

Dear Shareholder

## **Response to statement pursuant to Section 249P of the Corporations Act 2001**

The statement entitled “Shareholder concerns about risks to Woolworths arising from its conduct of pokie gambling”, has been provided to Woolworths Limited by a small group of shareholders pursuant to section 249P of the Corporations Act 2001. Woolworths is legally required to distribute the statement to all of its shareholders with the enclosed Notice of Annual General Meeting, on the basis that the statement has been signed by at least 100 shareholders. To assist your consideration of the matters raised in the statement, on behalf of the Woolworths board I would like to formally explain the company’s perspective on those matters, relating to the operation of electronic gaming machines in our hotels.

By way of background, Woolworths currently operates 284 hotels in Australia in conjunction with our joint venture partner Bruce Mathieson. Our participation in the hotel sector began in 2000 and originated from the different State and Territory liquor licensing laws which preclude us from opening retail liquor stores in Queensland without 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 for customers who, for the most part, enjoy visiting hotels as a social activity. The acquisition of the ALH group in 2004 was a key component of this strategy and the hotel business (ALH) is now a significant and growing part of our business.

Woolworths fully accepts and appreciates the responsibility of being an operator of licensed liquor and gambling venues. We understand that for a small minority of people, liquor and gambling can have the potential to cause harm. However for the vast majority, these are enjoyed as recreational activities. We also understand that our obligation to shareholders is to set appropriate governance standards for our business and manage potential risks to our company and our customers.

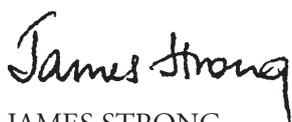
The minimisation of these risks is a key priority for us as a hotel and liquor store operator, as it is for State and Federal Governments who determine the very rigorous and substantial regulations that govern these industries. While we are supportive of efforts to apply national consistency to the regulatory framework, our legal obligations in each State are very clear and we work hard to ensure that our venues operate to the highest standards, including the strict prohibition of minors from gambling areas. Compliance with these obligations is a matter of ongoing vigilance for our management team.

Without doubt, issues surrounding gaming and alcohol will continue to be debated, irrespective of Woolworths’ involvement and will always invoke passionate opinion from certain interested parties.

Woolworths has a reputation for its prudent and conservative approach. I can assure shareholders that our gambling and liquor operations, as with all our operations, are carefully managed and constantly monitored.

As with all matters of interest or concern, shareholders may ask questions, in the appropriate way at the company’s Annual General Meeting.

Yours sincerely,



JAMES STRONG  
Chairman