

Acquisition of Foodland NZ and 22 Action Stores

25 May 2005

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Agenda

1. Growth Opportunity for Woolworths
2. NZ Business Overview
3. Transaction Structure and Timetable

Section 1

Growth Opportunity for Woolworths

Acquisition of Foodland NZ and 22 Action Stores

- Woolworths has entered into an agreement with Foodland and Metcash
- Woolworths will acquire Foodland's New Zealand business and 22 Action stores in WA, Queensland and New South Wales (including 3 development properties) for an enterprise value of approximately A\$2.5 billion, following a demerger of those businesses
- Metcash will acquire the remainder of Foodland (including Foodland's Australian wholesale business and remaining Action stores)
- The transaction has been unanimously recommended by the Foodland Board (subject to there not being a superior alternative proposal)
- The transaction is planned to be achieved via a scheme of arrangement and demerger of the NZ business and the 22 Australian stores
- Acquisition has been friendly with solid due diligence conducted

A Significant Growth Opportunity for Woolworths

- Scale entry into NZ market in Woolworths' core area of expertise
- Favourable market dynamics and strong market share in NZ
- Close proximity to Australia and similar cultures
- Significant opportunities to grow sales, reduce costs, and grow earnings
 - Improve in-store execution standards, range and merchandising
 - Leverage Woolworths supply chain and IT capabilities into NZ
 - Leverage buying scale
 - Opportunities to reduce overheads
- These opportunities to improve the business lie within Woolworths' core competencies
- Opportunities to introduce new Woolworths format / categories to the NZ market eg. general merchandise and liquor
- 22 stores to be added to Woolworths' existing Australian store network
 - Leverage existing Woolworths infrastructure to achieve higher incremental economics
 - Fill network gaps particularly in WA (16 stores are in WA)
 - Equivalent of 1 year's store rollout

A Significant Growth Opportunity for Woolworths

- We expect synergies in NZ to be greater than the NZ\$25m assumed by Grant Samuel in their DCF valuation. These synergies exclude new categories such as general merchandise, liquor etc.
- EPS positive
- Woolworths' objective is to maintain its A- credit rating. The equity component of the proceeds is designed to make the offer attractive to Foodland shareholders. Woolworths will continue to review its capital management following the acquisition being completed with its objective to keep the balance sheet as efficient as possible within the desired credit rating.
- Woolworths carefully selected the location of the 22 stores and therefore does not expect there to be any issues with the ACCC. However Woolworths will work as it always does with the ACCC.

Section 2

NZ Business Overview

New Zealand Operations

- As at 31 March 2005, Foodland operated 150 supermarkets and 22 full convenience stores
- Foodland operates under three supermarket banners:
 - Foodtown, a premium/full service supermarket operating 29 stores in the North Island. It is an Auckland based banner
 - Woolworths New Zealand, a premium/full service supermarket operating 64 stores throughout New Zealand
 - Countdown, a discount retailer operating 57 stores throughout NZ
- Foodland opened its first in-store pharmacy in June 2004, called “Your Pharmacy”
- Foodland offers a loyalty program called “One Card”, which has approximately 1.4 million card holders
- Gull convenience stores are Foodland operated service stations
 - Gull provides the petrol
 - Foodland supplies the groceries and manages the store
- Foodland is the franchise co-ordinator for the Fresh Choice and SuperValue supermarkets
 - Fresh Choice operates 12 stores in the South Island
 - SuperValue operates 32 stores throughout New Zealand (8 in the North Island)
- Foodland provides support to the owner / operators through marketing and management services
- Foodland generates income from franchise fees, subsidies, promotional and sundry income and product margins

Overview of Foodland New Zealand

Forecast earnings (FY05F)

Year ending 31 July 2005	NZ\$m	A\$m ¹
Sales	4,214	3,951
EBITDA	257	241
EBITA	187	175
EBITA comprises:		
Progressive Supermarkets	175	164
Franchise & supply	12	11

Source: Foodland Target Statement dated 1 March 2005

Notes:

1. Based on an exchange rate of AUDNZD of approximately \$1.068

New Zealand Competitive Landscape

	No. Outlets (North Island)	No. Outlets (South Island)	Total	Comments
Progressive				
– Woolworths New Zealand	52	12	64	Premium retailer, targets market outside Auckland (average size (gross) 1,500–2,000m ²)
– Foodtown	29	—	29	Premium retailer in Auckland (average size (gross) 1,700–2,300m ²)
– Countdown	41	16	57	Discount retailer (average size (gross) 2,500–3,000m ²)
Total Supermarkets	122	28	150	
– Gull ¹	22	—	22	Petrol sites with kiosks
– Fresh Choice	—	12	12	Franchised
– SuperValue	8	24	32	Franchised
	152	64	216	
Foodstuffs				
– New World	90	41	131	Full service, premium retailer
– Pak 'N Save	29	7	36	Foodbarn/large format discount retailer (significantly larger size than traditional supermarkets and large proportion of direct store supply chain)
Total Supermarkets	119	48	167	
– Four Square ²	198	90	288	Convenience order grocery stores
– Write Price	6	—	6	Foodbarn/smaller format discount retailer
– On the Spot	—	191	191	Small convenience stores
	323	329	652	

Notes:

1 Four stores were terminated by Woolworths New Zealand with effect from late February 2005

2 Includes Four Square and Four Square discount squares

Section 3

Transaction Overview

Transaction Overview

Transactions

- Demerger of Foodland into
 - Foodland New Zealand and 22 Action stores
 - Foodland Australian wholesale and remaining 65 Action stores
- Woolworths to acquire Foodland New Zealand and 22 Action stores following demerger
- Metcash to acquire remainder of Foodland

Woolworths acquisition price

- A\$2.5 billion enterprise value

Woolworths scrip/cash mix

- 50% cash and 50% Woolworths' shares
- Subject to a total share pool of approximately 81.6 million Woolworths shares and a total cash pool of \$1.25 billion less assumed net debt

Scheme of Arrangement

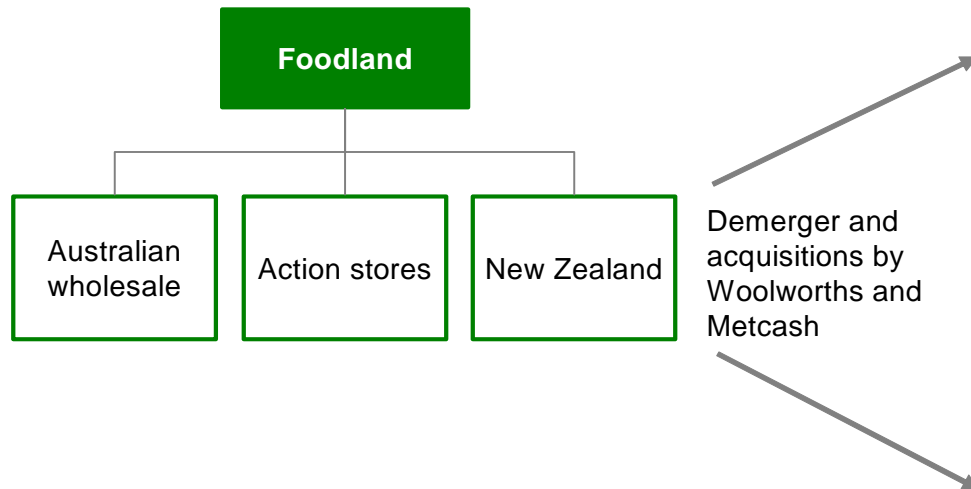
- Scheme requires 75% approval by shares and 50% by number of shareholders
- No divestment risk on Australian businesses not being acquired (wholesale)
- Utilise demerger tax provisions and scrip for scrip rollover
- Metcash and Woolworths schemes are inter-conditional

Scheme of Arrangement

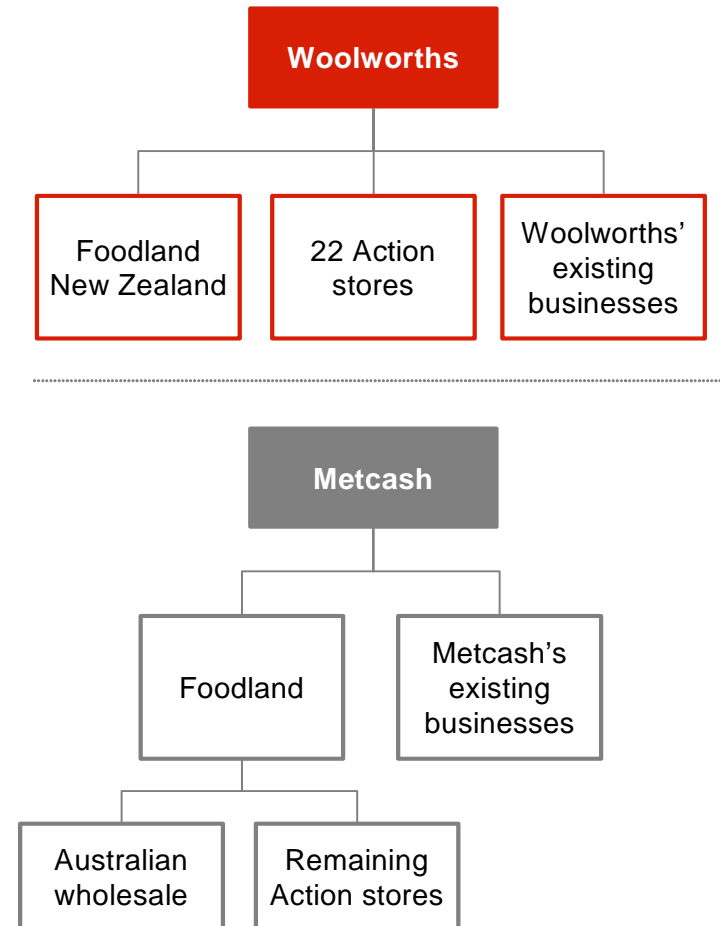
- Standard scheme conditions

Transaction Overview (cont...)

Pre transaction



Post transaction



Indicative Timetable

- | | |
|--------------------------------------|-------------------------------|
| ▪ Formal implementation arrangements | As soon as possible |
| ▪ Scheme documents to shareholders | July |
| ▪ Scheme meetings | August |
| ▪ Schemes effective | Late August / early September |