

**WOOLWORTHS LIMITED**  
A.B.N. 88 000 014 675

21 November, 2003

The Manager, Companies  
Australian Stock Exchange Limited  
Company Announcements Office  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

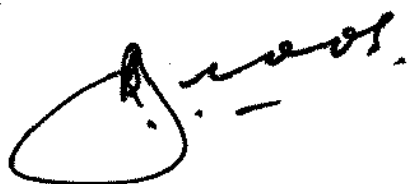
Dear sir,

**WOOLWORTHS LIMITED: CHAIRMAN'S ADDRESS - LISTING RULE 3.13.3**

In terms of Listing Rule 3.13.3, attached is a copy of the 2003 Woolworths Limited Annual General Meeting Chairman's Address.

The Address is to be delivered to Shareholders today.

For and on Behalf of  
**WOOLWORTHS LIMITED**

A handwritten signature in black ink, appearing to read 'R K S Jeffs', written over a large, irregular oval scribble.

**R K S JEFFS**  
**COMPANY SECRETARY**

## **ANNUAL GENERAL MEETING**

**NOVEMBER 21, 2003**

### **CHAIRMAN'S ADDRESS**

#### THE YEAR IN REVIEW

Ladies and Gentlemen,

I am very proud to say that last year Woolworths recorded the Company's best results for five years. All key measures of business performance improved substantially and the outstanding results achieved show that Woolworths' growth strategies are delivering sales and earnings results precisely as foreshadowed at last year's Annual General Meeting and through more recent guidance to the market.

#### **GROUP RESULTS SUMMARY**

In 2002/03, Net Profit, Earnings per share and Dividends per share all rose at strong double-digit rates while Sales growth was comfortably within our target range of upper single digits.

The average Return on Shareholders' Funds Employed rose more than 4% to 42.8% and average Return on Equity increased by more than 5% to 53.3% adjusting for the non-comparable impact of changes in accounting standards.

The high quality of the results is illustrated in three other key areas:

- Net repayable debt rose by only \$122 million to \$360 million
- Free cash flow, at \$665 million, exceeded net profit and
- Negative working capital increased by \$224 million, underpinned by an effective reduction in inventory of 3.2 days

The increase in negative working capital is clear evidence of the effective operation of the Woolworths' 'Double Loop' strategy which not only leads to volume-driven productivity gains but also generates significant balance sheet benefits as funds employed reduce and the relationship between sales and inventories continually improves.

## **FOUR YEAR REPORT CARD**

This Four Year 'Report Card' summarises the progress the Company has made against its business goals so far this decade. All of the major goals we set ourselves have been achieved.

## **ECONOMIC ENVIRONMENT**

The Australian economy continues to perform exceptionally well, with inflation down markedly, virtually full employment and only mild upward pressure on interest rates. In some areas the long drought shows signs of breaking, but pressure does remain on some of the primary producers who supply Woolworths.

I should note in passing that the sustained low inflation rate, while desirable in itself, has the effect of making our sales growth (period-on-period) seem artificially low compared with the prior year. Hence some shareholders may have gained the impression that our First Quarter 2004 sales results were markedly lower than for the same period in 2003 whereas, in the absence of inflation, there was only a marginal difference between these two Quarterly results.

## **COMPETITION**

As a shareholder, you will be aware that the Australian retail trading environment has remained extremely competitive and I can assure you that your Company is well positioned to meet these competitive challenges.

Our comparable store sales have strengthened, our expense savings are on track and our earnings guidance remains in line with our latest projections

## **FUTURE GROWTH**

The areas of focus maintain an appropriate balance between sales and earnings growth achieved through superior customer service, competitive prices; sustained cost reduction, capital and balance sheet management.

## **SOURCES OF GROWTH**

Our Chief Executive Roger Corbett will shortly review our latest full year's performance. His presentation will also address the sources of future business growth, with particular focus on the ongoing and escalating benefits of 'Project Refresh'.

This major business initiative, now in its fourth year, continues to deliver tangible benefits to shareholders and customers through compounding EPS growth, an increasing dividend rate, superior quality and range of products and services and continually lower prices.

## **BOARD and MANAGEMENT RELATIONSHIP**

An open and constructive relationship between the Board and the CEO and Senior Management is one of Woolworths' key strengths. The Company's business strategies for the further development of our Supermarkets, BIG W, Consumer Electronics, Liquor and Petrol businesses have been developed in close consultation between the Directors and Management and will further enhance Woolworths' competitive position.

Recently, we announced that we were establishing a joint venture with Caltex to further extend our leadership in the discount petrol business. I am delighted to be able to tell you that just this morning Caltex and Woolworths opened the first three of many co-branded Caltex-Woolworths service stations.

We are now open for business at additional co-branded petrol outlets in Randwick, Beacon Hill and Chatswood, marking the commencement of an alliance that will strategically expand the Woolworths' discount petrol offer to more than 450 outlets – each close to where you shop at a Woolworths or BIG W store – right across Australia. Woolworths has been the leader in the discount petrol to its customers for 7 years and this offer has proven to be highly popular with our customers for its convenience and value.

The addition of further selected Caltex - Woolworths outlets across Australia will mean that now more of our metropolitan Supermarket and BIG W customers will also have convenient access to discount petrol, near to where they shop.

Under these arrangements all petrol sold through both Woolworths and Caltex-Woolworths outlets will be supplied by Caltex.

A further business initiative is our plan to expand our Health and Beauty offer to around 100 Supermarkets.

This program will be completed in the next few months and next year we plan to have our first licensed pharmacist operate within one of our stores.

This is common practice in the USA and Europe and our plans are to provide significant savings to our customers.

It should be noted that Woolworths' pharmacy business plans would in no sense reduce the high level of professional care and advice which Australian pharmacists have traditionally given their customers.

## THE MAIN GAME

Woolworths is acknowledged as among the Top 2 or 3 Australian public companies for its Quality and Predictability of Earnings and Optimizing Return on Assets. Your Management and Board are very focussed on the key elements that underpin results like these. While ancillary offers like discount petrol and pharmacy are valuable in enriching our offer to customers, the main game lies in continuing to deliver world-class service, range, quality and price – across the entire organization. We know that short-term promotional spending does not create long-term customer loyalty, nor is the long-term success of a company decided by one week or one quarter.

Roger Corbett continues to lead an outstanding management team of great skill and experience in the Australian market place. Roger's contribution to Australian business and the community was recognised recently with the Queen's Honour List award of an AM and Business Leader in Retail award.

That is why the quality of our Australian management team, its excellent execution and rigour in consistently improving each element of the Woolworths offer, has proven to be the key competitive advantage.

Following Bill Wavish's decision earlier this year to retire, Tom Flood was appointed Director of Supermarkets, Bill continues to make a contribution to the team. Tom brings retailing skills of the highest calibre to this critical role. Other senior management changes have been made in conjunction with Tom's promotion in particular, Marty Hamnett as Director, General Merchandise. These appointments have ensured that our Supermarkets, BIG W and Dick Smith Electronics businesses are very well managed, as are our Liquor, Petrol and Banking businesses.

## REMUNERATION

Woolworths' remuneration policies remain, in the Board's view, appropriate to attract and retain the best people who will be future leaders of the business.

The Board believes in the broadest possible share ownership within the Company and more than 50,000 employees currently hold Woolworths' shares.

The Company's Executive Option Plan is rigorously constructed and embodies high performance hurdles. Currently some 1340 executives are members of the Company's Option Plans which is designed to enhance Woolworths' performance and share price over the longer term. It is the Board's view that such incentives should be made available to as wide a group of executives as possible as long and short term performance related incentives play important roles in driving total shareholder returns.

The Board carefully considered the balance between effective incentive based remuneration and shareholders' interests and in 1999 put forward for shareholder approval the Executive Option Plan as an appropriate performance-based option plan. It is rigorously constructed embodying high performance hurdles and has been endorsed by the Australian Shareholders Association.

The increase in the value of Woolworths' shares, from \$5.06 to around \$11 between July 1999 when these Options were initially granted and today has added around \$7 billion to shareholder wealth – an increase of more than 130% in a little over 3 years.



A further issue which relates to Executive Remuneration and Options Plans concerns some misreporting and misunderstanding that occurred regarding Mr. Corbett's recent decision to extend the exercise of his Options.

In September this year, Mr Corbett's Options, previously granted under the Executive Option Plan, became exercisable and he was faced with the opportunity to reduce the considerable debt he had incurred in funding his Options. The easy thing to do would have been for Roger to sell a considerable number of his shares and use the proceeds to pay down his debt and acquire further Options available to him under the Plan.

However, as Roger was very aware that any sell-off by the him as the CEO could send the wrong message to shareholders of his confidence in the Company's growth prospects, he chose to enter a funding arrangement to finance the exercise of 1,048,000 unlisted options and to refinance 2,000,000 full paid ordinary shares already held by him.

Additionally, as part of this arrangement with a bank, Roger agreed to provide a put option to the Bank over the 3,048,000 shares, exercisable in the event of the share price falling below a certain level. And finally, he paid an additional significant sum to preserve the benefit of upward movements in the Company's share price.

By taking on this large personal commitment Mr Corbett showed his absolute dedication to the Company and commitment to its future growth and success.

## **OTHER MATTERS**

Before introducing Roger Corbett who, following last year's practice, will deliver an edited version of the Address he recently gave at investor conferences in New York and Europe, let me refer to two other matters which have been the subject of recent media and market commentary and may be of interest to shareholders.

First, the general issue of Woolworths' competitive strength has been raised by some commentators. While it is fair to say that the first quarter of the current financial year saw a marginal impact on Woolworths' sales growth, especially in Victoria, arising from an aggressive competitive thrust (and in particular through the launch of an alternative petrol offer). This has been countered and Woolworths is now in as strong a competitive position as ever.

Woolworths will not be diverted from its central objective of delivering lower prices to our customers through the achievement of lower costs.

We have a significant 'first mover advantage' over our major competitor, especially in the execution of our supply chain strategy, which is well-advanced and will continue to bring our cost-of-doing-business down substantially over time while enhancing our ability to deliver greater customer benefits.

## **OUTLOOK**

Obviously, future sales depend to some extent on the general economic climate and other external events. However, as I said earlier, our comparable store sales have strengthened in the second quarter, our expense savings are on track and our earnings guidance remains as indicated in our full year results and first quarter sales releases. On the basis of current conditions we are looking forward to a good Christmas trading period.

Let me now hand over to our Group Managing Director and Chief Executive Officer, Roger Corbett.