

# WOOLWORTHS LIMITED

**Grant O'Brien – CEO's Address Annual General Meeting 2012  
Adelaide Convention Centre, Adelaide  
Thursday, 22 November 2012**

**\*\*CHECK AGAINST DELIVERY\*\***

Thank you James, and good morning ladies and gentlemen. It's a pleasure to be here in Adelaide and to have the opportunity to speak to some of the 30,000 South Australian shareholders of Woolworths Limited.

Thank you for being here today and for your choice to invest your money in our Company.

Our business is a strong business.

It is built on a foundation of:

- the best people;
- a culture of performance; and,
- an appetite for constant improvement so we can compete against the best in the world.

First, I would like to outline to you the Company's financial results in the 2012. The underlying result landed well within our guidance.

I'm pleased to say that every division improved or grew its earnings, including Dick Smith (up 11.8%):

- Australian Food and Liquor was up 5.2%.
- New Zealand Supermarkets, up 17%
- BIG W was up 0.8%
- And Hotels, up 6.5%

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Of course the results this year were also unique in as much as they included the distortion of a provision made for the Dick Smith divestment that we announced in January. But when we look at these results for our continuing operations, I'm really pleased that we've delivered that EBIT improvement. But there's a lot more to do.

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

## **Progress against strategic priorities**

Twelve months ago I laid out our four key strategic goals. These are to extend our leadership in food and liquor, second to maximise shareholder value in our portfolio, third to maintain our record of building new growth businesses and finally to put in place the enablers for a new area of growth.

I'm pleased to report that we're making significant progress against each of those goals, but we have only completed 20% of the journey. There is a lot of work still to come as we transform Woolworths for the new era of the customer.

Since I addressed you 12 months ago, there are some important milestones that I would like to highlight.

We have a new strategic direction in our supermarkets division under the leadership of Tjeerd Jegen. Tjeerd, who joined us 12 months ago from Tesco Asia, is working hard on extending our position as Australia's Fresh Food People. It is worth noting that this year we celebrated 25 years as the Fresh Food People.

Take a walk through our stores and you will see the absolute focus Tjeerd has brought to the fresh areas. A real focus on the providence of our fresh foods, deepening our relationships with our suppliers, and creating an exciting and unique marketing campaign has lead to 10 consecutive months of Fresh Quarterly Share growth on last year.

In New Zealand our Countdown business has defied the stagnant local economy and grown sales, customers and market share.

And our liquor businesses are moving from strength to strength – both in store and online. In fact Dan Murphy's was named BRW Magazine's Outstanding Retailer of the Year for 2012.

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This has been a great start in extending our leadership in Food and Liquor, but as I said we have only just started.

We have worked hard on the Woolworths Group portfolio this past 12 months, and as part of that commitment we have found new owners for the consumer electronic businesses in Australia, New Zealand and India and in the process increased the provision for us to exit the Dick Smith business to \$420 million. This was a prudent measure that has allowed us to drive the restructure and separation program ahead of an exit. Now that we are close to settling the sale it is appropriate to thank the staff and customers of Dick Smith for their custom and service over the years.

These sales will allow Woolworths to focus its investment into its core and future segments for growth.

And those growth options are exciting and fast becoming real.

We have now opened 23 Masters Home Improvement stores. From home renovators to tradies, we are really delighted with the feedback we are getting. As at June 2012, of the 150 sites we plan to secure over five years, there are 112 sites in the pipeline. This will be a real source of growth in years 5-10.

More broadly in Financial Year 2012 we opened 38 supermarkets in Australia, 7 BIG W's, 20 Dan Murphy's, 46 BWS stores and 7 Countdown stores in New Zealand.

These new stores will be wonderful enablers of future growth.

As well, innovation and multi-option retailing represents exciting new opportunities for Woolworths which we have enthusiastically welcomed. To this end, you would not be surprised to learn that we are Australia's leading online retailer.

Our businesses have embraced innovation and multi-option retailing to ensure that the current needs of our customers are met, no matter how they want to shop. In Australian supermarkets more than 2 million customers have the Woolworths mobile phone App, while across the whole group we have 2.65 million Apps in use and growing by the hour. This multi-option platform is driving sales and serving our customers better each day.

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The creation of SCA is in line with our strategy to act on the Company's portfolio to maximise shareholder value, and you will be asked to vote on that resolution today. We believe this is the best option to reduce the quantum of property held on the balance sheet, make better use of capital, and release value to shareholders.

Woolworths has a proud culture of setting targets and meeting them. But this is just the start of a program of transformation for our business. There is a lot more to do to ensure that no matter what the environment we will have winning plans for growth that have at their core winning customer propositions.

## **2012 Financial Year Results and highlights**

In 2012, Woolworths once again demonstrated its capacity to evolve the business to meet the challenges of a changing economic and consumer environment. We delivered profit within our guidance.

More importantly our customers benefited substantially from lower prices across all our brands.

Woolworths has played an important role in helping consumers manage their cost of living, and I think this role will continue to increase.

For the 2012 financial year, I am pleased to report a solid increase in net profit after tax from continuing operations of 3.6%. Of course, when we include the write down we took in our discontinued consumer electronics division we reported a decline in net profit after tax of 14.5%.

Despite continuing tough retail conditions and low consumer confidence, sales from continuing operations grew by 4.8%. This is a result underpinned by gains in customer numbers, market share and units sold.

Our divisions performed well across the board. Our Australian food and liquor business delivered an increase in gross margin which underlines the fact that efficiency and cost management remains at the heart of our operations. It also highlights a significant focus on shrinkage improvement, improvements in buying, and the roll out of new store formats. Much of the benefit received from these initiatives has been reinvested in price reductions for our customers.

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I have been pleased with the start of the 2013 financial year and our guidance remains unchanged despite the instability of consumer confidence and some uncertainty in global financial markets.

## **Corporate Responsibility in 2012**

Through this period of transformation, I am very pleased to report that Woolworths continues to demonstrate the many ways we work to ensure we are good for Australia.

The 2012 Corporate Responsibility Report is available to you in the foyer this morning. I encourage you to look it over so you can see how we are not only acting on our responsibilities, but going above and beyond to make a positive difference.

Woolworths aims to be Australia and New Zealand's most trusted brand. This year Woolworths was proud to win the Most Sustainable Retailer category of the BRW Retailer of Year Awards.

In doing so, we beat many other retail brands that are perhaps better known for a sustainability focus than Woolworths is.

Serving more than 28 million people a week, our responsibility goals are central to ensuring our business can evolve and grow through this new era in retail.

That is why we are committed to stretching ourselves beyond the basic expectations in all of the areas we operate. We are particularly focused on building trust with customers, building better relationships with suppliers and, as you may have heard this morning, being the most responsible operator of hotels.

In 2012 Woolworths contributed the equivalent of \$36.6 million to worthy community causes through Company cash donations, customer fundraising, and in-kind support through staff and management time.

Of particular note is the investment we are making in Australian farming and agriculture through our Fresh Food Future Program.

This program is designed to advance farming innovation, productivity and long-term sustainability and support the next generation of farmers and industry leaders. Since 2007, \$9 million has been invested by Woolworths in this program.

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Hundreds of important local Landcare projects have been funded across regional Australia, while more than 200 young farmers have now completed our Business Agricultural Scholarship course.

Our focus on creating a sustainable business operation remains strong. This year we have again seen a continued reduction in our carbon emissions through the rollout of energy efficiency measures in our stores, distribution centres and transport fleet.

We have invested \$66.5 million since our Sustainability Strategy was launched in 2007 and we estimate this investment will deliver \$110.9 million in operational cost savings by 2015.

Our investment in energy efficiency and low carbon technologies has also resulted in our supermarkets having 37% lower carbon emissions per square meter compared to 2008, which has exceeded our target of 25%. These efficiencies contribute to our ability to offer our customers affordable and competitive prices and they are also good for our environment.

Our commitment to be Australia's most responsible operator of hotels was further evidenced by the implementation of the ALH Responsible Hotel and Gaming Charter. We have committed to the introduction of voluntary pre-commitment technology by 2014, two years before the Government's 2016 target.

This is an industry leading code of practice going above and beyond regulatory requirements and underlines our commitment to minimise alcohol and gambling related harm in our community.

In 2012, ALH was awarded the most responsible gaming operator at an international awards program in London.

This year we also worked with our suppliers on ethical and sustainable sourcing practices. We have focused on animal welfare practices in farms supplying our fresh pork meat with 98% of production no longer using gestation stalls. We have achieved this well ahead of the industry target date of 2017. We have increased the sales of free range eggs for two of our own brand eggs Select and Macro.

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I am very proud that Woolworths has been able to employ more people and significantly reinvest despite the strong economic headwinds. This was recognised with a historic agreement with the Australian Government through the Fresh Start agreement focusing on opportunities for indigenous, disabled and mature workers. In FY12, 37.7% of all executive appointments were female, which is 2.2% growth on last year.

This year we continued to make our stores and networks a safer place to work and reduced our Lost Time Injury Frequency Rate by 8.9% on last year. We are committed to continually improving our safety performance and culture towards achieving our vision of 'Destination Zero' which means zero harm to our people, environment and community.

It's also worth highlighting that beyond our operational footprint, Woolworths is a large contributor to our national economy and our country's social fabric. In 2012, we paid \$6.6 billion in wages and benefits to our 195,000 employees. We paid \$2.1 billion in taxes. Indirectly, we made a \$108 billion contribution to the economy along with 729,900 jobs.

Through our close association with global organisations such as The Consumer Goods Forum and the United Nations Global Compact Network, Woolworths is actively ensuring that Australian and New Zealand interests are represented while also paving the way for other retailers to follow and adopt more sustainable working practices.

## **Australia's best retail team and tribute to James Strong**

I am confident that Woolworths has Australia's best retail team that has the expertise and drive to deliver on our plans. This year we have seen a lot of change and evolution in our senior management ranks. I am delighted that we have welcomed some very talented new people with wonderful international experience into our business to complement Australia's best 'homegrown' retail talent. I am very excited about the opportunities into the future.

The commitment of the people who work at Woolworths is an undervalued asset. This year more than 3,800 people celebrate 25 years service or more – and one over 50 years – with our company.

These are the people who make Woolworths the business it is today and allows us to look at the future positively and confidently.

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On behalf of the management and staff of Woolworths I would like to pay tribute to our outgoing Chairman, James Strong and thank him for his amazing service to Woolworths over the past 12 years. We are so grateful to him for what he has achieved as Chairman of our company.

It is worth reflecting for a moment on what has been an extraordinary period of growth in all of Woolworths' 88 years - a period that was under James' leadership:

- Sales have more than doubled from \$20.9 billion in 2001 when he commenced as Chairman to \$56.7 billion in FY12
- Net profit after tax has quadrupled from \$475.7 million in 2001 to \$2.2 billion in FY12
- Most importantly, we have driven shareholder value as the Company has grown. The share price has increased by 245 per cent from \$8.41 in 2001 to today's price of more than \$29, and our earnings per share have quadrupled
- Investor confidence has also increased and today there are almost 100,000 additional shareholders who have invested in Woolworths – a total of nearly 417,000 shareholders

How many other Australian Chairmen could boast such a successful reign?

And it continued as Woolworths' share price increased 16% from our last AGM until now.

We are now looking forward to working with Ralph Waters as he takes up the role as Chairman after the conclusion of this meeting. He brings a huge amount of experience to the Chairmanship and, having worked with him closely over the past year, I appreciate his no-nonsense, honest approach and the integrity he brings to every situation.

Finally, I would like to take this opportunity to recognise the Woolies team and the Board for their support in my first year as CEO as I look forward with great expectation in respect to the future of Woolworths Limited.

Thank you.