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Dear Shareholder

Next month, shareholders are being asked to vote on a special resolution at an Extraordinary General Meeting.

The resolution, put forward by an activist group called GetUp, seeks to amend the Company's Constitution to restrict the operation of gaming machines at hotels owned by Woolworths through its Australian Leisure and Hospitality Group (ALH) joint venture.

A detailed Notice of Extraordinary General Meeting is enclosed.

I would like to briefly outline some facts about Woolworths' investment in hotels and explain why your Board unanimously recommends shareholders vote AGAINST the resolution.

The changes proposed by GetUp would apply only to Woolworths in isolation and not to any other competing hotels, licensed clubs or casinos operating gaming machines in Australia. There is no conclusive evidence that the measures proposed in the resolution will have any impact on problem gambling in Australia.

Your Board believes these changes would place your Company at a significant competitive disadvantage. The Board also believes that if the changes are approved, this could reduce the value of your investment in the Company.

As a diversified business, Woolworths' ALH joint venture operates 323 hotels – around 4% of Australia's total. The Company is committed to be the most responsible operator of hotels in Australia, within all relevant State and Federal laws.

Our hotels are safe and professionally managed and provide a family friendly environment where more than 300,000 good value meals are served every week in our bistros, restaurants, bars and cafes. Like many other clubs and pubs, our hotels provide gaming machines as part of a diverse entertainment offer.

We operate only 6% of Australia's gaming machines and these machines are just one form of gambling. However, we acknowledge we have shared responsibility, along with the wider industry, governments, communities, families and individuals, to minimise the risk of problem gambling.

Woolworths takes this responsibility very seriously and goes beyond its legal and regulatory obligations to promote responsible gambling.

Restrictions applying only to our venues will simply drive patrons to alternative venues or one of many other available different forms of gambling, and achieve nothing in reducing harm. More effective action relates to assistance to those individuals who have problems.

With this in mind, we have established new partnerships with expert counselling services such as Gambler's Help and The Salvation Army. By contributing new funding to organisations involved in alleviating problem gambling, we believe real results can be achieved for the individuals concerned.

Other examples of our efforts beyond normal obligations are:

- We are the first major hotel operator to support voluntary pre-commitment – a system that allows patrons to set limits on how much time and money they intend to spend playing gaming machines, and to stick to those limits. By 2014, all gaming machines at our venues will have this system in place – two years before it is expected to be introduced by the Federal Government.

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- We provide advanced training for all our hotel managers and key staff so they can identify patrons whose behaviour may indicate gambling problems and help them get appropriate support, including expert counselling. All hotel managers must complete this advanced training in addition to training that is required by regulation.

- We also conduct rigorous internal and external audits to ensure that our hotels are fulfilling their obligations to implement our extra measures to promote responsible gambling.

Problem gambling is a complex social issue that will not be addressed with one simplistic solution that will apply only to Woolworths in isolation. Such an approach will not solve problem gambling, it will only disadvantage Woolworths' shareholders.

Our commitment to being Australia's most responsible operator of hotels is absolute and your Board believes strongly that it is in the best interests of shareholders to vote AGAINST the resolution being put to our Extraordinary General Meeting on 22 November 2012.

For further information, visit www.woolworthslimited.com.au.

Yours sincerely



James Strong AO
Chairman