

22 February 2023

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

Appendix 4D and Half-Year Financial Report

Attached for release to the market are the ASX Appendix 4D and the Half-Year Financial Report for the period ended 1 January 2023.

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

For personal use only

Appendix 4D under ASX Listing Rule 4.2A

Current reporting period

27 June 2022 to 1 January 2023

Prior corresponding period

28 June 2021 to 2 January 2022

Results for announcement to the market

Key information

	% CHANGE		\$M
Revenue from the sale of goods and services from continuing operations	4.0	to	33,169
Profit from continuing operations attributable to equity holders of the parent entity	24.9	to	845
Profit attributable to equity holders of the parent entity	(88.1) ¹	to	845

¹ Included in prior year's profit attributable to equity holders of the parent entity was the gain recognised on demerger of Endeavour Group of \$6,387 million.

Details relating to dividends¹

	CENTS PER SHARE	\$M
2022 interim dividend paid on 13 April 2022	39	473
2022 final dividend paid on 27 September 2022	53	643
2023 interim dividend declared on 22 February 2023 ^{2,3}	46	560 ⁴

¹ All dividends are fully franked at a 30% tax rate.

² Record date for determining entitlement to the 2023 interim dividend is 3 March 2023.

³ The 2023 interim dividend is payable on or around 13 April 2023, and is not provided for as at 1 January 2023.

⁴ Represents the anticipated dividend based on the shares on issue at the date of this report. This value will change if there are any shares issued between the date of this report and the ex-dividend date.

The Dividend Reinvestment Plan (DRP) remains active. Eligible shareholders may participate in the DRP in respect of all or part of their shareholding. There is currently no DRP discount applied and no limit on the number of shares that can participate in the DRP. Shares will be allocated to shareholders under the DRP for the 2023 interim dividend at an amount equal to the Average Market Price of Shares over the Pricing Period less a discount (if any), and rounded to the nearest cent. The Average Market Price of Shares is the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of five trading days commencing on 7 March 2023. The last date for receipt of election notices for the DRP is 6 March 2023. The Company intends to issue new shares to satisfy its obligations under the DRP.

Net tangible assets per share

	AS AT		
	1 JANUARY 2023 CENTS PER SHARE	26 JUNE 2022 CENTS PER SHARE	2 JANUARY 2022 CENTS PER SHARE
Net tangible assets per share	44.0	55.1	21.2

Details of subsidiaries, associates and joint ventures

Entities where control was gained

During the half-year ended 1 January 2023, the Group acquired 100% of Shopper Media Group Holdings Pty Ltd and 80.2% of MyDeal.com.au Pty Limited. As a result, the Group gained control of the following entities:

COMPANY	COUNTRY OF INCORPORATION	ACQUISITION DATE
Amazed.com Pty Ltd	Australia	23 September 2022
Duke Living Pty Ltd	Australia	23 September 2022
E-COM (Aus) Pty Ltd	Australia	23 September 2022
Shopper Media Group Operations Pty Ltd	Australia	30 September 2022
Shopper Media Group Pty Ltd	Australia	30 September 2022
Shopper Data Group Pty. Ltd.	Australia	30 September 2022

Appendix 4D under ASX Listing Rule 4.2A

Entities where control was lost

On 5 October 2022, Fabsky Pty Ltd was deregistered resulting in loss of control.

Details of associates and joint ventures

	LEGAL OWNERSHIP INTEREST AS AT		
	1 JANUARY 2023	26 JUNE 2022	2 JANUARY 2022
Pet Culture Group Pty Limited ¹	57.5%	57.6%	57.6%
173 Burke Rd JV Pty Ltd ¹	50.1%	50.1%	50.1%
NP Fulfilment Group Pty Limited	40.0%	40.0%	40.0%
Sherpa (Aust) Pty Ltd	27.0%	20.8%	20.8%
B & J City Kitchen Pty Ltd	23.0%	23.0%	23.0%
Samsara Eco Pty Ltd	17.1%	25.0%	25.0%
FutureFeed Pty Ltd	13.8%	20.4%	20.4%
Endeavour Group Limited	9.1%	14.6%	14.6%

¹ Notwithstanding that the Group's ownership interest in these entities is greater than 50%, the Group does not control these entities as the decisions about the relevant activities of the entities require the unanimous consent of both parties sharing control. The Group classifies these entities as investments in joint ventures and applies the equity method of accounting.

Other

Additional Appendix 4D disclosure requirements and further information, including commentary on significant features of the operating performance, results of segments, trends in performance, and other factors affecting the results for the current period are contained in the Half-Year Financial Report 2023, and Press Release (F23 Half-Year Profit and Dividend Announcement).

The Consolidated Financial Statements contained within the Half-Year Financial Report 2023, upon which this report is based, have been reviewed by Deloitte Touche Tohmatsu.

For personal use only

For personal use only



Half-Year

Financial Report 2023

Woolworths Group Limited
ABN 88 000 014 675

Half-Year Financial Report 2023

Table of Contents

Directors' Report	2
Auditor's Independence Declaration	3
Consolidated Financial Statements	
Consolidated Statement of Profit or Loss	4
Consolidated Statement of Other Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Condensed Notes to the Consolidated Financial Statements	
1 General information	
1.1 Basis of preparation	9
1.2 Statement of compliance	9
1.3 New and amended standards adopted by the Group	9
1.4 Critical accounting estimates and judgements	9
1.5 Financial performance and sustainability related matters	11
1.6 Individually significant items	11
2 Revenue	12
3 Branch and administration expenses	13
4 Finance costs	13
5 Segment reporting	13
6 Investments accounted for using the equity method	15
7 Dividends	17
8 Contributed equity	18
9 Commitments for capital expenditure	18
10 Acquisition of subsidiaries and other transactions	19
11 Contingent liabilities	21
12 Subsequent events	21
Directors' Declaration	22
Independent Auditor's Review Report	23

For personal use only

Directors' Report

This Half-Year Financial Report is presented by the directors in respect of Woolworths Group Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 1 January 2023 (the Group).

In order to comply with the provisions of the *Corporations Act 2001*, the Directors' Report is as follows:

The Directors

The Directors of the Company at any time during or since the end of the half-year, and up to the date of this report, are:

Non-executive directors

G M Cairns (retired as Chair on 26 October 2022)
S R Perkins (appointed as Chair on 26 October 2022)
M N Brenner
J C Carr-Smith
P W Chronican
H S Kramer
S L McKenna (retired on 26 October 2022)
K A Tesija

Executive directors

B L Banducci (Managing Director and Chief Executive Officer)

Review and results of operations

Refer to F23 Half-Year Profit and Dividend Announcement for the 27-week period ended 1 January 2023.

Rounding of amounts

The Half-Year Financial Report is presented in Australian dollars and amounts have been rounded to the nearest million dollars, unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

Auditor's independence declaration

The Auditor's Independence Declaration is set out on page 3.

The Half-Year Financial Report is made in accordance with a resolution of the Directors of the Company on 22 February 2023.



Scott Perkins
Chair



Brad Banducci
Managing Director and Chief Executive Officer

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

22 February 2023

The Board of Directors
Woolworths Group Limited
1 Woolworths Way
Bella Vista NSW 2153

Dear Board Members

Auditor's Independence Declaration – Woolworths Group Limited

In accordance with section 307C of the *Corporations Act 2001*, we are pleased to provide the following declaration of independence to the directors of Woolworths Group Limited.

As lead audit partners for the review of the financial report of Woolworths Group Limited for the half-year ended 1 January 2023, we declare that to the best of our knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Tom Imbesi
Partner
Chartered Accountants



Travis Simkin
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss

		HALF-YEAR ENDED	
	NOTE	1 JANUARY 2023 \$M	2 JANUARY 2022 \$M
Continuing operations			
Revenue from the sale of goods and services	2	33,169	31,894
Cost of sales		(23,316)	(22,491)
Gross profit		9,853	9,403
Other revenue	2	153	143
Branch expenses	3	(5,668)	(5,753)
Administration expenses	3	(2,777)	(2,556)
Earnings before interest and tax		1,561	1,237
Finance costs	4	(346)	(305)
Profit before income tax		1,215	932
Income tax expense		(366)	(253)
Profit for the period from continuing operations		849	679
Discontinued operations			
Profit for the period from discontinued operations, after tax		–	6,387
Profit for the period		849	7,066
Profit for the period attributable to:			
Equity holders of the parent entity		845	7,063
Non-controlling interests		4	3
		849	7,066
Profit for the period attributable to equity holders of the parent entity related to:			
Profit from continuing operations		845	676
Profit from discontinued operations		–	6,387
		845	7,063
Earnings per share (EPS) attributable to equity holders of the parent entity			
Basic EPS		67.0	571.0
Diluted EPS		66.6	568.0
EPS attributable to equity holders of the parent entity from continuing operations			
Basic EPS		67.0	54.7
Diluted EPS		66.6	54.4

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying Condensed Notes to the Consolidated Financial Statements.

Consolidated Statement of Other Comprehensive Income

	HALF-YEAR ENDED	
	1 JANUARY 2023 \$M	2 JANUARY 2022 \$M
Profit for the period	849	7,066
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss, net of tax</i>		
Effective portion of changes in the fair value of cash flow hedges	(75)	29
Foreign currency translation of foreign operations	62	27
Share of other comprehensive income of associates, net of derecognition on partial disposal	1	-
<i>Items that will not be subsequently reclassified to profit or loss, net of tax</i>		
Fair value gain on equity investments designated as at fair value through other comprehensive income	-	19
Other comprehensive (loss)/income for the period, net of tax	(12)	75
Total comprehensive income for the period	837	7,141
Total comprehensive income for the period attributable to:		
Equity holders of the parent entity	833	7,138
Non-controlling interests	4	3
	837	7,141
Total comprehensive income for the period from continuing operations attributable to:		
Equity holders of the parent entity	833	751
Non-controlling interests	4	3
	837	754

The above Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying Condensed Notes to the Consolidated Financial Statements.

For personal use only

Consolidated Statement of Financial Position

	NOTE	AS AT		
		1 JANUARY 2023 \$M	26 JUNE 2022 \$M	2 JANUARY 2022 \$M
Current assets				
Cash and cash equivalents		1,059	1,032	1,006
Trade and other receivables		1,211	1,044	1,077
Inventories		3,944	3,593	3,554
Other financial assets		55	106	34
Other current assets		42	48	48
		6,311	5,823	5,719
Assets held for sale		209	287	166
Total current assets		6,520	6,110	5,885
Non-current assets				
Trade and other receivables		147	159	151
Other financial assets		89	95	82
Lease assets		9,696	9,995	10,178
Property, plant and equipment		8,705	8,231	7,822
Intangible assets		5,708	5,278	5,309
Investments accounted for using the equity method	6	1,102	1,691	1,683
Deferred tax assets		1,437	1,337	1,341
Other non-current assets		368	377	372
Total non-current assets		27,252	27,163	26,938
Total assets		33,772	33,273	32,823
Current liabilities				
Trade and other payables		7,535	7,002	7,153
Lease liabilities		1,478	1,572	1,561
Borrowings		525	354	409
Current tax payable		101	12	32
Other financial liabilities		163	109	172
Provisions		1,686	1,680	1,713
Other current liabilities		11	–	–
		11,499	10,729	11,040
Liabilities directly associated with assets held for sale		15	21	–
Total current liabilities		11,514	10,750	11,040
Non-current liabilities				
Lease liabilities		10,624	10,899	10,992
Borrowings		3,640	3,938	3,509
Other financial liabilities		741	690	698
Provisions		832	846	837
Other non-current liabilities		47	46	55
Total non-current liabilities		15,884	16,419	16,091
Total liabilities		27,398	27,169	27,131
Net assets		6,374	6,104	5,692
Equity				
Contributed equity	8	5,428	5,207	5,230
Reserves		(7,560)	(7,400)	(7,438)
Retained earnings		8,375	8,173	7,774
Equity attributable to equity holders of the parent entity		6,243	5,980	5,566
Non-controlling interests		131	124	126
Total equity		6,374	6,104	5,692

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Condensed Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

HALF-YEAR ENDED 1 JANUARY 2023	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY					NON-CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
	SHARE CAPITAL \$M	SHARES HELD IN TRUST \$M	RESERVES \$M	RETAINED EARNINGS \$M	TOTAL \$M		
Balance at 26 June 2022	5,379	(172)	(7,400)	8,173	5,980	124	6,104
Profit for the period	–	–	–	845	845	4	849
Other comprehensive loss for the period, net of tax	–	–	(12)	–	(12)	–	(12)
Total comprehensive income for the period, net of tax	–	–	(12)	845	833	4	837
Dividends paid	–	–	–	(643)	(643)	(5)	(648)
Issue/(transfer) of shares to satisfy employee long-term incentive plans	–	128	(128)	–	–	–	–
Issue of shares to satisfy the dividend reinvestment plan	94	–	–	–	94	–	94
Purchase of shares by the Woolworths Employee Share Trust	–	(1)	–	–	(1)	–	(1)
Recognition of non-controlling interest on acquisition of subsidiary	–	–	–	–	–	8	8
Recognition of put option over non-controlling interest	–	–	(79)	–	(79)	–	(79)
Share-based payments expense	–	–	59	–	59	–	59
Balance at 1 January 2023	5,473	(45)	(7,560)	8,375	6,243	131	6,374

HALF-YEAR ENDED 2 JANUARY 2022	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY					NON-CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
	SHARE CAPITAL \$M	SHARES HELD IN TRUST \$M	RESERVES \$M	RETAINED EARNINGS \$M	TOTAL \$M		
Balance at 27 June 2021	5,466	(213)	(6,989)	3,115	1,379	360	1,739
Profit for the period	–	–	–	7,063	7,063	3	7,066
Other comprehensive income for the period, net of tax	–	–	75	–	75	–	75
Total comprehensive income for the period, net of tax	–	–	75	7,063	7,138	3	7,141
Dividends paid	–	–	–	(697)	(697)	(5)	(702)
Share buy-back	(250)	–	–	(1,750)	(2,000)	–	(2,000)
Demerger of Endeavour Group	–	–	(43)	43	–	(282)	(282)
Issue/(transfer) of shares to satisfy employee long-term incentive plans	–	158	(158)	–	–	–	–
Issue of shares to satisfy the dividend reinvestment plan	94	–	–	–	94	–	94
Purchase of shares by the Woolworths Employee Share Trust	–	(25)	–	–	(25)	–	(25)
Recognition of non-controlling interest on acquisition of subsidiary	–	–	–	–	–	50	50
Recognition of put option over non-controlling interest	–	–	(411)	–	(411)	–	(411)
Share-based payments expense	–	–	88	–	88	–	88
Balance at 2 January 2022	5,310	(80)	(7,438)	7,774	5,566	126	5,692

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Condensed Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	NOTE	HALF-YEAR ENDED	
		1 JANUARY 2023 \$M	2 JANUARY 2022 \$M
Cash flows from operating activities			
Receipts from customers		35,210	33,811
Payments to suppliers and employees		(32,335)	(31,235)
Payments for the interest component of lease liabilities		(320)	(322)
Finance costs paid on borrowings		(52)	(13)
Income tax paid		(354)	(510)
Net cash provided by operating activities		2,149	1,731
Cash flows from investing activities			
Proceeds and advances from the sale of property, plant and equipment		134	228
Payments for property, plant and equipment and intangible assets		(1,274)	(1,144)
Proceeds from the sale of subsidiaries and investments, net of cash disposed		659	53
Payments for the purchase of businesses, net of cash acquired		(365)	(396)
Payments for the purchase of investments		(13)	(23)
Net advances to related parties		–	(17)
Dividends received	6	20	19
Net cash used in investing activities		(839)	(1,280)
Cash flows from financing activities			
Repayment of the principal component of lease liabilities		(580)	(554)
Proceeds from borrowings		775	1,988
Repayment of borrowings		(925)	(969)
Proceeds from loan to related party		–	1,712
Distribution to related party		–	(437)
Payments for share buy-back		–	(2,000)
Dividends paid	7	(549)	(603)
Dividends paid to non-controlling interests		(5)	(5)
Payment for shares held in trust	8	(1)	(25)
Net cash used in financing activities		(1,285)	(893)
Net increase/(decrease) in cash and cash equivalents		25	(442)
Effect of exchange rate changes on cash and cash equivalents		2	2
Cash and cash equivalents at start of period		1,032	1,446
Cash and cash equivalents at end of period		1,059	1,006

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Condensed Notes to the Consolidated Financial Statements.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

1 General information

1.1 Basis of preparation

Woolworths Group Limited (the Company) is a for-profit company incorporated and domiciled in Australia. The Half-Year Financial Report of the Company is for the 27-week period ended 1 January 2023 and comprises the Company and its subsidiaries (together referred to as the Group). The comparative period is the 27-week period ended 2 January 2022.

The Half-Year Financial Report was authorised for issue by the Directors on 22 February 2023.

The Consolidated Financial Statements are presented in Australian dollars and amounts have been rounded to the nearest million dollars unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

The Consolidated Financial Statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or at fair values as at the end of each reporting period.

The accounting policies applied in the preparation of the Half-Year Financial Report are consistent with those applied in the Company's Financial Report for the 52-week period ended 26 June 2022 (2022 Financial Report), unless otherwise stated. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

1.2 Statement of compliance

The Half-Year Financial Report of the Group is a general purpose condensed financial report prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* (AASB 134) and the *Corporations Act 2001*.

Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The Half-Year Financial Report does not include all of the information required for a full Financial Report, and should be read in conjunction with the 2022 Financial Report, and any public announcements by Woolworths Group Limited and its subsidiaries during the half-year in accordance with continuous disclosure obligations under the *Corporations Act 2001* and ASX Listing Rules.

1.3 New and amended standards adopted by the Group

The Group adopted all relevant new and amended accounting standards and interpretations issued by the Australian Accounting Standards Board that are effective for annual reporting periods beginning on or after 27 June 2022. None of the new standards or amendments to standards that are mandatory for the first time materially affected any of the amounts recognised in the current period or any prior period.

1.4 Critical accounting estimates and judgements

In applying the Group's accounting policies, the directors are required to make estimates, judgements and assumptions that affect amounts reported in this Financial Report. The estimates, judgements and assumptions are based on historical experience, adjusted for current market conditions and other factors that are believed to be reasonable under the circumstances, and are reviewed on a regular basis. Actual results may differ from these estimates. The estimates, judgements and assumptions which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are as follows.

Provisions

The critical accounting estimates and judgements required to measure the Group's provisions include, but are not limited to, discount rates, expected future salary and wage levels, periods of service, wage growth, future inflation, investment returns, store exit costs in estimating the value of employee benefits, self-insurance, onerous contracts, and restructuring provisions. Included in provisions is the team member remediation provision, which represents the Group's best estimates of the expenditure required to settle the Group's obligations in accordance with the General Retail Industry Award (GRIA), other modern awards, the relevant enterprise agreements (EAs), and statutory entitlements.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

1 General information

1.4 Critical accounting estimates and judgements (continued)

TEAM MEMBER REMEDIATION PROVISIONS

End-to-end payroll review

During the 2021 financial period, the Group established an end-to-end payroll review across the Group's payroll systems and processes to test and ensure compliance with the Group's obligations under the GRIA as well as other modern awards, EAs, and statutory entitlements for both salaried and hourly paid team members across the Group. As part of this review, certain areas of non-compliance were identified.

The Group has applied extensive resources to the review and analysis of its records, and the calculation of the likely remediation to affected team members. Notwithstanding this, uncertainty remains in relation to the Group's exposure as engagement with team members and the relevant regulators remains in progress.

During the half-year ended 1 January 2023, the Group concluded its compliance testing and finalised remediation estimates relating to its multi-year review program across the relevant awards and EAs covering all employees, including the Group's supply chain operations which had not been previously reviewed. As at 1 January 2023, the Group holds \$276 million of team member remediation provisions of which \$206 million relates to hourly paid team members and \$70 million relates to salaried team members. The provisions recognised as at 1 January 2023 represent the Group's best estimate of the remaining payroll remediation obligations. The provisions remain subject to verification, finalisation of payments to the respective team members, and the outcomes from any further interactions with the relevant regulatory bodies.

Hourly paid team members

During the period, the Group completed its remaining compliance testing and finalised remediation estimates relating to its multi-year review program. The analysis included the Group's supply chain operations, which had not been previously reviewed. As a result, the Group recognised a provision of \$70 million relating to team member payment shortfalls (including interest and on-costs) predominantly as a result of non-compliance with EAs for hourly paid team members across the Group's supply chain operations for the 2017 to 2023 financial reporting periods. Of this provision, \$61 million has been recognised as a significant item as it relates to prior periods (refer to Note 1.6 for further details). The provision included in the Consolidated Statement of Financial Position as at 1 January 2023 relating to team member pay remediation to settle any remaining obligations for hourly paid team members is \$206 million.

Salaried team members

On 30 October 2019, the Group disclosed that a number of salaried team members had not been paid in full compliance with the Group's obligations under the GRIA. The Group has provided in excess of \$500 million in relation to the remediation of salaried team members. Significant progress has been made to remediate the impacted salaried team members with \$477 million paid to those team members to date. In June 2021, the Fair Work Ombudsman (FWO) commenced legal proceedings against the Woolworths Group, seeking orders in relation to alleged contraventions of the Fair Work Act and for further compensation of affected salaried team members. The FWO proceedings have now been listed for trial, commencing in June 2023. Class action proceedings brought by Adero Law Firm against the Woolworths Group in 2019 also continue and will be heard at the same time.

The Group is defending the FWO proceedings and the class action proceedings. While the Group has been guided by extensive advice from external counsel, the outcome and total costs associated with the proceedings are uncertain. There is a risk that the Court may determine these matters contrary to the Group's current assessment of the position and require the Group to make further material remediation payments. During the period, no changes to the estimate of the provision for salaried team members have been made. As at 1 January 2023, the Group has a provision of \$70 million to settle any remaining obligations. Any changes as a result of new information will be treated as a change in accounting estimate and will be recognised in the Consolidated Statement of Profit or Loss in the period in which the new information is available.

Other financial assets and liabilities

Other financial assets and liabilities include the put options over non-controlling interests which require judgement due to the high degree of complexity in the estimation of the amounts expected to be paid at the time of exercise, with reference to the key terms of the respective shareholder agreements and business outlook. The value of the put option liabilities over non-controlling interests are determined using a revenue, gross transaction value (GTV) and/or EBITDA multiple which is applied to the forecast or average forecast of the last 12 to 36 months of revenue, GTV and/or EBITDA at the expected time of option exercise. Any reasonably possible changes to these inputs would result in a change to the valuation of the put option liabilities, with any impact recognised in the Consolidated Statement of Profit or Loss.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

1 General information

1.5 Financial performance and sustainability related matters

For the period ended 1 January 2023 (H1 F23), revenue from the sale of goods and services grew by 4.0%. Group EBIT before significant items increased by 18.4% compared to the prior year, reflecting increased sales in Australian Food, strong sales growth in BIG W, new customers in PFD, and the non-recurrence of material COVID costs in the prior period. In H1 F23, the Group also benefitted from a focus on improving customer shopping experience, restoration of operating rhythm, and strong seasonal trading. The Group continues to make progress towards its Strategic and Sustainability agendas through various initiatives and during the period, this included the removal of over 1,700 tonnes of virgin plastic packaging from the Group's own brand products and the completion of the pilot phase of the Group's Scope 3 emissions program with suppliers.

The financial performance of the Group's reportable segments, including the impacts of sustainability related matters, is as follows:

- **Australian Food** – sales grew by 2.5% while EBIT increased by 18.2% or 4.3% excluding direct COVID costs incurred in the prior year. Contributing to the growth was an increase in Woolworths Food Retail and Metro Food Stores (store-originated) sales as customers returned to shopping in store. This was partially offset by a decline of 7.5% in B2C eCommerce sales, which largely reflects the cycling of elevated eCommerce sales during the prior year lockdowns. Notwithstanding this, average weekly traffic to the Food and Everyday digital platforms continued to grow, primarily driven by increased traffic to both the Woolworths and Everyday Rewards apps. During the period, continued progress on sustainability was made with the removal of plastic bags in store and online in SA and NT, as well as the installation of solar panels on another 27 Supermarkets and three supply chain facilities.
- **Australian B2B** – sales increased by 23.0% to \$2,433 million, reflecting new customer growth in PFD, increase in external primary freight services, and growth in Primary Connect's international business.
- **New Zealand Food** – sales in Australian dollars decreased to \$3,703 million, however increased by 1.3% in New Zealand dollars, with modest growth due to the cycling of COVID disruptions. While EBIT declined to \$111 million, the H1 F23 performance was within the earnings range provided at the Q1 F23 sales announcement. Notwithstanding the reduction in EBIT compared to prior year due to an increase in team member wages and inflationary pressures, including higher supply chain labour, store and support office costs, increased signs of stability were evident in Q2 F23, as trading performance improved. During the period, good progress was made to support the Group's sustainability agenda, including the launch of Māori language option at self-serve checkouts, successful community appeals, and a continued focus on team safety.
- **BIG W** – sales increased to \$2,708 million or 15.3% compared to the prior period, reflecting the return to a more normal trading environment after a period of temporary store closures in H1 F22. Compared to the prior year, growth in Q2 F23 was supported by a strong performance in seasonal events, including Halloween, Black Friday and Christmas. During the period, progress towards the Group's sustainability agendas continued with the launch of a national fundraising campaign to support communities still recovering from the impact of floods, through donations to zero-waste partner Good360 to deliver essential goods to those impacted, and BIG W's Toys For Joy recycling program which saved over 62 tonnes of toys from landfill through dedicated bins.
- **Other** – primarily comprises the Group's costs, share of profit or loss of investments accounted for using the equity method, and Quantum and MyDeal, which are not considered separately reportable segments.

1.6 Individually significant items

Significant items have been highlighted to help users of this Financial Report understand the financial performance of the Group during the period. The significant items included within the Consolidated Statement of Profit or Loss are as follows:

HALF-YEAR ENDED 1 JANUARY 2023	PROFIT BEFORE INCOME TAX \$M	INCOME TAX BENEFIT/ (EXPENSE) \$M	PROFIT FOR THE PERIOD \$M
End-to-end payroll review remediation	(61)	18	(43)
Supply chain network review	(32)	10	(22)
BIG W network review	47	(14)	33
Exit of the Summergate business	(30)	–	(30)
Total Group significant items	(76)	14	(62)

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

1 General information

1.6 Individually significant items (continued)

End-to-end payroll review remediation

As part of the Group's end-to-end payroll review remediation program, the Group completed its remaining compliance testing and finalised remediation estimates relating to its multi-year review program. The analysis included the Group's supply chain operations, which had not been previously reviewed.

During the period, the Group recognised a significant item provision of \$61 million for prior period payment shortfalls due to non-compliance with EAs for hourly paid team members and other one-off remediation charges, such as interest and on-costs, predominantly across the Group's supply chain operations.

Supply chain network review

As part of the Group's ongoing supply chain network strategy and transformation, a provision for redundancy costs associated with the announced closure of four distribution centres in New South Wales and Victoria was recognised in prior periods. During the current period, the Group reassessed the provision for redundancy costs and recognised an additional \$32 million predominantly relating to increases in wage rates and redundancy terms specific to the relevant EAs for impacted team members, as agreed in EA negotiations during the period.

BIG W network review

The Group previously announced the planned closure of certain BIG W stores and recognised onerous contract provisions relating to the anticipated costs of lease terminations. Ongoing negotiations with landlords has resulted in a preferred strategy to exit these stores at the end of their current lease term. As a consequence, exit payments are no longer required, and therefore, the onerous contract provisions were reassessed and a \$47 million gain was recognised during the period as a significant item.

Exit of the Summergate business

During the period, the Group signed an agreement to sell Summergate, the Group's alcoholic drinks distributor in China. The net assets and liabilities of the business will be sold, with the purchaser to assume all ongoing trading liabilities of the business. In accordance with the accounting standards, this was classified as held for sale as at 1 January 2023 and resulted in the Group recognising a net loss of \$30 million as a significant item during the period to write down the net assets of the business in anticipation of the sale.

2 Revenue

	HALF-YEAR ENDED	
	1 JANUARY 2023 \$M	2 JANUARY 2022 \$M
Sale of goods in-store	27,179	26,014
Sale of goods online	3,332	3,626
Other revenue from the sale of goods and services ¹	2,658	2,254
Total revenue from the sale of goods and services	33,169	31,894
Share of profit of investments accounted for using the equity method	41	29
Other ²	112	114
Total other revenue	153	143
Total revenue	33,322	32,037

1 Other revenue from the sale of goods and services primarily comprises revenue from the distribution of food and related products for resale to other businesses, provision of supply chain services to business customers, commission received on financial services, consultancy revenue, and revenue relating to the Endeavour Group Partnership Agreements.

2 Other comprises operating lease rental income, revenue from non-operating activities across the Group, and other revenue relating to the Endeavour Group Partnership Agreements.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

3 Branch and administration expenses

	HALF-YEAR ENDED	
	1 JANUARY 2023 \$M	2 JANUARY 2022 \$M
Employee benefits expense	5,144	5,120
Depreciation and amortisation expense	1,287	1,214
Occupancy expenses ¹	321	354
Contract labour and consultancy fees	733	772
Other ²	960	849
Total branch and administration expenses	8,445	8,309
Branch expenses	5,668	5,753
Administration expenses	2,777	2,556
Total branch and administration expenses	8,445	8,309

1 Occupancy expenses primarily comprise service components of leases and outgoing expenses.

2 Other primarily comprises light and power, IT, and repairs and maintenance expenses.

4 Finance costs

	HALF-YEAR ENDED	
	1 JANUARY 2023 \$M	2 JANUARY 2022 \$M
Interest expense – leases	279	281
Interest expense – non-leases	91	41
Less: Interest capitalised	(13)	(5)
Other ¹	(11)	(12)
Total finance costs	346	305

1 Other primarily comprises finance income recognised by the Group, in its capacity as a lessor, over the lease term.

5 Segment reporting

Reportable segments are identified on the basis of internal reports on the business units of the Group that are regularly reviewed by the Board, including the Chief Executive Officer, in order to allocate resources to the segment and assess its performance. These business units offer different products and services, or service different customer types, and are managed separately. The Group's reportable segments are as follows:

- **Australian Food** – procurement of food and related products for resale and provision of services to retail customers in Australia;
- **Australian B2B** – procurement and distribution of food and related products for resale to other businesses and provision of supply chain services to business customers in Australia;
- **New Zealand Food** – procurement of food and drinks for resale and provision of services to retail customers in New Zealand;
- **BIG W** – procurement of discount general merchandise products for resale to retail customers in Australia; and
- **Other** – comprises Quantum and MyDeal, which are not considered separately reportable segments, as well as various support functions including property and Group overhead costs, the Group's share of profit or loss of investments accounted for using the equity method, and consolidation and elimination journals.

The financial performance of the Group, in particular BIG W, is affected by seasonality whereby earnings are typically greater in the first half of the financial period due to the Christmas trading period. There are varying levels of integration between the Group's reportable segments. This includes the common usage of property, services and administration functions. Intersegment pricing is determined on commercial terms.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

5 Segment reporting

The primary reporting measure of the reportable segments is earnings before interest, tax, and significant items which is consistent with the way management monitors and reports the performance of these segments.

HALF-YEAR ENDED 1 JANUARY 2023	AUSTRALIAN FOOD \$M	AUSTRALIAN B2B \$M	NEW ZEALAND FOOD \$M	BIG W \$M	OTHER \$M	CONSOLIDATED CONTINUING OPERATIONS \$M
Revenue from the sale of goods and services ¹	24,385	2,433	3,703	2,708	(60)	33,169
Other revenue	–	–	–	–	153	153
Total revenue	24,385	2,433	3,703	2,708	93	33,322
Earnings/(loss) before interest, tax, and significant items	1,439	38	111	134	(85)	1,637
Significant items ²						(76)
Earnings before interest and tax						1,561
Finance costs						(346)
Profit before income tax						1,215
Income tax expense						(366)
Profit for the period						849
Depreciation – lease assets	368	32	65	51	27	543
Depreciation and amortisation – non-lease assets	517	24	83	54	66	744
Capital expenditure³	546	21	119	59	505	1,250

HALF-YEAR ENDED 2 JANUARY 2022	AUSTRALIAN FOOD \$M	AUSTRALIAN B2B \$M	NEW ZEALAND FOOD \$M	BIG W \$M	OTHER \$M	CONSOLIDATED CONTINUING OPERATIONS \$M
Revenue from the sale of goods and services ¹	23,780	1,979	3,838	2,348	(51)	31,894
Other revenue	–	–	–	–	143	143
Total revenue	23,780	1,979	3,838	2,348	92	32,037
Earnings/(loss) before interest, tax, and significant items	1,217	18	191	25	(69)	1,382
Significant items ²						(145)
Earnings before interest and tax						1,237
Finance costs						(305)
Profit before income tax						932
Income tax expense						(253)
Profit for the period						679
Depreciation – lease assets	360	29	64	55	28	536
Depreciation and amortisation – non-lease assets	477	22	82	42	55	678
Capital expenditure³	589	10	112	51	373	1,135

- Revenue from the sale of goods and services in Australian B2B includes \$180 million (2022: \$150 million) of freight revenue relating to the transportation of the Group's own products. At a Group level, this revenue is classified and recognised as a reduction in cost of sales. As a result, a \$180 million (2022: \$150 million) reclassification between revenue and cost of sales has been recognised in the Other segment. This has not resulted in a change to earnings before interest and tax at a Group level.
- Significant items net loss before tax of \$76 million (2022: net loss before tax of \$145 million) includes \$61 million of end-to-end payroll review remediation costs, \$32 million of supply chain network review costs, \$30 million loss for the exit of the Summergate business, which is offset by a \$47 million gain relating to the BIG W network review.
- Capital expenditure is comprised of property, plant and equipment, and intangible asset acquisitions.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

6 Investments accounted for using the equity method

6.1 Details of investments accounted for using the equity method

	AS AT 1 JANUARY 2023		AS AT 26 JUNE 2022		AS AT 2 JANUARY 2022	
	OWNERSHIP INTEREST %	\$M	OWNERSHIP INTEREST %	\$M	OWNERSHIP INTEREST %	\$M
Endeavour Group Limited	9.1	1,045	14.6	1,646	14.6	1,637
Other individually immaterial investments in associates and joint ventures	–	57	–	45	–	46
		1,102		1,691		1,683

On 16 December 2022, the Group sold 5.5% of the issued share capital of Endeavour Group Limited via a block trade at a price of \$6.46 per share for a total cash consideration of \$634 million (net of brokerage fees of \$2 million). Following the sale of shares during the period, the Group retains a 9.1% interest in Endeavour Group.

The Group therefore derecognised a portion of the carrying value of its investment of \$630 million to reflect the sale of 5.5% of its shares. In addition, a portion of the Group's share of Endeavour Group reserves of \$2 million was derecognised, resulting in a total gain of \$6 million being recognised during the period in the Consolidated Statement of Profit or Loss.

Notwithstanding that the Group's ownership interest is less than 20%, the Group has significant influence through its existing Partnership Agreements, and therefore continues to apply the equity method of accounting.

6.2 Results of investments accounted for using the equity method

HALF-YEAR ENDED 1 JANUARY 2023	ENDEAVOUR GROUP LIMITED \$M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN ASSOCIATES \$M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN JOINT VENTURES \$M	TOTAL \$M
Revenue ¹	6,502	111	33	6,646
Profit/(loss) for the period, net of tax ¹	364	(4)	(9)	351
Other comprehensive income for the period, net of tax ¹	2	–	–	2
Total comprehensive income/(loss) for the period	366	(4)	(9)	353
Group's share of total comprehensive income/(loss) recognised for the period ²	49	(1)	(4)	44

HALF-YEAR ENDED 2 JANUARY 2022	ENDEAVOUR GROUP LIMITED \$M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN ASSOCIATES \$M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN JOINT VENTURES \$M	TOTAL \$M
Revenue ¹	6,337	102	25	6,464
Profit/(loss) for the period, net of tax ¹	311	2	(5)	308
Other comprehensive income for the period, net of tax ¹	16	–	–	16
Total comprehensive income/(loss) for the period	327	2	(5)	324
Group's share of total comprehensive income/(loss) recognised for the period ²	32	–	(3)	29

¹ Based on the latest available Financial Results or management accounts at the reporting date.

² Based on consensus data for Endeavour Group Limited and the latest available management accounts for the Group's remaining investments as at the reporting date.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

6 Investments accounted for using the equity method

6.3 Movements in carrying amount of investments accounted for using the equity method

AS AT 1 JANUARY 2023	ENDEAVOUR GROUP LIMITED \$M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN ASSOCIATES \$M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN JOINT VENTURES \$M	TOTAL \$M
Carrying amount at start of period	1,646	26	19	1,691
Additions	–	6	11	17
Disposals	(630)	–	–	(630)
Share of net profit/(loss) for the period, net of tax	46	(1)	(4)	41
Share of other comprehensive income for the period, net of tax	3	–	–	3
Dividends received	(20)	–	–	(20)
Carrying amount at end of period	1,045	31	26	1,102

AS AT 26 JUNE 2022	ENDEAVOUR GROUP LIMITED \$M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN ASSOCIATES \$M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN JOINT VENTURES \$M	TOTAL \$M
Carrying amount at start of period	–	26	4	30
Additions	1,623	–	19	1,642
Share of net profit/(loss) for the period, net of tax	72	–	(4)	68
Share of other comprehensive income for the period, net of tax	2	–	–	2
Dividends received	(51)	–	–	(51)
Carrying amount at end of period	1,646	26	19	1,691

AS AT 2 JANUARY 2022	ENDEAVOUR GROUP LIMITED \$M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN ASSOCIATES \$M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN JOINT VENTURES \$M	TOTAL \$M
Carrying amount at start of period	–	26	4	30
Additions	1,623	1	19	1,643
Share of net profit/(loss) for the period, net of tax	32	–	(3)	29
Dividends received	(18)	(1)	–	(19)
Carrying amount at end of period	1,637	26	20	1,683

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

6 Investments accounted for using the equity method

6.4 Summary financial position of investment in associate that is material to the Group

	AS AT		
	1 JANUARY 2023 \$M	26 JUNE 2022 \$M	2 JANUARY 2022 \$M
ENDEAVOUR GROUP LIMITED			
Current assets	2,154	1,782	2,341
Non-current assets	9,507	9,081	9,000
Total assets	11,661	10,863	11,341
Current liabilities	2,633	2,193	2,706
Non-current liabilities	5,224	5,102	5,053
Total liabilities	7,857	7,295	7,759
Net assets	3,804	3,568	3,582
Group's share of net assets ¹	340	518	509
Fair value adjustment ²	705	1,128	1,128
Carrying amount at end of period	1,045	1,646	1,637

1 Group's share of net assets is based on consensus data as at the reporting date.

2 Fair value adjustment represents the difference between (i) the Group's retained investment in Endeavour Group Limited measured at fair value following the loss of control on 28 June 2021 and the sale of 5.5% of the issued share capital during the period, and (ii) the carrying value of the Group's investment as at the reporting date. A gain on demerger of \$6,387 million was also recognised within discontinued operations during the 2022 financial period.

7 Dividends

	HALF-YEAR ENDED 1 JANUARY 2023			HALF-YEAR ENDED 2 JANUARY 2022		
	CENTS PER SHARE	TOTAL AMOUNT \$M	DATE OF PAYMENT	CENTS PER SHARE	TOTAL AMOUNT \$M	DATE OF PAYMENT
Prior year final	53	643	27 September 2022	55	697	8 October 2021
Dividends paid during the period	53	643		55	697	
Issue of shares to satisfy the dividend reinvestment plan		(94)			(94)	
Dividends paid in cash		549			603	

All dividends are fully franked at a 30% tax rate.

On 22 February 2023, the Board of Directors declared an interim dividend in respect of the 2023 financial period of 46 cents per share, fully franked at a 30% tax rate (compared to the 39 cents interim dividend declared in February 2022). The amount will be paid on or around 13 April 2023 and is expected to be \$560 million. As the dividends were declared subsequent to 1 January 2023, no provision has been made as at 1 January 2023.

Dividend Reinvestment Plan (DRP)

The DRP remains active. Eligible shareholders may participate in the DRP in respect of all or part of their shareholding. There is currently no DRP discount applied and no limit on the number of shares that can participate in the DRP.

Shares will be allocated to shareholders under the DRP for the 2023 interim dividend at an amount equal to the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of five trading days commencing on 7 March 2023. The last date for receipt of election notices for the DRP is 6 March 2023. The Company intends to issue new shares to satisfy its obligations under the DRP.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

8 Contributed equity

	HALF-YEAR ENDED 1 JANUARY 2023		YEAR ENDED 26 JUNE 2022		HALF-YEAR ENDED 2 JANUARY 2022	
	NUMBER M	\$M	NUMBER M	\$M	NUMBER M	\$M
SHARE CAPITAL						
<i>Movement:</i>						
Balance at start of period	1,213.9	5,379	1,267.7	5,466	1,267.7	5,466
Issue of shares to satisfy the dividend reinvestment plan	2.6	94	4.2	163	2.3	94
Share buy-back	–	–	(58.0)	(250)	(58.0)	(250)
Balance at end of period¹	1,216.5	5,473	1,213.9	5,379	1,212.0	5,310
SHARES HELD IN TRUST						
<i>Movement:</i>						
Balance at start of period	(4.8)	(172)	(5.1)	(213)	(5.1)	(213)
Issue of shares to satisfy employee long-term incentive plans	3.5	128	3.9	166	3.6	158
Purchase of shares by the Woolworths Employee Share Trust	–	(1)	(3.6)	(125)	(0.6)	(25)
Balance at end of period	(1.3)	(45)	(4.8)	(172)	(2.1)	(80)
Contributed equity at end of period	1,215.2	5,428	1,209.1	5,207	1,209.9	5,230

¹ As at 1 January 2023, the Group's fully paid ordinary shares were 1,216,476,503 (26 June 2022: 1,213,902,476 and 2 January 2022: 1,211,975,683).

9 Commitments for capital expenditure

Capital expenditure commitments of the Group at the reporting date are as follows:

	AS AT	
	1 JANUARY 2023 \$M	2 JANUARY 2022 \$M
<i>Estimated capital expenditure under firm contracts, payable:</i>		
Not later than one year	1,046	1,380
Later than one year, not later than two years	243	377
Later than two years, not later than five years	65	45
Total capital expenditure commitments	1,354	1,802

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

10 Acquisition of subsidiaries and other transactions

10.1 Acquisition of subsidiaries

During the period, the Group acquired 100% of Shopper Media Group Holdings Pty Ltd (Shopper), a leading Australian digital out of home media company, and 80.2% of online marketplace MyDeal.com.au Limited (MyDeal). This resulted in the Group gaining control of Shopper and MyDeal for total consideration of \$380 million.

The acquisition of Shopper supports the growth potential of Cartology, the Group's existing retail media business, as it offers targeted shopper advertising through a national screen network of more than 2,000 screens in over 400 shopping centres. The Group paid \$162 million for the acquisition of Shopper, which includes initial consideration of \$159 million and \$3 million relating to both working capital adjustments and an earn out arrangement as certain earning thresholds were achieved during the period.

Separately, the Group acquired 80.2% of the issued share capital of MyDeal for \$218 million. MyDeal is one of Australia's leading online marketplaces and this investment enhances the Group's marketplace capabilities, particularly in furniture, homewares, and other bulky goods. MyDeal minority shareholders have a put option and the Group has an equivalent call option over the remaining 19.8% of the shares in MyDeal, which is exercisable after three years from the acquisition date. The put option liability is primarily referenced to a gross transaction value multiple that incorporates the growth or decline in specific profitability measures between entry (as at acquisition date) and exit (as at put option exercise date), adjusted for changes in working capital and net debt.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of identifiable assets acquired and liabilities assumed of Shopper and MyDeal at the date of acquisition:

	SHOPPER \$M	MYDEAL \$M	TOTAL \$M
Assets			
Cash and cash equivalents	6	9	15
Trade and other receivables	8	–	8
Inventories	–	11	11
Lease assets	44	–	44
Property, plant and equipment	17	1	18
Intangible assets ¹	57	49	106
Deferred tax assets	–	7	7
Other assets	2	1	3
Total assets	134	78	212
Liabilities			
Trade and other payables	6	21	27
Lease liabilities	44	–	44
Provisions	6	1	7
Deferred tax liabilities	15	13	28
Other liabilities	–	2	2
Total liabilities	71	37	108
Total identifiable net assets acquired	63	41	104

¹ Intangible assets include license agreements of \$54 million, software of \$28 million, brand names of \$14 million, and customer relationships of \$10 million, which are amortised on a straight-line basis over their expected useful lives.

The fair value of identifiable net assets acquired have been measured provisionally. Any material changes to the amounts recognised within one year of the acquisition date due to new information obtained about the facts and circumstances that existed as at the acquisition date will be recognised by the Group. From the date of acquisition, both Shopper's and MyDeal's contribution to the Group's earnings during the period ended 1 January 2023 was not material.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

10 Acquisition of subsidiaries and other transactions

10.1 Acquisition of subsidiaries (continued)

GOODWILL

Goodwill arising from the acquisitions has been recognised as follows:

	SHOPPER \$M	MYDEAL \$M	TOTAL \$M
Consideration	162	218	380
Non-controlling interest ¹	–	8	8
Fair value of identifiable net assets acquired	(63)	(41)	(104)
Goodwill	99	185	284

¹ Based on the non-controlling interest's proportion of the fair value of identifiable net assets of MyDeal.

The \$284 million of goodwill is attributable mainly to the skills, expertise, and technical talent of the existing Shopper and MyDeal team members in out of home media and online retail marketplace, and intangible assets that do not qualify for separate recognition. The goodwill recognised on acquisition will be allocated to the Group's existing business units where the expected synergies of the combination are expected to be earned.

PUT OPTION

The Group has a put option liability over the remaining 19.8% of the shares in MyDeal which is expected to be exercised after 30 June 2025. On acquisition, a put option liability of \$79 million was recognised at the present value of the amount expected to be paid at the time of exercise within other financial liabilities with a corresponding charge directly to equity.

During the period, the amount expected to be paid at the time of exercise was reassessed as the Group considered the key terms of the shareholders agreement and the business outlook. In the period, no material change to the estimate of the amount expected to be paid at the time of exercise was determined and a portion of the discount on the put option liability was unwound through finance costs in the Consolidated Statement of Profit or Loss. As at 1 January 2023, the carrying value of the put option liability was \$80 million.

10.2 Other transactions

On 15 December 2022, the Group announced that it had entered into an agreement to acquire a 55% equity interest in Petspiration Group, a leading Australian and New Zealand specialty pet food, accessories and services retailer for cash consideration of \$586 million. The transaction remains subject to customary closing conditions, including approvals from both the Australian Competition and Consumer Commission and the New Zealand Commerce Commission. As this transaction has not yet completed, no accounting impacts have been recognised during the period.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 1 January 2023

11 Contingent liabilities

The Group has entered into the following guarantees, however, the probability of having to make a payment under these guarantees is considered remote:

- Guarantees in the normal course of business relating to conditions set out in development applications and for the sale of properties; and
- Guarantees against workers' compensation self-insurance liabilities as required by state WorkCover authorities. The guarantees are based on independent actuarial advice of the outstanding liability.

No provision has been made in the Consolidated Financial Statements in respect of these contingencies, however, there is a provision of \$637 million for self-insured risks (26 June 2022: \$628 million), which includes liabilities relating to workers' compensation claims that have been recognised in the Consolidated Statement of Financial Position at the reporting date.

From time to time, entities within the Group are party to various legal actions as well as inquiries from regulators and government bodies that have arisen in the ordinary course of business. Consideration has been given to such matters and it has been determined that these matters are not at a stage to support a reasonable evaluation of the likely outcome.

12 Subsequent events

As at the date of this report, there has not been any matter or circumstance occurring subsequent to the end of the reporting period which would have a material impact on the 2023 Half-Year Financial Report.

Directors' Declaration

The directors of the Company declare that, in the opinion of the directors:

- a) The consolidated financial statements and notes for the half-year ended 1 January 2023 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Australian Accounting Standards, International Financial Reporting Standards and any further requirements in the *Corporations Regulations 2001*; and
 - ii) giving a true and fair view of the Group's financial position;
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made and signed in accordance with a resolution of the directors.

On behalf of the directors,



Scott Perkins
Chair

22 February 2023



Brad Banducci
Managing Director and Chief Executive Officer

Independent Auditor's Review Report



Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060
Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia
DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent Auditor's Review Report to the members of Woolworths Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Woolworths Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the Consolidated Statement of Financial Position as at 1 January 2023, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 1 January 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Half-year Financial Report section of our report.

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Independent Auditor's Review Report

**Auditor's Responsibilities for the Review of the Half-Year Financial Report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 1 January 2023 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that reads "Tom Imbesi".

Tom Imbesi
Partner
Chartered Accountants

Sydney, 22 February 2023

A handwritten signature in black ink that reads "Travis Simkin".

Travis Simkin
Partner
Chartered Accountants

Sydney, 22 February 2023