

WOOLWORTHS LIMITED

Woolworths Limited Annual General Meeting 2014 Address by Grant O'Brien, CEO Brisbane Convention and Exhibition Centre Thursday, 27 November 2014

CHECK AGAINST DELIVERY

Thank you, Ralph, and good morning ladies and gentlemen.

Thank you all for being here today. I genuinely appreciate the effort you have made to attend and, of course, your choice to invest in Woolworths.

Highlights for Financial Year 2014

I am pleased to report that the work against our four Strategic Priorities is delivering sustainable growth in the established parts of the business.

At the same time we are investing in opportunities to deliver growth into the future for our shareholders.

As the Chairman has mentioned, financial year 2014 Net Profit After Tax from continuing operations before significant items increased by 4.2%, or 6.1% on a normalised 52 week basis, to \$2.452 billion.

Sales from continuing operations were \$60.8 billion, an increase of 3.9% or 5.9% on a normalised 52 week basis. This was underpinned by ongoing momentum in our Australian Food, Liquor and Petrol business.

At the same time, we are investing in new growth businesses and implementing transformation programs to strengthen and grow our existing networks.

Progress against our Strategic Priorities

We are extending our leadership in Food and Liquor.

We have increased comparable sales and EBIT growth over the past three years, including further momentum in Financial Year 2014. We also grew market share and customer numbers in the year.

We strive to provide our customers with the best offer, best value and best access.

Each week we served an average of 21.1 million Australian Food and Liquor customers over the year. They benefited from more than \$750 million in savings from key promotional campaigns and deflation in average prices of 3.1% for the year.

We also strive to be Australia's 'First Choice for Fresh' and made good progress towards this through support for local producers and encouraging a healthier Australia through our Jamie Oliver partnership.

We provided greater access for our customers with 34 (net) new Australian Supermarkets store openings, bringing total Australian Supermarkets to 931.

Our New Zealand supermarkets operation is in the early stages of transformation and is delivering pleasing results. There has been a strong customer response to our focus on providing better value through the 'Price Lockdown' and 'Price Drop' campaigns.

Pleasingly, we further reinforced our position as Australia's premier liquor destination with market leading store formats, online offerings and exciting ranges, including the exclusive and own brands managed by our Pinnacle Drinks business.

We have maintained our successful track record of building new businesses.

We are extending our leadership as Australasia's largest domestic online retailer with online sales of more than \$1.2 billion for Financial Year 2014, increasing by 50% on the previous year.

Our market leading Online offers in Food and Liquor continue to exceed our expectations and have been supported by strong growth in our Apparel business.

The Liquor division is our best example of how we can deliver strong growth across multiple retailing channels. For example, Dan Murphy's is the most visited drinks website in Australia, attracting around two million visits a month.

We continue to build our Home Improvement business, bringing real competition to the market. While Financial Year 2014 losses were higher than anticipated, we have established a solid foundation and are focused on transitioning from a start-up to a scalable, profitable business under the new leadership of Matt Tyson.

We remain confident that Home Improvement will become a material profit contributor for Woolworths over time.

We have put in place the enablers for a new era of growth.

We are strengthening our supply chain with the commencement of Mercury II, which will drive next generation supply chain capability through the use of new technology and new end to end processes.

This will deliver our customers greater convenience and flexibility whilst also allowing us to maintain market leading prices.

We are gaining an even better understanding of our customers' needs, and continue to develop tailored customer experiences, using tools and insights provided by Quantum. For those of you who may not be aware, Quantum is a data analytics company that we partially acquired during the 2013 financial year.

Our loyalty programs have grown steadily over the last year and we now have 7.9 million Everyday Rewards members in Australia and 1.9 million Onecard loyalty club members in New Zealand.

We continue to assemble a world class leadership team that blends the best local and international talent.

We have also continued to act on our portfolio to maximise shareholder value.

In September 2014, we announced the divestment of a \$600 million portfolio of freehold Hotel sites. This furthers the work undertaken in FY13, which led to the spin-off of the business now called "SCA Property Group".

Despite making good progress with the previously advised transformation of our BIG W business, this transformation together with challenging trading conditions impacted our profitability.

Under Alistair McGeorge's leadership, we continue to drive the BIG W strategy, whilst also bringing a strong focus on execution and operational excellence. We are transforming this business by rolling out new offers and revitalising the current ones.

Going forward, BIG W will be a multi-channel business, with our acquisition of EziBuy turbo-charging our progress.

Our ambition is run Australia's best and most responsible hotels. We have an industry leading hotel and gaming charter and we have commenced the roll out of voluntary pre-commitment functionality.

Securing growth into the future

It is clear that the Strategic Priorities we laid down in November 2011 are delivering sustainable growth in our business.

We have made good progress in our core Food and Liquor business and we are investing in opportunities for future growth, especially Online.

However, as I have said before, there is still work to do, particularly in General Merchandise and Home Improvement.

Woolworths has consistently delivered strong returns to shareholders with \$1.7 billion in dividends paid this year, again representing 70% of our net profit after tax.

Our Company is, and has always been, a long term growth company.

Like any listed company, there will be short term fluctuations in share price. However we have a history of outperforming the market and our peers over the long term.

Since I laid out our Strategic Priorities three years ago, Woolworths has delivered total shareholder returns of approximately 50%.

Over the same period our share price has increased by more than 30%, in line with the ASX200.

Looking back over the decade, Woolworths has delivered shareholder returns of around 220%, double that of the ASX200.

Today, I have every confidence that our strategy will continue to deliver growth and solid shareholder returns, with consistent, reliable financial performance.

You will be pleased to learn that we have seen recent improving sales trends across our businesses. Second quarter sales are heavily reliant on the next six weeks, but we are encouraged by trading to

date. Like many other retailers, we have started Christmas marketing and promotional programs earlier to strengthen the festive season's trading outcomes.

These improved sales trends are pleasing given the soft first quarter, and, as the Chairman has said, we are reaffirming our previous financial year 2015 Net Profit After Tax guidance today.

Comments on regulatory issues

I'd like to close with some brief comments about our operating environment.

Australian retailing is fiercely competitive and this environment has been delivering lower prices, better access, new competitors and rapid innovation for consumers.

This competition has driven prices down. In fact, customers in our Australian Food and Liquor business benefited from deflation in average prices of 3.1% in financial year 2014. This is even more than the deflation of 2.9% in Financial Year 2013.

Competition will only intensify with the growth of online retail and the expansion of new entrants.

We welcome this as it leads to lower prices and greater innovation, both of which benefit customers.

In this competitive environment, Woolworths is committed to good working relationships with our suppliers.

Last year we agreed in principle to a prescribed Food and Grocery Code with the Australian Food and Grocery Council and Coles. This is a positive step in the right direction.

With the final Competition Policy Review report due in March next year, we will continue to argue our position to allow us greater freedom to compete, grow and create jobs.

I am immensely proud of Woolworths' position as one of Australia's largest employers, particularly of young people.

We commenced a campaign this year to highlight the number of young people who start a job at Woolworths. They're our next generation of talent.

On that note, I would like to acknowledge the significant contribution of each and every one of our staff members who tirelessly serve our 29 million customers each week.

They are the heart and soul of our business.

Shareholders, thank you for your support in Financial Year 2014 and I look forward to reporting on our progress as the financial year progresses.