

WOOLWORTHS LIMITED AGM 2010
CHAIRMAN'S ADDRESS TO SHAREHOLDERS

COMPANY RESULTS

ON BEHALF OF MY COLLEAGUES ON THE BOARD OF DIRECTORS, I AM PLEASED TO REPORT THAT ONCE AGAIN, SHAREHOLDERS IN WOOLWORTHS LIMITED ENJOYED A REWARDING YEAR AS THE COMPANY POSTED STRONG FINANCIAL RETURNS IN WHAT WAS CLEARLY AN UNCERTAIN ECONOMIC ENVIRONMENT.

IN THE 2010 FINANCIAL YEAR, WOOLWORTHS ACHIEVED A NET PROFIT AFTER TAX OF \$2.02 BILLION – AN INCREASE OF 10.1% AGAINST THE PREVIOUS YEAR. THIS RESULT WAS SUPPORTED BY PLEASEING PERFORMANCES ACROSS OUR TRADING DIVISIONS IN SPITE OF A NUMBER OF MACRO ECONOMIC CHALLENGES SUCH AS THE CYCLING OF THE GOVERNMENT'S STIMULUS PAYMENTS, LOW INFLATION IN MANY CATEGORIES AND A STRONG AUSTRALIAN DOLLAR.

THESE AND OTHER GENERAL GLOBAL FACTORS HAVE CREATED SOME UNCERTAINTY FOR CUSTOMERS IN AREAS OF DISCRETIONARY SPENDING, WHICH IN TURN HAS AFFECTED SOME OF OUR DIVISIONS.

WOOLWORTHS' COST CONSCIOUSNESS HAS LONG BEEN PIVOTAL TO ITS BUSINESS MODEL AND THIS YEAR SAW THE COMPANY EMBARK ON ANOTHER JOURNEY TO ACHIEVE GREATER PRODUCTIVITY AND EFFICIENCY GAINS ACROSS ALL PARTS OF THE BUSINESS. THIS CONTINUED FOCUS ON COST CONTROL IS A FUNDAMENTAL PART OF THE COMPANY'S CULTURE AND PERFORMANCE.

SHAREHOLDER RETURNS & CAPITAL MANAGEMENT

IN A YEAR MARKED BY FLUCTUATING ECONOMIC CIRCUMSTANCES, WOOLWORTHS MADE SHAREHOLDER RETURNS ITS ABSOLUTE PRIORITY. EARNINGS PER SHARE INCREASED BY 8.8% TO 164 CENTS AND THE DIVIDEND PER SHARE INCREASED BY 10.6% TO 115 CENTS PER SHARE.

FURTHER STRENGTHENING THE COMPANY'S MARKET POSITION, THE BOARD APPROVED A TWO-PHASE CAPITAL MANAGEMENT STRATEGY INVOLVING MORE THAN \$1 BILLION IN THE 2010 CALENDAR YEAR. THE FIRST STAGE INVOLVED AN ON-MARKET BUY-BACK OF SOME \$325 MILLION, THE SECOND, ANNOUNCED IN AUGUST, WAS A \$700 MILLION OFF-MARKET BUY-BACK.

THIS CAPITAL MANAGEMENT PROGRAM IS A REFLECTION OF THE BOARD'S CONFIDENCE IN WOOLWORTHS' LONG TERM PERFORMANCE. FOR OUR 420,000 SHAREHOLDERS, THE STRATEGY WILL DELIVER FURTHER REWARDS IN TERMS OF IMPROVED EARNINGS PER SHARE, IMPROVED DIVIDENDS PER SHARE AND IMPROVED RETURN ON EQUITY.

TRADING ENVIRONMENT

AS I MENTIONED EARLIER, THIS HAS BEEN AN UNUSUAL YEAR FOR RETAILERS WITH VERY LOW INFLATION AND CONSIDERABLE DEFLATION IN MANY CATEGORIES. EQUALLY, CYCLING OVER THE GOVERNMENT'S STIMULUS PACKAGE IN THE PRIOR YEAR HAS BEEN A CHALLENGE FOR A BUSINESS THAT IS SO FREQUENTLY JUDGED ON ITS COMPARABLE STORE SALES. UNDER MICHAEL'S OUTSTANDING LEADERSHIP, THE COMPANY HAS KEPT A STEADY COURSE AND MAINTAINED ITS FOCUS ON DELIVERING CUSTOMER VALUE IN ALL BRANDS.

IN FACT IT IS A REFLECTION OF THE STRENGTH OF WOOLWORTHS THAT WE ARE ABLE TO RESPOND TO THESE CHALLENGES AND TAKE A LEAD ON LOWERING PRICES FOR OUR CUSTOMERS.

GROWTH & DEVELOPMENT

VIGOROUS GROWTH IN OUR EXISTING BUSINESS IS A FUNDAMENTAL COMPONENT OF WOOLWORTHS' STRATEGY. THIS HAS PROVIDED A SOLID CORE OF EXPANSION AND MAINTAINED AN APPROPRIATE GROWTH OUTLOOK THROUGHOUT 2010.

THERE ARE MANY OTHER EXCITING OPPORTUNITIES AHEAD AS WE EXPLORE NEW ADJACENCIES SUCH AS HOME IMPROVEMENT AND NEW CHANNELS INCLUDING A RANGE OF ONLINE INITIATIVES.

IN TERMS OF MAJOR ACQUISITIONS, THE BOARD REMAINS OPEN AND ALERT TO A WIDE RANGE OF POSSIBILITIES THAT COULD ADD VALUE FOR OUR SHAREHOLDERS.

WE ARE AWARE THAT COMPLACENCY WOULD BE DANGEROUS AND INCREASED COMPETITION FROM WITHIN AUSTRALIA AND FROM OVERSEAS MEANS WE HAVE TO STRIVE TO IMPROVE EVERYDAY.

GOVERNANCE

THE WOOLWORTHS BOARD OF DIRECTORS HAS HAD AN EXCELLENT WORKING RELATIONSHIP WITH THE CEO AND SENIOR MANAGEMENT TEAM OVER MANY YEARS. THERE IS A STRONG AND SHARED COMMITMENT TO ENSURE THE HIGHEST STANDARDS OF GOVERNANCE ARE APPLIED TO ALL ASPECTS OF THE BUSINESS AND OUR INTERACTION WITH ALL STAKEHOLDERS.

WE TRUST THAT YOU AS SHAREHOLDERS WOULD AGREE THAT THE BOARD'S COMMITMENT TO ALL PROPER GOVERNANCE AND

REPORTING STANDARDS HAS BEEN DEMONSTRATED BY ITS STRONG SHAREHOLDER COMMUNICATIONS AND INVESTOR SUPPORT, AS WELL AS ITS RECOGNISED STANDARDS OF ETHICAL AND FAIR DEALING IN ALL ITS STAKEHOLDER RELATIONSHIPS.

A SUSTAINABLE BUSINESS

AS A BOARD, WE PARTICULARLY SUPPORT THE POSITIVE STANCE WOOLWORTHS HAS TAKEN, UNDER MICHAEL'S GUIDANCE, TOWARDS ITS CORPORATE RESPONSIBILITIES AND THE ADOPTION OF SUSTAINABLE PRACTICES ACROSS ALL BUSINESS OPERATIONS.

WOOLWORTHS IS AT THE FOREFRONT OF SUSTAINABILITY REPORTING AND IS BECOMING RECOGNISED AROUND THE WORLD FOR ITS INNOVATIVE AND INSIGHTFUL STRATEGIES ON ISSUES SUCH AS FOOD WASTE, FOOD SECURITY AND ETHICAL SOURCING.

THE BOARD IS ESPECIALLY PLEASED WITH THE DEGREE TO WHICH THE COMPANY HAS TAKEN A LEADERSHIP ROLE IN MATTERS RELATING TO DIVERSITY, PARTICULARLY IN TERMS OF INCREASING THE REPRESENTATION OF WOMEN AT ALL LEVELS OF THE BUSINESS. WOMEN NOW MAKE UP 54% OF OUR WORKFORCE AND THE PERCENTAGE OF WOMEN IN LEADERSHIP ROLES HAS GROWN FROM 17% IN 2004 TO 27% TODAY. WOOLWORTHS HAS ALSO COMMITTED TO EARLY ADOPTION OF THE ASX CORPORATE GOVERNANCE PRINCIPLES BY SETTING TARGETS OF 33% FEMALE REPRESENTATION AT BOARD LEVEL AND WITHIN ITS SENIOR MANAGEMENT GROUP BY 2015

THE INTRODUCTION OF PAID PARENTAL LEAVE IN PARTICULAR, HAS BEEN VERY SUCCESSFULLY EMBRACED WITH AND I COMMEND WOOLWORTHS FOR LEADING THE RETAIL SECTOR IN THE PROVISION OF THIS BENEFIT FOR ITS EMPLOYEES.

THESE SUSTAINABLE PRINCIPLES HAVE BEEN INTEGRATED THROUGHOUT THE ORGANISATION AND IT IS EXTREMELY PLEASING TO SEE THE DEGREE TO WHICH STAFF AT ALL LEVELS HAVE EMBRACED AND INSTIGATED CHANGE.

IN ALL ITS OPERATIONS, WOOLWORTHS AIMS TO ACHIEVE BALANCE. NOT EVERY DECISION WE MAKE, NOT EVERYTHING WE DO WILL PLEASE ALL OUR STAKEHOLDERS BUT OUR COMMITMENT IS TO ALWAYS BEHAVE WITH INTEGRITY AND TO ALWAYS ACT RESPONSIBLY.

ACKNOWLEDGEMENTS

FINALLY, I WOULD LIKE TO ACKNOWLEDGE ALL THOSE WHO HAVE BEEN A PART OF THE COMPANY'S SUCCESS IN THE PAST YEAR:

- THE BOARD OF DIRECTORS WHO HAVE CONSISTENTLY WORKED WELL TOGETHER TO REPRESENT THE INTERESTS OF OUR SHAREHOLDERS;
- THE CEO AND SENIOR MANAGEMENT IN ACHIEVING GOOD RESULTS IN A TOUGH COMPETITIVE MARKET;
- THE 188,000 STAFF WHOSE EFFORTS, DAY IN AND DAY OUT, HAVE FORMED THE BASIS FOR THE DELIVERY OF OUTSTANDING SERVICE.
- THE MANY THOUSANDS OF SUPPLIERS TO THE GROUP WHO WORK CLOSELY WITH US TO DELIVER VALUE TO OUR CUSTOMERS
- YOU, THE SHAREHOLDERS WHO CONTINUE TO BE LONG TERM SUPPORTERS AND BENEFICIARIES OF WOOLWORTHS' SUCCESS.

THANK YOU

SHAREHOLDER QUESTIONS RECEIVED PRIOR TO THE AGM

FOR THE SECOND YEAR, WE ASKED SHAREHOLDERS TO SUBMIT QUESTIONS IN WRITING IN ADVANCE OF THE MEETING. OBVIOUSLY WE CAN'T ANSWER EVERY SPECIFIC QUESTION BUT THE PURPOSE IS TO MAKE SURE THAT WE ADDRESS THE GENERAL THEMES THAT ARE MOST IMPORTANT TO OUR SHAREHOLDERS.

1. EXECUTIVE REMUNERATION

WE RECEIVED QUESTIONS IN RELATION TO EXECUTIVE REMUNERATION, PARTICULARLY HOW WOOLWORTHS ENSURES THAT PAY LEVELS ARE NOT EXCESSIVE.

REMUNERATION FOR SENIOR EXECUTIVES IS SET BY THE PEOPLE POLICY COMMITTEE AND THEY RECEIVE A MIX OF FIXED PAY AND SHORT AND LONG TERM INCENTIVES. THE MIX IS DESIGNED TO REWARD PERFORMANCE WITHOUT ENCOURAGING EXCESSIVE RISK TAKING OR FOCUSING ON SHORT TERM GAINS AT THE EXPENSE OF LONGER TERM PERFORMANCE. OVERALL, PAY INCREASES ACROSS THE COMPANY WERE AT THE 3% MARK FOR THIS FINANCIAL YEAR.

THE CEO'S REMUNERATION IS APPROVED BY THE BOARD AND IS BELOW BOTH THE MEDIAN AND THE AVERAGE FOR THE ASX TOP 20 COMPANIES

IN TERMS OF DIRECTORS' REMUNERATION, THE FEE STRUCTURE IS BASED ON INDEPENDENT RESEARCH AND EXTERNAL PROFESSIONAL ADVICE. FEE LEVELS ARE COMMENSURATE WITH THE SIZE AND COMPLEXITY OF AN ORGANISATION LIKE WOOLWORTHS AS WELL AS THE RELATIVE WORKLOAD AND RESPONSIBILITIES OF EACH DIRECTOR. THE FEE INCREASE DIRECTORS RECEIVED LAST YEAR WAS APPROXIMATELY 3%, CONSISTENT WITH THE AVERAGE INCREASE ACROSS THE COMPANY.

2. SOURCING AUSTRALIAN PRODUCTS

THE QUESTION ABOUT WOOLWORTHS' POLICIES TOWARDS AUSTRALIAN SOURCED PRODUCTS WAS A VERY POPULAR THEME LAST YEAR AND WAS RAISED AGAIN THIS YEAR.

WE DO APPRECIATE THE FACT THAT THERE IS A PROPORTION OF CUSTOMERS WHO DO SEEK OUT AUSTRALIAN MADE PRODUCTS AND FOR OUR PRIVATE LABEL PRODUCTS, WE DO POSITIVELY DISCRIMINATE IN FAVOUR OF AUSTRALIAN SUPPLIERS. THE MAJORITY OF OUR PRIVATE LABEL PRODUCTS – ABOUT 70% - ARE AUSTRALIAN MADE AND 97% OF OUR FRESH FOOD IS GROWN, FARMED OR MANUFACTURED WITHIN AUSTRALIA. IN FACT WOOLWORTHS WOULD PROBABLY BE THE SINGLE LARGEST CUSTOMER OF AUSTRALIAN MADE FOOD AND WE CERTAINLY INTEND TO MAINTAIN THAT.

WHERE WE DO HAVE TO SOURCE PRODUCT OVERSEAS IT IS USUALLY BECAUSE WE SIMPLY CANNOT FIND A LOCAL SUPPLIER TO TENDER FOR THE CONTRACT. SOMETIMES THERE IS A VERY SIGNIFICANT COST DIFFERENCE THAT WOULD MAKE OUR PRODUCT UNCOMPETITIVE. THESE ARE ALL ISSUES THAT WE NEED TO BALANCE.

3. SHAREHOLDER DISCOUNT CARD

ONCE AGAIN, SEVERAL SHAREHOLDERS ASKED WHY WOOLWORTHS DOES NOT OFFER A STORE DISCOUNT TO SHAREHOLDERS.

THIS COMPANY HAS IN EXCESS OF 400,000 SHAREHOLDERS – MORE THAN DOUBLE THE AMOUNT OF STAFF WHO RECEIVE A 5% DISCOUNT. GIVEN THAT WOOLWORTHS MAKES LESS THAN 4 CENTS IN THE DOLLAR PROFIT AFTER TAX, ANY SHAREHOLDER DISCOUNT SCHEME WOULD BE A SIGNIFICANT COST TO THE BOTTOM LINE. WE WOULD

FAR RATHER RETURN PROFITS TO SHAREHOLDERS IN THE FORM OF INCREASED DIVIDENDS.

4. GAMING OPERATIONS

ONCE AGAIN, WE RECEIVED POSITIVE AND NEGATIVE COMMENTS ABOUT WOOLWORTHS' OPERATION OF GAMING MACHINES IN HOTELS. MANY SHAREHOLDERS FULLY UNDERSTAND THE RATIONALE BEHIND WOOLWORTHS' INVOLVEMENT IN THE HOTEL INDUSTRY, WHICH STEMS FROM THE UNIQUE LIQUOR LICENSING REGULATIONS IN QUEENSLAND WHERE YOU CAN ONLY OPERATE A RETAIL LIQUOR STORE UNDER THE UMBRELLA OF A HOTEL LICENCE. AS A SOURCE OF BUSINESS DIVERSIFICATION HOWEVER, HOTELS OFFERED OUR SHAREHOLDERS A NEW REVENUE STREAM AND FURTHER EXTENDED OUR CAPACITY TO CATER TO AUSTRALIAN CUSTOMERS WHO, FOR THE MOST PART, ENJOY VISITING HOTELS AS A SOCIAL ACTIVITY. MANY SHAREHOLDERS ALSO APPRECIATE THE FACT THAT AS A LARGE COMPANY, WOOLWORTHS BRINGS A GREAT DEAL OF INTEGRITY AND OPERATIONAL RESPONSIBILITY TO GAMING.

ON ARRIVAL TODAY, YOU SHOULD HAVE BEEN HANDED A COPY OF THE ALH RESPONSIBLE GAMING CHARTER WHICH CLEARLY SPELLS OUT THE COMMITMENT THAT WE HAVE TO MANAGING OUR GAMING OPERATIONS RESPONSIBLY. THIS INCLUDES DEVELOPING VOLUNTARY PRE-COMMITMENT PROGRAMS AND THE SCREENING OR SEPARATION OF GAMING AREAS WITHIN OUR HOTELS.

WOOLWORTHS FULLY ACCEPTS AND APPRECIATES THE RESPONSIBILITY OF BEING AN OPERATOR OF VENUES WITH ELECTRONIC GAMING MACHINES. WE DO UNDERSTAND THAT SOME PEOPLE FEEL THAT GAMBLING IS NOT AN ACCEPTABLE SOCIAL PRACTICE AND THAT GAMBLING ON POKER MACHINES IS IN SOME WAY UNSAVOURY. WE ALSO ACCEPT THAT GAMBLING CAN BECOME PROBLEMATIC FOR A SMALL PROPORTION OF PEOPLE. HOWEVER WE

ALSO KNOW THAT LARGE NUMBERS OF PEOPLE VIEW POKER MACHINES AS A LEGITIMATE RECREATIONAL ACTIVITY AND CHOOSE TO PLAY THEM RESPONSIBLY.

WE ALSO UNDERSTAND THAT OUR OBLIGATION IS TO SET APPROPRIATE GOVERNANCE STANDARDS FOR OUR BUSINESS AND MANAGE POTENTIAL RISKS TO OUR COMPANY, OUR CUSTOMERS AND THE COMMUNITY. AS SUCH, THE MINIMISATION OF HARM IS A KEY PRIORITY FOR US, AS IT IS FOR STATE AND FEDERAL GOVERNMENTS WHO DETERMINE THE VERY RIGOROUS AND SUBSTANTIAL REGULATIONS THAT GOVERN THE GAMING INDUSTRY. IT IS FOR THIS REASON THAT ALH HAS PUT IN PLACE ITS HOTEL AND GAMING CHARTER COPY OF WHICH YOU WOULD HAVE RECEIVED TODAY, AND CAN BE VIEWED ON BOTH THE WOOLWORTHS AND ALH WEBSITES. THE OBLIGATIONS IN THIS CHARTER APPLY IN ADDITION TO THE VERY STRICT STATE GOVERNMENT REGULATORY OBLIGATIONS THAT EVERY VENUE WE OPERATE MUST COMPLY WITH. COMPLIANCE WITH THESE OBLIGATIONS IS A MATTER OF ONGOING VIGILANCE FOR OUR MANAGEMENT TEAM.

WITHOUT DOUBT, ISSUES SURROUNDING GAMING WILL CONTINUE TO BE DEBATED IN THIS COUNTRY, IRRESPECTIVE OF WOOLWORTHS' INVOLVEMENT AND WILL ALWAYS INVOKE PASSIONATE OPINION FROM CERTAIN INTERESTED PARTIES. THESE DEBATES ARE SIMILAR TO THOSE ON TOBACCO, OBESITY AND SUSTAINABILITY – ISSUES THAT ALSO FALL WITHIN THE FOCUS OF OUR CORPORATE RESPONSIBILITY MANDATE.

I CAN ASSURE YOU THAT OUR GAMING OPERATIONS, AS WITH ALL OUR OPERATIONS, ARE CAREFULLY MANAGED AND CONSTANTLY ASSESSED.