AUSTRALIAN FOOD

The improvements we delivered in Australian Food during FY17 resonated with customers as our Voice of Customer (VOC) scores improved consistently throughout the year, with store-controllable VOC sitting at 81% in June 2017.

SALES

$36,371M

↑ 4.5% from 2016

EBIT

$1,603.1M

↓ 2.4% from 2016

TRADING PERFORMANCE

Australian Food sales momentum continued into the fourth quarter with Easter adjusted sales growth of 7.8% and comparable sales growth (Easter adjusted) of 6.4%. Comparable customer transaction growth of 5.2% (Easter adjusted) and an improvement in items per basket drove comparable item growth of 5.6% in the fourth quarter.

Sales for the year of $36.4 billion increased 4.5% on the previous year, while comparable sales increased by 3.6%. Online sales grew by 15.8% for the year with 18.7% growth in the second half.

Our VOC scores have continued to improve over the financial year with Overall Customer Satisfaction reaching 78% (FY16: 75%) and store-controllable VOC increasing to 81% (FY16: 77%). Both have improved on Q3'17. We have seen an improvement on the prior financial year across all seven store-controllable VOC metrics. On-shelf availability and Fruit & Vegetables remain our biggest opportunities for further improvement.

Sales per square metre increased by 1.3% to $16,213, compared to FY16, driven largely by the improvement in comparable sales growth. During the year we closed 22 stores and opened 25, including six Metros, ending the year with 995 Woolworths Supermarkets and Metro stores. We closed two Thomas Dux stores with three remaining at year end. Despite the store closures, average space growth for the year was 3.1% compared to FY16 due to timing.

Average prices declined by 2.1% in FY17 as we continued to lower prices for our customers. Deflation eased in the fourth quarter to 1.2%, as we experienced inflation in Fruit & Vegetables, with deflation ex-Tobacco and Fruit & Vegetables in the fourth quarter of 3.3%. Customer price perception is beginning to improve but remains a major opportunity and reflects our focus on improving customers' trust in our prices through lowering shelf prices, with approximately 3,500 products on our Low Price Always or Price Dropped programs at the end of the year.

The increase in gross margin of 70 bps to 28.07% is primarily due to material improvements in stock loss and, to a more limited extent, improved product mix and promotional effectiveness offset somewhat by net investment in price.

"The fruit and veggies are always fresh and good quality."

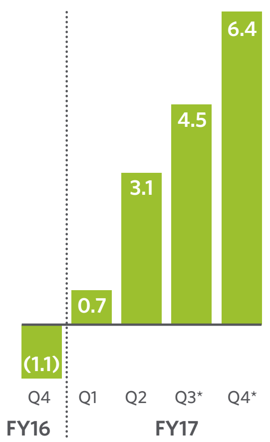
CODB as a percentage of sales increased by 101 bps as we invested in team hours and higher team performance based bonuses compared to the prior year. We have also invested in training and in our IT Foundations and Renewal programs, which contributed to higher depreciation.

EBIT declined by 2.4% to $1,603.1 million for the year resulting in a full year EBIT margin of 4.41%. Second half EBIT increased by 13.2% at a margin of 4.48%. Excluding the impact of incremental team incentive payments during the year, EBIT increased by 8.3%.

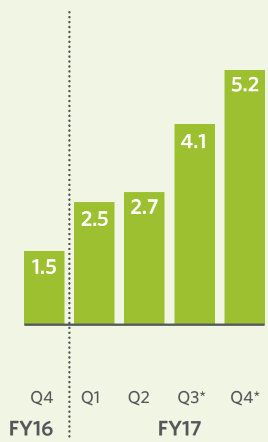
Strong working capital management resulted in a significant reduction in average funds employed, which has more than offset the reduction in underlying earnings and led to an improvement of 32.7 pts in reported ROFE.

BEFORE SIGNIFICANT ITEMS[1]		FY17 52 WEEKS	FY16 52 WEEKS	CHANGE
Sales	($m)	**36,371**	34,798	4.5%
EBIT	($m)	**1,603.1**	1,642.0	(2.4)%
Gross margin	(%)	**28.07**	27.37	70 bps
Cost of doing business	(%)	**23.66**	22.65	101 bps
EBIT to sales	(%)	**4.41**	4.72	(31) bps
Sales per square metre	($)	**16,213**	16,000	1.3%
Funds employed	($m)	**1,071.0**	1,133.6	(5.5)%
Return on average funds employed (ROFE)[3]	(%)	**166.1**	133.4	32.7 pts

AUSTRALIAN FOOD COMP SALES
(% year on year)



COMP TRANSACTION GROWTH
(% year on year)



COMP ITEMS PER BASKET GROWTH
(% year on year)

* Adjusted for the timing of Easter which fell in Q4'17 (Q3'16 LY).

ENDEAVOUR DRINKS

Endeavour Drinks achieved record Net Promoter Score (NPS) and VOC scores for Dan Murphy's and BWS during the year, continuing the momentum of solid growth in a competitive market.

SALES

$7,913M

↑ 4.3% from 2016

EBIT

$502.5M

↑ 3.9% from 2016

TRADING PERFORMANCE

Endeavour Drinks sales increased by 4.3% to $7,913 million in FY17 with solid growth in comparable sales of 2.8% and a strong contribution from new store openings. Both retail banners, Dan Murphy's and BWS, reported comparable sales growth, with growth in attached BWS stores a particular highlight. In the fourth quarter, Easter adjusted comparable sales increased by 4.6% due to strong execution around seasonal events. The sales improvement was consistent with improvements in NPS and Voice of Customer.

Sales per square metre increased by 0.5% with total sales growth of 4.3% offset by net average space growth of 3.7%.

Dan Murphy's delivered another year of strong sales with 12 net new stores opened and strong double digit sales growth in online. My Dan Murphy's membership has now reached 2.4 million members less than three years after its launch. Dan Murphy's retained its market leading NPS.

BWS reported solid comparable sales growth driven by improved growth in our attached BWS stores and a strong improvement in NPS. We opened 19 net new BWS stores opening in FY17, bringing the network to 1,298 stores at the end of the year. Other key milestones were the launch of BWS Online in October FY17 with one hour Click & Collect available at all stores and we are currently trialling fast delivery in around 50 BWS stores.

Endeavour Drinks gross margin declined by 33 bps to 23.1% due to the negative category mix with beer and spirits outgrowing wine as well as targeted price investments.

CODB as a percentage of sales decreased by 30 bps due to the gain on sale of a business of $8.4 million, strong cost management despite higher fixed costs associated with store openings during the year and minor reallocations between gross margin and CODB for the Summergate business.

EBIT increased 3.9% to $502.5 million in FY17.

ROFE improved by 62 bps driven by the increase in EBIT and reduction in funds employed despite a number of new store openings during the year.

BEFORE SIGNIFICANT ITEMS[1]		FY17 52 WEEKS	FY16 52 WEEKS	CHANGE
Sales	($m)	**7,913**	7,589	4.3%
EBIT	($m)	**502.5**	483.8	3.9%
Gross margin	(%)	**23.08**	23.41	(33) bps
Cost of doing business	(%)	**16.73**	17.03	(30) bps
EBIT to sales	(%)	**6.35**	6.38	(3) bps
Sales per square metre	($)	**18,039**	17,943	0.5%
Funds employed	($m)	**3,017.3**	3,070.0	(1.7)%
ROFE[3]	(%)	**16.9**	16.3	62 bps

For endnotes refer to page 24.

NEW ZEALAND FOOD

"I was happy with fruit and vegetable items available and the fact that there was a good choice of berries."

EBIT growth was subdued in New Zealand Food during FY17 as we invested in price and service to improve the offer for our customers. We will continue to invest in our customer offer in FY18 in line with our Customer 1st strategy.

SALES

NZ$6,232M

↑ 2.1% from 2016

EBIT

NZ$309.4M

↓ 1.4% from 2016

TRADING PERFORMANCE

New Zealand Food's sales for the year were NZ$6.2 billion, an increase of 2.1% on the previous year (5.3% increase in AUD). Sales in the first half last year were assisted by the bulk sales of gift cards and excluding the sales of these cards, full year sales growth was 2.8%. Easter adjusted sales in Q3'17 and Q4'17 were 2.2% and 3.4% respectively.

Comparable sales increased 1.2% for the year or 1.8% excluding bulk gift card sales. Comparable sales strengthened during the second half (HY17: 0% (1.1% gift card adjusted), H2'17: 2.5%) as customers continued to react positively to our price, service, fresh and local ranging activity, as well as the new partnership between our Onecard loyalty program and AA Smartfuel launched in Q2'17. This was consistent with our improving customer metrics over the course of the year. Sales per square metre was flat for the year, but moved into growth in the second half. Countdown ended the year with customer satisfaction and team engagement at new highs.

The Countdown Supermarkets Food Price Index increased by 0.4% driven by a combination of a return to inflation of dairy products and higher levels of inflation in fresh produce impacted by growing conditions and supply.

Gross margin increased 42 bps on the previous year due to reduced stock loss through store security and ranging initiatives, changes in fuel discount promotions and fewer low-margin bulk gift card sales.

CODB as a percentage of sales increased 60 bps on the previous year driven by investment in the store team to improve the customer experience, logistics costs (impacted by the Kaikoura earthquake), occupancy and team bonuses.

EBIT decreased 1.4% but was up marginally when normalised for team performance-based bonuses compared to the prior year.

ROFE was 21 bps higher than the prior year due to a reduction in average funds employed despite lower EBIT.

BEFORE SIGNIFICANT ITEMS[1]		FY17 52 WEEKS	FY16 52 WEEKS	CHANGE
Sales	(NZ$m)	**6,232**	6,101	2.1%
EBIT	(NZ$m)	**309.4**	313.9	(1.4)%
Gross margin	(%)	**24.00**	23.58	42 bps
Cost of doing business	(%)	**19.04**	18.44	60 bps
EBIT to sales	(%)	**4.96**	5.14	(18) bps
Sales per square metre	(NZ$m)	**15,137**	15,178*	(0.3)%
Funds employed	(NZ$m)	**2,934.5**	2,906.4	1.0%
ROFE[3]	(%)	**10.5**	10.3	21 bps

* Sales per square metre has been restated from prior year to be consistent with current Australian Food definition.

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PORTFOLIO BUSINESS
BIG W

FY18 will continue to be a year of investment for BIG W and we do not expect a reduction in losses as we continue to invest to improve the customer shopping experience, including re-establishing price trust.

SALES

$3,598M

↓ 5.8% from 2016

LBIT

$150.5M

TRADING PERFORMANCE

BIG W reported sales of $3.6 billion, a decrease of 5.8% on the previous year with comparable sales declining 5.7%. The sales decline was primarily a function of a continued multi-year decline in transaction count, and deflation largely driven by clearance and discounting. Sales in the fourth quarter declined by 4.4% on an Easter adjusted basis, however this was impacted by the change in timing of the annual toy sale which was a week later than last year to align with school holidays. Excluding the impact of the change in toy sale timing, Easter adjusted comparable sales declined by 3.0%.

An 87 bps decline in gross margin was driven by an investment in price in the second half as we began to invest to implement our new turnaround plan as well as more aggressive clearance activity in seasonal lines and increased stock loss.

CODB was broadly flat in dollar terms, however, increased by 292 bps as a percentage of sales driven by lower sales limiting the ability to fractionalise costs and the 98 bps impact from first half impairment and provisions for onerous leases of $35.3 million. Detailed impairment testing based on the new BIG W turnaround plan has been undertaken with no further impairments currently required.

Asset impairment and a reduction in property, plant and equipment due to lower capital expenditure resulted in a reduction in funds employed. The increase in losses for the year more than offset the reduction in funds employed.

A significant body of work was undertaken to build out a turnaround plan to stabilise and improve the business. We put the customer back at the heart of BIG W by developing a strategy focused on rebuilding customer trust on price and deliver the right product solutions, while enhancing our customers' shopping experience in-store and online. We have started to make a number of changes across the business to rebuild team morale and capability and create a strong platform to re-establish our price credentials.

The BIG W turnaround will be a multi-year journey and while we hope to stabilise sales in FY18, we do not expect an improvement in trading performance due to the investment required to regain customer trust on price, improve our product offering and enhance the customer shopping experience.

BEFORE SIGNIFICANT ITEMS[1]		FY17 52 WEEKS	FY16 52 WEEKS	CHANGE
Sales	($m)	**3,598**	3,820	(5.8)%
LBIT	($m)	**(150.5)**	(14.9)	n.m.
Gross margin	(%)	**30.82**	31.69	(87) bps
Cost of doing business	(%)	**35.00**	32.08	292 bps
LBIT to sales	(%)	**(4.18)**	(0.39)	(379) bps
Sales per square metre	($)	**3,396**	3,602	(5.7)%
Funds employed	($m)	**514.3**	555.2	(7.4)%
ROFE[3]	(%)	**(31.6)**	(2.3)	(29.4) pts

For endnotes refer to page 24.

PORTFOLIO BUSINESS
HOTELS

ALH Hotels reported an increase in EBIT for FY17 with strong second half growth as we cycled a period of higher promotional activity in the prior year.

SALES

$1,553M

↑ 2.7% from 2016

EBIT

$232.9M

↑ 11.7% from 2016

TRADING PERFORMANCE

Sales for the year were $1.6 billion, an increase of 2.7% on the previous year with comparable sales increasing by 2.4%. Sales growth was driven by a strong result in Bars, Food and Accommodation.

Hotels gross margin increased by 25 bps largely due to an improvement in Bars margins from better trading terms and more effective promotional activity.

CODB as a percentage of sales decreased 96 bps on the prior year due to strong cost control and as we cycled the increased spending on promotional activities to drive increased hotel patronage in the prior year.

EBIT increased 11.7% on the previous year to $232.9 million.

BEFORE SIGNIFICANT ITEMS[1]		FY17 52 WEEKS	FY16 52 WEEKS	CHANGE
Sales	($m)	**1,553**	1,512	2.7%
EBIT	($m)	**232.9**	208.5	11.7%
Gross margin	(%)	**83.10**	82.85	25 bps
Cost of doing business	(%)	**68.10**	69.06	(96) bps
EBIT to sales	(%)	**15.00**	13.79	121 bps

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DISCONTINUED OPERATIONS

TRADING PERFORMANCE

Home Improvement

Home Improvement sales declined in FY17 compared to the prior year following the closure of Masters stores in December 2016 and the sale of Home Timber & Hardware Group (HTH) to Metcash in October 2016.

Home Improvement EBIT for FY17 reflects the trading losses up until the dates of closure and sale of Masters and Home Timber & Hardware and other operating expenses offset by gains from asset and provision reassessments.

On 4 August, Lowe's one third share in the Home Improvement joint venture was acquired for $250.8 million. We expect to complete the Home Consortium transaction in late September which will finalise the sale of 61 freehold properties and the transfer of 20 leaseholds to Home Consortium.

Petrol

On 24 December 2016, we entered into a binding agreement to sell 527 Woolworths-owned fuel convenience sites and 16 committed development sites to BP for $1.785 billion. Consequently, the Petrol business has been classified as a discontinued operation. The transaction is subject to certain conditions including, but not limited to, obtaining Australian Competition and Consumer Commission (ACCC) and Foreign Investment Review Board (FIRB) approval. On 10 August, the ACCC released its Statement of Issues on the transaction. This outlined the key areas of focus for the ACCC in considering the transaction. Woolworths and BP will continue to engage with the ACCC to address any issues that may prevent the transactions being approved. Completion is expected to occur no earlier than 2 January 2018.

Petrol sales were $4.7 billion, an increase of 1.5% on the previous year (volumes decreased by 0.6%) driven primarily by rising average fuel sell prices (unleaded FY17: 121.6 cpl; FY16: 120.5 cpl). Comparable Petrol sales (dollars) declined 0.4% with comparable fuel volumes declining by 2.4%. Merchandise sales for the year increased 2.7% and comparable Merchandise sales increased 0.1%. EBIT increased by 34% due to higher gross profit, strong cost control and reduction in depreciation following the reclassification of Petrol to 'net assets held for sale'.

Refer to Note 5.1 of the Financial Report for a reconciliation of EBIT/(LBIT) from discontinued operations to profit/(loss) from discontinued operations.

BEFORE SIGNIFICANT ITEMS[1]		FY17 52 WEEKS	FY16 52 WEEKS	CHANGE
Sales				
Home Improvement	($m)	**903**	2,100	(57.0)%
Petrol	($m)	**4,682**	4,612	1.5%
EBIT/(LBIT)				
Home Improvement	($m)	**159.0**	(218.8)	n.m.
Petrol	($m)	**157.9**	117.8	34.0%

For endnotes refer to page 24.

OVERHEADS, BALANCE SHEET & CASH FLOW

CENTRAL OVERHEADS INCLUDING EZIBUY

Central overheads before significant items[1], including EziBuy, were $154.3 million for the year. Excluding EziBuy, central overheads were $151.8 million and increased $9.2 million on the prior year, partly driven by higher team performance-based bonuses. The loss before interest and tax for EziBuy was $2.5 million compared to LBIT of $15.2 million in the prior year. EziBuy was sold at the end of June 2017.

BALANCE SHEET

Closing inventory of $4,080.4 million decreased $478 million with $490 million of the decrease attributable to the exit from Home Improvement and the reclassification of Petrol inventory to 'net assets held for sale'. Excluding the impact of the above items, inventory increased by only $12 million, despite sales growth from continuing operations of 3.7%, resulting in a one day reduction in closing inventory days (excluding Home Improvement and Petrol) to 37.6 days.

Net investment in inventory of $987.8 million declined $737 million on the prior year. Excluding Home Improvement, the reclassification of Petrol to 'net assets held for sale' and sale of EziBuy, net investment in inventory decreased $330 million due to business growth and working capital initiatives.

Other creditors of $1,928.4 million increased $177 million driven by an increase in accruals for short-term team performance-based bonuses and other trading accruals.

Provisions of $2,481.5 million decreased $796 million driven by utilisation of FY16 significant items[1] provisions. Excluding Home Improvement, significant items[1] previously recognised and the reclassification of Petrol to 'net assets held for sale', provisions increased $29 million primarily due to an increase in provisions for employee entitlements and onerous lease provisions for BIG W recognised in HY17.

Fixed assets and investments of $8,555.7 million increased by $184 million. Excluding the transfer of Petrol and other Group properties to 'net assets held for sale', fixed assets and investments increased by $695 million. This was driven by net capital expenditure of $1,754 million relating to new stores, store refurbishments and support assets offset by depreciation charges and asset disposals and retirements in the ordinary course of business.

Net assets held for sale of $1,222.9 million represents assets and liabilities primarily relating to Petrol, property, plant and equipment relating to Masters, and other Woolworths Group properties held for sale. The increase on the prior year was largely as a result of the reclassification of Petrol to 'net assets held for sale' offset by the disposal of Home Timber & Hardware, EziBuy and other Group properties held for sale.

Intangible assets of $6,532.8 million declined marginally driven by the reclassification of Petrol to 'net assets held for sale'.

Total funds employed increased by $301 million, primarily driven by the utilisation of significant items provisions[1] and net investments in stores offset by improvements in working capital.

Net tax balances of $291.4 million decreased $167 million primarily due to the revision of net tax benefits associated with Home Improvement business exit costs.

Net repayable debt of $1,895.0 million declined by $1,191 million due to the strong free cash flow during the year.

Other financial liabilities of $250.8 million increased $231 million, primarily due to the recognition of the Lowe's put option liability of $250.8 million following the acquisition of Lowe's one third share of Home Improvement on 4 August 2017.

Shareholders' equity increased $1,055 million to $9,526.0 million primarily reflecting the profits generated from operations attributable to equity holders of the parent entity of $1,533.5 million, offset by dividend payments of $860 million.

ROFE before significant items[1] was 25.0%, an increase of 590 bps or excluding Home Improvement and Petrol was 22.3%, a 61 bps increase on the prior year. Lease adjusted ROFE increased 179 bps to 14.0% or declined 16 bps excluding Home Improvement and Petrol.

CASH FLOW

Cash flow from operating activities before interest and tax increased $529 million to $4,024.1 million. Excluding Home Improvement, cash flow from operating activities before interest and tax increased $287 million primarily driven by the improvement in net investment in inventory as well as general business growth offset by utilisation of significant item[1] provisions.

Cash realisation ratio[5] was 117.6% impacted by the Home Improvement business. Excluding Home Improvement, our cash realisation ratio was 122.5% (FY16: 103.6%) primarily driven by the improvement in net investment in inventory.

Net interest paid of $234 million decreased $55 million due to a decrease in the net effective interest rate on lower debt.

Tax payments decreased to $668.1 million for the year (FY16: $848.5 million) predominately due to the reduction in the income tax instalment rate reflecting lower FY16 earnings.

For endnotes refer to page 24.

OVERHEADS, BALANCE SHEET & CASH FLOW (CONTINUED)

CASH FLOW (CONTINUED)

Cash used in investing activities was $1,431.4 million, an increase of $165 million on the prior year. Cash proceeds of $481 million were received from the sale of property, plant and equipment, businesses and investments including proceeds from the sale of HTH.

Payments for the purchase of property, plant and equipment, property development, intangible assets, investments and contingent consideration decreased by $91.5 million, primarily as a result of $220.1 million lower property development expenditure in the current period. This was offset by a $169 million increase in investment in property, plant and equipment of $1,633.6 million which included continued investment in new stores, store renewals and spend associated with supply chain and IT asset initiatives.

Our **fixed charges cover ratio**[6] is 2.5 times. Fixed charges cover ratio from continuing operations is 2.4 times (FY16: 2.4).

CAPITAL MANAGEMENT

Woolworths Group manages its capital structure with the objective of enhancing long-term shareholder value through optimising its weighted average cost of capital while retaining financial flexibility to invest in its business in a manner consistent with its key priorities. The Group remains committed to a solid investment grade credit rating[7] and a number of actions can be undertaken to support the credit profile, including the sale of non-core assets, further working capital initiatives and adjusting its growth capital expenditure and property leasing profile.

In April 2016, the Company introduced a 1.5% discount on the dividend reinvestment plan ("DRP") and removed the participation limit. This has continued during FY17 and the participation rate for the October 2016 final and April 2017 interim DRPs was approximately 37%. The October 2016 DRP was partially underwritten to 50%, the proceeds of which were used predominantly to replace the Woolworths Notes II and the balance to allow for accelerated investment in the store renewal program. The discount and uncapped participation will remain in place for the October 2017 final dividend.

The Company will seek to return capital to shareholders when that is consistent with its long-term capital structure objectives and where it will enhance shareholder value.

FINANCING TRANSACTIONS DURING FY17

Maturities

The five-year non-call period for the A$700 million Woolworths Notes II ended on 24 November 2016. Pursuant to a replacement capital covenant, the Notes were refinanced by a combination of surplus cash, debt and equity. Eligible equity assigned to the redemption was raised via the DRP during the interim and final FY16 dividends.

US$300 million (approximately A$381 million) in US notes matured in April 2017. This was repaid with existing bank facilities previously established for this purpose.

New transactions

In November 2016, Woolworths Group executed a A$700 million syndicated bank loan facility comprising a three-year and four-year revolving tranche of A$320 million and A$200 million respectively, and a four-year term loan tranche of US$140 million.

In May 2017, the Group pre-financed it's A$400 million bank guarantee facility which matures in November 2017 and upsized it to A$500 million. This facility is for the purpose of Woolworths Group meeting its WorkCover obligations as a 'self-insurer' by issuing bank guarantees in favour of Australian WorkCover authorities and is underpinned by the international surety market. The original facility was finalised in 2014 for a three-year commitment to November 2017 and is currently fully drawn. The new facility may be drawn at any time up to November 2017, and will expire in three years following initial drawing. It is currently undrawn.

UPCOMING REFINANCING

Woolworths Group has no upcoming refinancings during FY18.

For endnotes refer to page 24.

OUTLOOK

The focus of the Woolworths Group in FY18 will continue to be on our five key priorities. Our emphasis is moving from fixing the basics to leveraging team work, digital and insights to transform core business processes and improve the customer experience while sustainably reducing CODB. In the first half, we have a particular focus on improved team scheduling (right team member, right hours, right day), on-shelf availability and the roll-out of Store Pick up (for online orders).

In Australian Food, we expect the trading environment to remain competitive in the year ahead but also expect to see continued progress. However, we do not expect sales growth to continue at the same rate as achieved in Q4'17. For the first eights weeks of FY18, Australian Food comparable sales growth has been broadly in line with the FY17 second half growth rate.

FY18 will be a year of investment for New Zealand Food which will impact profit in the short-term.

Currently, we do not expect an improvement in losses at BIG W in FY18 as we continue to invest across the business to restore growth. While we expect to see a positive customer response to lower prices, better product solutions and a better customer shopping experience, it is still too soon to tell when this will translate into sales momentum and improved profitability. Our Q1'18 sales release is currently scheduled for 31 October 2017.

NEW STORE ROLLOUT PLANS

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

	WOOLWORTHS SUPERMARKETS	ENDEAVOUR DRINKS	NEW ZEALAND FOOD	BIG W	HOTELS (ALH GROUP)
FY17 NET STORE OPENINGS (INCLUDING ACQUISITIONS)	3	DAN MURPHY'S 12	COUNTDOWN -	(1)	(2)
		BWS (INCLUDING ATTACHED) 19	FRANCHISE STORES 1		
MEDIUM TERM TARGET (NET)	10–20 New full range supermarkets per annum	DAN MURPHY'S 6–10 New stores per annum BWS (INCLUDING ATTACHED) 6–10 New stores per annum (standalone)	3–4 New supermarkets per annum	Only where previously committed	Acquire as appropriate opportunities arise

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ENDNOTES

n.c. Not comparable
n.m. Not meaningful

1 There were no significant items recognised in FY17.
In FY16, total significant items of $4,013.7 million before tax ($2,627.8 million after tax attributable to equity holders of the parent entity) were recognised. Details of these costs have been provided in Note 1.4 of the Financial Report. Where noted, profit and loss items have been adjusted to reflect these significant items.

2 In line with the classification of Petrol as a discontinued operation, the financial performance and operating metrics previously disclosed under 'Australian Food and Petrol' has been split to disclose Australian Food separately from Petrol in this announcement. Funds employed and ROFE have also been separately presented for Endeavour Drinks.

3 Return on funds employed (ROFE) is calculated as EBIT before significant items for the previous 12 months as a percentage of average (opening, mid and closing) funds employed. This methodology has been adopted for FY17 and FY16. In previous reporting periods, ROFE was calculated as EBIT before significant items for the reporting period as a percentage of average (opening and closing) funds employed. Lease adjusted ROFE adjusts funds employed for the present value of future lease obligations and EBIT for the implied interest on those obligations.

4 Growth for New Zealand Food is quoted in New Zealand dollars.

5 Operating cash flow as a percentage of group net profit after tax before depreciation and amortisation.

6 Group earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) divided by rent and interest costs. Rent and interest costs include capitalised interest but exclude foreign exchange gains/losses and dividend income.

7 The credit ratings referred to in this document have been issued by a credit rating agency which holds an Australian Financial Services Licence with an authorisation to issue credit ratings to wholesale clients only. The credit ratings in this document are published for the benefit of Woolworths Group's debt providers.

NON-IFRS FINANCIAL INFORMATION

This Annual Report contains certain non-IFRS financial measures of historical financial performance, balance sheet or cash flows. Non-IFRS financial measures are financial measures other than those defined or specified under all relevant accounting standards. The measures therefore may not be directly comparable with other companies' measures. Many of the measures used are common practice in the industry in which the Woolworths Group operates. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures. The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by Australian Security and Investments Commission (ASIC) to promote full and clear disclosure for investors and other users of financial information, and minimise the possibility of those users being misled by such information.

These measures are used by management and the directors as the primary measures of assessing the financial performance of the Group and individual segments. The directors also believe that these non-IFRS measures assist in providing additional meaningful information on the underlying drivers of the business, performance and trends, as well as the position of the Woolworths Group. Non-IFRS financial measures are also used to enhance the comparability of information between reporting periods (such as comparable sales), by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Woolworths Group's performance. Consequently, non-IFRS measures are used by the directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with the prior year.

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

- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Cost of doing business
- Fixed charges cover ratio
- Return on funds employed and lease adjusted return on funds employed
- Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)
- Comparable sales
- Significant items

Non-IFRS measures used in describing the Balance Sheet (or 'Consolidated Statement of Financial Position') and cash flow statement (or 'Consolidated Statement of Cash Flows') include:

- Funds employed
- Net assets employed
- Cash flow from operating activities before interest and tax
- Free cash flow
- Fixed assets and investments
- Net repayable debt
- Cash realisation ratio
- Net investment in inventory
- Free cash flow after equity related financing activities
- Net assets held for sale
- Net tax balances
- Other financial assets and liabilities

The above non-IFRS measures have not been subject to audit or review.

MATERIAL BUSINESS RISKS

The Woolworths Group consists of complex businesses that are exposed to a range of strategic, financial, operational and compliance related risks that are inherent when operating in retail and online markets. The Group has an enterprise risk management framework which, together with corporate governance, provides a sound framework for managing the material risks.

The following table sets out material business risks (excluding generic risks in no particular order) that could adversely affect the Group's financial performance. The Group's performance could also be affected by other generic risks that apply to most businesses and Australian households (e.g. unfavourable changes to the macro-economic environment, climate change and emerging risks). Further information in relation to risk management can be found in the Corporate Governance Statement which is available on the Woolworths Group website.

RISK TYPE	MITIGATION
Strategic	
The retail trading environment will continue to be competitive, driven by new entrants, technology disruption, as well as be affected by changing customer needs and expectations and other external and internal risk drivers. Failure to successfully respond to these factors, our competitors and the changing marketplace may adversely impact on market share and business performance. The Group is committed to delivering on our strategy through ongoing focus on our customers as well as transformation initiatives. At the same time, we want to play our part in alleviating environmental pressures and promoting social responsibility. Focus areas include diversity, food waste, own brand packaging, ethical and sustainable sourcing and carbon emissions.	• Woolworths Group has a board approved strategy driving a Customer 1st culture and investment in growth enablers, including our store network, technology and digital channels. • Delivery offices have been established to drive transformation initiatives. • We have combined our Digital, Loyalty and Data businesses into WooliesX, focused on delivering on our connected customer strategy. • Our short and long-term incentive plans are aligned to our Customer 1st strategy. • Our Corporate Responsibility Strategy 2020 identifies our goals to improve sustainability and minimise the environmental impact of our operations.
Financial	
The availability of funding and management of capital and liquidity are important to fund the Group's business operations and growth. In addition, a failure to turnaround our general merchandise business or materially adverse interest rates and foreign exchange rate fluctuations could impact on the business' profitability.	• Woolworths Group has board approved treasury policies to govern the management of the Group's financial risks, including liquidity, interest rate and foreign currency risks. • We have a board approved turnaround plan for our general merchandise business which is monitored regularly and we anticipate the proposed sale of the Petrol business will further improve our capital position.
Operational	
The Woolworths Group is subject to operational risk and could be exposed to events, including but not limited to, failures to meet people or product safety standards, information technology, security, asset, data breaches and business disruptions as a result of cyber attacks, natural disasters, weather conditions, industrial disputes, technology failures or supply chain interruptions.	• Woolworths Group has established policies, standards and training regarding business operations, including people safety, health and wellbeing, food and product safety. • We continue to invest in our operational capability across processes, technology and cyber security. • A Business Resilience Framework is in place to manage our response to major operational incidents and/or business disruptions.
Compliance	
The Woolworths Group is subject to applicable laws, regulations and contractual arrangements and is exposed to adverse regulatory or legislative changes. Breaches or adverse changes could result in negative impacts on the Group's reputation and profitability, significant fines or other adverse consequences.	• Woolworths Group has a Compliance Framework in place and a variety of policies have been established to facilitate legal, regulatory compliance and internal protocols. We liaise with government and regulatory bodies on proposed legal and regulatory changes. • The Woolworths Group Code of Conduct and training programs promote awareness of legal, regulatory and internal policy requirements.