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ASX Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

CEO's Address to 2017 AGM

Attached is a copy of the CEO's address to the 2017 Annual General Meeting being held today.

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Annual General Meeting 2017

CEO ADDRESS

Melbourne Convention and Exhibition Centre,
Melbourne Thursday, 23 November 2017, 10am

Good morning everyone.

At our last AGM, I spoke to you about our need to recapture the spirit of innovation and obsessive customer focus that made our company an Australian icon. Since then our team has been working hard to regain our customers' trust and, in doing so, deliver sustainable long term growth.

F17 Achievements

F17 was all about moving from turnaround to transformation. We made significant progress across our customer, team and supplier experience, and while there remains much more to do, we are tracking in line with our 3-5 year plan.

At the beginning of the year we laid out our five key priorities for the Group, and I am pleased to report that we made good progress against all of them.

Our first priority was to build a **Customer and Store-led Culture**. Over the course of F17, we had over 1.4 million customers provide direct feedback to us through our Voice of Customer survey. VOC allows us to listen and act on what our customers are telling us. Pleasingly, we have seen our VOC metrics improve consistently over the course of the year, and VOC remains a valuable and exciting source of truth and opportunity for us.

As part of our transition from having a **Head Office to a Support Office**, all new team members joining the Support Office are inducted through our 'Woolies Welcome' program. They all spend their first week at Woolworths in store building a firsthand understanding of the needs and expectations of our customers and the challenges faced by our store team members in meeting, and hopefully exceeding, these expectations.

We have also introduced a new incentive plan that includes Voice of Customer and Voice of Team. This is consistent in its application across all levels and functions inside the Group.

In addition to improving VOC scores, we also did a much better job of looking after our Team with a 20%+ improvement in our TRIFR score. The net result of this, and our improved underlying financial performance, is that we ended up paying the team a meaningful bonus for F17 which was much appreciated, especially after minimal bonuses in prior years.

Our second priority was to deliver **Sustainable Sales Momentum in Food**, which we achieved through the abovementioned steady and consistent improvement in our customer scores as well as a material improvement in the way we work with our suppliers.

We scaled up our **Renewal journey** to materially upgrade our store experience and completed 72 Renewals and 85 Light Upgrades in Woolworths Supermarkets during F17, with lots more to come in F18 and beyond.

Our third priority was to **Evolve our Drinks Business**. As Gordon highlighted, we have a strong position in drinks in Australia, with the number one and number two retail brands in Dan Murphy's and BWS. Our challenge is to continue to excite and delight our customers and better meet their ever changing needs. During the year, we rolled out Pick up to 1,240 BWS stores, integrated Langton's into Dan Murphy's, and grew the My Dan Murphy's loyalty program to over 2.4 million members.

Our fourth priority was to **Empower our Portfolio Businesses**, and we achieved a number of milestones in this area. Our ALH Hotels business delivered strong sales and profit growth. We announced a partnership with BP and the sale of the Petrol business which remains subject to ACCC approval. We sold EziBuy in June and in October completed the exit of Home Improvement.

Finally, while it is still early days in our turnaround journey for BIG W, we understand that we need to materially improve the performance of the business and have a new team and turnaround plan in place.

Our final priority is to **become a Lean Retailer**. In Australian Food, Customer-led Rostering is now live in all states and we migrated over 175,000 team members to Success Factors, our payroll system. We are also building a Customer 1st culture in Supply Chain and have already delivered a significant improvement in inventory days and availability.

In August, we announced our full year results. It was a year of 'two halves', with our first half results reflecting the significant investment that was necessary over the last few years to get customers to put us first. In the second half, the improvements we have been making started to translate into better financial results.

Group NPAT from continuing operations before significant items declined by 3.6%. In Australian Food, EBIT declined by 2.4% but adjusting for the rebuild of our team incentives, underlying EBIT increased by 8.3%.

Our dividend increased by 9.1% and the final dividend increased by 17c to 50c, reflecting the strong cash flow generation during the year, improved trading performance in the second half and improved working capital across the Group.

F18 so far

I am pleased to report that our sales performance has remained solid so far this financial year. A few weeks ago we reported our sales for the first quarter of the 2018 financial year with good trading momentum and progress against our strategic priorities in all of our businesses.

All businesses grew their top line sales in the September quarter, with our Australian Food business delivering 4.9% comparable sales growth, Endeavour Drinks reporting 3.3% comparable sales growth and BIG W (2.9%) reporting positive comparable sales growth for the first time in a number of quarters.

Again, we continue to see an increase in our overall customer satisfaction scores and store-controllable VOC scores. Record scores were achieved in Fruit & Vegetables, Time in Queue, Team Attitude and Availability.

As reported in Q1, our overall customer satisfaction VOC score now includes a weighting of 25% for Online, reflecting the importance we are placing on improving our online offer.

Our focus on digital aims to deliver increasingly personalised and convenient shopping experiences for our customers. We have recently combined our Digital and Rewards business to deliver on this customer need and called it *WooliesX*. So far this financial year, we have rolled out Pick up to almost 1,000 Woolworths Supermarkets. Our customers can now choose to shop in-store, Pick up the product at the store or have it delivered to their home. We are also piloting Express Delivery.

Looking forward

As we look forward to the next 12 months, our focus is on building upon the strong foundation we have established in the last year to meet the changing needs of our customers, better train and support our teams and step-up our level of collaboration across our supply chain.

Our priorities for F18 remain largely consistent with F17 however; we have changed the emphasis to reflect our shift in focus from 'turnaround to transformation'. Key to this is our new Group Purpose. We are focused on 'Creating Better Experiences Together' for our customers, our teams and the communities within which we operate. With this focus and our newly established ways-of-working we are committed as a team to deliver for all our stakeholders, including our shareholders.

In Australian Food, expect to see continued improvement in our fresh food, store format, customer engagement, range and, of course, prices.

For New Zealand Food, we have indicated that F18 will be a year of investment as we invest in service, fresh and online to make sure we deliver on our customers' needs and expectations.

Endeavour Drinks has traditionally led the Group in terms of innovation and is focused on continuing this tradition in both physical stores and online, with new formats and service propositions such as Express Delivery.

As mentioned earlier, our Board and management are very aware of the need to improve the performance of BIG W for all of our stakeholders including our team of over 18,000 team members, suppliers and shareholders. We have a new senior team and plan in place and have made some good early progress but it remains a very challenging sector and we expect that this journey will take time. We are fortunate that we have a committed and passionate team, a good store network and a brand that is still well loved by our customers. We see significant opportunity to improve the performance of BIG W.

In closing, I would like to take the opportunity to thank all of our team members for all their hard work throughout the year. I also would like to extend my thanks, on behalf of the management, to the Chairman and Board for their insight, challenge and support throughout the year.

Most importantly, today, I want to thank you, our shareholders, for your continued support and feedback and also assure you of our commitment to continue to improve our business. As I stand here today, we are 31 trading days to Christmas and I would like to urge all of you and your extended families to 'Pick Woolies' for all of your Christmas shopping needs and to see for yourself all of the changes we have made in store.

Thank you.