

METCASH LIMITED

*“Champion of the
Independent Retailer”*

“FAL+100 DAYS”

MARKET BRIEFING

6 MARCH 2006

AGENDA

- Recap – What we bought, what we paid, how we financed it
- Recap – What we previously said we would do with FAL
- Challenges/ Opportunities
- Integration Status
- Earnings Guidance
- Conclusions

RECAP – WHAT DID WE BUY?

- Australian assets of FOA comprising:
 - ◆ 60 Action stores (38 QLD + 22 WA)
 - ◆ WA Franchise & Supply wholesale business
 - ◆ Foodlink Foodservice business (WA)
 - ◆ Cash & Carry business (WA)
 - ◆ 16 Quickstop petrol stations (WA)
 - ◆ Other Assets including small land bank + development sites
 - ◆ Good people
 - ◆ Excellent independent retailer customers in WA

RECAP – WHAT DID WE SPEND?

■ WHAT IT COST?

- ◆ Share Consideration = 234m shares (\$1,012m)
- ◆ Cash Consideration = \$40m

■ HOW IT WAS FINANCED?

- ◆ As per above
- ◆ But change in Metcash balance sheet reflects Metoz acquisition also
 - ◆ Debt raised ~ \$800m
 - ◆ Combined Equity raised ~ \$1,312m
 - ◆ Cash

RECAP – WHAT WE PREVIOUSLY SAID WE WOULD DO?

STATED INTENTION

Perform general operational review

- ◆ Completed over Xmas period whilst restricted in ability to make any significant operational changes

Close FAL Head Office

Close Melbourne Buying Office

Integrate Franchise & Supply Operations (WA)

- ◆ Convert Franchised stores to IGA
- ◆ Review Foodlink & Quickstop and assess retention
- ◆ Fold C&C business into Campbells

Close Richlands & move to Loganlea (QLD)

RECAP – WHAT WE PREVIOUSLY SAID WE WOULD DO?

STATED INTENTION

Action

- ◆ Sell stores to independents as IGAs with supply contracts – run as chain and drive hard until sold

Dispose of Surplus Property/ Assets

Implement own systems

- ◆ IT/ Logistics/ Finance & Administration

Retain best people wherever feasible and implement Metcash policies & culture

Review, build and grow FAL Fresh operations

Realise immediate short-term buying & marketing synergies

CHALLENGES/ OPPORTUNITIES

Cross subsidisation of
Action v Franchise &
Supply

Costly business strategies
& structures owing to
conflict of interest
between owned vs
independent stores

No consolidation of
buying power

Volume = Expectations

Fresh = big opportunity

**Trading terms gap and
other synergies in line
with expectations**

Strong People

**Great Independents in
WA**

Good facilities

INTEGRATION STATUS

■ WA Operations:

- ◆ Agreed IGA rebranding strategy with all key stakeholders in WA with major relaunch in May 06
- ◆ Implemented IGA>D state structure & buying office
- ◆ Warehouse conversion to EXE/ Voice Pick/ Eng'd Standards
 - ◆ Commenced & expect completion by end July 06
 - ◆ Expect 16% productivity improvement to flow post completion
- ◆ Converting high Direct Store Delivery to 'via warehouse'
 - ◆ Better leverage of economies of scale
 - ◆ Match Metcash supply arrangements
- ◆ Stock management processes converted to Metcash best practice
- ◆ Retail Development strategy switched from building Action-type stores to Independent-styled stores

INTEGRATION STATUS

■ Queensland Operations:

- ◆ Commenced transfer of store supply from Richlands to Loganlea – expect to be completed by end May
- ◆ Tenants identified for Richlands site saving approx \$5m pa in rent, labour and equipment
- ◆ Commenced expansion of mega DC at Crestmead
 - ◆ \$70m investment (off balance-sheet; Metcash will rent)
 - ◆ +70,000m² (36% increase)
 - ◆ Completion/ relocation expected by early '07
 - ◆ Will yield additional productivity savings

INTEGRATION STATUS

■ Action:

- ◆ Being run as company-owned chain until last store sold
- ◆ Overhead reduced significantly
- ◆ Strong product and price promotional offering
- ◆ Reversed negative sales trend
- ◆ Convert FAL House Brands to MTS House Brands

■ Action QLD:

- ◆ Preferred purchasers identified for all 40 QLD Action stores
 - ◆ Approx 11 Retailers
 - ◆ Sales being documented
 - ◆ Approx \$120m to be realised
 - ◆ Estimated completion by Sept/ Oct 06

INTEGRATION STATUS

■ Action WA:

- ◆ Stores split into two strategic parcels:
- ◆ 10 Stores identified for immediate sale
 - ◆ 68 'Expressions of Interest' received from top class retailers
 - ◆ Preferred Purchasers expected to be identified from 2nd tender process by end March
 - ◆ Approx \$30m to be realised
 - ◆ Estimated completion by Aug/ Sept 06
- ◆ 12 Stores to be retained for time being and run as corporate-owned chain (Supa IGA)
 - ◆ Large/ complex stores; market requires them to be run as chain; 24/7 rules in WA prevent sale to most of existing customer base
 - ◆ Looking to identify single operator ('baron') to take on these stores – best run as a collective group

INTEGRATION STATUS

■ Fresh (Fruit & Veg) Business:

- ◆ Currently turning over ~ \$75m
- ◆ Identified potential to grow to over \$300m
 - ◆ New division to be established
 - ◆ Sale of Action stores with fresh supply contract
 - ◆ Conversion of IGA fresh DSD over time

■ Foodlink:

- ◆ Strongly performing foodservice business in WA
- ◆ Producing healthy EBIT
- ◆ Decided to retain business

■ WA C&C:

- ◆ 4 branches subsumed into Campbells network providing national coverage

■ Quickstop:

- ◆ 16 sites to be sold by end June

INTEGRATION STATUS

■ People:

- ◆ Lot of work completed re:
 - ◆ Culture
 - ◆ Structure - Responsibility and Accountability
 - ◆ Recognition & involvement & communication
 - ◆ Sharing rewards – options

■ Suppliers:

- ◆ Very supportive
- ◆ MTS trading terms applied from Day 1 (buying synergies in line with expectations)
- ◆ New combined trading terms negotiations commenced

EARNINGS GUIDANCE

- Incremental EBIT estimated to be in range of \$80-90m on normalised basis
 - ◆ Consistent with expectations
 - ◆ P/EBIT Multiple of Deal = 6.8 (on cash equivalent basis net of store divestment proceeds)
- Incremental Sales Analysis (normalised)
 - ◆ IGAD WA ~ \$1,170m (includes wholesale sales to Supa IGA 12)
 - ◆ IGAD QLD ~ \$370m
 - ◆ Fresh (F&V) ~ \$75m
 - ◆ C&C ~ \$145m
 - ◆ Foodlink ~ \$100m
 - ◆ Total Normalised Wholesale Sales ~ \$1,860m

Note: Supa IGA 12 ~ \$300m Retail Sales; \$180m Wholesale. The wholesale value of these sales would be excluded on consolidation

EARNINGS GUIDANCE

- Restructure Costs ~ \$30m in line with expectations
 - ◆ ~65% falling in FY06, balance in FY07
- Transaction Costs ~ \$40m expensed (\$9m in FY05 + \$31m in FY06)
 - ◆ Expensed costs primarily relate to CULS&CUPS
 - ◆ Other transaction costs capitalised to equity, debt and goodwill
- Cashflow impact from Action divestment estimated to be ~ \$150m
- Capital Management
 - ◆ Restricted by s.257CA “10/12” limit – not before 7/4/06 without shareholder approval
 - ◆ Then restricted by results announcement timing
 - ◆ Consideration postponed until after financial year-end

CONCLUSIONS

- No Material Surprises
- Integration Plans Well Advanced
- Action Store Divestment On Track
- 'Supa IGA 12' To Be Retained As Corporate Run Group For Now
- Fresh Business Identified As Major Growth Opportunity
- Synergies Achievement (In Line With Our Expectations)
- Restricted Capital Management Ability Until at Least Mid 06

METCASH LIMITED

*The “Third Force” in
Australian grocery
retailing*