



ASX Announcement

24 November 2016

Woolworths Limited 2016 Annual General Meeting Chairman's Address - Listing Rule 3.13.3

Please find following a copy of the Chairman's address to the 2016 Annual General Meeting being held today.

For and on behalf of
WOOLWORTHS LIMITED

A handwritten signature in black ink, appearing to read 'R. Dammary', with a long horizontal flourish extending to the right.

RICHARD DAMMERY
Chief Legal Officer and Company Secretary

2016 Annual General Meeting

Chairman's Address

Wesley Conference Centre, 220 Pitt Street Sydney

Thursday, 24 November 2016, 2pm

At last year's AGM, I apologised for Woolworths' unacceptable financial performance and said that the Board and Senior Executive Team took responsibility for the poor results. Since then we have been diligent.

Our first task was to facilitate renewal of the Board. We wanted to bolster our expertise in three areas: retailing, capital management and allocation, and international. We accomplished all three, and in addition were able to create a Board with real gender diversity. We consider that having Board members with private equity experience is also a real advantage, given our mission to transform Woolworths and bring a laser-like focus to shareholder returns.

Together we are forging a hard-working Board that relishes getting into the business to understand it, provides expertise, cheerleading and contestability as required, will make the tough calls, and understands its role to hold management to account.

Next, we wanted to reinvigorate leadership of the Company. After a global search lasting 6 months, we were delighted to appoint Brad Banducci as Chief Executive and Managing Director. His outstanding track record at Woolies, in private equity and as a management consultant made him the standout choice. He has hit the ground running!

Brad has moved quickly to put his Group Executive in place, with the appointment of Paul Graham as Chief Supply Chain Officer, Colin Storrie's move to Director of Portfolio Businesses, Jennifer James' appointment as Director of Corporate and Public Affairs, Caryn Katsikogianis as Chief People Officer and John Hunt as Chief Information Officer. We are confident that this new leadership team under Brad can transform the performance and culture of Woolies.

Last week, Sally Macdonald resigned as CEO of BIG W. I want to acknowledge Sally's contribution in her time with the Group. We are fortunate that David Walker, who has 18 years of retail experience, including a previous role at BIG W in Supply Chain transformation, will take over as Acting Chief Executive. David was appointed the CEO of our Home Improvement businesses in February this year and has done a great job in challenging circumstances. Sally will assist David during the transition.

The Board is disappointed with the performance of BIG W, and, while acknowledging that the Discount Department Store market in Australia is a challenging one right now, wants to reassure all shareholders that we are focussed on making decisions for BIG W that will enhance shareholder value in the long term.

During the year, the Board approved some decisive changes to the operating model. We introduced a structure that enabled the management team to focus on the core Supermarket and Drinks businesses, and, as you will hear later in the meeting, approved a new incentive scheme for Food and Drinks, which focuses on the key drivers of the business, both in the short and long term, providing significant upside for outperformance. These same key performance indicators will translate down to store management to ensure alignment.

In January, we announced our exit from the Home Improvement business. A transaction team was assembled, and we spent the next seven months exploring all sale alternatives to maximise the value of the assets. Regrettably, there was no buyer for Masters as a going concern, but the sale of Home Timber and Hardware Group to Metcash completed on 2 October, the closure of Masters has progressed to plan, and an agreement was reached with Home Consortium in relation to the repurposing of most of the former Masters sites into new multi-tenanted large-format retail centres.

This has been a complex process, and at all stages we sought to act cooperatively with Lowe's, our joint venture partner, to find a commercial solution. The Board believes that these outcomes were the best available for our shareholders, our joint venture partner, and of course the Masters team, its suppliers and our customers.

I want to also stress that, in one of the largest redeployments undertaken in Australia, we have sought to provide ongoing employment within the Woolworths Group for all Masters team members who wish to stay with the Group. Over 3,600 people have elected to participate in this redeployment process.

We took the decision, on General Merchandise, to separate Ezibuy and BIG W, and we are exploring options for the sale of Ezibuy. As reported to the ASX, we are also reviewing the sale of our Petrol Business, whilst also looking to expand our convenience store offering.

Finally, as part of the operating model review, we announced that we would close 30 underperforming stores, and impair the leases on another 34. We pivoted our capital spending by slowing the new store roll-out program, and have increased the number of refurbishments to 80 in the coming year. This will see the average age of our stores reduce over time.

I think you will agree that we have not only been focused and diligent, but strategic as well. The decisions we have taken, and the investments we have made, have adversely impacted our financial results. Brad will discuss the financial results in more detail but let me give you a brief snapshot:

- Our sales were steady at \$58 billion.
- Net profit after tax from our continuing operations was \$803.5 million.
- However, after we include the costs associated with closing the Home Improvement businesses and other changes, the reality is we made a loss of \$1.2 billion.
- The Board took the difficult decision to reduce the dividend to 77 cents. This was not a decision we took lightly, as we understand how important these dividends are to you.
- But we believe that -- together with the other actions we are taking -- this will strengthen the company for the longer-term and will give us greater flexibility at this stage of Woolies' transformation.

Throughout this period of significant change, we remained committed to the communities where we do business. As an example of this, one of the major issues we work on is food waste. Australians waste 20 per cent of the food we buy. Yet, every month 43,000 people are turned away empty-handed from food relief charities because of a lack of food and resources. A third of those going without are children.

So at Woolies we partner with OzHarvest, Food Bank, House of Hope and the Salvation Army. This year we have worked with these groups to save enough food for the equivalent of 6.4 million meals. At the same time, we are on track to make sure that no food waste goes to landfill by next year.

Earlier this month, we announced a new partnership that will ensure a guaranteed level of funding to the Salvation Army to support Australians in need in times of natural disasters. I am pleased to say that Adam Goodes has agreed to become Ambassador for the program and a member of the Governance Committee.

Across Australia we gave more than 400,000 items of new school equipment to over 13,000 schools and early learning centres. Our store teams mobilised in-kind support and resources when bushfires and floods hit. The Countdown team in New Zealand, with the help of customers and suppliers, raised over \$1 million for Children's Hospital wards around the country.

While speaking of New Zealand, I want to acknowledge the extraordinary work of our New Zealand team over the past 10 days since the earthquake on Sunday 13 November. Dave Chambers and the team have worked tirelessly to keep each other safe and restore the business to full operation as quickly as possible, and we are proud of their efforts.

We are committed to making Woolworths a safe place to work and shop. This year we cut the total recorded injury frequency rate by nearly 25 per cent.

We are equally committed to the environment. We generate over one and a half thousand megawatts through solar power and we recycle over 270,000 tonnes of waste material.

Let me conclude by saying that while the financial results are disappointing, I want to reiterate this has been a year of significant progress on our transformation journey. There is much to do, and we remain determined.

We as a Board, our management, and our team members, are united in our vision of a company that puts the customer at the centre of everything that we do. We appreciate, and do not take for granted, your support in enabling us to do this.

Thank you.