

WOOLWORTHS LIMITED

**Grant O'Brien – CEO of Woolworths Limited
Address to Annual General Meeting 2013
The Concourse, Chatswood
Tuesday, 26 November 2012**

CHECK AGAINST DELIVERY

Thank you Ralph, and good morning ladies and gentlemen.

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

James Strong

Before I turn to the year's results I would like to start by paying tribute to our former Chairman, James Strong.

None of us knew that just weeks after he stepped down as Chairman that James would no longer be with us.

James enjoyed these meetings. He relished the opportunity to communicate directly with shareholders.

James was a titan of Australian business and a wonderful individual.

He was an inspirational, energetic and thoughtful Chairman, who led Woolworths through one of its greatest periods of growth and change.

In December last year I had the great honour of dedicating the auditorium in our National Support Office in James' name with him in attendance. This facility will remain a permanent tribute to a great Australian.

However, James was an individual of high values, and that is what his enduring legacy at Woolworths is.

James taught us five priceless lessons; always listen; always be approachable; always act with grace and dignity; always keep a cool head; and always treat people the way you would like to be treated yourself.

These lessons now have pride of place on the walls of our Support Office at Bella Vista.

This means thousands of new recruits, next week, next year, and in the decades ahead will read his words and understand the true legacy that was James Strong.

On behalf of the Board, Management and staff of Woolworths, we pay tribute to James and our thoughts remain with his wife Jeanne Claude, and sons Nick and Sam.

2013 in brief

With that, I would now like to turn to Woolworths' financial results for 2013 – a result that would have made James proud.

The results are evidence that the Strategic Priorities I outlined in November 2011 are delivering sustainable profit growth and laying a solid foundation for the future.

We delivered a strong profit result at the top end of our guidance with net profit after tax from continuing operations and before significant items up 8.0%.

This was a good result, particularly given the significant consumer uncertainty that prevailed throughout the year.

We have worked hard and seen good momentum across the Group with higher comparable sales, stronger profit growth and higher shareholder returns.

I am very pleased that all established divisions delivered a positive earnings result.

These results meant that we were able to return \$2.2 billion to shareholders via dividends and the in-specie distribution on the divestment of the SCA Property Group.

Woolworths has a history of delivering strong shareholder returns over a sustained period.

Of note is the strong performance in FY13 which delivered a total shareholder return of 28%. This is a reflection on the ability of Woolworths to grow and adjust its business over successive years and trading conditions.

In fact, over the last 10 years, we compare very favourably to our international food retailer peer group with Woolworths outperforming the majority of food retailers globally.

This growth has a positive impact on the Australian and New Zealand economies.

We are one of the largest employers and in 2013 created almost 7,000 new jobs, bringing our total to more than 197,000 staff members. This means on average, 157 people started a new job with us every day, including 95 young people.

In 2013 we paid \$7 billion in wages and paid \$2.2 billion in tax. The flow-on effect from our sales and capital expenditure indirectly supports an estimated 750,000 jobs and contributes more than \$100 billion to the Australian economy.

I am passionate about this company's employment track record.

Hundreds of thousands of people have been given a first start by this Company. Individuals who have gone on to achieve wonderful and fulfilling careers, be they butchers, bakers or businessmen and women.

It is a topic which I believe in and will be discussing and promoting far more frequently in the future.

Progress against strategic priorities

I'd now like to update you on the progress we are making in transforming our business and creating future shareholder value.

The results we achieved last year and the growth that was realised is a result of the work that is being undertaken to meet the objectives we outlined in our Strategic Priorities.

The team is very clear on what they have to do quarter upon quarter, half upon half, year upon year to ensure Woolworths continues to grow. This clarity of purpose means that our progress is measurable and tangible.

Our Strategic Priorities are:

1. Extending leadership in Food and Liquor;
2. Acting on our portfolio to maximise shareholder value;
3. Maintaining our track record of building new growth businesses; and
4. Putting in place the enablers for a new era of growth.

These are the cornerstones of our growth; both today and into the future.

Strategic Priority #1 - Extending Leadership in Food and Liquor

We have increased momentum in Food and Liquor with higher comparable sales and EBIT growth, strong volume and trading area growth, and increased market share.

Our continued value leadership has reinforced our position as Australia's lowest priced full range supermarket. Our customers are saving with 'More Savings Every Day' and 'Extra Special' offers for Everyday Rewards customers.

And we lowered average prices in Australian Food and Liquor by 2.9% on the previous year.

Put simply, we are competing to win on both price and price perception.

As 'Australia's Fresh Food People', we drove Fresh market share growth through innovation, in store improvements, and a great range – and I hope you have tasted some of our Free Range Ham, cherries and Jamie Oliver's prawns already today.

On the Liquor side, we are Australia's leading Liquor destination, both in-store and online, and delivered strong sales and market share growth.

Consolidation of our entire Liquor convenience offer under the BWS banner has enabled us to reinvigorate the brand, and customers have responded well.

We continued our expansion of Dan Murphy's and continue to grow our direct and online channels via danmurphys.com.au, Langton's and Cellarmasters. This year Dan Murphy's won the Online Retailer of the Year award.

Our repositioning of the New Zealand Supermarkets business over the last few years has enabled us to grow. In FY13 we were particularly pleased to have increased our market share in difficult retail conditions, and we are well positioned for the future.

Strategic Priority #2 - Act on our portfolio to maximise shareholder value

We have continued to maximize shareholder value.

BIG W's customer offer continues to evolve with the strategic repositioning of the business. It will result in an increased focus on categories of high customer importance. We are focused on maintaining profitable growth despite changes to the sales mix.

Through ALH, our ambition is to run Australia's best and most responsible hotels. We acquired 34 hotels in FY13, including 29 from the Laundry Hotel Group. The Victorian gaming regulatory changes were well navigated.

In the first half of last year we took steps to reduce the quantum of property held on our balance sheet, make better use of our capital, and release value to shareholders through the creation of the SCA Property Group.

This resulted in the sale of property independently valued at \$1.4 billion and a \$500 million return to our shareholders.

Additionally, many Woolworths' shareholders who kept their SCA shares have enjoyed a total shareholder return of around 18% since the transaction completed in November 2012.

FY13 also saw the finalisation of the sale of Dick Smith Electronics to Anchorage Capital Partners.

Strategic Priority #3 - Maintain our track record of building new growth businesses

Woolworths has continued its track record of building and growing new businesses.

We are unquestionably the largest Australian and New Zealand online retailer with 42% growth in online sales from continuing operations for the year. We remain on track to achieve more than \$1 billion of online sales in FY14.

Transactional mobile sites are now used for all our brands. More than 3.7 million Woolworths Group apps have been downloaded, and Click & Collect is being rolled out across all our businesses.

The acquisition of EziBuy, a leading direct retailer of apparel and homewares, will accelerate our multi-option capabilities and act as a launch pad for the next phase of growth.

We also continued to build Australia's best Home Improvement offer with 31 Masters stores trading at the end of the financial year. Today that figure is 36 stores, and we aim to have 90 stores open by the end of the 2016 financial year.

The customer response to our differentiated product range, service guarantee and pricing strategy has been positive. It's why Masters is Australia's fastest growing home improvement business and provides the confidence that it will become a long term profit contributor for the Group.

Strategic Priority #4 - Put in place the enablers for a new era of growth

In 2013 we also focused on embedding in our businesses the enablers for a new era of growth.

Cost discipline and efficiency is part of the Woolworths DNA. This is apparent right across our supply chain and store networks.

Our Hoxton Park distribution centre (DC) is state of the art and is delivering significant efficiencies in our BIG W and Home Improvement businesses.

In Australian Supermarkets, continued efficiencies in stores have delivered significant cost reductions. There are more savings planned for FY14 and we will leverage these initiatives across the Group going forward.

Retailing is ruthlessly competitive and there is always more to do. We have embarked on the next stage of supply chain evolution which we have called Mercury 2. Mercury 2 will drive replenishment efficiencies across our business and enable us to deliver on our multi-option ambition. This will keep us in front of our competitors.

Woolworths is also the market leader in terms of customer insights. Our acquisition of 50% of Quantum, Australia's leading data-driven strategy business has enabled us to improve our customer offer and better satisfy our customers' needs.

None of this would have been achieved without first class people. We continue to assemble a world class retail team, blending the best local and international talent at all levels of the organisation.

2013 result highlights

This progress against the Strategic Priorities has delivered increasing momentum for Woolworths.

Our Net Profit After Tax of \$2.26 billion was up 24.4% on last year.

Net Profit After Tax from continuing operations before significant items of \$2.35 billion, was up 8.0%.

Every division grew its earnings:

- Australian Food and Liquor was up 8.7%
- New Zealand Supermarkets up by 5.3%
- BIG W was up 7.2%
- And Hotels up 34.7%

And the return to our shareholders were fully franked Dividends of 133 Cents Per Share, up 5.6% on last year.

In 2013, we served an average of 28.4 million customers per week, an increase of 3.6% on the previous year.

In summary, our customers are benefiting from lower prices and our suppliers are benefiting from higher volumes.

Combined with our strong cost discipline, we have returned value to shareholders and we are planning for future growth.

Looking forward to the 2014 financial year, I can report that the momentum generated last year has continued into the first quarter, and we recorded sales growth from continuing operation of 6.1%.

In fact, an additional 1.1 million customers on average every week came through our doors in the quarter. This drove increases in market share and basket size in our Australian Food and Liquor business, which recorded a 4.5% increase in sales.

Importantly, this is the first time in three years we have reported higher total sales growth than our major competitor. Having said that, we believe that we are still in the early stages of our Food and Liquor transformation at Woolies.

While there is more to do to realise our ambition of double digit profit growth in the future, the evidence shows we are heading in the right direction.

Corporate Responsibility in 2013

In addition to delivering value for shareholders Woolworths has continued to give back to the communities in which we operate.

Sustainable retailing is at the heart of what we do. It shapes and influences all our actions, from the products we source to how we serve our customers.

In 2013 Woolworths became the first Australian retailer to be named the global leader in the food and staples retailing sector by the Dow Jones Sustainability Index.

This is recognition of the success of our sustainability strategy and an indication that we are truly a market leader in this area.

I am pleased that Woolworths has negotiated and agreed on the terms the Food and Grocery Code.

The Code establishes a clear set of principles around the trading relationships between retailers and suppliers and will provide greater certainty and clarity without adding complexity or cost.

Agreement on the Code is the culmination of many months of discussions and highlights the goodwill across the sector.

In my view, the Code will work because it is industry owned. It will not add red tape or stifle competition. In this context, its voluntary nature should be seen as its strength. Self regulation will always be preferable to Government intervention.

It's now time for Aldi, Costco and IGA to join the conversation. There is no logical reason for these parties to exempt themselves from participating.

In terms of the wider competition debate, all stakeholders would be well minded to keep what's best for customers at the forefront of their minds.

Policy should not respond to perception or mythology. In fact, it does no justice to consumers if policy makers leave the people they need to protect worse off. However, outcomes that enhance competition and reduce red tape would be welcomed by business and consumers alike.

At Woolworths, we have worked hard to reduce average prices by 2.9% last year – a great result for Australian consumers - and builds on previous years of price deflation.

We see our suppliers as our partners, and I am pleased they are benefiting from increased volumes. Our strong relationships with suppliers are a credit to Tjeerd Jegen and the team.

Healthy food choices are also important to our customers.

We have recently announced a partnership with renowned chef, Jamie Oliver to inspire our customers to cook and eat more fresh food.

We also know our customers want us to source Australian made and grown product where we can, as well as products from their local area.

We have built long relationships with thousands of farmers around the country to ensure that 100% of our fresh meat and 96% of our fresh produce is Australian grown.

In 2013 we have undertaken several initiatives to ensure more Australian products are stocked on our shelves.

We commenced sourcing 100% of our Own Brand canned fruit from SPC Ardmona. Our customers supported this move and we saw a 38% increase in sales in the following month.

We have also committed to source 100% of our Select frozen vegetables from Simplot Australia. This is estimated to benefit 155 Australian growers, requiring 650 additional hectares of vegetables to be planted.

Our customers also want to see products made in their local area in our stores. To that end we have appointed local sourcing managers to work with local producers.

We are also trialling a direct relationship with dairy farmers. 'Farmers' Own' milk, sourced directly from dairy farmers in the Manning Valley, has commenced its roll out across New South Wales stores.

We also take our international social responsibilities seriously.

Woolworths has a comprehensive Ethical Sourcing Policy supported by an independent factory audit program that covers risk areas like health and safety, working conditions, and preventing child labour.

We support the goal of a safe and sustainable Bangladesh ready-made garment industry and in October 2013 we became a signatory to The Accord on Bangladesh Building & Fire Safety. We are also a signatory to the United Nations Global Compact (UNGC).

Woolworths is committed to working collaboratively with other businesses and workers' representatives towards the goal of improved worker safety.

The safety and health of the Woolworths' team and customers are an essential part in providing the best retail experience. To this end we further improved our performance across a number of key safety metrics.

Conclusion

In conclusion I would like to pay tribute to our Chairman, Ralph Waters, for his support and guidance throughout the year.

I would also like to take this opportunity to recognise the Woolies team and the Board for their hard work this year.

I recognise and pay tribute to Tom Pockett, our esteemed Finance Director, whose retirement was announced earlier by the Chairman.

To say Tom's contribution to Woolworths has been significant is an understatement. His financial stewardship has been pivotal to the Woolworths success story for over a decade.

More importantly, the structures he has put in place, the team he has built and the principles he has set in stone will ensure that Tom's contribution to Woolworths' wellbeing will go on indefinitely.

As for his track record, it speaks for itself.

Whilst Tom has been the Chief Financial Officer, Woolworths has seen remarkable growth.

Our performance as a business in that time has been consistently solid.

The share price has increased by 158 per cent from \$13.15 in FY02 to \$33.96 on 25 November 2013.

Market capitalisation has almost tripled from \$13.8 billion in FY02 to \$41.0 billion in FY13.

And net profit after tax has quadrupled from \$523 million in FY02 to \$2.26 billion in FY13.

Tom will be extremely embarrassed that I am paying tribute to him in this way, but that's Tom. He has gone about the business of building shareholder wealth and strengthening this great Australian icon in his own quiet, matter-of-fact way, never seeking to be singled out or congratulated.

On a personal note, I owe a great debt to Tom for the support he has given me since becoming CEO. I have known Tom for some time but his sage advice and wisdom of the last couple of years has been invaluable to me and I thank him for that.

We wish Tom, his wife Wendy, and children Jessica and Ryan - who are here today - all the best for a great future. We thank Tom's family for giving him over to his Woolworths family for the last 11 years, and while we are reluctantly giving him back, I am certain Woolies will always be close to his heart.

Thank you again for coming today and I look forward to answering your questions.

I now invite Tom Pockett to say a few words. Thank you.

ENDS