
Onecard scan rates (%)	59.6	59.1	59.0	57.7

¹ A comparable Store-controllable VOC was not available in Q3 F20 given the suspension of in-store Pick up and the material impact on availability due to COVID

² Normalised growth reflects adjustments to remove the impact of the 53rd week in F19

³ Volume productivity metrics are disclosed as percentages and therefore may not add

Trading performance

New Zealand Food customer metrics continued to strengthen, with VOC NPS (Store and Online) increasing two points on Q1 to 50 and Store-controllable VOC in line with the Q1 high of 83%. VOC NPS increased three points compared to the prior year, with Store-controllable VOC up by two points. Team Attitude, Ease of Pick up and Cared About My Needs improved strongly compared to the prior year, with Availability VOC achieving a new high at Christmas, despite global shipping and port congestion challenges.

New Zealand Food

Total sales increased by 4.3% to \$3,717 million for the half, with market growth softening in Q2 due to the impacts of border restrictions on international summer tourism. Lower fresh growth also contributed to lower market growth in Q2 and was impacted by the availability of COVID-impacted imported lines as well as deflation in meat, seafood, tomatoes and brassicas.

Comparable sales increased by 3.3% for the half and 0.8% in Q2, with growth driven by items per basket. Customer transactions continue to decline on the prior year due to fewer visits, bigger baskets, and a preference for online and local shopping despite New Zealand remaining free of COVID restrictions for most of the first half. Sales per square metre increased by 6.9% to \$17,863 due to strong sales growth over the last 12 months and a modest increase in space.

eCommerce sales grew by 47.7% with record online Christmas sales. eCommerce penetration increased to 11.6% – an increase from 8.2% in the prior year but marginally below penetration in Q4 F20 and Q1 F21, reflecting seasonality and a normalisation in the trading environment as COVID restrictions were removed. During the half, Countdown launched a third dedicated eCommerce fulfilment centre in Wellington; initiated five Scan & Go pilots enabling contactless checkout for customers; introduced in-app shopping functionality; and relaunched a simplified and strengthened Onecard rewards proposition. Countdown's first automated fulfilment unit, in partnership with Takeoff, went live in January 2021.

Average price growth for the half was 0.5% but was below recent quarters at 0.2% in Q2, with deflation in fresh categories and Perishables. Average selling prices also continue to moderate as customers migrate back to smaller pack sizes. Value for money remains a priority for Countdown, with over 4,000 products now on the Great Price program.

Gross margin (%) increased 31 bps on last year to 25.0%, due to further stock loss reductions; mix improvement through growth in Own Brand; and benefits from increased use of data-driven tools in category management, such as the promotional effectiveness tool.

CODB (%) increased by 31 bps on last year, predominantly driven by above-inflation increases for the team in stores and supply chain; a higher mix of eCommerce sales; COVIDSafe practices; and continued investment in digital and IT. COVID costs for the half were \$8 million* (excluding discretionary payments). Key productivity initiatives delivered during the half included the successful rollout of new and more efficient promotional ends to over 100 stores, and goods not for resale savings.

EBIT increased by 4.4% with the EBIT margin in line with the prior year at 5.2%.

ROFE improved by 79 bps to 8.9% due to strong EBIT growth over the last 12 months, particularly in H2 F20.

During the half, one eStore was opened and 10 stores renewed with a total of 181 Countdown stores and three eStores at the end of the half.

In addition to launching our 2025 Sustainability Commitments in H1, we ran our first Winter Appeal under the new Food for Good platform, and completed our largest ever Christmas Appeal.

* Some COVID costs are booked as an offset to sales or included in cost of sales

BIG W

\$ MILLION	H21 (27 WEEKS)	H20 (27 WEEKS)	CHANGE
Sales	2,581	2,149	20.1%
EBITDA	224	138	61.7%
Depreciation and amortisation	(91)	(88)	2.6%
EBIT	133	50	165.7%
Gross margin (%)	33.7	32.6	118 bps
CODB (%)	28.6	30.2	(165) bps
EBIT to sales (%)	5.1	2.3	282 bps
Sales per square metre (\$)	4,430	3,609	22.7%
Funds employed	981	1,124	(12.7)%
ROFE (%)	11.9	0.0	12.0 pts

Operating metrics

YEAR ON YEAR (%)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)	Q4'20 (12 WEEKS)	Q3'20 (13 WEEKS)
Customer metrics				
VOC NPS (Store and Online)	60	60	58	65
Store-controllable VOC	78%	80%	77%	80%
Sales metrics				
			Normalised¹	
Total sales (\$ million)	1,466	1,115	1,091	866
Total sales growth	19.8%	20.4%	30.8%	9.5%
Comparable sales growth	21.0%	22.3%	30.5%	9.9%
Two-year average comparable sales growth	12.1%	13.4%	18.9%	8.7%
Volume productivity metrics²				
Comparable transactions growth	2.6%	(1.8)%	3.6%	(2.6)%
Comparable items per basket growth	9.2%	11.7%	10.3%	5.5%
Comparable items growth	12.0%	9.7%	14.3%	2.8%

BIG W X

YEAR ON YEAR (%)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)	Q4'20 (12 WEEKS)	Q3'20 (13 WEEKS)
eCommerce sales metrics				
			Normalised¹	
eCommerce sales (\$ million)	142	104	92	57
eCommerce sales growth	91.0%	175.2%	180.9%	73.2%
eCommerce penetration	9.6%	9.3%	8.4%	6.5%
Loyalty				
Everyday Rewards scan rate (%)	50.1	49.2	48.7	49.0

¹ Normalised growth reflects adjustments to remove the impact of the 53rd week in F19

² Volume productivity metrics are disclosed as percentages and therefore may not add

Trading performance

BIG W customer metrics improved on the prior year with VOC NPS (Store and Online) for Q2 up one point to 60, and Store-controllable VOC of 78% also up one point on the prior year. Store-controllable VOC was marginally below Q1 with December customer scores typically impacted by the significant increase in customer numbers compared to other months in the year. Notable improvements in VOC compared to the prior year include Ease of Locating Products and Ease of Picking Up Order. Stock Availability was in line with last year despite significantly higher sales volumes.

BIG W's sales momentum continued in the half with total sales up 20.1% on the prior year to \$2,581 million. Comparable sales in the half increased by 21.5%. Sales were positive in all major destinations in the half and were buoyed by solid seasonal events like Halloween, Click Frenzy, Big Sale (Black Friday) and Christmas. Sales growth was driven by an increase in items per basket with comparable transactions returning to growth in Q2 as Melbourne lockdowns were lifted.

Strong sales growth continued every month in the half and across all major categories, as BIG W's real value and solutions resonated with families, translating to good sell-through. During the half, 22 stores received new fixtures and layouts in the Apparel, Baby and Home categories, and two full store renewals were completed.

BIG W

BIG W X sales increased by 120% in the half and 91.0% in Q2, in part due to increased demand for Home Delivery and Pick up with record eCommerce penetration of 9.5% in the half. Ten new hubs were opened, contactless Direct to boot was rolled out to 75 locations and Same Day Delivery was launched prior to Christmas.

Gross margin (%) increased by 118 bps to 33.7%, driven by fewer markdowns, less clearance activity and improved stock loss.

CODB (%) reduced by 165 bps, due to strong cost management and higher sales growth during the half, offsetting investment in safety, digital and COVID-related costs of \$13 million (excluding discretionary payments).

EBIT increased by 166% to \$133 million, with the EBIT margin increasing by 282 bps to 5.1%.

Inventory levels have been well managed due to strong sales growth and a focus on stock availability, with inventory days reducing by 23 days on the prior year. Lower net working capital resulted in lower funds employed at the end of the period.

ROFE improved materially to 11.9% (H1 F20: 0.0%) due to the strong increase in EBIT over the last 12 months and lower average funds employed.

The BIG W store network remained unchanged at 179 stores during the half. As previously announced, three stores were closed in January. The Monarto DC will close as planned in Q4 with the transition to a third-party DC network beginning in H2, including new warehouse sites in Kewdale, WA and Hopper's Crossing, Victoria.

BIG W continues to make a real difference for families, donating 11.4 million books to customers and communities over the last three years as part of the Free Books for Kids initiative. During the half, BIG W donated 1,000 Back to School backpacks with essential items for students in need, and partnered with Good360 to donate over 360,000 items to local charities and communities.

Endeavour Drinks

\$ MILLION	H21 (27 WEEKS)	H20 (27 WEEKS)	CHANGE
Sales	5,683	4,775	19.0%
EBITDA	564	465	21.6%
Depreciation and amortisation	(145)	(127)	14.9%
EBIT	419	338	24.1%
Gross margin (%)	24.0	23.2	76 bps
CODB (%)	16.6	16.2	46 bps
EBIT to sales (%)	7.4	7.1	30 bps
Sales per square metre (\$)	21,251	18,487	14.9%
Funds employed	3,466	3,781	(8.3)%
ROFE (%)	18.0	14.7	333 bps

Operating metrics

YEAR ON YEAR (%)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)	Q4'20 (12 WEEKS)	Q3'20 (13 WEEKS)
Customer metrics				
BWS VOC NPS (Store and Online)	71	71	70	71
Dan Murphy's VOC NPS (Store and Online)	76	77	76	75
Sales metrics				
			Normalised¹	
Total sales (\$ million)	3,029	2,654	2,248	2,252
Total sales growth	17.0%	21.4%	23.2%	9.5%
Comparable sales growth	15.5%	20.0%	21.2%	8.9%
Two-year average comparable sales growth	8.6%	11.6%	11.9%	7.6%

EndeavourX

YEAR ON YEAR (%)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)	Q4'20 (12 WEEKS)	Q3'20 (13 WEEKS)
eCommerce sales metrics				
			Normalised¹	
eCommerce sales (\$ million)	256	227	162	155
eCommerce sales growth	44.3%	57.6%	47.8%	43.1%
eCommerce penetration	8.5%	8.6%	7.1%	6.9%
Loyalty				
My Dan's members (million)	5.1	4.8	4.5	4.3
Everyday Rewards scan rates - BWS	43.8%	42.4%	41.1%	40.2%
My Dan's scan rate	60.7%	60.1%	56.5%	50.6%

¹ Normalised growth reflects adjustments to remove the impact of the 53rd week in F19

Trading performance

Endeavour Drinks customer metrics remained strong, with VOC NPS (Store and Online) for Dan Murphy's and BWS improving on the prior year despite ongoing levels of elevated demand, particularly during the peak Christmas trading period.

Total sales for the half increased by 19% to \$5.7 billion, with comparable sales increasing 17.5%. In Q2, total sales grew 17.0% with COVID continuing to drive elevated in-home consumption and trading up, although at more moderate levels than the previous two quarters as restrictions for on-premise venues were eased. Christmas trading was exceptionally strong, with record-breaking sales in the week before Christmas in both Dan Murphy's and BWS.

Growth in the Spirits category was a highlight for both businesses, with gin remaining a standout. RTDs also accelerated, boosted by the launch of seltzers. Wine and Beer maintained solid growth rates, supported by growth in premium wine and craft beer respectively. Our Pinnacle brands performed strongly, particularly in Dan Murphy's, and won numerous awards including being named 'Portfolio of the Year' at the San Francisco International Wine Competition.

Endeavour Drinks sales per square metre increased by 14.9%, with strong sales growth significantly exceeding net average space growth of 2.4%.

Dan Murphy's ongoing investments to improve in-store and digital customer experience delivered positive results, with December VOC NPS at 76, an increase of three points compared to last year. My Dan's loyalty program continues to grow with members reaching a record 5.1 million at the end of December, an increase of 26% on the prior year. In response to COVID,

Endeavour Drinks

Dan Murphy's launched contactless Pick up via a number plate recognition service at its Manly Vale store, and now has 172 stores offering Direct to boot. Four new stores were opened in the second quarter, growing the network by five for the half to 246 stores, including a second new urban format store in Benowa, Queensland.

BWS also delivered strong customer results through a focus on convenience and improved digital experience, achieving a VOC NPS of 71 in December, an increase of two points on last year. BWS opened 10 net new stores in the quarter, growing the network by 15 for the half to 1,384 stores. The rollout of the updated store Renewal format continued with 27 Renewals completed in the half. BWS' convenience offering also expanded during the half with the introduction of a contactless Direct to boot offering, with plans to continue the rollout across the current network of 222 Drive Thru stores.

EndeavourX's investment in digital and fulfilment capabilities helped to support H1 eCommerce sales growth of 50.2% with eCommerce penetration increasing to 8.5%. In Q2, eCommerce sales grew 44.3% with penetration remaining stable at 8.5%. BWS and Dan Murphy's both reported strong eCommerce growth, with BWS more than doubling in the half and record sales in both businesses in December.

Scan rates also achieved new highs during the quarter, with My Dan's increasing to 60.7%, up 12 pts on the prior year. Everyday Rewards scan rates at BWS increased by four points to 43.8%, reflecting increased member engagement.

Gross margin (%) increased 76 bps to 24.0% for the half. The improvement was driven by lower promotional activity, premiumisation and strong sales of Pinnacle brands, which offset the impacts of the continued increase in eCommerce sales at a higher cost to fulfil.

CODB (%) increased by 46 bps, impacted by COVID-related costs of \$8 million (excluding discretionary payments); higher salaries and wages for store teams; targeted investments to support eCommerce growth; and some one-off costs associated with a review of digital and IT asset lives and incremental salary remediation costs.

Depreciation and amortisation increased by 14.9% compared to the prior year due to investments in technology, new stores and Renewals.

EBIT increased by 24.1% to \$419 million, with a 30 bps improvement in the EBIT margin to 7.4%.

Funds employed declined by 8.3% to \$3,466 million due to lower trade working capital. ROFE increased by 333 bps on the prior year, reflecting both the significant EBIT growth and lower average funds employed.

Endeavour Group has been invited to join a global partnership that will establish robust international guidelines for online sales of alcohol. The partnership is an initiative by International Alliance for Responsible Drinking, a global not-for-profit organisation dedicated to reducing harmful drinking and promoting understanding of responsible drinking.

An Independent Panel Review of the proposed Dan Murphy's Darwin store is underway with Woolworths Group having committed to publicly release the Panel's report, expected by April 2021.

Hotels

\$ MILLION	H21 (27 WEEKS)	H20 (27 WEEKS)	CHANGE
Sales	667	919	(27.5)%
EBITDA	244	342	(28.5)%
Depreciation and amortisation	(122)	(118)	3.5%
EBIT	122	224	(45.4)%
Gross margin (%)	84.8	83.7	112 bps
CODB (%)	66.4	59.2	717 bps
EBIT to sales (%)	18.4	24.4	(606) bps
Funds employed	4,041	4,078	(0.9)%
ROFE (%)	1.7	9.0	(731) bps

Trading performance

Hotels sales declined by 27.5% for the half to \$667 million, reflecting the impact of continuing COVID trading restrictions. Q2 sales trends improved somewhat, declining by 21.5% compared to the prior year. Although all venues had reopened by the end of the half, some restrictions on hotel capacity and social distancing requirements remained in place in all states and territories. Victorian venues, which were closed at the beginning of August, reopened in early November with material restrictions, which were eased particularly in November and December. Other states were also impacted by temporary mandated closures when localised COVID outbreaks occurred.

Gross margin (%) improved 112 bps, reflecting improved average selling prices due to customers trading up to more premium spirits and craft beers, and reduced promotional activity.

CODB (%) was impacted by reduced leverage of fixed and unavoidable costs – including occupancy costs, team costs, COVID-related costs, and depreciation and amortisation – incurred during periods of venues closures or trading restrictions.

As a result of the reduction in sales, EBIT declined 45.4% on the prior year to \$122 million but was a material improvement on the H2 F20 loss of \$52 million.

Funds employed was largely in line with the prior year, with a reduction in ROFE due to lower EBIT over the last 12 months.

During the half, three hotels were acquired. The portfolio consisted of 332 hotels and five managed clubs at the end of the period.

Primary Connect, COVID costs and central overheads

Primary Connect (Woolworths Group Supply Chain) update

In October, Woolworths Group's Supply Chain was rebranded Primary Connect as it begins to evolve into an end-to-end service provider for Woolworths Group retail businesses and other strategic partners. In the event of a successful separation of Endeavour Group, Primary Connect will become a key supply chain partner to BWS and Dan Murphy's.

In Australian Food, **MSRDC's** carton throughput continued to ramp up during the half, and is now consistently achieving weekly shipments over two million cartons. However, to mitigate risk in the Victorian network through a period of elevated sales and government-mandated COVID restrictions, a contingency site in Somerton operated throughout the half and was closed in January, impacting the speed of scaling MSRDC to capacity. Detailed plans are in place to transition volumes from other Victorian sites to the MSRDC in H2, to capitalise on the economies of scale provided by the site.

Melbourne Fresh DC opened ahead of schedule in August 2020. The temperature-controlled Mulgrave DC it replaced remained open through most of H2, with both DCs providing valuable capacity in the Victorian network during the extended lockdown in the state. The Mulgrave DC was closed in December. Products still currently being handled by third-party logistics partners will be transferred to Melbourne Fresh during Q3 F21 with a full transition expected in April. The site is operating well and already servicing all stores in the Victorian network.

The temperature-controlled **Heathwood** DC remains on track for completion in October 2021 and is expected to go live in February 2022. The NSW supply chain transformation is progressing to plan, with full DA approval for the new Sydney RDC and NDC at Moorebank being received from the Department of Planning in December 2020.

Group COVID costs

\$ MILLION	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)	Q4'20 (12 WEEKS)	Q3'20 (13 WEEKS)
Cleaning and PPE	32	59	74	31
Contractors and security	5	8	39	15
Team costs ¹	21	39	86	31
Supply chain	20	41	29	20
COVID costs before discretionary payments	78	147	228	97
Team discounts, incentives & recognition payments ²	22	25	49	18
Donations ³	1	4	11	1
Total COVID costs	101	176	288	116
COVID costs as a % of sales	0.6%	1.0%	2.0%	2.1% ⁴

Total Group COVID costs for H1 were \$277 million (0.8% of sales) or \$225 million before discretionary team payments and donations. COVID costs moderated further in Q2 to \$101 million, with reductions in all major cost categories as restrictions eased and the Group became more efficient at operating in a COVIDSafe way. COVID costs are expected to moderate further in H2 F21.

¹ Represents incremental team members and roles, to support COVID crisis management and customer and team safety (and excludes any incremental variable cost driven by higher sales)

² Only includes incremental recognition payments above portion funded by reduction in awards to STI-eligible team members in F20. Cost of team discounts offset against sales

³ FareShare, OzHarvest, Foodbank Australia and Basics Box donations

⁴ Calculated based on sales for March 2020 only

Note: Excludes costs of closure of stores and hotels in Victoria

Central overheads

Central overheads increased to \$92 million in the half compared to \$71 million in the prior year. Central overheads includes COVID-related costs of \$24 million, the cost of additional risk and compliance resources supporting pay remediation efforts, and higher insurance costs. For the full year, central overheads are expected to be \$165-175 million before Endeavour Group related separation costs. Additional Endeavour Group separation costs in H2 are expected to be \$45-50 million with total separation costs expected to be in line with previous forecasts.

Group balance sheet

Group balance sheet as at 3 January 2021

\$ MILLION	REPORTED 3 JAN 2021	REPORTED 28 JUNE 2020	CHANGE	REPORTED 5 JAN 2020
Inventories	4,808	4,434	374	4,621
Trade payables	(6,552)	(5,843)	(709)	(5,599)
Net investment in inventory	(1,744)	(1,409)	(335)	(978)
Trade and other receivables	1,015	894	121	965
Other creditors, provisions, and other liabilities	(4,671)	(4,516)	(155)	(4,134)
Fixed assets, investments, loans to related parties and convertible notes	9,195	8,953	242	8,572
Net assets held for sale	178	333	(155)	198
Intangible assets	7,740	7,717	23	7,763
Lease assets	12,759	12,062	697	11,993
Other assets	126	136	(10)	50
Total funds employed	24,598	24,170	428	24,429
Net tax balances	917	992	(75)	901
Net assets employed	25,515	25,162	353	25,330
Cash and borrowings	(491)	(1,863)	1,372	(1,984)
Derivatives	44	461	(417)	441
Net debt (excluding lease liabilities)	(447)	(1,402)	955	(1,543)
Lease liabilities	(15,386)	(14,728)	(658)	(14,383)
Total net debt	(15,833)	(16,130)	297	(15,926)
Net assets	9,682	9,032	650	9,404
Non-controlling interests	327	290	37	331
Shareholders' equity	9,355	8,742	613	9,073
Total equity	9,682	9,032	650	9,404

KEY RATIOS - CONTINUING OPERATIONS BEFORE SIGNIFICANT ITEMS

			CHANGE ON H1	
Closing inventory days (based on cost of sales)	36.8	36.0	(2.7)	39.5
Closing trade payable days (based on cost of sales)	(50.2)	(47.4)	(2.4)	(47.8)
Normalised ROFE	14.4	13.7	(25) bps	14.6

Closing inventory of \$4,808 million increased by \$374 million compared to F20, mainly due to seasonality. Compared to H1 F20, inventory increased by \$187 million primarily due to increases in Australian Food, New Zealand Food and Endeavour Drinks to support elevated COVID-related demand and mitigate supply chain risk. Despite higher inventory, closing inventory days were 2.7 days lower and average inventory days from continuing operations declined by 3.1 days on the prior year.

Trade payables of \$6,552 million increased by \$709 million compared to F20, primarily due to higher stock purchases and the timing of payment runs.

Other creditors, provisions and other liabilities of \$4,671 million was broadly in line with F20. The increase relative to H1 F20 was a result of the NSW supply chain transformation provision and an increase in accruals and leave entitlement provisions.

Fixed assets, investments, loans provided to related parties of \$9,195 million increased by \$242 million. Additions mainly related to investment in new stores and supply chain, refurbishments of existing stores, and IT infrastructure and property development and were partially offset by depreciation and amortisation of \$532 million.

Lease assets of \$12,759 million increased by \$697 million, driven by lease assets additions of \$405 million and lease option remeasurements of \$954 million, which were partially offset by the straight-line depreciation of the lease asset and terminated leases of \$664 million during the period.

Total funds employed increased \$428 million, largely driven by investment in stores and lease assets additions and remeasurements, partially offset by a lower net investment in inventory.

Net tax assets decreased by \$75 million, with the current tax expense of \$544 million exceeding tax payments for the period of \$419 million, and a net increase in deferred tax balances of \$50 million.

Lease liabilities of \$15,386 million increased by \$658 million, driven by commencement of new leases of \$416 million, remeasurements during the period of \$954 million and interest expense of \$357 million, which were partially offset by \$1,025 million of payments made in the period.

Net debt (excluding lease liabilities) of \$447 million was below F20 and H1 F20 levels, due to net cash generated during the year. Total net debt (including lease liabilities) declined by \$297 million compared to F20 and was broadly in line with H1 F20.

Normalised ROFE from continuing operations was 14.4%, 74 bps higher than F20. Normalised ROFE was 25 bps below the prior year as a result of Hotels with ROFE increasing for all other businesses.

Group cash flow

Group cash flows for the 27 weeks ended 3 January 2021

\$ MILLION	H21 (27 WEEKS)	H20 (27 WEEKS)	CHANGE
EBITDA	3,415	3,010	13.4%
Increase in inventories	(374)	(333)	11.8%
Increase in trade payables	711	378	87.9%
Decrease in provisions	(157)	(53)	196.4%
Net change in other working capital and non-cash	178	(51)	n.m.
Cash from operating activities before interest and tax	3,773	2,951	27.9%
Interest paid - leases	(407)	(414)	(1.6)%
Net interest paid - non-leases	(67)	(91)	(26.1)%
Tax paid	(419)	(385)	8.8%
Total cash provided by operating activities	2,880	2,061	39.7%
Proceeds and advances from the sale of property, plant and equipment, subsidiaries and investments, net of cash disposed	317	176	80.5%
Payments for the purchase of property, plant and equipment and intangible assets	(1,005)	(888)	13.2%
Other	(22)	(49)	(54.7)%
Total cash used in investing activities	(710)	(761)	(6.6)%
Repayment of lease liabilities	(618)	(602)	2.7%
Dividends paid (including to non-controlling interests)	(524)	(648)	(19.2)%
Payments for shares held in trust	(1)	(1)	-
Free cash flow after equity and lease related financing activities	1,027	49	n.m.

Cash from operating activities before interest and tax was \$3,773 million, an increase of \$822 million or 27.9% on the prior year. This was primarily driven by an increase in EBITDA of \$405 million and increase in trade payables \$333 million higher than the prior year. EBITDA in H1 F20 included a \$131 million impact of significant items. Excluding this, EBITDA increased by 8.7%.

Increase in trade payables of \$711 million was positively impacted by creditor payment timing and the impact of COVID-related volume increases during the half. The increase of 87.9% compared to the prior year also reflects the negative impact of creditor payment timing in H1 F20.

Net interest paid - non-leases declined by 26.1% to \$67 million reflecting lower net debt and lower borrowing rates.

Cash used in investing activities was also broadly in line with the prior year with additional investment in stores and digital projects offset by higher proceeds from property sales.

Dividends paid declined by 19.2% to \$524 million, primarily reflecting the payment of a 48 cents per share F20 final dividend in H1, compared to a 57 cents per share F19 final dividend paid in the prior year.

Free cash flow after equity and lease related financing activities was \$1,027 million, an increase of \$978 million on the prior year, largely driven by the increase in cash provided from operating activities of 39.7% and lower dividends paid.

The cash realisation ratio in the half was 115%, benefiting from the increase in trade payables described above.

Capital management

Woolworths Group has a capital management framework which allocates capital to sustain and grow its businesses and maximise long-term shareholder returns. This is underpinned by strategies to provide the Group with continued access to capital markets, and to maintain solid investment-grade credit ratings. The Group's credit ratings¹ are BBB (stable outlook) according to S&P and Baa2 (stable outlook) according to Moody's.

Financing transactions during H1 F21

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

In December 2020, the Group entered into a \$384 million bank guarantee facility and into \$398 million direct surety bond facilities. The bank guarantee facility is backed by the international surety market. Together, the facilities support the 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 Group's \$500 million bank guarantee facility, which matured in November 2020.

Upcoming maturities

In April 2021, the Group's US\$438 million US Senior Notes are due to mature. The Group intends to refinance this maturity.

¹These credit ratings have been issued by a credit rating agency which holds an Australian Financial Services Licence with an authorisation to issue credit ratings to wholesale clients only, and are for the benefit of Woolworths Group's debt providers.

New store rollout plans and outlook

New store rollout plans

The store rollout is supported by detailed plans for the next three to five years, identifying specific sites.

	H21 NET STORE OPENINGS (INCL. ACQUISITIONS)	MEDIUM TERM ANNUAL TARGET (NET)
Australian Food	13	
Woolworths Supermarkets	8	10-20 new full range supermarkets
Metro Food Stores	5	5-15 new Metro Food Stores
New Zealand Food	1	
Countdown	-	3-4 new supermarkets
Franchise stores	1	
BIG W	-	Only where previously committed
Dan Murphy's	5	6-10 new stores
BWS	15	6-10 new stores (standalone)
Hotels	3	Acquire as appropriate opportunities arise

Current trading and outlook

Woolworths Group CEO, Brad Banducci, said: "Group sales for the first seven weeks of H2 F21 has remained strong, benefiting from continued at-home consumption, Australians not travelling abroad, and a weaker prior year where sales were impacted by bushfires on the east coast of Australia. However, growth rates have continued to moderate over the period in line with the overall market. COVID costs for the seven weeks also continued to decline as restrictions ease.

"Australian Food total sales have increased by approximately 8% in the first seven weeks, while New Zealand Food's total sales growth has remained subdued at 1%. BIG W and Endeavour Drinks' sales growth has slowed modestly relative to Q2 but remains strong at 18% and 14% respectively. Hotels total sales declined 12% but with a lower rate of decline than Q2 F21.

"Looking ahead to the rest of the financial year, we expect sales to decline over the March to June period compared to the prior year in all our businesses, with the exception of Hotels where venues were closed for much of the final four months last year, as we cycle last year's COVID surge. However, in parallel, we also expect COVID-related costs to be materially below the prior year, subject to no further widespread prolonged lockdowns. Hotels' H2 EBIT is expected to be well above H2 F20 when the business reported a loss of \$52 million, assuming venues can continue to trade without further restrictions. And while we will continue to spend what is required to be COVIDSafe, all our businesses have a productivity focus for the second half as we look to carefully reduce COVID costs and improve end-to-end process efficiency.

"Turning to priorities for the second half, we will continue to accelerate digital as it becomes an ever increasingly important part of the shopping journey for our customers. We have added significant eCommerce capacity across the Group over the last year which puts us in a strong position to meet our customers' demands. As growth rates in the second half slow as we cycle peak COVID-demand, we have an opportunity to optimise eCommerce at scale and deliver further efficiency.

"We haven't yet seen a material flight to value among our customers but expect value to become more important over the next few years as we emerge from a period of unprecedented stimulus. Value means different things to different customers, so it is increasingly important that we personalise value for our customers. We aspire to do this by leveraging our various rewards programs and continuing to evolve our store propositions to provide the right range for the local community.

"Finally, we are focused on pursuing a successful separation of Endeavour Group, moving from ownership to partnership, and are currently targeting June for completion.

"Thank you as always to our customers, team and partners for helping us to live our purpose of *creating better experiences together for a better tomorrow.*"

-ends-

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Appendices

Appendix One: ASIC Regulatory Guide 230 Disclosing Non-IFRS Financial Information and glossary

The earnings and dividend announcement for the 27 weeks ended 3 January 2021 contains certain non-IFRS financial measures of historical financial performance, balance sheet or cash flows. Non-IFRS financial measures are financial measures other than those defined or specified under all relevant accounting standards and may not be directly comparable with other companies' measures but are common practice in the industry in which Woolworths Group operates. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures. The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by the Australian Security and Investments Commission in December 2011 to promote full and clear disclosure for investors and other users of financial information and minimise the possibility of being misled by such information.

These measures are used by management and the directors as the primary measures of assessing the financial performance of the Group and individual segments. The directors also believe that these non-IFRS measures assist in providing additional meaningful information on the underlying drivers of the business, performance and trends, as well as the financial position of the Woolworths Group. Non-IFRS financial measures are also used to enhance the comparability of information between reporting periods (such as comparable sales), by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Woolworths Group's performance. Consequently, non-IFRS measures are used by the directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with the prior year. Non-IFRS measures are not subject to audit or review.

Glossary

ACCC	Australian Competition and Consumer Commission
Cash realisation ratio	Operating cash flow as a percentage of Group net profit after tax before depreciation and amortisation
Comparable sales	Measure of sales excluding stores that have been opened or closed in the last 12 months and existing stores where there has been a demonstrable impact from store disruption because of store refurbishment or new store openings/closures
Cost of doing business (CODB)	Expenses relating to the operation of the business
Customer fulfilment centre (CFC)	Dedicated online distribution centre
DC	Distribution centre
Direct to boot	Where a customer places an order online and drives to a dedicated area where a team member places the order directly in the customer's boot
eStore	Dedicated store for the fulfilment of online orders sometimes incorporating automation
Free cash flow	Cash flow generated by Woolworths Group after equity related financing activities including dividends and repayment of lease liabilities
Funds employed	Net assets employed, excluding net tax balances
MFC	Micro-fulfilment centre
MSRDC	Melbourne South Regional Distribution Centre
NDC	National Distribution Centre
Net assets employed	Net assets excluding net debt and other financial assets and liabilities
Net Promoter Score (NPS)	A loyalty measure based on a single question where a customer rates a business on a scale of zero to 10. The score is the net result of the percentage of customers providing a score of nine or 10 (promoters) less the percentage of customers providing a score of zero to six (detractors)
n.m.	Not meaningful
On-demand/express delivery	An express or scheduled delivery service providing online orders at the customer's convenience
Pick up	A service which enables collection of online shopping orders in store or at selected locations

Appendices

Glossary continued

RDC	Regional Distribution Centre
Renewal	A total store transformation focused on the overall store environment, team, range and process efficiency (including digital)
Return on Funds Employed (ROFE)	Calculated as EBIT before significant items for the previous 12 months as a percentage of average (opening, mid and closing) funds employed including significant items provisions
RTDs	Ready-to-drink
Sales per square metre	Total sales for the previous 12 months by business divided by average trading area
Simpler for Stores	Simplification of end-to-end processes for store teams, improving customer experience and productivity
Smart Store	A store that employs technology to improve process efficiency for customers and team members
Total net debt	Borrowings less cash balances including debt hedging derivatives and lease liabilities
TRIFR	Total Recordable Injury Frequency Rate
Stock loss	The value of stock written off, wasted, stolen, cleared, marked down or adjusted from all stores nationally (sometimes expressed as a percentage of sales)
Voice of Customer (VOC)	Externally facilitated survey of a sample of Woolworths Group customers where customers rate Woolworths Group businesses on several criteria. Expressed as the percentage of customers providing a rating of six or seven on a seven-point scale
VOC NPS	VOC NPS is based on feedback from Everyday Rewards members. VOC NPS is the number of promoters (score of nine or 10) less the number of detractors (score of six or below)
Voice of Supplier (VOS)	A survey of a broad spectrum of suppliers facilitated by an external provider. The survey is used to provide an ongoing measure of the effectiveness of business relationships with the supplier community. VOS is the average of the suppliers' rating across various attributes, scored as a percentage of suppliers that provided a rating of six or seven on a seven-point scale
Voice of Team (VOT)	Survey measuring sustainable engagement of our team members as well as their advocacy of Woolworths as a place to work and shop. The survey consists of nine sustainable engagement questions, three key driver questions and two advocacy questions

Other non-IFRS measures used in describing the business performance include:

- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Volume productivity metrics including transaction growth, items per basket and item growth
- Trading area
- Fixed assets and investments
- Net tax balances
- Closing trade payable days
- Change in average prices
- Margins including gross profit, CODB and EBIT
- Cash flow from operating activities before interest and tax
- Free cash flow after equity related financing activities excluding dividends
- Significant items
- Net investment in inventory
- Net assets held for sale
- Closing inventory days
- Average inventory days

Appendices

Appendix Two: Quarterly sales summary

Group Q2 sales

\$ MILLION	Q2'21 (13 WEEKS)	Q2'20 (13 WEEKS)
Australian Food	11,416	10,537
New Zealand Food	1,727	1,707
<i>New Zealand Food (NZD)</i>	1,840	1,808
BIG W	1,466	1,223
Endeavour Drinks	3,029	2,589
Hotels	354	451
Group sales	17,992	16,507

Group H1 F21 sales growth

TOTAL SALES GROWTH %	Q1'21 (14 WEEKS)	Q2'21 (13 WEEKS)	H21 (27 WEEKS)
Australian Food	12.9%	8.3%	10.6%
New Zealand Food (AUD)	4.7%	1.2%	2.9%
<i>New Zealand Food (NZD)</i>	6.9%	1.8%	4.3%
BIG W	20.4%	19.8%	20.1%
Endeavour Drinks	21.4%	17.0%	19.0%
Hotels	(33.2)%	(21.5)%	(27.5)%
Group total sales growth	12.3%	9.0%	10.6%

COMPARABLE SALES GROWTH %	Q1'21 (14 WEEKS)	Q2'21 (13 WEEKS)	H21 (27 WEEKS)
Australian Food	11.5%	7.1%	9.3%
New Zealand Food (NZD)	5.8%	0.8%	3.3%
BIG W	22.3%	21.0%	21.5%
Endeavour Drinks	20.0%	15.5%	17.5%
Hotels	n.m.	n.m.	n.m.

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Appendix Three: Five-year store and trading area analysis

STORES (NUMBER) ¹	2021 HALF YEAR	2020 FULL YEAR	2019 FULL YEAR	2018 FULL YEAR	2017 FULL YEAR
Continuing operations					
NSW & ACT	339	334	324	317	312
QLD	246	242	237	234	234
VIC	267	265	253	249	244
SA & NT	78	78	78	79	80
WA	103	101	101	98	94
TAS	31	31	31	31	31
Thomas Dux	-	-	-	-	3
Australian Supermarkets & Metro Food Stores	1,064	1,051	1,024	1,008	998
Summergeate	2	1	1	2	2
Total Australian Food	1,066	1,052	1,025	1,010	1,000
New Zealand Food	181	182	180	181	184
BIG W	179	179	183	183	185
BWS	1,384	1,369	1,346	1,316	1,298
Dan Murphy's	246	241	230	227	219
Total Endeavour Drinks	1,630	1,610	1,576	1,543	1,517
Hotels (includes clubs)	337	334	328	323	329
Total continuing operations	3,393	3,357	3,292	3,240	3,215
Discontinued operations					
Woolworths Petrol	-	-	-	534	531
Total Group	3,393	3,357	3,292	3,774	3,746
Wholesale customer stores (continuing operations)					
SuperValue and FreshChoice	71	70	70	69	65
Statewide Independent Wholesalers	220	220	220	220	220
Total continuing operations	291	290	290	289	285
Total wholesale customer stores	291	290	290	289	285
Trading area (sqm)¹					
Australian Food	2,412,001	2,382,764	2,330,830	2,281,866	2,252,709
Countdown	404,372	405,425	404,032	405,274	415,970
BIG W	1,021,775	1,021,775	1,045,260	1,046,333	1,055,838
Endeavour Drinks	485,657	479,055	468,884	460,841	446,083

¹ Excludes eStores

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Appendix Four: New stores and refurbishments

HALF YEAR	GROSS NEW STORES (INCL. ACQUISITIONS)	NET NEW STORES (INCL. ACQUISITIONS)	RENEWALS/ REFURBISHMENTS
Australian Supermarkets and Metro Food Stores	16	13	35
Summergate	1	1	-
New Zealand Food	-	-	10
BIG W	-	-	2
Endeavour Drinks	29	20	28
Hotels	3	3	11
Total Group	49	37	86

SECOND QUARTER	GROSS NEW STORES (INCL. ACQUISITIONS)	NET NEW STORES (INCL. ACQUISITIONS)	RENEWALS/ REFURBISHMENTS
Australian Supermarkets and Metro Food Stores	8	7	24
Summergate	1	1	-
New Zealand Food	-	-	5
BIG W	-	-	1
Endeavour Drinks	18	14	12
Hotels	2	2	9
Total Group	29	24	51

Certain comparatives have been re-presented to conform with the current period's presentation to better reflect the nature of the financial position and performance of the Group.

This announcement contains certain non-IFRS measures that Woolworths Group believes are relevant and appropriate to understanding its business. Refer to Appendix One for further information. Ratios and percentage changes referenced throughout this document are calculated on unrounded figures.

[Click here to view the shareholder communication for these results.](#)