

Australian Food

Australian Food's sales performance improved in the second half ending the year with good momentum after a challenging first half.



Sales (\$M)

\$39,568

▲ 3.3%¹ from F18

EBIT (\$M)

\$1,857

▲ 3.8%¹ from F18

New stores medium term annual target

WOOLWORTHS SUPERMARKETS 10-20

METRO 15-30

TRADING PERFORMANCE

Australian Food's VOC NPS (including Online) was up 3 pts on the prior year with Store-controllable VOC steady on the prior year. Store-controllable VOC improved on Q3'19 where scores were impacted by flood and drought effects on fruit and vegetable prices impacting quality and availability. Fruit & Vegetables and Availability scores improved 1 pt to 78% compared to June 2018, and 5 pts and 2 pts respectively vs. Q3'19. Team Attitude remained stable (89%) compared to June 2018.

In F20, Store-controllable VOC will be reduced from seven metrics to five, removing Ease of Movement and Correct Price Tickets to simplify the focus for stores on the areas that offer the most opportunity for improvement.

Sales increased by 5.3% to \$39.6 billion or 3.3% on a normalised basis. Comparable sales increased by 3.1% for the year with transaction growth of 1.8% and items per basket of 1.7% contributing to comparable item growth of 3.5%.

Despite some challenges during the year, sales momentum improved in H2 with strong growth across a number of Fresh categories. Sales in the second half also benefitted from successful campaigns including Disney Words and Earn & Learn. In Q4, comparable sales increased by 3.6% with comparable transaction growth of 1.4%. Comparable items per basket increased by 1.2%.

Excluding the sale of reusable plastic bags, comparable items per basket was flat.

Metro continued to grow strongly with further refinement to price, promotional optimisation and range curation. An extra-small store format was successfully launched in Kirribilli and new stores opened in Rozelle and Kings Cross. At the end of the financial year, 43 Metro-branded stores and 16 small Woolworths Supermarkets were managed by the Metro team.

In WooliesX, Online VOC scores improved 2 pts to 81% at the end of June, with improvements in Delivery & Pick up and Ease of Website Navigation. Online sales grew 31% (normalised) to \$1.4 billion driven by expanded offerings such as Same day, Delivery Now, Drive thru and Drive up.

Australian Food sales per square metre was \$17,163 with normalised growth of 2.0% on the prior year. During the year, 24 new stores were opened (21 supermarkets and three Metros), eight were closed and 68 Renewals completed. At year-end, there were 1,024 Woolworths Supermarkets and Metro stores.

Average prices declined 0.4% for the year, with modest inflation of 0.5% in the fourth quarter as a result of increases in a number of Fresh categories impacted by the drought including Fruit & Vegetables, Meat and Bakery.

	F19 53 WEEKS	F18 52 WEEKS	CHANGE	CHANGE NORMALISED
\$ MILLION				
Sales	39,568	37,589	5.3%	3.3%
EBITDA	2,613	2,430	7.5%	6.1%
Depreciation and amortisation	(756)	(673)	12.3%	12.3%
EBIT	1,857	1,757	5.7%	3.8%
Gross margin (%)	28.7	29.0	(24) bps	(24) bps
Cost of doing business (%)	24.0	24.3	(27) bps	(26) bps
EBIT to sales (%)	4.7	4.7	2 bps	2 bps
Sales per square metre (\$)	17,163	16,528	3.8%	2.0%
Funds employed	1,468	1,215	20.9%	
ROFE (%)	140.2	170.7	(30.6) pts	(33.2) pts

¹ Normalised for the 53rd week.



Deflation in average prices excluding Fruit & Vegetables and Tobacco continued to moderate with a decline of 1.1% in Q4, the lowest deflation in a number of years. The number of products on the Always and Prices Dropped programs stabilised compared to the prior year following input cost increases across a number of products and categories. Promotional penetration continued to decline due to a reduction in the number of promotions over the year offset partly by an increase in promotional effectiveness.

Gross margin decreased 24 bps (normalised) to 28.7% primarily driven by higher stockloss, sales mix, Meat inflation and the impact of fuel redemption costs now recorded in Australian Food. Following the sale of the Petrol business on 1 April, Australian Food's gross margin now includes Woolworths' share of the four cents per litre fuel discount which is expected to be approximately \$38 million on an annualised basis. Stockloss began to improve in Q4 driven by a number of targeted initiatives.

CODB as a percentage of sales decreased 26 bps (normalised) to 24.0% with strong cost control over the year. Strategic investments in customer service, and digital and data were offset by productivity benefits and cycling of one-off costs as highlighted in F18 (\$35 million). Included in CODB in the second half are one-off costs related to the

implementation of new operating models with the impact of these costs broadly equivalent to the one-off costs in the prior year.

The new Woolworths Supermarkets and Metro EA came into effect in January for team members; however, the impact of the EA implementation on store team costs in the second half was mitigated by accruals and various 'Simpler' productivity initiatives. F20 will have a full-year impact of the new EA but productivity initiatives are expected to continue to deliver efficiency benefits over the year. Depreciation increased by \$83 million driven by continued investments in the Renewal program and IT and digital investments including 1Store and WooliesX.

EBIT increased by 5.7% (3.8% normalised basis) to \$1,857 million with a 2 bps improvement in EBIT margin to 4.7%. Normalised EBIT in H2 increased by 3.5%.

Funds employed increased by \$253 million compared to the prior year impacted by spend on Renewals, MSRDC and the reallocation of 1Store to Australian Food upon completion of the roll out at the end of F18 which was previously held at Group level. Primarily as a result of the reallocation, ROFE declined by 33.2 pts compared to the prior year on a normalised basis; however, normalised Group ROFE increased by 11bps.

A discovery of fresh

Woolworths' Fresh Food Kids Discovery Tours was extended to all stores nationally in July 2018. To date, over 200,000 students have taken part in the free initiative to touch, taste and learn about fruit and vegetables.



Making Healthier Easier

In April, Woolworths Own Brand was named the healthiest of any major Australian supermarket by The George Institute for Global Health.



Over

800

Macro products
Australia's leading health food brand



Health Star Ratings on

100%

of eligible Own Brand products



116

stores reformatting to showcase fresh as part of the Famous for Fresh Fruit & Vegetables initiative

Improved the nutritional value of

70+

Own Brand products



440

tonnes less salt



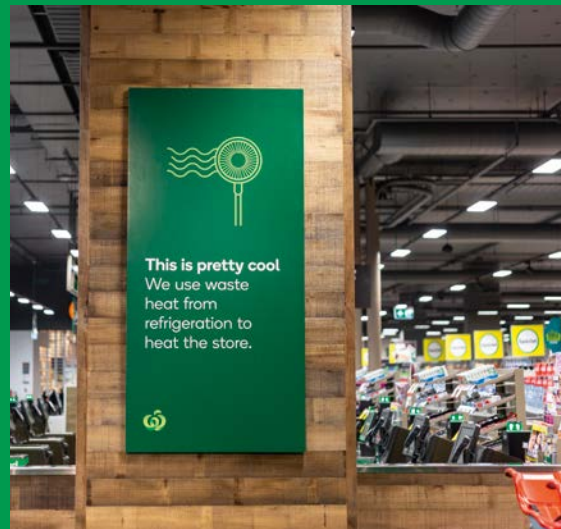
340

tonnes less sugar

Building for a greener future

Targeting a 5-star green star rating from the Green Building Council of Australia, Woolworths' most sustainable supermarket was launched in June in Heidelberg, Victoria. Operating with 25% less greenhouse gas emissions than a regular supermarket, the equivalent of 147 fewer cars on the road, the store incorporates a range of environmental features including:

- LED lighting to reduce energy usage
- carbon-efficient refrigeration and air-conditioning systems
- natural refrigerants technology delivering what amounts to a zero direct emission store
- sustainably-sourced timber cladding
- 16 electric vehicle charging bays
- 33 bicycles for team members and customers to share



The Metro experience

As the desire for walk-up convenience grows, the Metro format is proving popular with customers with the successful launch of new stores in Kirribilli, Rozelle and Kings Cross during the year. At approximately 1,000 square metres, Rozelle hosts a curated, localised range with an emphasis on meal solutions as well as the first Metro with the largest organic meat range and fresh on-the-go breakfast and lunch options, including barista made coffee, smoothies and freshly made sushi.

Supermarkets of the future

F19 saw the launch of new Woolworths Supermarket store concepts that will pioneer physical store formats for the future.

Launched in April, Gregory Hills in NSW saw the opening of Woolworths' first smart store, employing the latest in sensible technology to drive greater efficiencies and make it simpler, safer and a better experience for team and customers. Along with a bakery, large fresh section, butcher shop and dedicated Drive up, the store also features a hazard detection robot that roams the store and scans the floor for any potential safety hazards which alerts our team immediately to allow them to respond and remove the hazard quickly.



WooliesX

WooliesX had another successful year, with strong Online sales momentum across delivery and Pick up, an improved digital experience for increasingly connected customers, underpinned by continuous improvements to Woolworths Rewards and partnerships.




Online sales (\$M)

1,444M

▲ 31%¹ from F18



Digital traffic

>50%

on F18



Woolworths Rewards members

11.7M

▲ +0.8M from F18

TRADING PERFORMANCE

Investment in Australian Food's digital and data strategy through WooliesX has delivered a significant improvement in capability and strong growth over the last two years. In F19, WooliesX continued to build momentum with normalised online sales growth of 31% on last year, supported by strong Pick up growth. Online achieved a 4.1% penetration of Australian Food sales in Q4.

WooliesX's focus on solving the connected customers' needs and growing expectations contributed to Online VOC and NPS reaching record highs in December. Customer scores were impacted in March by the success of the online Freezer sale but recovered in June with VOC NPS of 61 close to all time highs. Positive customer feedback was supported by Woolworths receiving online grocery awards from Canstar Blue, Choice Recommended and Mozo during the year.

Further investment in the digital customer experience has led to significant improvements in website speed and navigation

and contributed to an improved customer uptake of the new mobile app.

To meet customers' need for ultra-convenience, WooliesX expanded Delivery Now (on-demand delivery) in Sydney, Melbourne and Brisbane reaching 38 stores by the end of June. The roll out of Drive locations also continued with 112 locations at year-end. The Scan&Go pilot has been expanded to an additional five stores, allowing customers to skip the conventional check-out process by scanning items with their phone as they shop.

Woolworths Rewards continued to grow with 11.7 million members (+0.8 million since June 2018) at year-end. Rewards members are now able to control their redemption of points with the launch of '\$10 off this shop or next shop' option at the point of sale and earn more points through the expansion of the Woolworths Rewards partnership with Caltex and BIG W. Members now have the ability to earn points at more than 860 participating Caltex and BIG W sites.



Skipping the queue

Developed in-house by the WooliesX digital team, in close collaboration with supermarket operations, the Scan&Go app was extended to five stores in F19. The expansion follows the success of Scan&Go at Woolworths Double Bay. The app allows customers to scan goods with their smartphones as they walk through the store and pay in the app before tapping off at a dedicated kiosk.

¹ Normalised for 53rd week.



New Zealand Food¹

New Zealand Food had a strong second half with improved customer metrics, supporting strong sales and EBIT growth.



Sales (NZ\$M)

\$6,712

▲ 2.4%² from F18

EBIT (NZ\$M)

\$296

▲ 1.0%² from F18

New stores medium term annual target

3-4

TRADING PERFORMANCE

New Zealand Food's sales for the year were NZ\$6.7 billion, an increase of 4.3% on the prior year (6.0% increase in AUD) or 2.4% on a normalised basis.

Comparable sales increased 3.4% for the year, driven by positive core offer momentum with Countdown's customer satisfaction and brand advocacy measures continuing to steadily improve. Highlights include increased Fruit & Vegetables VOC (H2: +6 pts) driven by a focus on direct-to-grower fresh quality, and improved community perceptions aided by the removal of single-use plastic bags in the first half.

Digital momentum remained strong throughout the year, with F19 sales growth of 40% (normalised) driven by Pick up, Same day delivery, and capacity expansion. Customer advocacy for Online also remains strong with VOC NPS of 66 in Q4.

Sales growth improved in the second half (H1: 1.9%, normalised H2: 3.0%) driven by positive comparable transaction growth and aided by a recovery in market

growth post Christmas. Sales per square metre increased by 6.4% (normalised 4.5%) due to strong sales growth and a 2.0% reduction in trading space following store closures. During the year, three stores were closed and two stores were opened with 180 Countdown supermarkets at the end of the year.

Stockloss improvements were maintained in the second half, contributing to an 18 bps increase in gross margin while remaining price competitive. Average prices declined 0.8% for the year, but with a lower rate of deflation for the second half.

CODB as a percentage of sales increased 25 bps (normalised) driven primarily by strategic investment into digital, IT and data capabilities.

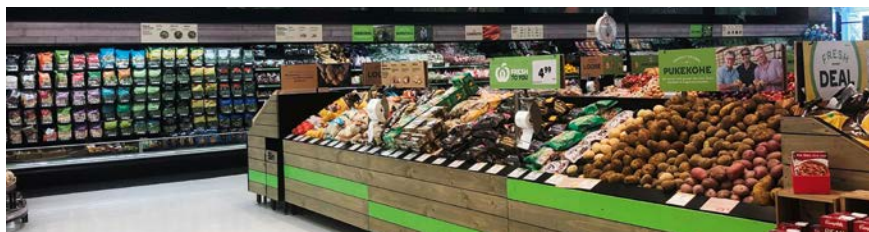
EBIT increased 3.9% for the year (1.0% normalised), with H2 EBIT growth of 4.4% (normalised) aided by sales momentum and improved cost management.

On a normalised basis, ROFE increased by 5 bps.

NZ\$ MILLION	F19 53 WEEKS	F18 ³ 52 WEEKS	CHANGE	CHANGE NORMALISED
Sales	6,712	6,433	4.3%	2.4%
EBITDA	425	411	3.0%	1.0%
Depreciation and amortisation	(129)	(127)	1.0%	1.0%
EBIT	296	284	3.9%	1.0%
Gross margin (%)	24.4	24.2	18 bps	18 bps
Cost of doing business (%)	20.0	19.8	20 bps	25 bps
EBIT to sales (%)	4.4	4.4	(2) bps	(6) bps
Sales per square metre (\$)	16,626	15,621	6.4%	4.5%
Funds employed	3,210	2,998	7.1%	
ROFE (%)	9.6	9.5	15 bps	5 bps

1 Growth for New Zealand Food quoted in New Zealand Dollars.
2 Normalised for the 53rd week.

3 During the period, the management of the New Zealand Wine Cellars business transferred from Endeavour Drinks to New Zealand Food. The prior period has been re-presented to conform with the current period presentation.



Bringing our brand to life in store

Takapuna, Countdown's latest Renewal format, brings to life Countdown's focus on fresh fruit and vegetables, featuring new equipment, hand-stacked displays, produce misting and extra informational signage for customers. Deli innovations include freshly prepared flame-roasted chickens, new display case presentation and improved standards to assist with reducing stockloss. Takapuna also features The Cellar, a wine and beer concept, improved team rooms, and a common green thread throughout the store to bring to life the Countdown brand. The customer response has been strong to date, with Store VOC NPS improving by over 10 points since opening.

Bidding goodbye to the single-use bag

In October 2018, Countdown became the first New Zealand supermarket brand to phase-out single-use plastic carrier bags across all stores; two months ahead of schedule and nine months ahead of government legislation. After announcing in late 2017 their intention to go reusable, Countdown led the charge for major New Zealand retailers and played a significant role in helping to change customer behaviours ahead of the national ban.



Grower Fresh

Countdown works directly with growers across New Zealand to bring fresh fruit and vegetables to our customers. This year we celebrated these relationships with our 'Grower Fresh' campaign, highlighting seasonal fruit and veg.

Healthier choices for Kiwis



Countdown is continuing to drive change in-store and online to provide customers with more ways to make healthier and informed choices. Currently, 99% of eligible Own Brand products have a Health Star Rating with almost half having 3.5 or above rating. Over the last two years, 82 tonnes of sugar and 25 tonnes of salt has been removed from Own Brand products. A number of new product lines that have a clear health focus were introduced in the year, including kombucha, kefir, kimchi and switchel, as well as products for customers wanting to adopt different types of diets with demand for vegan and vegetarian chilled foods increasing by 30%. Macro brand now includes 90 plant based products as part of the wider health food range, helping customers to make healthier choices at more affordable prices.

countdownX

CountdownX, established in June 2018, brings together eCom, loyalty, digital and data capabilities to further accelerate Countdown's digital differentiation. With a new dedicated office, and an agile delivery model now embedded; CountdownX is continuing to improve the digital customer experience.

1 year anniversary



F19 Online sales growth

40%²



F19 Online VOC NPS

66



F19 Online penetration

6.8%



Pick up locations

180



Onecard members

2M

Endeavour Drinks

Endeavour Drinks continued to evolve in F19 with early progress on Dan Murphy's repositioning.



Sales (\$M)

\$8,657

▲ 3.2%¹ from F18

EBIT (\$M)

\$474

▼ (9.7)%¹ from F18

New stores medium term annual target

DAN MURPHY'S

6-10

BWS

6-10²

TRADING PERFORMANCE

In Endeavour Drinks, BWS and Dan Murphy's key VOC metrics ended F19 at record highs, with improvements both in-store and Online. Sales increased by 5.0% (3.2% normalised) to \$8.7 billion with comparable sales increasing 2.3%. The market remained subdued throughout the year with declining volumes offset by price and mix improvements. Sales growth in H2 improved on H1 in both Dan Murphy's and BWS, with Endeavour Drinks' sales increasing by 4.8% (normalised) with comparable sales increasing 4.0%, compared to 0.7% growth in H1. The timing of New Year's Day boosted sales in H2 by 84 bps and Q3, in particular, also benefitted from more stable weather compared to Q2. Dan Murphy's focus on 'discovery' driven range, service and convenience is also beginning to resonate with customers.

BWS maintained its strong trading momentum, with enhancements to localised ranging and tailored Woolworths Rewards offerings. The BWS store network grew to 1,346 stores with 30 net new stores and the new BWS Renewal format successfully extended to key urban standalone stores. BWS' convenience offering continued to expand, with On Demand delivery now available in 605 stores, supporting double-digit online sales growth. Jimmy Brings expanded its geographical reach to Brisbane, Gold Coast, Canberra and new suburbs in Sydney and Melbourne.

Dan Murphy's delivered double-digit Online sales growth with new customer offerings, including the roll out of On Demand delivery to 91 stores and 30-minute

Pick up from all stores. In-store customer experience was enhanced with the introduction of wine merchants in key stores, to improve team product knowledge and customer discovery, while memberships in My Dan's loyalty program increased 15% on the prior year. Dan Murphy's store network grew to 230 with three new store openings in Q4 including the first store to be powered by solar energy.

Endeavour Drinks sales per square metre increased by 3.2% (1.4% normalised) with sales growth above net average space growth of 1.7%.

Gross margin was 22.9%, 14 bps down on a normalised basis, with trading margin improvements offset by higher freight costs attributable to petrol prices, growth in online delivery and category mix.

Normalised CODB as a percentage of sales grew 64 bps, driven by a \$21 million impairment charge related to goodwill and other intangible assets associated with the Summergate business in China. Summergate has now transitioned to ExportCo. Excluding Summergate, normalised CODB as a percentage of sales increased by 40 bps due to above-inflationary cost pressures, as well as targeted investment in key focus areas including customer experience, ranging, data and analytics.

Endeavour Drinks EBIT for F19 decreased 8.2% to \$474 million. EBIT normalised for the 53rd week and Summergate impairment of \$21 million decreased 5.6%. Normalised ROFE (excluding the Summergate impairment) declined 148 bps driven by the decline in EBIT.

		F19 53 WEEKS	F18 ³ 52 WEEKS	CHANGE	CHANGE NORMALISED
\$ MILLION					
Sales		8,657	8,244	5.0%	3.2%
EBITDA		579	603	(4.1)%	(5.4)%
Depreciation and amortisation		(105)	(87)	20.1%	20.1%
EBIT		474	516	(8.2)%	(9.7)%
Gross margin (%)		22.9	23.1	(16) bps	(14) bps
Cost of doing business (%)		17.4	16.8	63 bps	64 bps
EBIT to sales (%)		5.5	6.3	(78) bps	(78) bps
Sales per square metre (\$)		18,675	18,094	3.2%	1.4%
Funds employed		3,185	3,214	(0.9)%	
ROFE (%)		15.2	17.1	(190) bps	(215) bps

1 Normalised for the 53rd week.
2 Standalone.

3 During the period, the management of the New Zealand Wine Cellars business transferred from Endeavour Drinks to New Zealand Food. The prior period has been re-presented to conform with the current period presentation.

Sustainability across Endeavour Drinks

Endeavour Drinks continues to make progress towards reducing the waste that goes to landfill and improving the recyclability of its Own Brand packaging at its winery and production facilities in South Australia. Dorrien Estate Winery, Vinpac and Angaston production facility recently undertook an audit, resulting in a pleasing waste and recycling performance, diverting over 99% of waste from landfill. Since the audit, the facilities have switched from single-use to ceramic cups, begun recycling corks and are looking at innovative ways to recycle problematic waste, with the aim of closing the gap to achieve zero waste to landfill.

Endeavour Drinks is also collaborating with APCO and industry leaders such as the Winemakers' Federation of Australia to identify and address sustainable packaging issues affecting the industry. Several initiatives are underway, including:

- A pilot waste audit at 22 stores in South Australia to identify improvements and how packaging sustainability can be progressed at store level
- Identifying opportunities to reduce the quantity of plastic stretch wrap used to distribute wine products across the supply chain and how to increase recovery of this material
- Developing, with APCO and others, a set of guidelines for retailers, winemakers and their suppliers on sustainable packaging opportunities for wine, supported by awards that recognise good performance
- Collaborating with others in the industry to 'lightweight' wine stock bottles



Endeavour Drinks On Demand

On Demand continued to gain momentum across Endeavour Drinks in F19, expanding to 605 BWS and 91 Dan Murphy's stores across the network.

Ultra-convenient offer Jimmy Brings was also expanded during the year to Brisbane, Canberra, and the Gold Coast with operations also scaled up for Sydney and Melbourne.

Dan Murphy's also increased Pick up during the year with 30-minute Pick up launched across metro areas.

The wine experts

During the year, Dan Murphy's deployed 35 wine merchants across selected Dan Murphy's to help drive discovery and improve the in-store experience. Early feedback has been encouraging from customers with requests to speak with the wine merchant on return visits and more discovery of new products previously not considered. Wine merchants are also actively involved in selecting products for Dan Murphy's publications.



EndeavourX

EndeavourX brings together Drinks' collective digital talent to keep pace with the expectations of customers.

Launched
February 2019



F19 Online sales growth

11.5%¹



F19 Online penetration

5.8%



On Demand delivery

+690

locations



Pick up

+1,500

locations



My Dan's members

+3.5M



BIG W

BIG W's strong sales growth in F19 reported across all customer universes driven by an increase in customer transactions and items per basket. A store and DC network review was announced in April with closures planned to support the turnaround of the business.



Sales (\$M)

\$3,797

▲ 4.2%¹ from F18

LBIT² (\$M)

\$(85)

▲ (24.0)%¹ from F18

New stores medium term annual target

Where previously committed

TRADING PERFORMANCE

BIG W's Store-controllable VOC and VOC NPS improved on the prior year with higher customer scores translating into sales, with an increase in F19 of 4.2% on a normalised basis to \$3.8 billion. Comparable sales increased by 5.3% in F19 and 7.2% in Q4 (Easter-adjusted) with growth in all customer universes.

BIG W's growth continues to be driven by an increase in customer transactions (F19: 4.0%) and customers increasingly putting more items in their baskets with comparable items per basket growth of 4.4%. Together this drove comparable item growth of 8.6%. Excluding reusable bags, comparable items increased by 5.2%.

With BIG W's turnaround gaining momentum, and to build a sustainable network for the future, a store and DC network review was announced in April. BIG W intends to close approximately 30 stores over the next three years and two distribution centres at the end of their leases. The review of the store network is ongoing, with three stores recently announced to be closed in F20.

BIG W has remained price competitive, improved ranges and built a convenient online and in-store experience in F19.

Normalised Online sales increased by 128% in F19 with Pick up consistently delivering strong sales growth. Apparel, which has been more challenging, improved steadily through H2 due to a focus on range, stock flow and in-store execution.

Normalised gross profit declined 49 bps for F19 reflecting continued challenges in stockloss as well as slow sell-through of seasonal apparel in H1. Category mix improved in H2 with improved apparel sell-through.

Normalised CODB declined 132 bps resulting from store efficiencies and sales growth fractionalising fixed costs.

The LBIT of \$85 million before significant items excludes a \$371 million charge identified as part of the network review.

Funds employed declined primarily due to significant items provisions. Inventory quality has improved as a result of solid sales and improved apparel sell-through in H2.

In F20, BIG W will focus on creating a sustainable business that is simpler to operate, and continue providing customers with low prices and more convenient, connected solutions in-store and online.

\$ MILLION	F19 53 WEEKS	F18 52 WEEKS	CHANGE	CHANGE NORMALISED
Sales	3,797	3,566	6.5%	4.2%
LBITDA before significant items	(5)	(30)	(82.2)%	(88.7)%
Depreciation and amortisation	(80)	(80)	0.7%	0.7%
LBIT before significant items	(85)	(110)	(22.2)%	(24.0)%
Significant items	(371)	-	n.m.	n.m.
LBIT after significant items	(456)	(110)	315.5%	313.7%
Gross margin (%)	31.1	31.7	(59) bps	(49) bps
Cost of doing business (%)	33.4	34.8	(142) bps	(132) bps
LBIT ² to sales (%)	(2.3)	(3.1)	83 bps	84 bps
Sales per square metre (\$)	3,629	3,369	7.7%	5.4%
Funds employed	204	502	(59.4)%	
ROFE (%)	(23.0)	(23.3)	24 bps	77 bps

¹ Normalised for the 53rd week.

² Before significant items.

Hotels

Hotels sales improvement in the second half was driven by Bars, Food and Accommodation, benefitting from venue refurbishments completed in the year.



Sales (\$M)

\$1,671

▲ 1.8%¹ from F18

EBIT (\$M)

\$261

▼ (0.5)%¹ from F18

New stores medium term annual target

As appropriate opportunities arise

TRADING PERFORMANCE

Hotels sales increased by 3.7% in F19 or 1.8% on a normalised basis. Comparable sales increased by 1.9% with 3.0% growth in Q4. Sales growth accelerated in the second half due to continued growth in Bars, Food and Accommodation benefitting from venue refurbishments with 49 completed during the year. Gaming sales continue to be more subdued, particularly in Victoria. During the year, five venues were opened or acquired with 328 hotels at year-end.

Normalised gross profit declined by 54 bps reflecting business mix and increasing input cost prices on Food margins. CODB was well controlled and declined by 18 bps on a normalised basis.

EBIT of \$261 million decreased by 0.5% on a normalised basis reflecting a weaker first half trading performance. Normalised EBIT in the second half increased by 1.3%.

Normalised ROFE decreased 38 bps due to an increase in funds employed driven by refurbishments and acquisitions of hotels.

\$ MILLION	F19 53 WEEKS	F18 52 WEEKS	CHANGE	CHANGE NORMALISED
Sales	1,671	1,612	3.7%	1.8%
EBITDA	372	361	3.5%	2.5%
Depreciation and amortisation	(111)	(102)	9.9%	9.9%
EBIT	261	259	1.0%	(0.5)%
Gross margin (%)	83.6	84.2	(55) bps	(54) bps
Cost of doing business (%)	68.0	68.1	(12) bps	(18) bps
EBIT to sales (%)	15.6	16.1	(43) bps	(35) bps
Funds employed	2,068	1,995	3.7%	
ROFE (%)	12.9	13.1	(20) bps	(38) bps



Discontinued Operations

The sale of Woolworths Petrol to EG Group completed on 1 April with sales and EBIT only attributable to Woolworths Group until that date. As a result, comparisons to the prior year are not meaningful.

\$ MILLION	F19 53 WEEKS	F18 52 WEEKS
Sales		
Petrol	3,696	4,784
EBIT		
Home Improvement	-	27
Petrol (before significant items)	112	168

Our Material Risks

We operate in a dynamic market which presents both opportunities and risks that could materially impact on our engagements with our customers, team members, suppliers, the communities we serve, our shareholders and other stakeholders.



Woolworths Group is exposed to a range of strategic, operational, compliance and financial related risks associated with operating in a retail environment. We have an enterprise risk management framework which together with corporate governance, provides a sound basis for managing material risks.

The material risks that could adversely affect the Group's performance and reputation are outlined below. Our performance could also be affected by other risks that apply to most Australian businesses and households (e.g. changes to household disposable income). We will continue to evaluate our risk profile and in line with changes to our environment, we may also identify additional material risks that could adversely affect the Group. Further information in relation to risk management can be found throughout the Annual Report and in the Corporate Governance Statement which is available on the Woolworths Group website.

We maintain risk registers for the principal risks faced by the Group which are one of the important components of our governance framework and how we manage our business. As part of our risk management process, key risks are reviewed on a top down and bottom up basis both at the Group and the business level. The content of the risk profiles is considered and discussed and where appropriate, adjusted through regular meetings with senior management. Our material risks contained in risk profiles are reviewed by the Board. The Board considers the most significant risks faced by the Group that may impact the achievement of our six key strategic priorities which are outlined on [page 15](#) of this report.



Risk management oversight

The diagram below sets out a high level description of how risk governance and management operates at Woolworths Group together with key responsibilities of the Board, the Group Executive Committee, Group Risk, Internal Audit and the businesses. It incorporates the three lines of accountability model, which is how risk is managed at Woolworths Group.



Material Risks

RISK	MITIGATING ACTIVITIES
1. Strategy and competition The retail environment remains competitive with technology disruption, new market entrants and rapidly changing customer needs and preferences. This environment creates both opportunities and risks that may impact business performance as we continue to respond to these changes.	<ul style="list-style-type: none"> The Board reviews and approves our strategies, receives regular updates on progress and provides challenge on the strategic direction of our business. Governance forums including our Delivery Office provide oversight of the delivery of our strategy and key initiatives. The Group Executive Committee and management regularly review key customer, team member, and supplier metrics, current market trends, price points across competitors, sales propositions, promotions and marketing activity. Short and long-term incentives are aligned to successfully execute our strategy.
2. Customer and marketplace Customers expect connected, personalised and convenient shopping experiences which require our business model to continue to evolve to meet these customer needs. The ongoing change in customer behaviour has been reshaping the retail sector. Growth across our businesses is anticipated to remain volatile in F20 with increasing demand for online services and convenience.	<ul style="list-style-type: none"> Group-wide customer insights are provided to our Group Executive Committee with consistent approaches to building customer propositions and improving the customer experience. We regularly monitor customer satisfaction through Voice of Customer surveys at both Group and individual businesses, as well as feedback via our stores, call centres and online channels, which includes qualitative and quantitative customer research. One of our core values is to 'listen and learn'. The CEO and Board receive regular customer complaints analysis and we look at ways to improve.
3. Business transformation As we continue to transform the businesses, the successful delivery of our business transformation programs is critical. Pace, agility and working end to end are key to our successful transformation.	<ul style="list-style-type: none"> Governance forums including our Delivery Office provide oversight of the delivery, monitor progress against plan, key resourcing, capability and critical dependencies. We have dedicated change management capabilities that assist with evaluating the impact of change on our operations and help implement change management strategies.
4. Socio-political and reputation Societal expectations of 'big business' have become increasingly acute over recent years. Our broader corporate reputation is driven by the perceptions of various stakeholders, including the public, non-government organisations and politicians.	<ul style="list-style-type: none"> Our Government Relations team monitor public policy, reputational trends and aim to incorporate the impact of political and regulatory changes into our strategic planning considerations. We engage proactively with government stakeholders and regulatory bodies to promote a contemporary understanding of Woolworths and its operation. We communicate our views, and those of our customers and team members, regarding socio-political issues with the aim of informing the public debate so that our perspectives are influential in policy and related decision-making processes.
5. Sustainability We endeavour to conduct our business in line with our Purpose, Core Values and agile Ways-of-Working. In this way we aim to deliver sustainable shareholder value with long-term growth. Our commitments to sustainability include practically minimising our impact on the environment and seeking to maintain our reputation as one of Australia's leading companies. While our operations and supply chains are complex, we are committed to managing the rights of workers across our global supply chain. We understand that our business may be impacted by the long-term effects of climate change, which include rising average temperatures as well as increased severity/regularity of extreme weather events, changes to global policy and government regulations and changes to customer needs, preferences and behaviours.	<ul style="list-style-type: none"> Our Sustainability strategy sets out the commitments we aim to achieve by 2020, with oversight on progress provided by the Board Sustainability Committee. We are progressively adopting the recommendations of the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures. The evaluation of the long-term implications of climate change are being incorporated into our strategic planning and in the ongoing management of our business risks. We continue to invest in a range of energy efficiency initiatives across individual businesses which includes monitoring and managing energy consumption across our stores. We are rolling out and embedding our Responsible Sourcing Program to address human rights-related risks in our supply chain. This includes specific requirements for the use of labour hire for our Australian horticultural suppliers. Frameworks, standards and processes are in place to govern the responsible and sustainable sourcing of key commodities and we have partnered with the World Wildlife Fund for Nature to improve the sustainable sourcing of Own Brand seafood products.



RISK	MITIGATING ACTIVITIES
<p>6. Safety, health and well-being</p> <p>We care about the physical and psychological safety and health of our customers, team members and business partners. We are committed to creating a safe work environment, where people arrive home from work and shopping free from injuries and illness.</p>	<ul style="list-style-type: none"> ▪ We have Group safety and health policies, a Safety and Health Governance Framework, and Safety and Health Standards. Each business has engineering controls, procedures, training, personal protective equipment and maintenance requirements to manage their risks. ▪ The Board Sustainability Committee is provided with a quarterly update to monitor the effectiveness of the implementation of the Safety and Health policies, standards, plans, risk program, processes, resources, compliance and assurance. ▪ We continue to invest to improve safety governance, address risks and develop a culture of care across our business as a key focus for our management team.
<p>7. Product and food safety</p> <p>The safety of our customers is paramount. Poor product quality or unsafe products may potentially result in injury, harm or illness to our customers, claims, regulatory impacts and significant reputational damage.</p>	<ul style="list-style-type: none"> ▪ We have a Group product safety and new product framework (for Own Brand) with dedicated product and quality teams across our businesses to meet both mandatory and internal safety requirements. ▪ All Own Brand suppliers are required to comply with Woolworths' manufacturing requirements. ▪ Procedures are in place in how we effectively manage, handle, store, transport, recall and withdraw products. We have a number of training programs in place.
<p>8. People and culture</p> <p>Our team members are key to the success of our business, including our ability to build retailers of the future by attracting, retaining and motivating team members with diverse skills, capabilities and backgrounds.</p> <p>To achieve a Customer 1st, Team 1st mindset, team members need to feel empowered to drive change at pace consistently with our culture to continue to learn and develop.</p>	<ul style="list-style-type: none"> ▪ We have a Woolworths Group Purpose, Core Values, agile Ways-of-Working and Code of Conduct, which foster and supports attracting, retaining and motivating team members across the Group. ▪ We have workforce plans, conduct regular succession/talent planning sessions and have a focus on career development. ▪ We have set targets for gender equity, leadership diversity training and Aboriginal and Torres Strait Islander employment levels as a part of our Corporate Responsibility Strategy commitments. ▪ We have various ways in which our teams can raise concerns or seek support, including our Speak Up and Assist programs. Team member engagement surveys are regularly conducted to understand and help us respond to the needs of our team members.
<p>9. Asset and data loss</p> <p>A major data or information security breach has the potential to result in unauthorised access, disclosure, loss and/or misuse of customer, supplier, team member and company information which may cause significant business and reputational damage, adverse regulatory and financial impacts and legal proceedings.</p>	<ul style="list-style-type: none"> ▪ Our cyber security and business resilience teams monitor, assess and continue to enhance our information and physical security to keep pace with increasing threats. ▪ How we collect, use, secure, manage and monitor data and our key systems is governed through our Group Cyber Security, Privacy, Acceptable Use of Information Systems Policy and associated standards.
<p>10. Supplier relationships</p> <p>We sell products which are sourced from a wide range of domestic and international suppliers. Effective supplier relationship management is important in delivering the right product proposition to our customers.</p>	<ul style="list-style-type: none"> ▪ We work with our suppliers and seek to engage fairly and effectively with them through both internal ways of working and our compliance with regulatory codes such as the Food and Grocery Code of Conduct. ▪ Our Voice of Supplier surveys and Supplier Speak Up Program provides mechanisms for our suppliers to respond openly and anonymously with feedback and processes for escalation. Our policy covers both our suppliers and workers in their supply chain. ▪ We expect our suppliers to comply with applicable regulatory requirements, including Responsible Sourcing and Quality Standards.

RISK	MITIGATING ACTIVITIES
11. Business interruptions <p>As a business and a provider of critical infrastructure, we seek to deliver quality products and services. Business interruptions could impact our operations, our customers, our team members and may cause business and reputational damage with serious financial impacts.</p>	<ul style="list-style-type: none"> • We monitor and respond to threats in the continuity of our operations by natural disasters, weather conditions, power outages, industrial disputes, technology failures, cyber attacks, acts of terrorism and other factors. • The Business Continuity Management Policy and Framework guide our response to major incidents and oversee our recovery plans. We undertake a range of exercises designed to test the ability for our business to respond effectively. • We invest in our technology infrastructure, applications and review our IT recovery plans to enhance our offsite backup and recovery capabilities.
12. Legal, regulatory and governance <p>Our operations are subject to a range of laws and regulatory requirements regarding matters such as competition, employment, health and safety, product safety and consumer protection, privacy, anti-bribery and corruption, anti-money laundering, liquor, gaming and the environment. Our compliance with the wide and diverse range of regulatory requirements applicable to our businesses is recognised as important to maintaining our ability to operate sustainably and successfully.</p> <p>From time to time, we may be a party to litigation claims and legal proceedings which may adversely affect our business, reputation and have financial impacts.</p>	<ul style="list-style-type: none"> • Our Group Compliance Framework, along with a range of policies, procedures and business operational compliance plans help us manage our legal and regulatory compliance. • Our Code of Conduct provides a clear statement of our guiding principles for "doing the right thing". We have new starter and compliance training program and other tools such as our Speak Up whistleblower hotline. • We have a dedicated in-house legal team aligned to businesses and specialist key functional legal areas across the Group. • Our Government Relations team, along with members of the Legal team and other teams, monitor and engage with government and regulatory bodies on proposed changes to the policy and regulatory environment. • We evaluate any litigation claims and legal proceedings to assess our risks on a principled basis and endeavour to manage our exposure to such litigation or other legal proceedings effectively.
13. Financial, treasury and insurance <p>The management of liquidity to make payments to team members and suppliers in particular, and the management of capital and availability of funding, are important requirements to support our business operations and growth. In addition, we are exposed to material adverse fluctuations in foreign exchange rates and interest rates, which could impact profitability.</p> <p>Accidents, natural disasters and other events can occur which affect our customers, team members and businesses. Insurance can be used to protect against losses from such incidents.</p>	<ul style="list-style-type: none"> • We have a Board approved Treasury Policy which governs the management of our treasury risks, including liquidity, funding, interest rates, foreign currency, the use of derivatives and counterparty risk. These risks are managed day to day by our Group Treasury function. • Our Group Treasury function manages the purchase of insurance where we determine this is prudent. In some cases, we choose to self-insure risks. This means that in the event of an incident, we cannot make a claim against a third party insurer but we will pay or absorb the losses ourselves. We monitor our self-insured risks and have active programs to help us pre-empt and mitigate losses.

