

Woolworths Limited

Annual General Meeting 2011

Chairman's Address to Shareholders

Company Results

In the aftermath of the global financial crisis we find ourselves operating in a very different world with very different challenges and 2011 was undoubtedly one of the most challenging years the retail sector has seen for some time. It was marked by tightened consumer spending, increased competition in retail, an increase in savings rates, deflation in many categories, a strong Australian dollar and increased levels of competition in retail. These factors were further compounded by a series of natural disasters in Australia and New Zealand that impacted the Woolworths business. As a result, many Australian companies suffered a drop in their share price and Woolworths was certainly one of them.

In light of this environment and following a revision of our profit guidance to account for the evolving operating circumstances, Woolworths' financial results for the year were a 5.1% increase in net profit to a record \$2.124 billion – the 12th successive year of increased profitability. This reflects the continued underlying strength of a company that has performed consistently well with Return on Funds Employed averaging 30% for the last four years and return on equity averaging 28% over the same period.

Shareholder Returns

Despite uncertainty in global financial markets, Woolworths continued to deliver strong returns for shareholders with a 6.1% increase in fully franked dividends to 122 cents per share – a figure that exceeded earnings growth. Earnings per share increased by 6.5% to 174.6 cents a share – a reflection of the company's clear focus on growing shareholder value over the long term.

Shareholder value was also boosted by the successful completion of a \$704 million off market share buyback and the sale of \$390 million worth of property assets.

In the current financial year, Woolworths recently undertook a \$700 million hybrid offer, the vast majority of which was targeted at retail investors. This offer proved to be extremely popular and therefore considerably oversubscribed – a further endorsement of the long term attractiveness of Woolworths as a secure investment opportunity.

Change in Leadership

During the year, Michael Luscombe announced his decision to retire from the company after 33 years service, handing the reins to Grant O’Brien. Michael isn’t here with us today but I would like to pay tribute to his outstanding leadership and thank him for his commitment and integrity. In addition to doubling the company’s profits, Michael was very focused on building Woolworths’ corporate responsibility and as such, achieved significant improvements in safety, workplace diversity, sustainability and community investment.

Grant O’Brien is a highly experienced retailer who will lead Woolworths into a new era of change and growth. He is a dynamic and driven individual who has been instrumental to Woolworths’ growth credentials, particularly in areas such as liquor, hotels and the development of the home improvement strategy.

Growth

Grant will talk to you shortly about the growth strategies for each of our trading divisions but I would like to emphasise the degree to which the Board is encouraged by the opportunities that lie ahead for Woolworths, including the creation of 10,000 new retail jobs in the 2012 financial year to support our new store growth plans.

We are undoubtedly entering a new era in retail, an era where the customer’s choices and shopping habits are really driving our decisions. We are using customer insight information to change the way we do business. We are also making sure our business is adapting to the new era of multi-channel retailing, where customers can shop in-store, online or via their mobile phone. All this brings exciting opportunities for growth and innovation.

A major growth platform for Woolworths also left the launchpad recently, with the opening of our first Masters Home Improvement stores in Victoria and Queensland. Early signs are very positive with customers responding well to the excellent service, range and to the great value on offer. The first NSW store will open in December at Gregory Hills in Sydney's South West and I would encourage all shareholders to pay a visit.

Talented Team

Woolworths has always been a company that has placed a high value on its people and on fostering a culture where employees feel engaged and recognised. As we move to a new era of growth and change, Woolworths is committed to further developing its traditional retail talent factory but also blending it with new skills in online and mobile technology and customer analytics.

Under Grant O'Brien, Woolworths is reinvigorating its senior leadership team and has recently welcomed a number of new recruits including Tjeerd Jegen who joins us from Tesco Malaysia as Director of Australian Supermarkets and Petrol, and Elizabeth Ryley who has moved from our Countdown division in New Zealand to join our supermarkets team as General Manager of Marketing. In the near future we will also welcome back Penny Winn to Woolworths as Director of Multi-Channel.

A Sustainable Business

Today Woolworths has released its Corporate Responsibility Report for the 2011 financial year. Copies were handed out as you entered the auditorium. This report outlines the progress Woolworths is making towards its 2015 sustainability targets and the degree to which the company has embraced sustainable practices across all of its business divisions.

Woolworths is now widely acknowledged as a leader in sustainable retailing and continues to make advances in a number of areas including ethical sourcing, sustainable seafood and carbon reduction.

The company made a \$62.3 million community investment, of which \$20.3 million was money contributed by the company and our customers to the relief funds for the Queensland floods and the Christchurch earthquake. On behalf of the Board I would particularly like to thank customers for their generosity and all our employees who worked so hard to maintain food supplies to communities during this critical time of need.

Acknowledgements

Woolworths is on the cusp of a new phase of change and we have vigorous plans to continue to grow and strengthen this great company. The last year has been challenging and these challenges are likely to continue in the short term, but Woolworths is built for the long term and is firmly focused on delivering long term value to its shareholders.

I would like to thank my fellow Board Directors who work so cooperatively and diligently in the best interests of shareholders. I would like to especially welcome new members Jillian Broadbent and Ralph Waters, and acknowledge Leon L’Huillier who retires at the close of this meeting. Leon joined the Woolworths Board in September 1997. He has played a significant role throughout this period as the Company experienced substantial growth, diversification and financial success.

He has been a strong contributor to our Board and its Committees. He has been Chairman of the Audit and Risk Management Committee, The Woolworths Group Superannuation Plan and a member of the Remuneration and Nomination Committees.

He has brought to the Board insights from his experience in the Fast Moving Consumer Goods and Liquor Industries and has played a valuable role as a Director of the ALH Group and Chairman of its Audit Committee. His Logistics experience assisted management with their transformation of our Supply Chain.

The Board and Management thank Leon for his contribution and wish him well in his retirement

We have been actively reviewing Board succession and expect to be in a position to announce further appointments to the Board in the near future. This will enable an orderly transition, allowing a period of overlap for Directors who have spent some time guiding the Company, to those who will be a part of its bright future. As I said, we are well advanced in the process and we expect to be in a position to make announcements in the first half of next year.

I would also like to thank the senior management of the company who, under Grant's direction, continue to achieve good results in tough trading conditions.

Finally and most importantly, I would like to acknowledge our 190,000 employees in Australia, New Zealand, China and India. Their loyalty, commitment and no-nonsense approach are the foundation of our past, present and future successes.