WOOLWORTHS GROUP

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23 June 2021

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

**F21 Significant Items and Supply Chain Update**

Please see attached an announcement regarding significant items expected to be recognised in the F21 annual results for Woolworths Group.

**Authorised by:** Kate Eastoe, Group Company Secretary

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## F21 Significant Items and Supply Chain Update

Woolworths Group expects to report a $57 million pre-tax significant item net gain in its full year F21 results, scheduled for 26 August, as set out below. All numbers remain subject to audit and the finalisation of the F21 results.

| $ million | F21 |
|---|---|
| Gain on equity interest in Quantium | 220 |
| Transaction costs | (69) |
| Supply chain redundancy costs | (44) |
| Metro Food Stores asset impairment | (50) |
| **Pre-tax significant items to be recognised in F21** | **57** |

### Gain on equity interest in Quantium

Following the acquisition of an additional 27.8% equity interest in Quantium on 31 May, the Group will recognise a non-cash gain of approximately $220 million reflecting the fair value of the Group's original 47.2% interest compared to its previous carrying value, less transaction costs. The gain arises due to the accounting requirement to treat the original equity interest as if it was disposed of and reacquired at fair value as at 31 May 2021.

### Transaction costs - demerger of Endeavour Group and acquisition of PFD

The Group will recognise approximately $69 million in transaction costs related to the demerger of Endeavour Group and costs associated with the acquisition of PFD Food Services. Costs primarily relate to advisor fees and legal and other regulatory costs. The demerger transaction costs are expected to be in line with previous guidance of $45 - $50 million.

### NSW Fresh Supply Chain investment

NSW is a key market for Woolworths and the current fresh and temperature-controlled network is nearing capacity. Fresh and chilled products in NSW are currently supplied out of three distribution centres (DCs), comprising the Minchinbury Fresh DC and two third-party facilities, with limited capacity to expand range or to support volume growth over the medium to long term.

As part of Woolworths Group's ongoing supply chain modernisation, the Board has approved the construction of a new 76,000 square metre facility to be built at Wetherill Park to service over 280 stores in NSW and replace the current fragmented temperature-controlled network.

As a result, it is expected that the temperature-controlled operations at the Sydney Regional DC in Minchinbury will close in F24 with the Group expected to recognise redundancy costs of $44 million in F21. The design, construction and fitout costs of the new facility are expected to be approximately $400 million with construction to begin in F22, subject to planning approval. The completion of this

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facility in F24, will result in fresher products for customers, allow for ongoing range expansion and also deliver material transport and operating efficiency benefits from F25 onwards.

As previously announced, the ambient operations at Minchinbury are expected to close at the completion of the new Sydney Regional and National DCs at Moorebank Logistics Park in Sydney.

Woolworths Group CEO, Brad Banducci, said: "The Wetherill Park Fresh DC being announced today will substantially complete the transformation of our NSW supply chain network and is expected to deliver fresher products for our customers and material operating benefits for the business, as we consolidate our current fragmented temperature-controlled network.

"We understand the impact these decisions have on our team members and we are committed to supporting those impacted. We will explore redeployment opportunities wherever possible, and provide a wide range of support and career transition services in the lead up to site closure. This includes leveraging the Woolworths Group Future of Work Fund to equip our team members with new skills and capabilities to be used within or outside of the Group."

**Metro Food Stores asset impairment**

The Group has completed a review of its Metro Food Stores network, given the impact of COVID on sales in key transit traffic locations such as CBD and public transit sites. Sales in these locations have been, and remain, materially negatively impacted by COVID. While the Group remains committed to the rollout of Metro Food Stores, it will record a non-cash impairment charge of approximately $50 million in relation to store and lease assets across 13 stores within the network. This impairment charge reflects a balanced view on the speed of recovery of CBD and transit customer movements and the likely impact of this on Metro stores.

Woolworths Group CEO, Brad Banducci, added: "We remain very committed to our convenient Metro Food Stores having refined our smaller format and range over a number of years. However, the changing customer work and shopping patterns we have seen over the last 15 months have negatively impacted some of our stores, particularly in CBD and transit locations, resulting in the impairment announced today.

"Most Metro stores are in locations that have not been impacted by a reduction in customer foot traffic and continue to perform well, including new-look neighbourhood stores recently opened in suburban Sydney."

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