

**Australasian supermarket industry:
Backwater, Behemoth or Beachhead**

Appendix 1: Australasian supermarket retailing review 2008

August 2008

PROJECT OBJECTIVES & SCOPE

- Coriolis regularly reviews the results and strategies of all the key Australasian supermarket retailers as part of our ongoing knowledge building activities. From this, and other research, Coriolis publishes an overview of the key Australasian supermarket retailers on a semi-regular basis (*see www.coriolisresearch.com for past editions*).
- We are not sharebrokers. We have no axe to grind. With this document, we are trying to provide a single source of basic overview data of all the key Australasian supermarket retailers that is useful to retailers and manufacturers alike.
- Comments from our clients and other industry participants, as well as the log files from our website, indicates this review is of significant use to a wide range of people and companies. We hope it is of use to you and your company.



Australasian supermarket industry:
Backwater, Behemoth, or Beachhead







Tim Morris, Managing Director, Coriolis Research
Presentation to Future Retail Australasia
Wednesday May 21, 2008

- For the 2008 edition, we put more effort into developing the “so what?” element of our research; this was published as “Australasian supermarket industry: Backwater, Behemoth or Beachhead?” as presented at The Leading Edge’s Future Retail Australasia conference May 2008. This document acts as an appendix to that document and should be read in conjunction with that document.

SUMMARY

The major retailer vary widely in size, scope and growth rates

Major Australasian retailers: by the numbers (2007)

	Total sales (A\$; b)	Food and liquor sales (A\$;b)	5 year sales CAGR*	# of supermarkets
	\$42.3	\$36.5 ^{1,4}	13.3%	766
	\$44.4	\$26.2 ¹	10.8%	748 ³
	\$9.7 ⁴	\$9.7	10.9%	1,209 ² +2,500 (independents)
	\$1.35 ⁷	\$1.35	n/a	710
	NZ\$7.2 ⁴	NZ\$7.2	6.1% ⁵	628 ⁶
	\$0.8	\$0.8	20.5%	82

STRATEGY

Australasian retailers are increasingly diversifying their businesses

Major Australasian retailers by strategy
(2007)

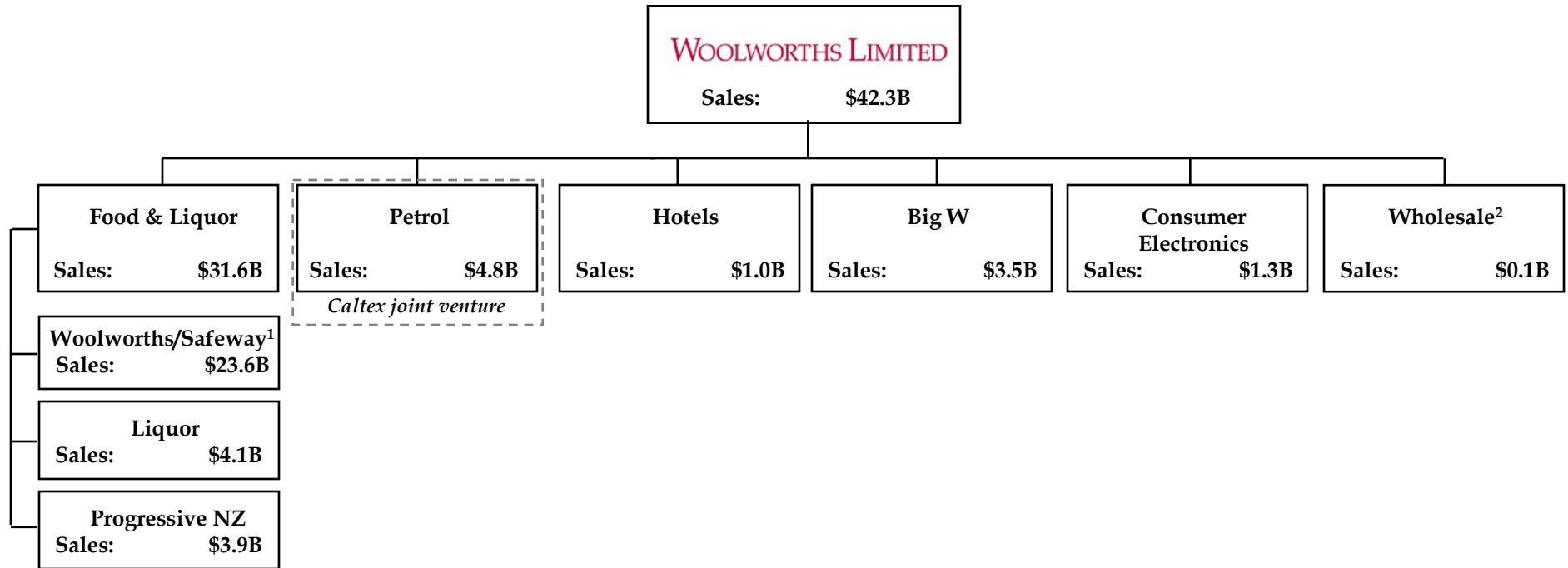
	Internet	Fuel	Non-foods	Metro stores	Liquor	Hotels	Private label	Banking & credit	Hyper-markets	Asian growth	Pharmacy	Services ¹
Tesco	●	●	●	●	●	○	●	●	●	●	●	●
Woolworths	●	●	●	◐	●	●	●	●	○	○	◐	○
Wesfarmers	●	●	●	◐	●	●	●	◐	○	○	◐	●
Metcash	○	○	○	○	●	○	●	○	◐	○	○	○
Foodstuffs	○	◑	○	◐	◑	○	●	◐	◐	○	○	○
Pick 'n Pay	○	○	○	○	○	○	◐	○	○	○	○	○

WOOLWORTHS LIMITED

WOOLWORTHS CORPORATE STRUCTURE

Food & Liquor accounts for \$32 billion (75%) of Woolworths \$42 billion turnover
























Woolworths Corporate Structure
(A\$;b; FY07)



STORE FORMATS

Woolworth's have broadly similar businesses across Australia and New Zealand, with the current lack of a liquor offer in New Zealand as the major stand-out portfolio gap

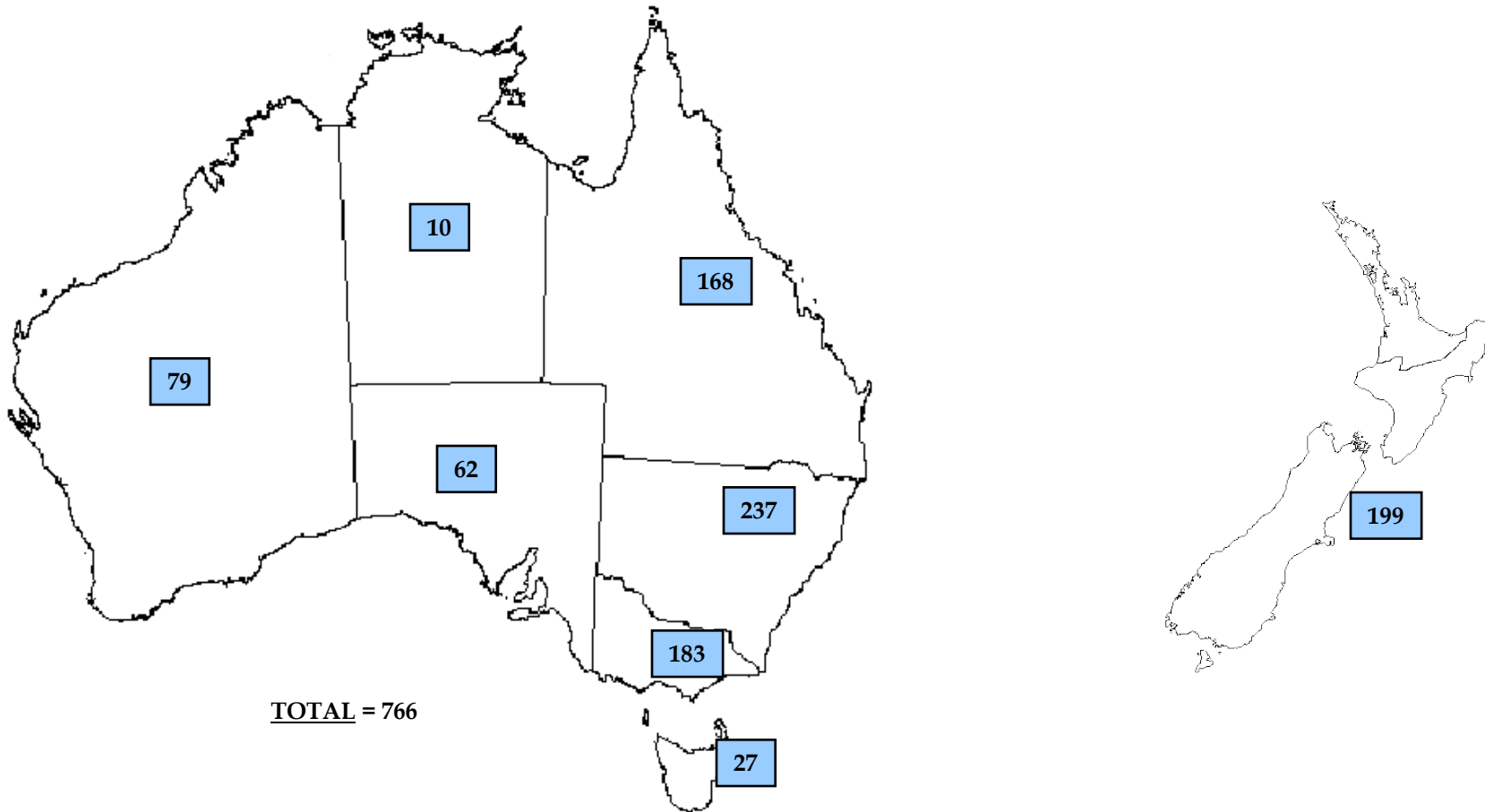
Woolworths food and liquor store formats
(2007)

	Format	Australia	# of stores	New Zealand	# of stores	
Supermarkets	Conventional supermarket		774		33	
						64
						57
	Urban			-		
	Independent supermarket	  	F 31 V 41 FG 35	 	41	
Petrol	Petrol	   	361 +135	 	22	
Liquor	Liquor Store & wine shop	  	436 (ALH) 68 (DM's) 1,039 Total	-		
	Liquor store attached to supermarket	 		<i>Integrated Beer & wine</i>		
Wholesale	Cash & Carry (Tas)		3 C&C 2 DC's	<i>Progressive exited Rattrays C&C</i>		

WOOLWORTHS STORES

Woolworth's has operations in both Australia and New Zealand

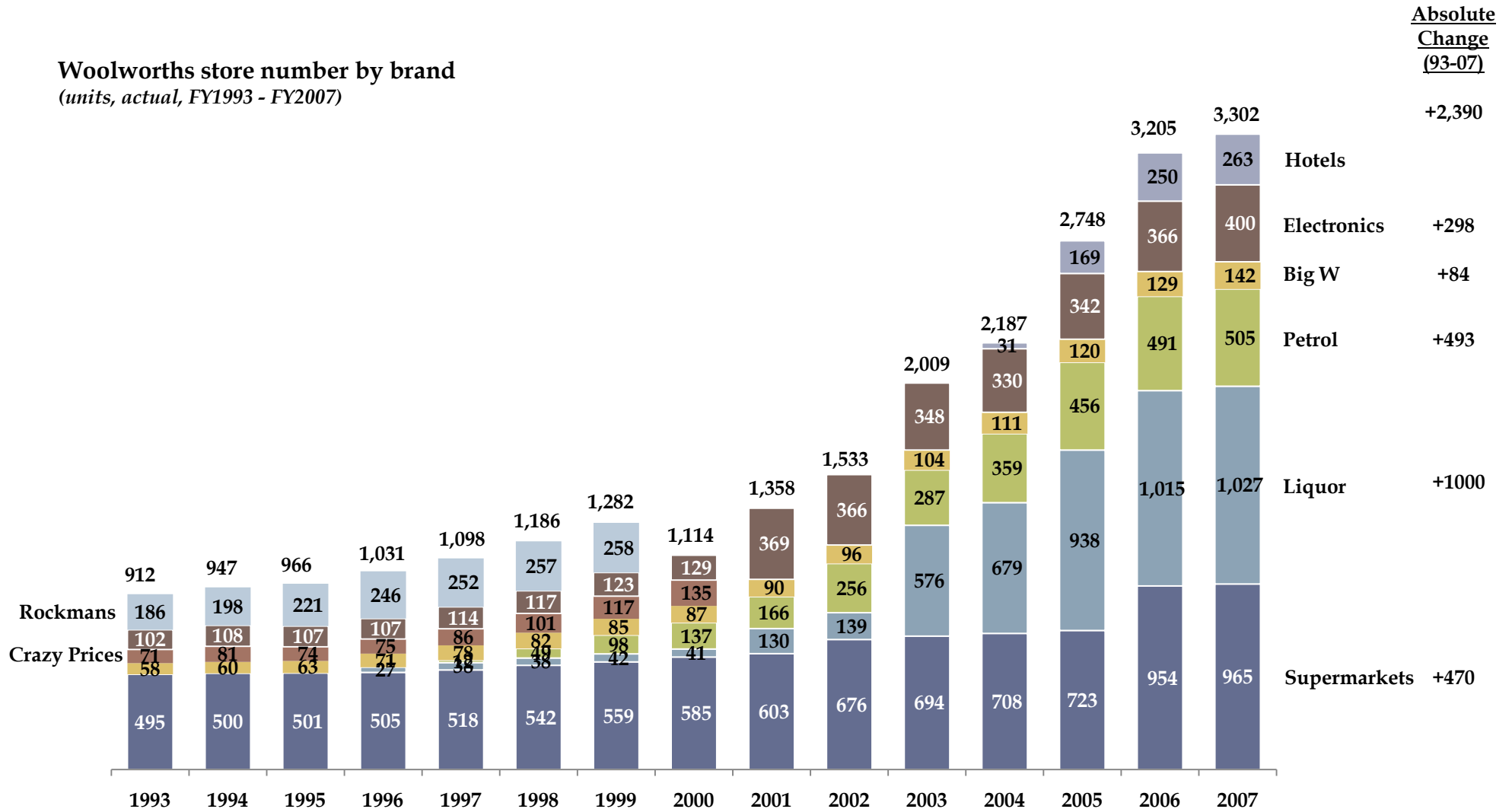
Woolworths supermarkets by region
(2008)



WOOLWORTHS STORE NUMBERS BY BRAND

Woolworths is increasing store numbers across all its brands

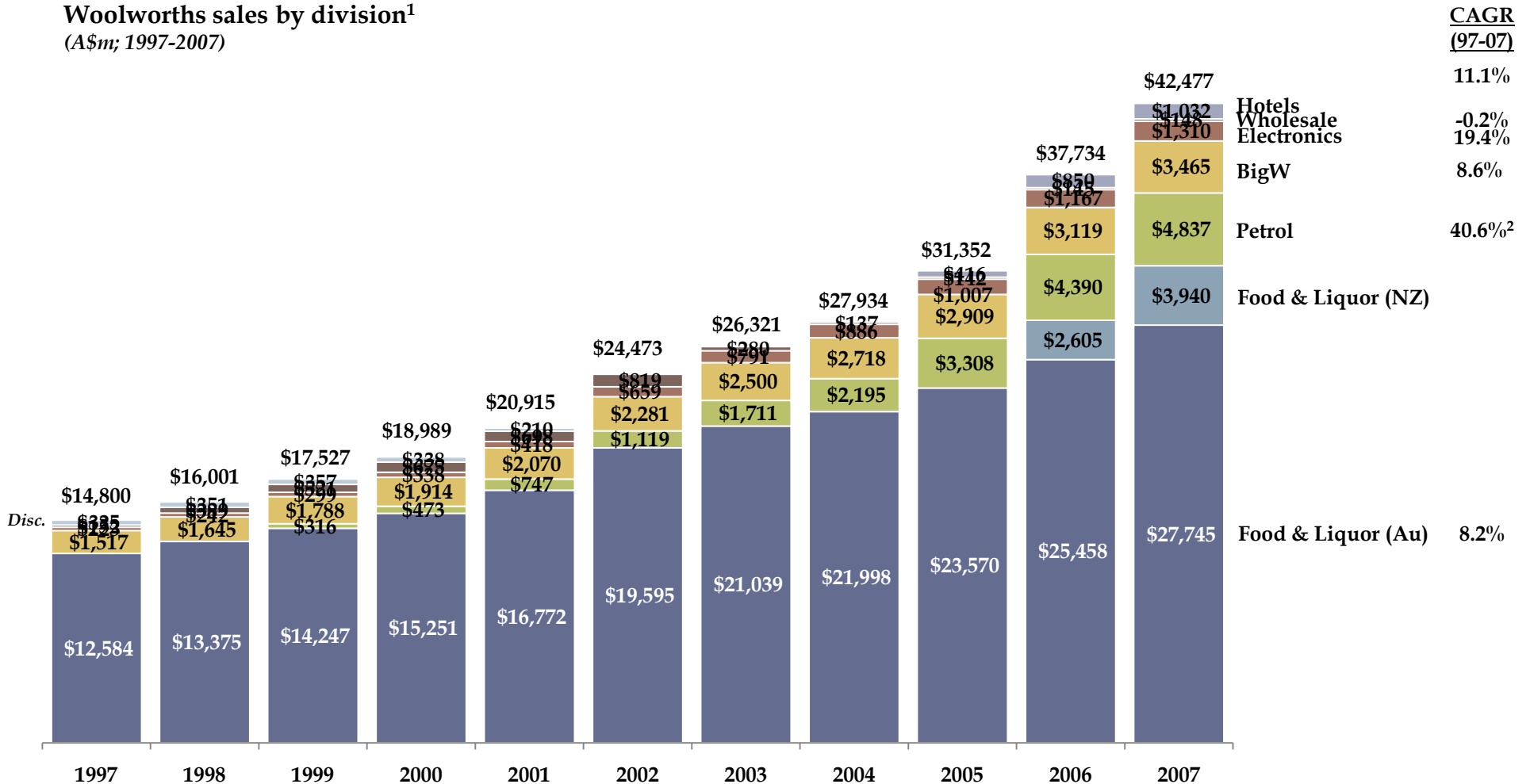
Woolworths store number by brand
(units, actual, FY1993 - FY2007)



WOOLWORTHS SALES

The majority of WWX sales are through Australian food and liquor; however Woolworths is successfully entering new markets and sectors (petrol, hotels and NZ)

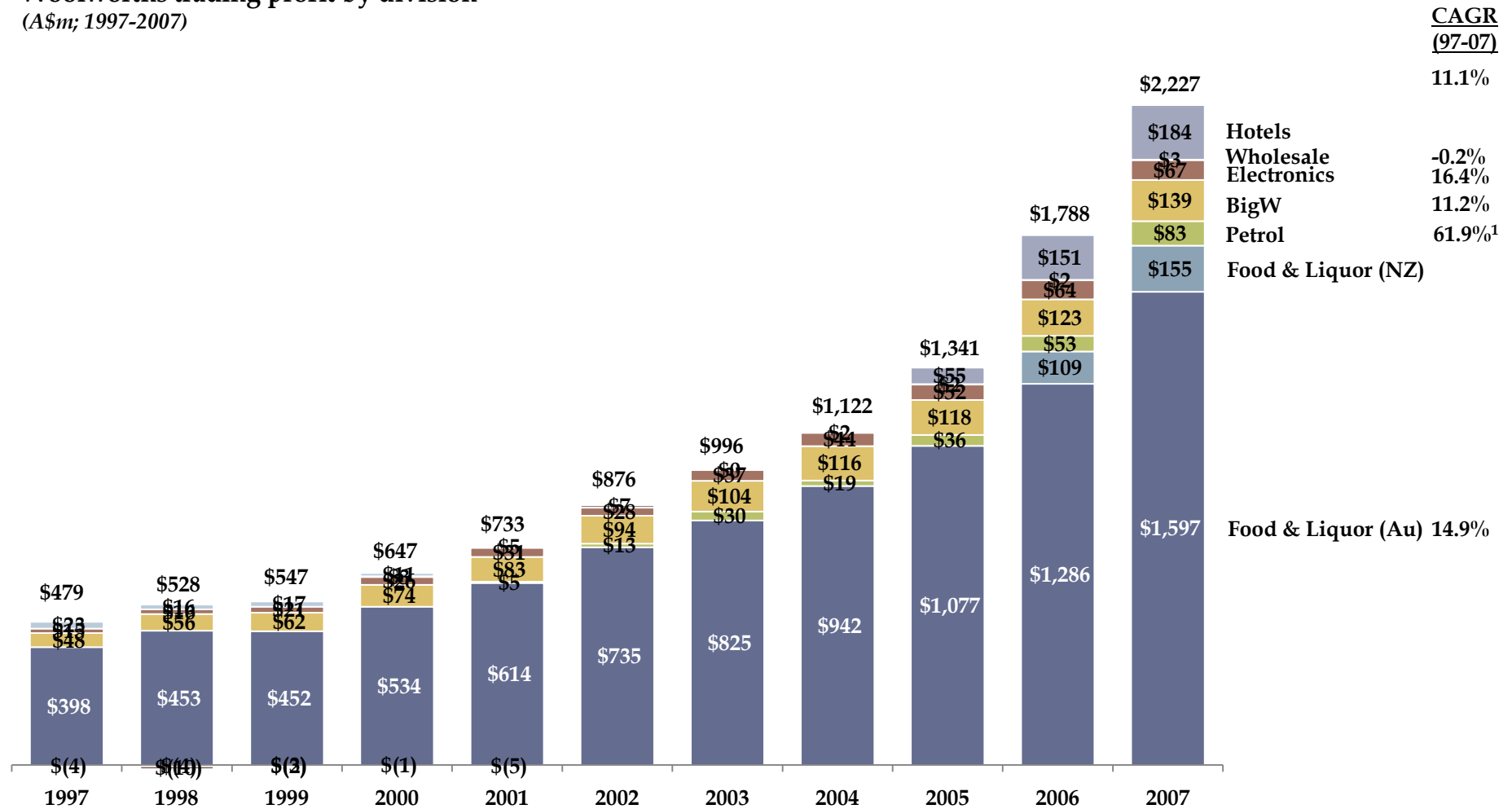
Woolworths sales by division¹
(A\$m; 1997-2007)



WOOLWORTHS PROFIT INCREASING

Woolworths is showing double digit profit growth in all sectors except wholesaling

Woolworths trading profit by division
(A\$m; 1997-2007)



WOOLWORTHS SHARE PRICE

Woolworths share price has shown substantial growth; particularly since 2000

Woolworths share price
(AU:WOW; A\$; 04/1994-04/2008)



WOOLWORTHS ACQUISITIONS

Woolworths has made a number of 'bolt-on' acquisitions to expand existing businesses

Woolworths Group acquisitions

(A\$m; FY1998-FY2007)

Date	Category	Acquisition	# of Stores	Sales	Acquisition Price	Location
Jun 2000	Liquor	Booze Brothers	16	~\$64m	\$12m	Adelaide
Jul 2000	Liquor	Toohey Bros	9	~\$40m		Sydney
Jul 2000	Supermarkets	Advantage Supermarkets	5		\$21.2m	West Australia
2001+	Liquor	MGW Hotels (jv with Bruce Mathieson)	85		\$350m ¹	QLD
2001	Electronics	Tandy Electronics	222	~\$200m	\$112.6m	National
2001	Liquor	Liberty Liquor	43	~\$180m	\$71.7m	
2001	Supermarkets	Part of Franklins Supermarkets	72	\$1.5b	\$268.1m	East Coast
2001	Petrol	Lease Liberty Oil outlets	69	~\$100m +		
2001 2002	Internet	38.1% of GreenGrocer.com.au (additional)	-		\$18.3m	
2003	Liquor	Le Grog			\$7.3m	South Australia
2003	Liquor	Super Cellars			\$15.2m	South Australia
2004	Liquor	Baily & Baily			\$10.7m	
Oct 2004	Liquor	Australian Leisure & Hospitality	263	\$465m	\$1.32b	QLD; other
Jul 2005	Hotel	Bruce Mathieson Group	26+8		199.2m cash	
Nov 2005	Supermarkets	Progressive Enterprises	198		\$959m cash & 82m shares	
Jan 2005	Hotel	MGW Hotels			\$11.7m	
Feb 2006	Hotel	Taverner Hotel Group	33	\$85m	\$377.1m	
Jan 2005	Hotel	MGW Hotels			\$11.7m	
Aug 2007	Hotels	Saturno Group			\$118m	South Australia
May 2008	Hotels	ALE Property Gp from Hedley Leisure & Gaming Property Fund (20% stake)	105 pubs		\$57m	

WOOLWORTHS DIVESTITURES

Woolworths has disposed of underperforming or non-core businesses

Woolworths Group divestitures

(A\$m; FY1998-FY2007)

Date	Category	Divestiture	# of stores	Annual sales	Sale price	Location
Feb 2000	Apparel	Rockmans	258	\$169m	\$11m ¹	National
Jun 2000	Printing	Chisholm Printing	-	-	\$7.4m	
Oct 2000	Meat Mnfg	Chisholm Smallgoods Mnfg.	-	-	\$34.1+	
Jun 2001	Variety	Crazy Prices	135	\$516m	N/A	National
Apr 2002	Wholesale	AIW				

WOOLWORTHS - ACHIEVEMENTS

Woolworths has been making substantial investments in supermarkets and petrol

- On November 2005, Woolworths entered the NZ market by purchasing Progressive Enterprises and all of its NZ supermarket operations from FAL**
- Supply chain transformation initiatives undertaken; StockSmart (DC forecast based replenishment), AutoStockR (store forecast based replenishment), Warehouse Management Systems and Transport Management Systems**
- During the year [2007] Woolworths established a buying office in Hong Kong to directly source products from suppliers for distribution in Australia**
- Supermarket DCs are being reduced from 31 DCs to nine Regional Distribution Centres (RDCs) and two National Distribution Centres (NDCs)**
- “Roll back” price campaign in place to reduce supermarket prices**
- Petrol business achieved milestone target of 500 canopies in 2007**
- Agreement with HSBC for a Woolworth’s branded credit card**

WOOLWORTHS - GROWTH STRATEGIES

Woolworths is looking to increase store numbers and share both in Australia and internationally

- Continue space rollout - reinvestment in the store will accelerate, both through the level of new store openings and level of refurbishment activity. 15-25 new supermarkets each year, 150 Dan Murphy's in five years etc**
- Leverage scale and store distribution - Woolworths considers that there are further opportunities to branch into new formats, new services and new categories, whilst continuing to expand the existing business**
- Increased emphasis on private label - Introduce increased amount of Woolworths "Select" and Homebrand**

WOOLWORTHS - EXITS WHOLESALING

Woolworths exited wholesaling when it lost a major contract

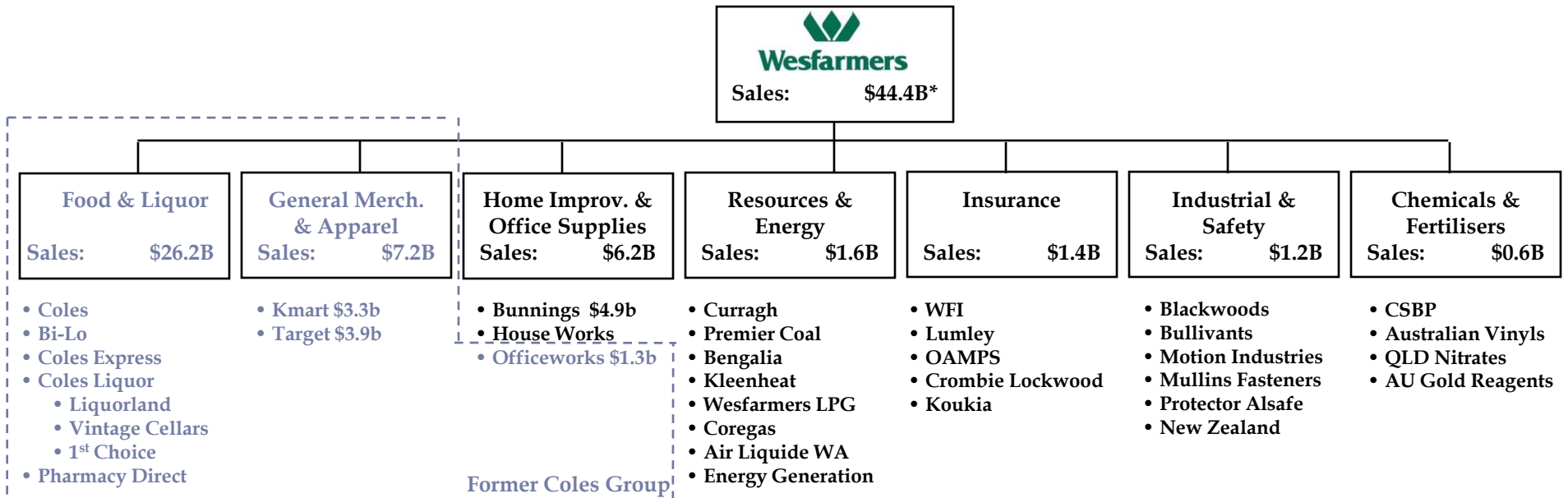
- **Woolworths lost its contract for major wholesale customer FoodWorks Supermarket Group (22 units) to Metcash Trading**
- **Decided to sell Australian Independent Wholesalers (AIW) (*see later section*)**
- **SPAR purchased AIW and during 2006**



WESFARMERS CORPORATE STRUCTURE

Coles is now a division of Wesfarmers, a conglomerate with a broad range of businesses

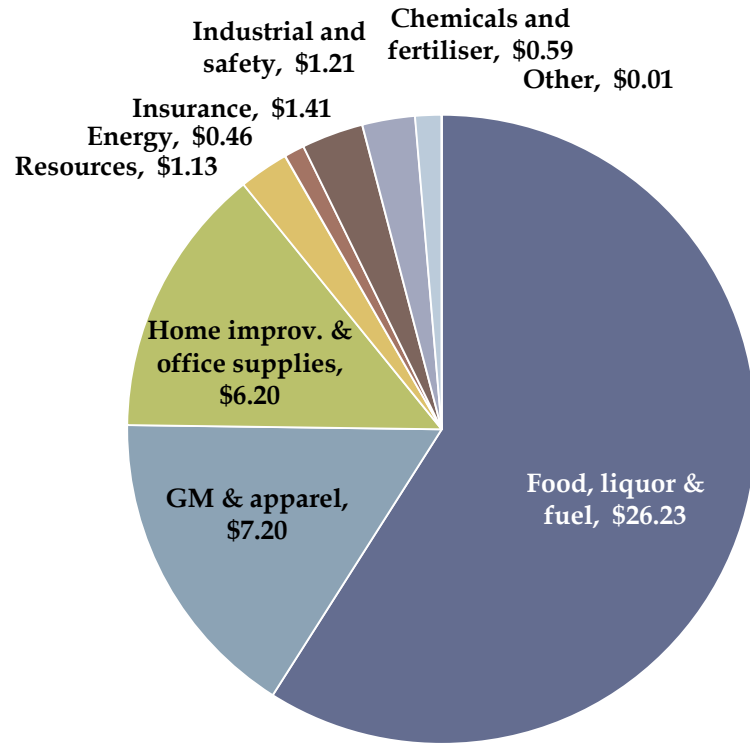
Wesfarmers Corporate Structure
(A\$;b; FY07)



WESFARMERS SALES & PROFIT

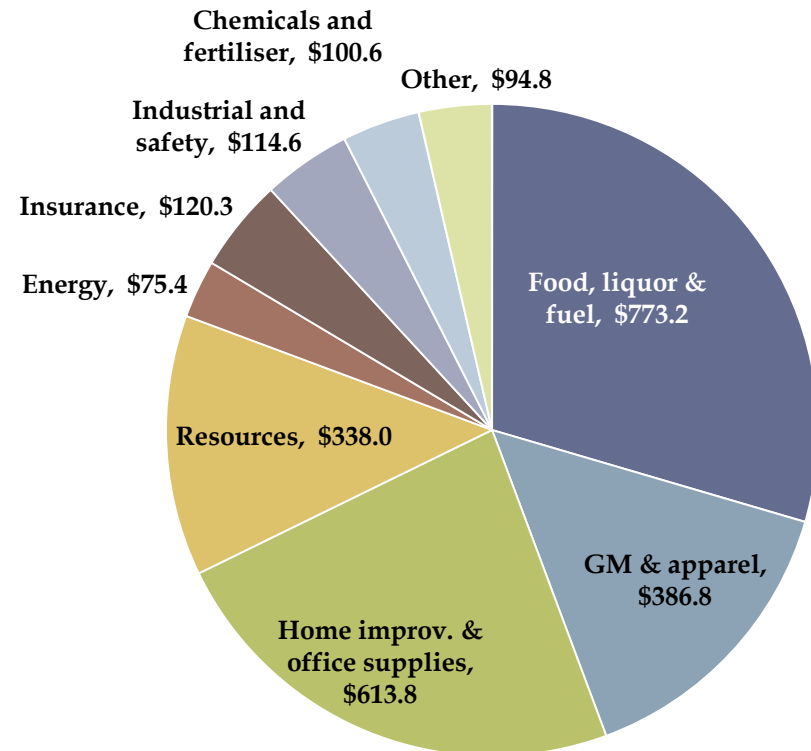
While Coles contributes to significantly to group revenue, Wesfarmers existing businesses are much more profitable

Wesfarmers sales by division
(A\$b; 2007)



Total = \$44.4B

Wesfarmers profit by division
(EBIT; A\$m; 2007)



Total = \$2,617.5B

COLES STORE FORMATS

Coles operates two supermarket brands (Coles and Bi-Lo), petrol outlets and liquor stores

Coles food and liquor store formats
(FY2007)

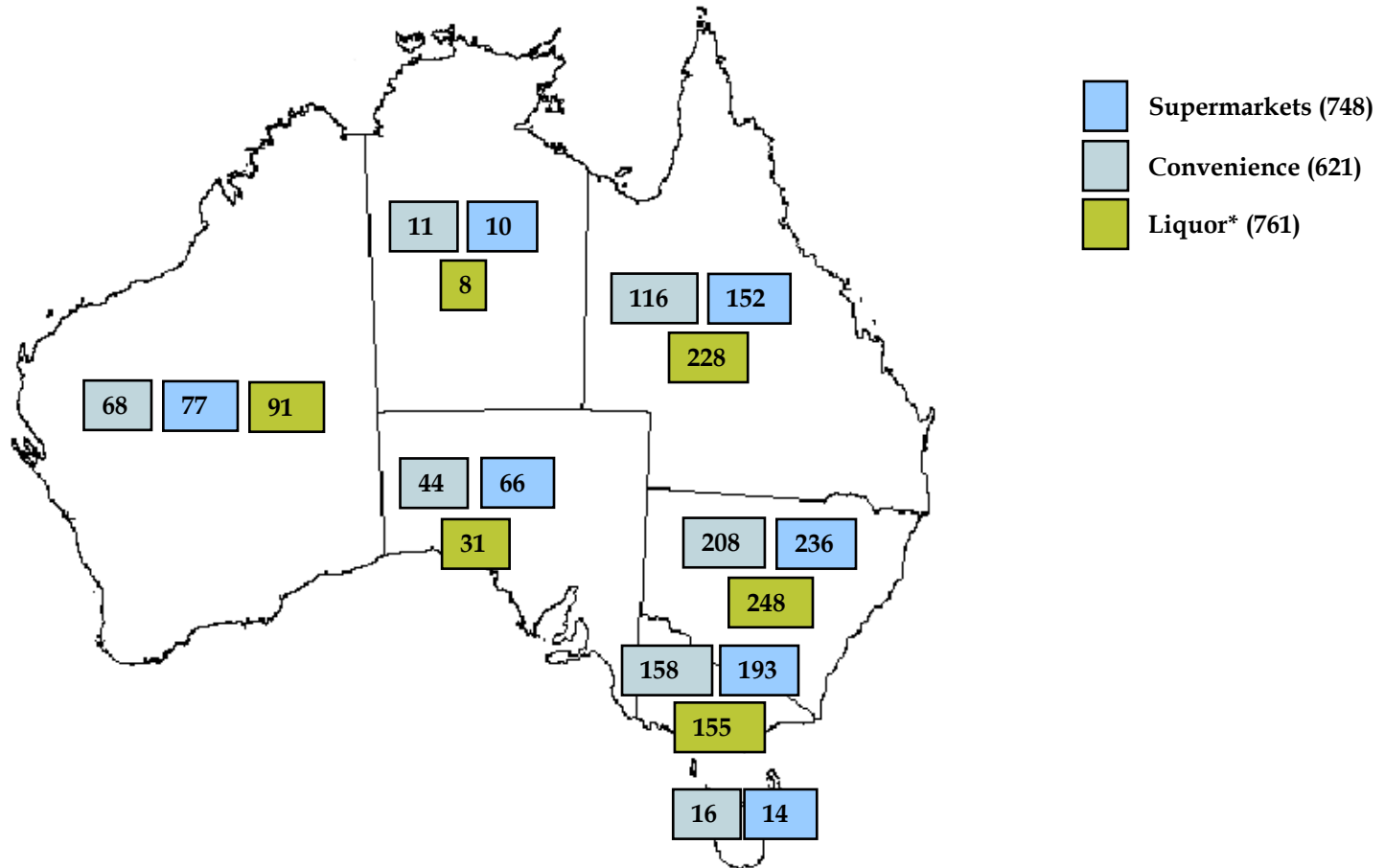
Format		# of stores
Conventional supermarket		677
Discount supermarket		71
Hypermarket		2
Petrol		621
Liquor Store & wine shop		632
		39
		90
		Total 761

COLES STORES

Coles has national coverage in both food and liquor stores

Coles food and liquor stores by region

(Coles + Bi-Lo; Dec 2007)

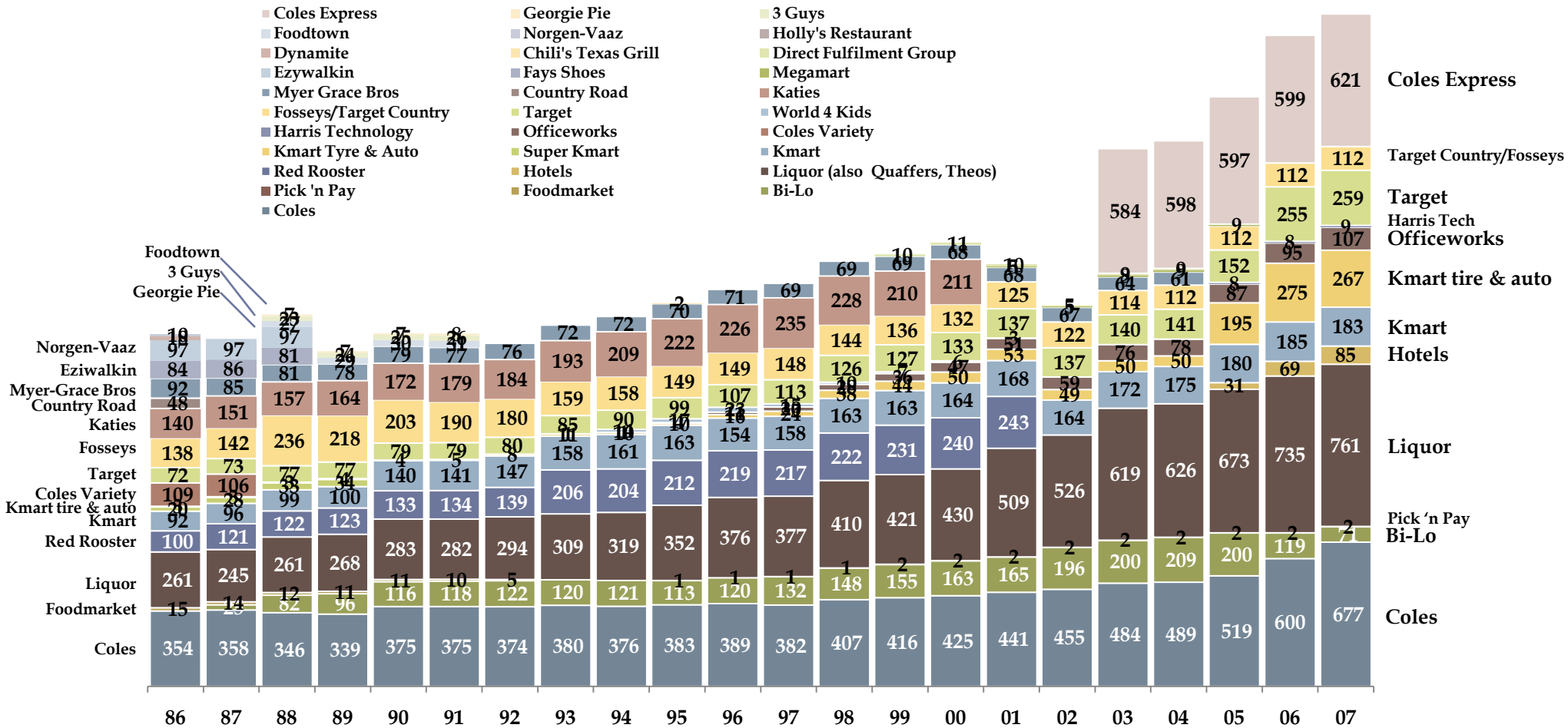


COLES STORE NUMBERS BY BRAND

Coles Myer appears to be slowly simplifying its business through an evolutionary process of shedding its underperforming store brands (e.g. Bi-Lo and Myer)

Change in Coles Myer store numbers by brand

(units; actual; FY 1986-2007)



COLES SALES

Coles have been showing steady growth over the last 10 years; with Food and Liquor being the growth standout

Coles sales by division
(A\$m; FY1997-2007)

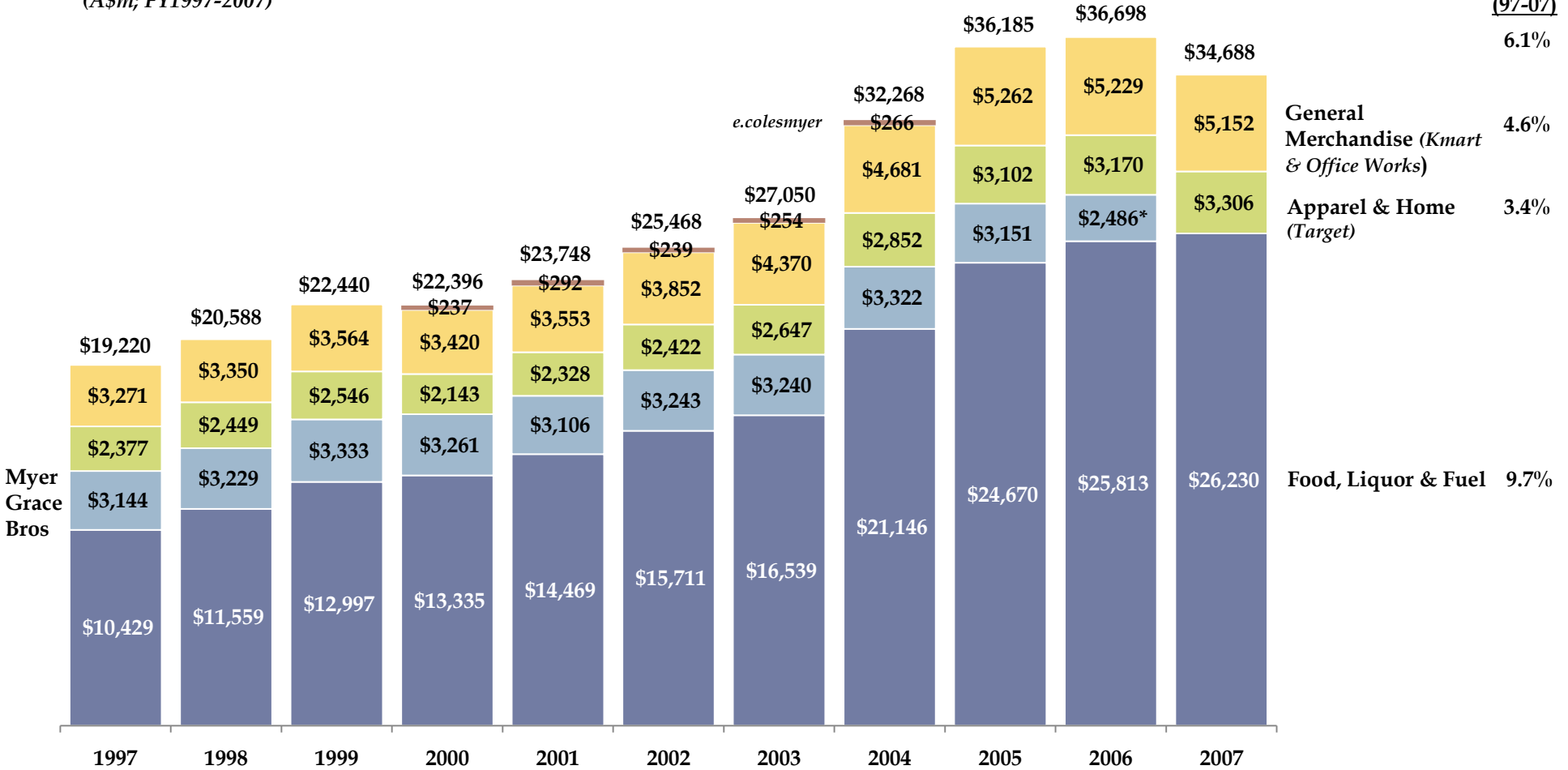
CAGR
(97-07)

6.1%

4.6%

3.4%

9.7%

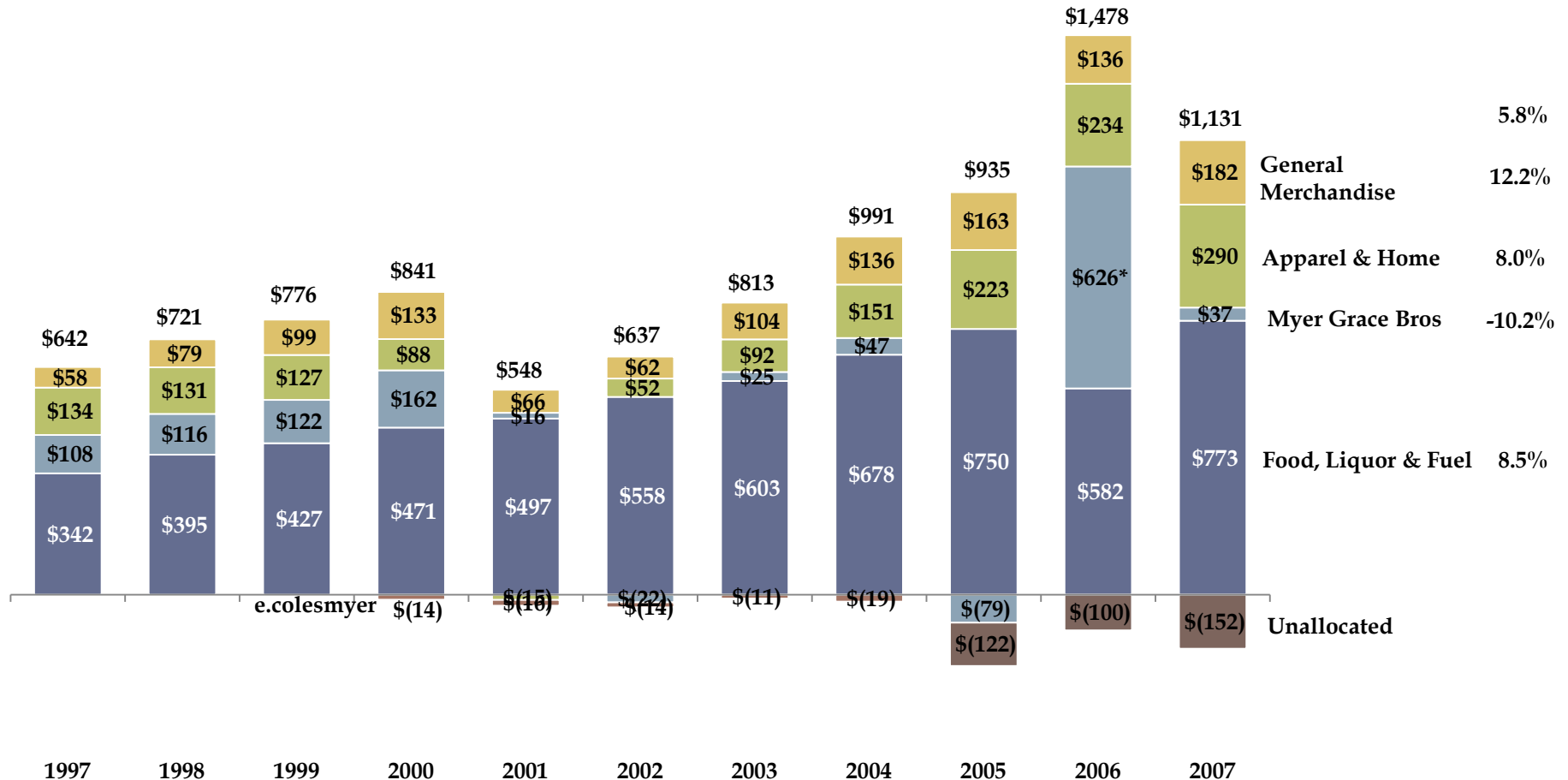


COLES PROFIT

Coles had a bad year in 2006 with GM and Food; management point to poor execution from Bi-Lo to Coles

Coles trading profit by division
(EBIT; A\$m; FY1997-2007)

CAGR
(97-07)



COLES SHARE PRICE

After a long period of minimal share price growth, various acquisitions attempts and the final sale of Coles drove up the share price

Coles share price

(AU:CGJ; A\$; 1989-11/2007)



COLES - ACQUISITIONS

Coles Myer have made a number of major acquisitions over the past decade, primarily as fill ins for existing divisions (e.g. liquor)

Coles Myer Acquisitions

(A\$m; 1993-2007)

Date	Category	Acquisition	# of Stores	Sales	Acquisition Price	Location
Dec 2006	Hotel	Talbot Hotel Group			\$55.8m	QLD
Dec 2006	Hotel/Liquor	Pippos Hotels Group/Mr Corks	5+13		\$58.2	QLD
Jun 2006	Hotel/Liquor	Hedley Hotel Group	35+102	\$325m	\$320m	QLD
Mar 2006	Pharmacy	Pharmacy Direct	1	\$44m	\$56.2m	NSW & online
Jan 2006	Autoservice	Shell autoserv & Auto Care	92		\$14.8m	National
Jan 2005	Liquor	Chancellor Village Tavern	?	n/a	~\$15m	
2004	Petrol	Shell petrol stations	585		\$103.7m	National
May 2003	Liquor	Theo's NSW (Pallis/ALW Newco)	53		\$179.8m ¹	NSW
May 2003	Online	Shopfast Online Groceries	-	n/a	-	?
Jan 2003	Office Products	Viking Office Products/Direct Pty.	-		\$38.7m ¹	National
Oct 2001	Supermarkets	Part of Franklins	35		\$59.3m	East Coast
Jul 2001	Liquor	Leda Hotel Group	31		\$63.6m	QLD
Apr 2001	Liquor	Australian Liquor Group			\$55.1m	
Apr 1999	Online	Harris Technology				
Feb 1998	Supermarkets	Charlie Carters	18			WA
Jan 1998	Supermarkets	?	3			NT
Sep 1997	Liquor	G&P Hotels Group	17			QLD
1995	Discount	20% of Coles Myer held by Kmart	-		\$1.2b	-
1993	Restaurant	Big Rooster	98	-	-	QLD
1993	Liquor	Vintage Cellars	18	n/a	?	SA

COLES - DIVESTITURES

Coles Myer have made a number of divestitures of non-core or underperforming businesses

Coles Myer Divestitures
(A\$m; FY1995-2007)

Date	Category	Divestiture	# of stores	Annual sales	Sale price	Location
Jun 2006	Department store	Myer			\$1.4b	National
Nov 2005	Electrical	Megamart	9			
2004	Supermarket	Newmart	5			WA
2004	Office Products	Sands and McDougall	7			
Mar 2003	Property	Sydney Central Plaza	-		\$372.8m ¹	NSW
Feb 2002	Online	Myer Direct	-		?	National
May 2002	Foodservice	Red Rooster	243		\$65.0m	National
Nov 2000	Apparel	Katies	211		\$20.4m	AU & NZ
1995	Credit Card	Credit card business			\$100.5m	

COLES - NEW CONCEPTS

Coles Myer went through a period of developing numerous new store formats in an attempt to be all things to all people, most of which failed...

Coles Myer new store concepts
(1998-2007)

Launch	Concept	Brand	Details
2006	Liquor	Vintage Cellars	Liquor store
2005	Liquor	1st Choice	Large format liquor store to address Woolworths Dan Murphy's
2000	Clearance	Dirt Cheap Warehouse	Clearance outlet for Kmart end of season and discontinued stock
1999	Apparel	Target Country	Rebranding Fossey's stores with localised offer for smaller, rural locations
1999	Liquor	Liquorland Express	Reduced beer, wine and spirits offer in convenient location
1999	Automotive	Mycar	Automotive superstore
1999	Online	Coles Online	Online purchasing of groceries
1999	Garden	Kmart Garden Supercentre	Garden supplies superstore
1999	Liquor	Local Hero	Smaller local liquor outlets for smaller catchments
1998	Housewares	Target Home	Expanded housewares range
1998	Entertainment	Megamart	Electrical and furniture
1998	Gourmet Food	let's eat	Food and wine emporium offering high quality produce, liquor and gourmet chef-prepared meals
1998	HBC	Essentially Me	Health and beauty lifestyle store
1998	Convenience	fast & fresh	JV with Mobil to develop enlarged convenience store

COLES - NEW CONCEPTS

... *continued*

Coles Myer new store concepts (1993-1997)

Launch	Concept	Brand	Details
1997	Outdoor	Jackeroo	Fishing tackle, camping equipment, outdoor clothing, BBQ, and accessories
1997	Kids	Cartoonworks	Licensed merchandise (Disney, Warner, etc) party goods, cards, wrapping, paper, confectionery
1997	Auto	Motorpro	Oils, coolants, filters, car electrical, batteries, jacks and tools
1997	Apparel	Myer BIB	Women's apparel for sizes 16-24
1997	Housewares	Myer Home	Dining, cookware, utensils, rugs and clocks
1997	Children's	Baby Target	Childrens apparel, maternity wear, nursery furniture, accessories and toys
1997	Convenience	Coles Express	Reduced range offer for metro locations and inner city customers
1997	Supermarket	Bi-Lo Mega Frfresh	Bi-Lo with expanded fresh foods offer
1997	Liquor	Quaffers	Discount liquor
1997	Sporting Goods	Myer Sport	6,000m ² destination sporting goods
1997	Electrical	Myer Electric	Electrical superstore
1997	Clearance	GoodBuys Warehouse	Clearance outlet for Myer end of season and discontinued stock
1994	Restaurant	Chili's Bar & Grill	JV with Brinker International to launch US casual dining chain in AU
1994	Office Supplies	Officeworks	Office supplies superstore
1993	Toys	World 4 Kids	Toy and leisure superstore

COLES - GROWTH OPPORTUNITIES

Wesfarmers have identified a number of key ways to add value to the Coles operations...

5. Value Creation Opportunities

- Substantial value creation opportunities are readily identifiable

Opportunity	Initiatives	Potential Financial Outcomes ¹
Overhead Reduction	Ensuring overhead reduction savings are sustainable	\$385m ² pa cost savings by FY09
Supply Chain	Driving through the supply chain cost savings	\$540m ³ pa cost savings by FY13
Working Capital	Optimising working capital investment	\$300m plus by FY12
Restoring Supermarket Sales Momentum	Repositioning the supermarkets business for sales growth	c. \$150m earnings potential in year five from each 1% pa increase in comparable sales growth over a five year period
Investing for growth	Continue to invest in network growth and refurbishments	\$1.0 - \$1.2bn pa FY08/FY09 \$0.9 - \$1.0bn pa FY10/FY12

200 jobs cut to May 2008 with an additional 800 administrative jobs to go

New management team led by Ian McLeod (ex ASDA) will drive turnaround

(1) The extent to which these benefits will represent incremental earnings is dependent on the level of reinvestment to improve the customer offer/ drive sales growth, (2) Includes c.\$100m in cost savings achieved by Coles to date, (3) Includes c.\$90m in cost savings achieved by Coles to date.

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COLES - STRATEGY

...in particular the food and beverage sectors

Coles - Strategies		
Strategies	Details	
Food	Increase store efficiencies	Greater focus on space and category management
	Innovate and improve product offer	Execute revised Fresh and house brand strategies
	Enhance customer service	Improve in-store execution - product availability and customer service Employ clear pricing, brand and simple in-store communication
	Boost supply chain	Engage with stores to capture in-store supply chain benefits
	Position for future growth	Develop refurbishment programme
Liquor	Target profit growth	Focus on 1 st Choice roll-out and performance Reassess and continue to refurbish existing network
	Strengthen brand position	Reinvigorate Liquorland's convenience and Vintage Cellars' specialist credentials
Conv	Increase operational efficiency	Optimise product mix and in-store costs
	Target higher growth sectors	Drive network expansion and refurbishments
	Increase competitive position	Expand convenience offer
	Increase process efficiencies	Optimise supply chain



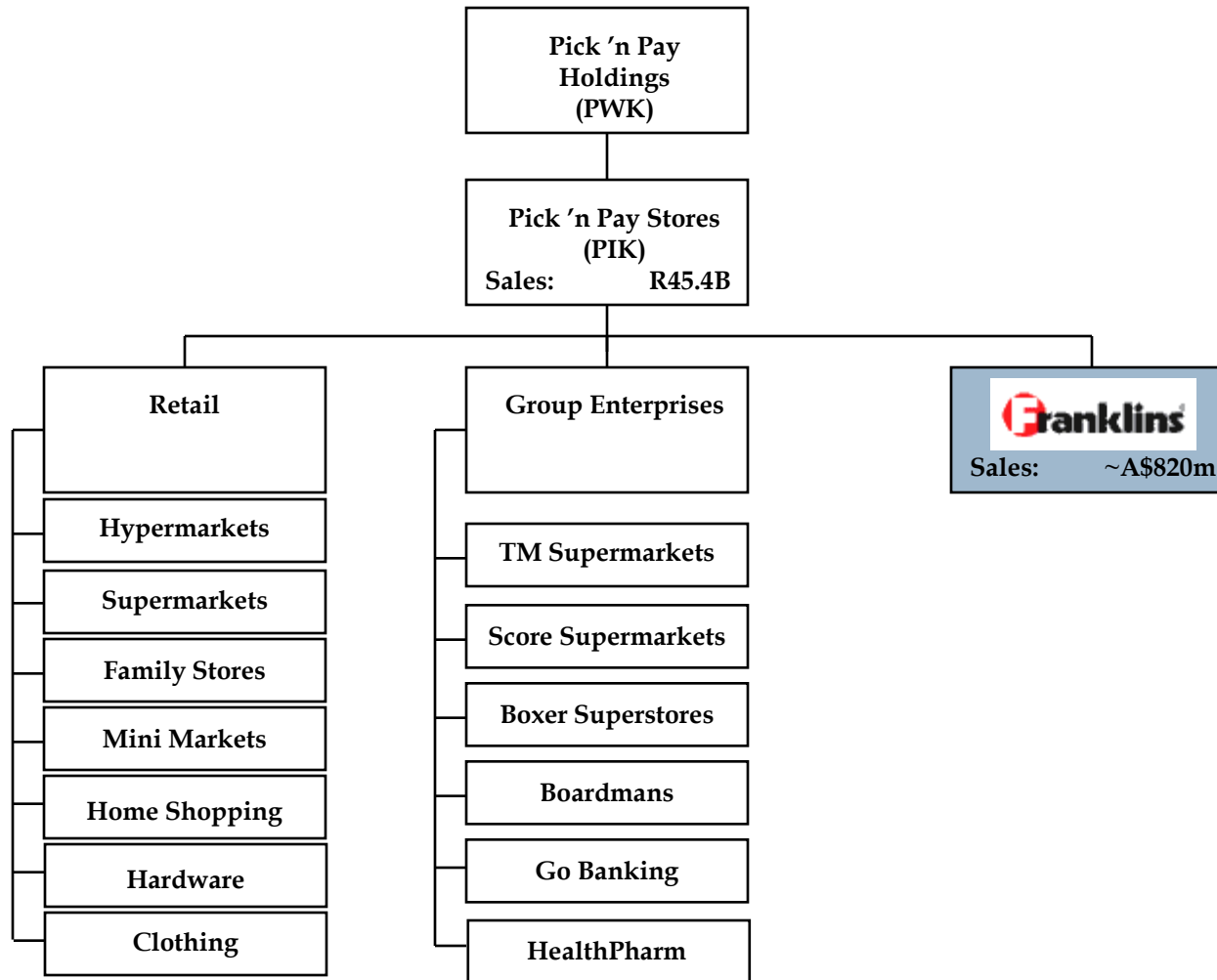
Pick n Pay

Franklins

PICK 'N PAY CORPORATE STRUCTURE

Pick 'n Pay is a South African chain that has expanded into Australia through the purchase of part of Franklins, when this chain was sold in pieces by Dairy Farm of Hong Kong




Pick 'n Pay corporate structure
(SAR,b; A\$m; FY2008)



PICK 'N PAY STORE FORMATS

Pick 'n Pay have a range of company owned and franchised store formats

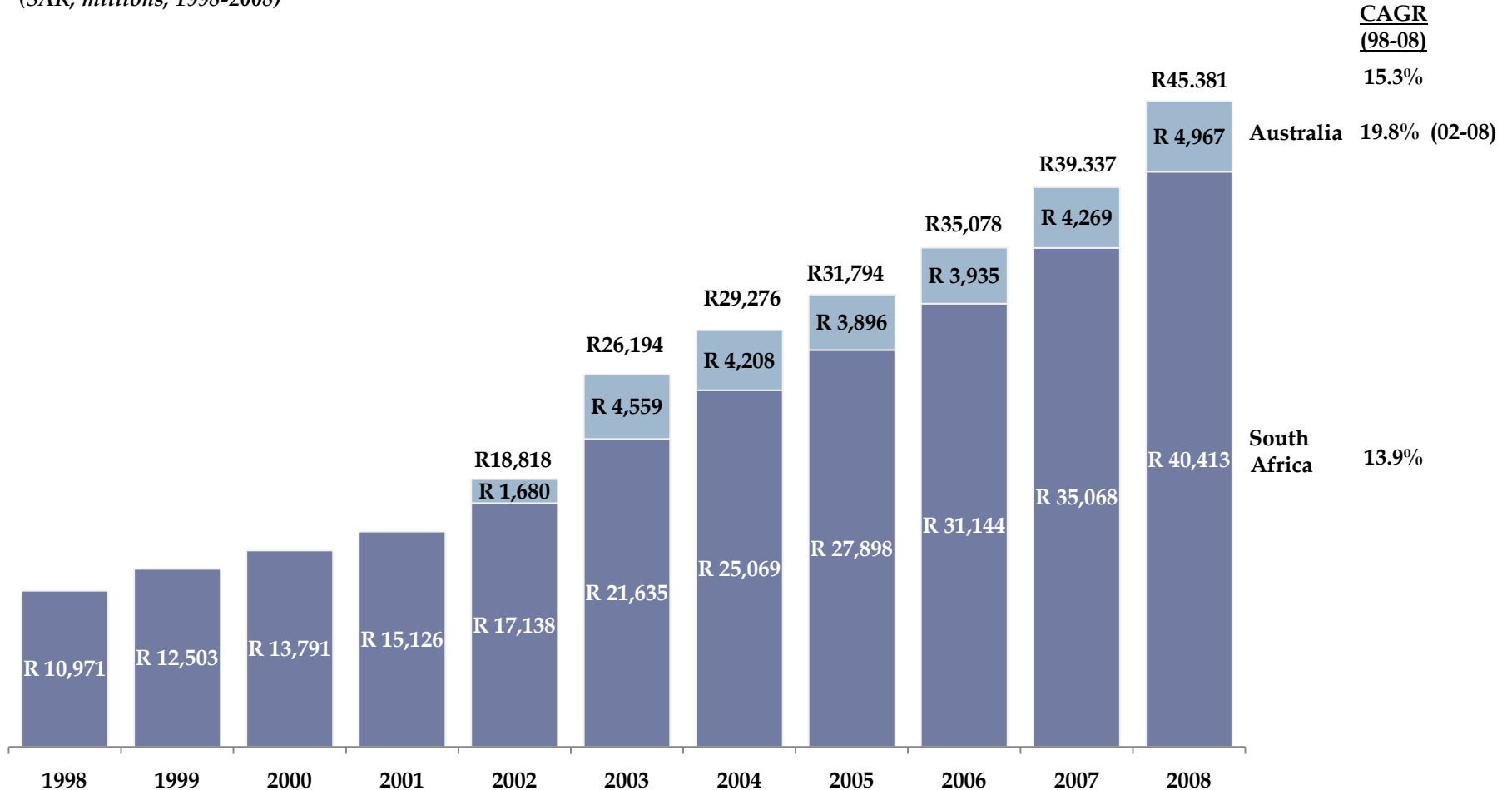
Pick 'n Pay store formats
(2008)

Format	Southern Africa	Australia	# of stores
Hypermarket			18
Conventional Supermarket			162
Convenience store			N/A
Discount Supermarket			118
Franchised Supermarket			206
Boxer Supermarkets			64
Discount Supermarket/ Franchised			74 (Co owned) 6* (franchised)
Pick 'n Pay Liquor			36

PICK 'N PAY SALES

Pick 'n Pay have shown constant double digit growth over the last 9 years

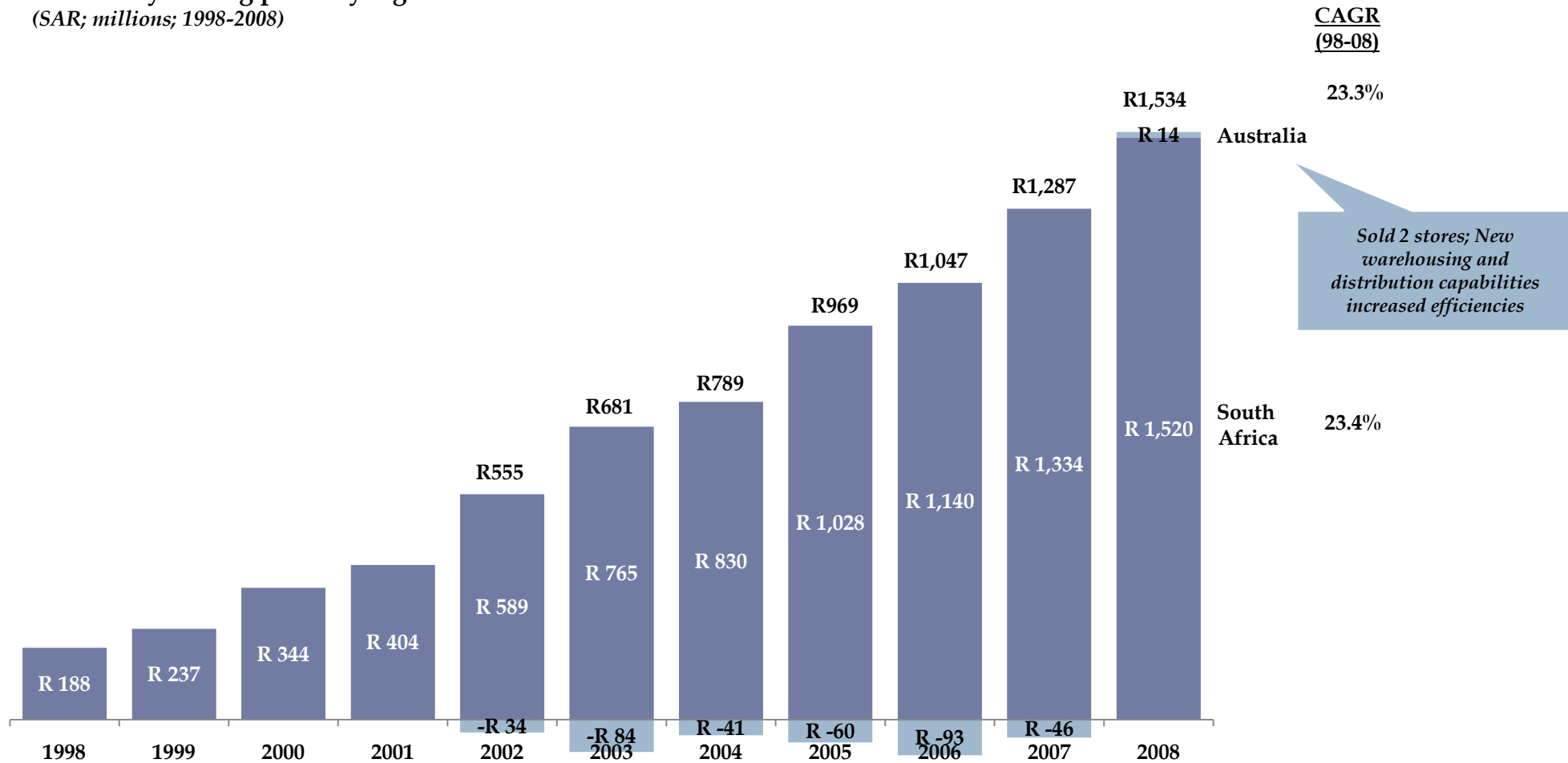
Pick 'n Pay sales by region
(SAR; millions; 1998-2008)



PICK 'N PAY PROFIT INCREASING

Pick 'n Pay achieved a small trading profit in Australia in FY08 after years of losses

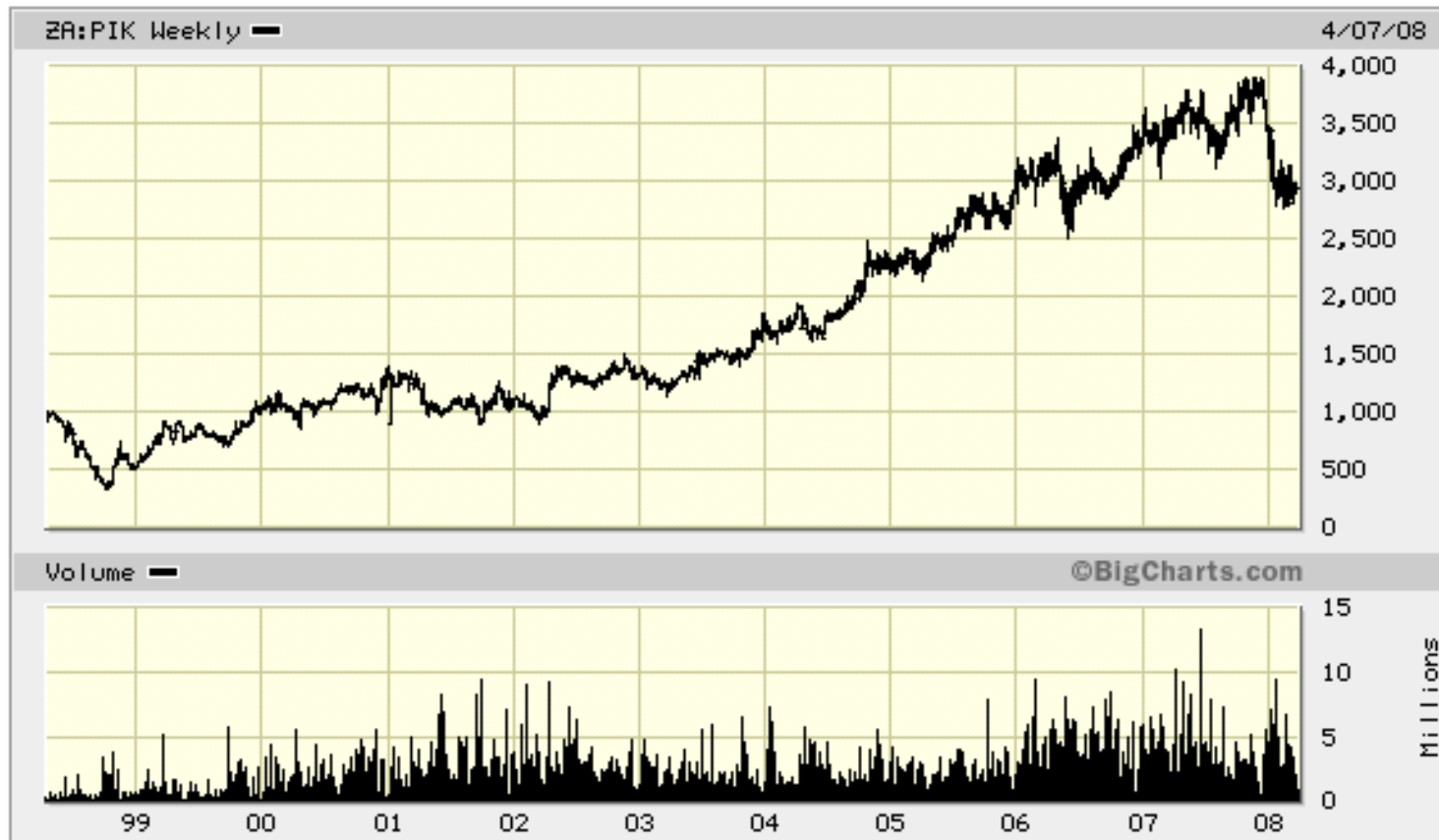
Pick 'n Pay trading profit by region
(SAR; millions; 1998-2008)



PICK 'N PAY SHARE PRICE

Pick 'n Pay had been trending up in the last decade until recently

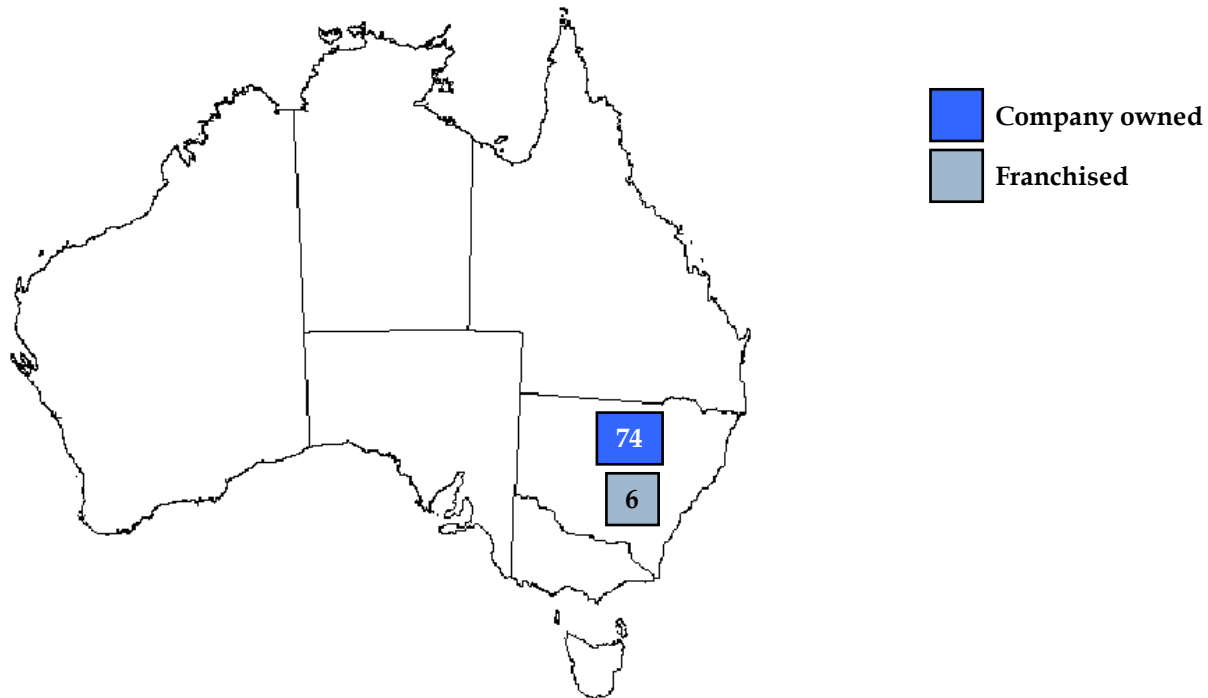
Pick 'n Pay stores share price
(SAR; 04/1998-04/2008)



FRANKLINS BY REGION

Pick 'n Pay now operate a total of 80 Franklins stores in New South Wales, 6 of which are now franchised

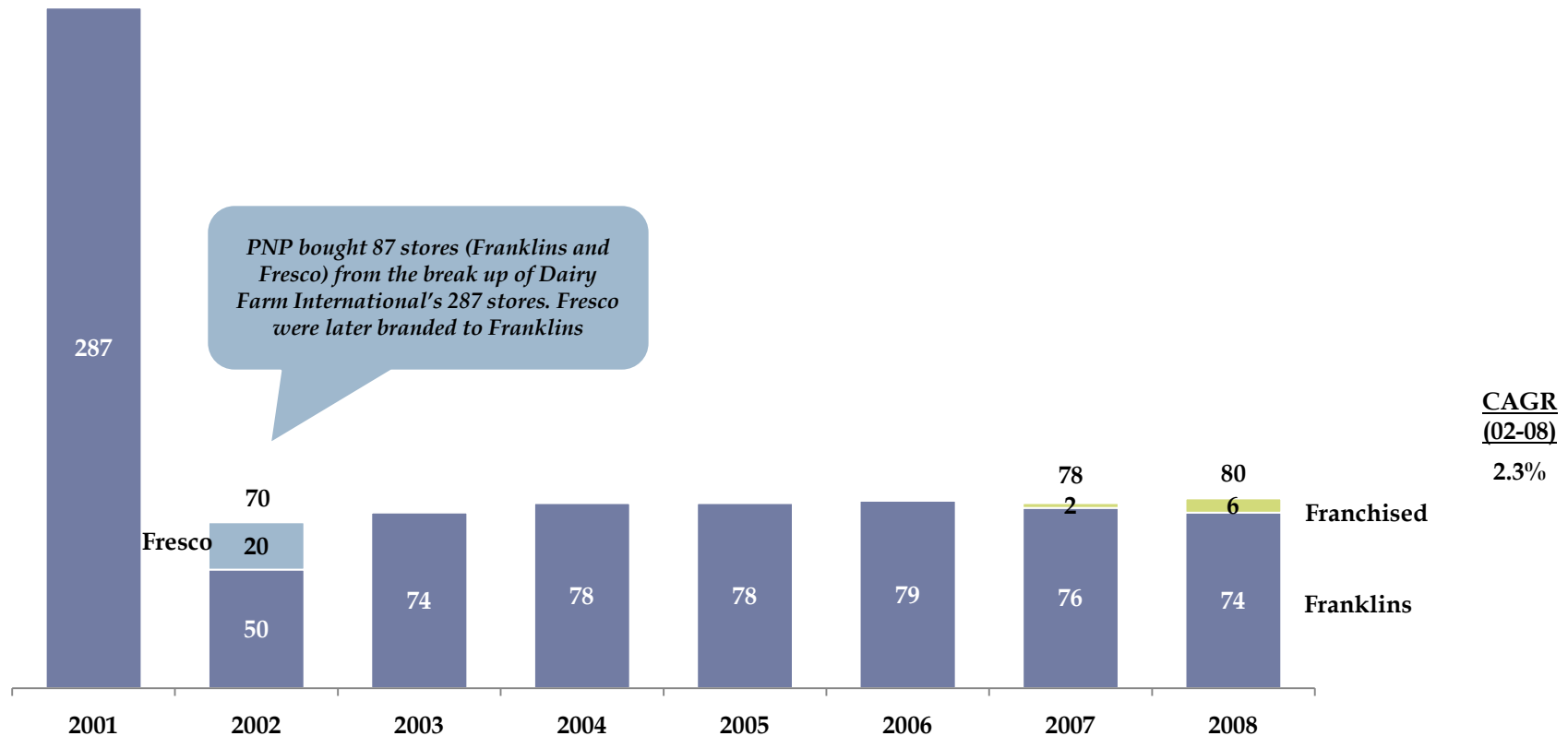
Franklins supermarket by region
(2008)



FRANKLINS UNITS

Franklins have shown minimal total unit growth since coming under PnP ownership

Franklins stores by type
(units; 2001-2008)



FRANKLINS - STRATEGY

Franklins starts to franchise in Australia as part of its strategy of competing with the giant chains

- In 2005 Franklins started setting up franchise opportunities under the "Franklins Family Supermarkets" brand. On 30th January 2006, Franklins opened a purchased store in NSW to show potential franchisees the benefits of changing from IGA to Franklins.
- "Pick 'n Pay has pinned its hope on franchising in Australia and, according to Badminton, things are looking good. He said the group had recently confirmed two new franchise conversions from IGA, one of whom was the winner of IGA's best store award last year." *Nick Badminton, CEO Pick 'n Pay, AGM June 2007*
- "The franchisees have access to extensive back-office systems, including inventory and retail management the aim is to help franchisees overheads and improve profitability." *Aubrey Zelinsky, MD Franklins*
- "In Australia there are six franchised stores within Franklins. The plan is to have 10 operating by February next year, and add 10 franchises a year." *Aubrey Zelinsky, MD Franklins*

FRANKLINS - AUSTRALIA

Franklins has been struggling in the competitive Australian market













- **“Mr Zelinski said that when the major grocery chains introduced the petrol-shopper dockets, it immediately undercut their sales by around 13 per cent. Franklins, which now operates 80 stores around NSW, had only recently obtained the critical mass to begin operating at a profit.” *The Australian, April 1, 2008***
- **“Mr Zelinski said the way Woolworths and Coles exercised their market muscle made it difficult for other businesses to break into the market. He said that at one point his company had considered selling its Australian business as it struggled to make a profit.” *The Australian, April 2, 2008***
- **“In order to survive, Franklins established its own warehouse and distribution capabilities in 2005 and terminated its relationship with Metcash...It became apparent to Franklins that various discounts and allowances that should have been passed on to Franklins by Metcash were in fact not passed on to Franklins.” *The Australian, April 2, 2008***
- **“Results [Feb 2008] were helped by a \$7.9m profit on the sale of two stores, but the second half generated a profit of \$1.2m without the benefit of one-off items...The three-year, \$50m store refurbishment programme begun in 2007 had resulted in sales growth of over 15 percent at the upgraded stores...We've now reached critical mass in our business, and we're starting to see the benefits of investing in our own distribution and supply chain.” *Aubrey Zelinsky, MD, Franklins, Results presentation release***

AUSTRALIAN INDEPENDENT SECTOR

KEY WHOLESALE BANNER GROUPS

There are four key wholesale supermarket banner group entities supplying independent supermarkets in Australia

Structure of Australian independent wholesale banner group supermarkets
(2007/08)

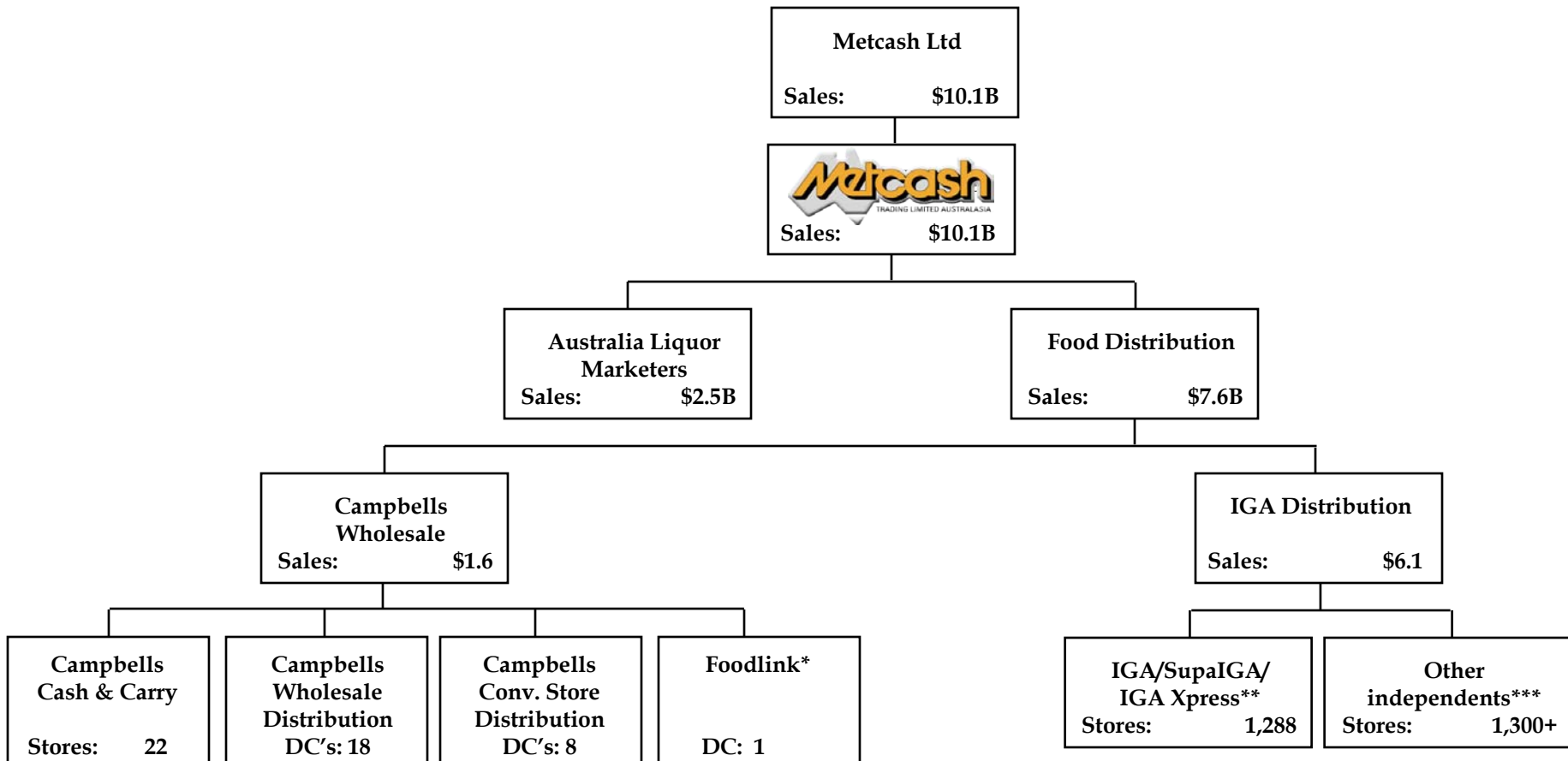
Group	# of stores	Geography	Banners	Wholesaler	Notes/comments
	1,288			Metcash	Foodland only in South Australia
	707			Metcash	Created in 2004 through merger of Foodworks and Australian United Retailers (AUR)
	232			Australian Retail Logistics	Formerly Australian Independent Wholesale (AIW) owned by Woolworths; licenses SPAR IP from global parent
	107			Statewide Independent Wholesalers	SIR is 50% owned by Woolworths



METCASH CORPORATE STRUCTURE

Metcash is a wholesaler with grocery distribution, cash and carry and liquor distribution activities







Metcash Corporate Structure
(A\$;b; FY08)



METCASH STORE FORMATS

Metcash's aim is to be "the champion of the independent retailer" in both grocery and liquor

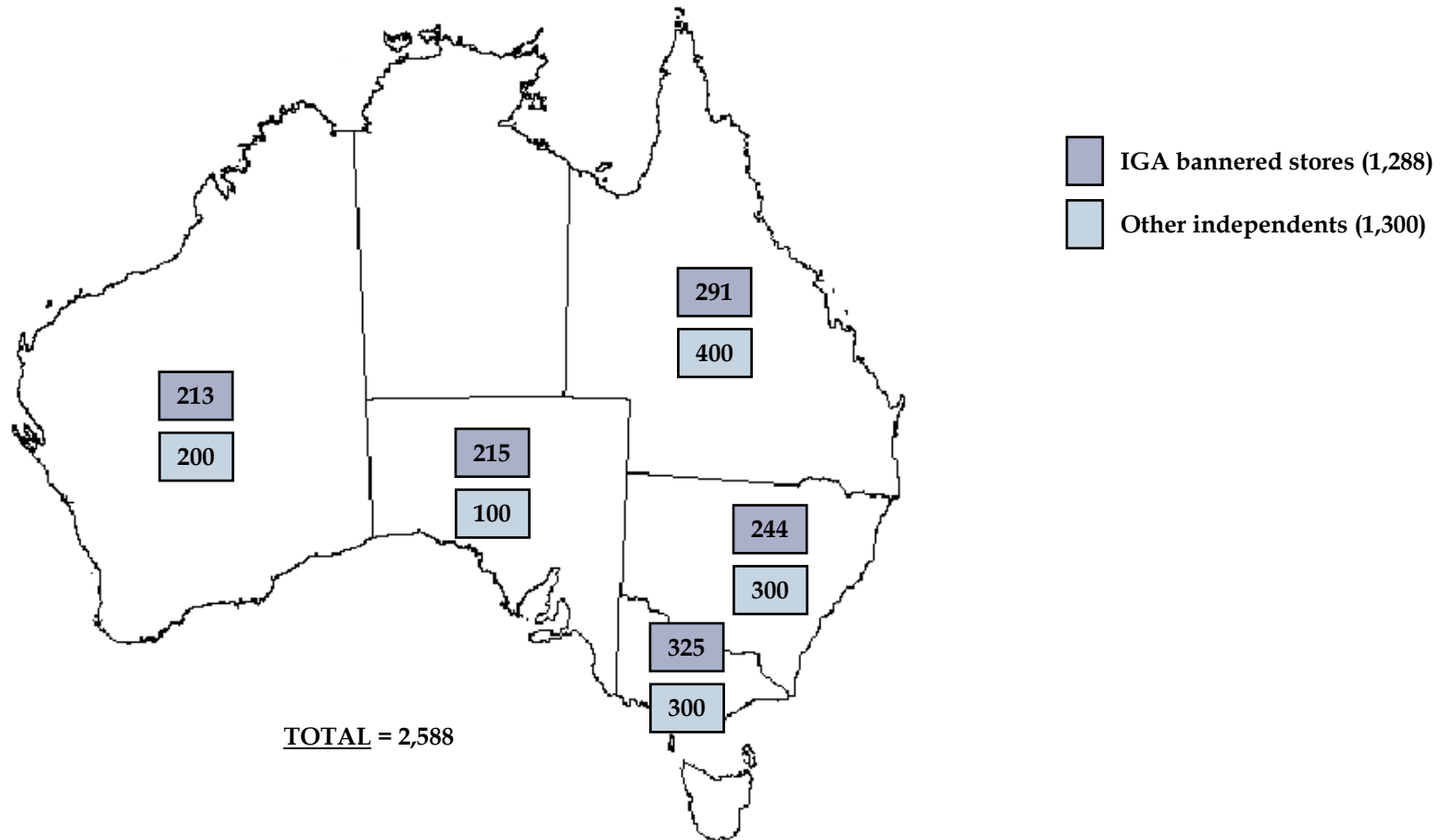
Metcash store formats
(2008)

Format	Business	Locations	# of units	# of lines	# of customers
	Grocery wholesale (independent store ownership)	NSW VIC QLD SA WA	- 717 IGA - 418 SupaIGA ^{1,3} - 153 Xpress - 6 DC's	21,000 skus	2,500 retail customers
   	Cash & Carry (company owned stores)	NSW VIC QLD SA WA NT	-18 country DC's -22 metropolitan CCC stores -120 Lucky 7 c-stores -400 7 Eleven stores -4 stockless DC's +4 CSD DC's	12,000 skus	80,000+ business customers
	Liquor wholesale (independent store ownership)	Australia NZ	- IBA ² 467 = Cellarbrations 595 = 'Bottle-O' 465 = IGA Plus Liquor 890 = Liquor Force 2,417 = Total stores -Liquor Alliance 410 'Thirsty camel' hotels - 18 DC's		14,500 hotels, liquor stores, etc. 7,400 electronic ordering

METCASH STORES

Metcash have distribution across all major states

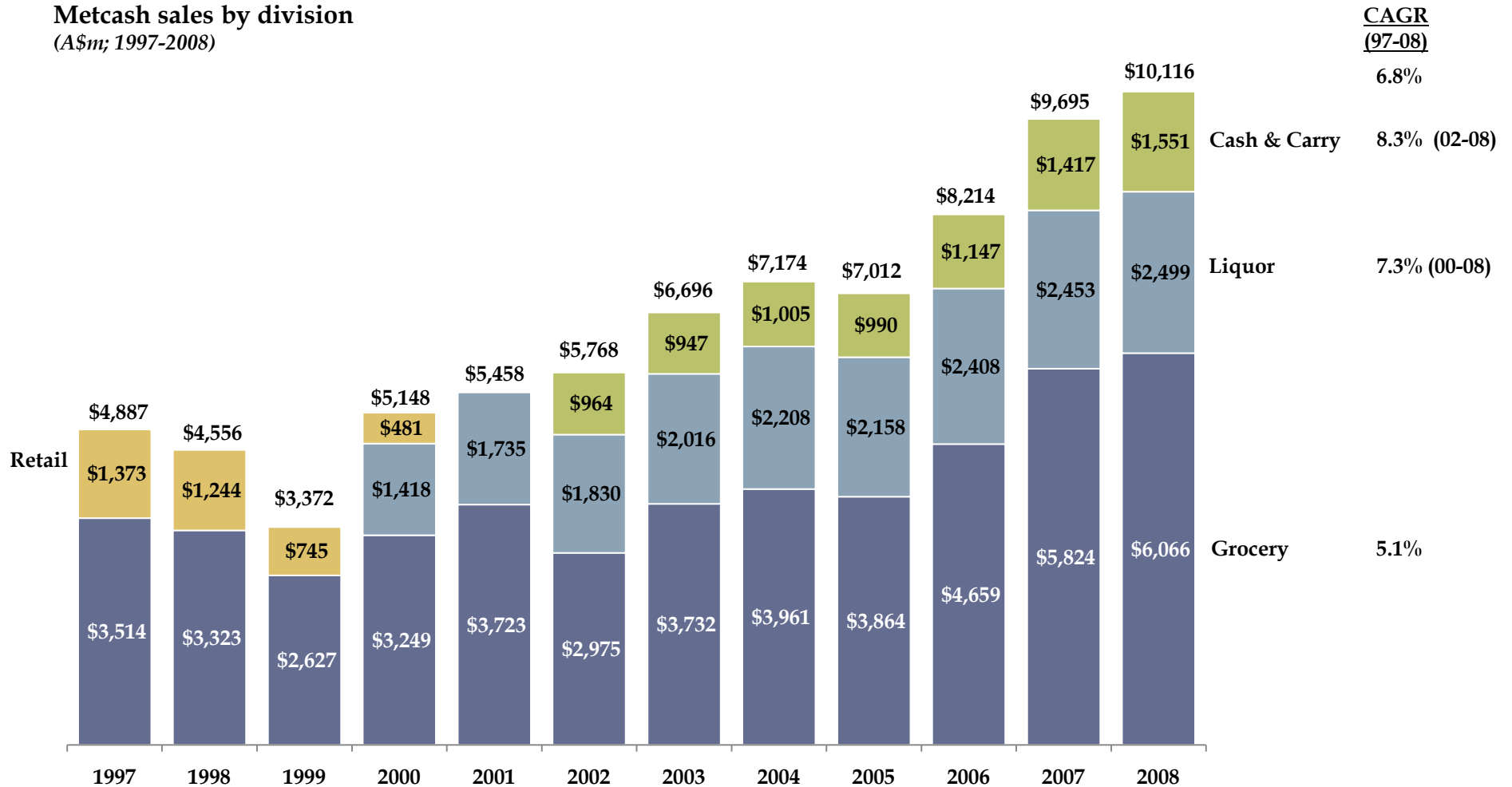
Metcash independent retailer stores by region
(2008)



METCASH SALES

All three divisions; grocery distribution, liquor wholesale and cash and carry are delivering on sales growth

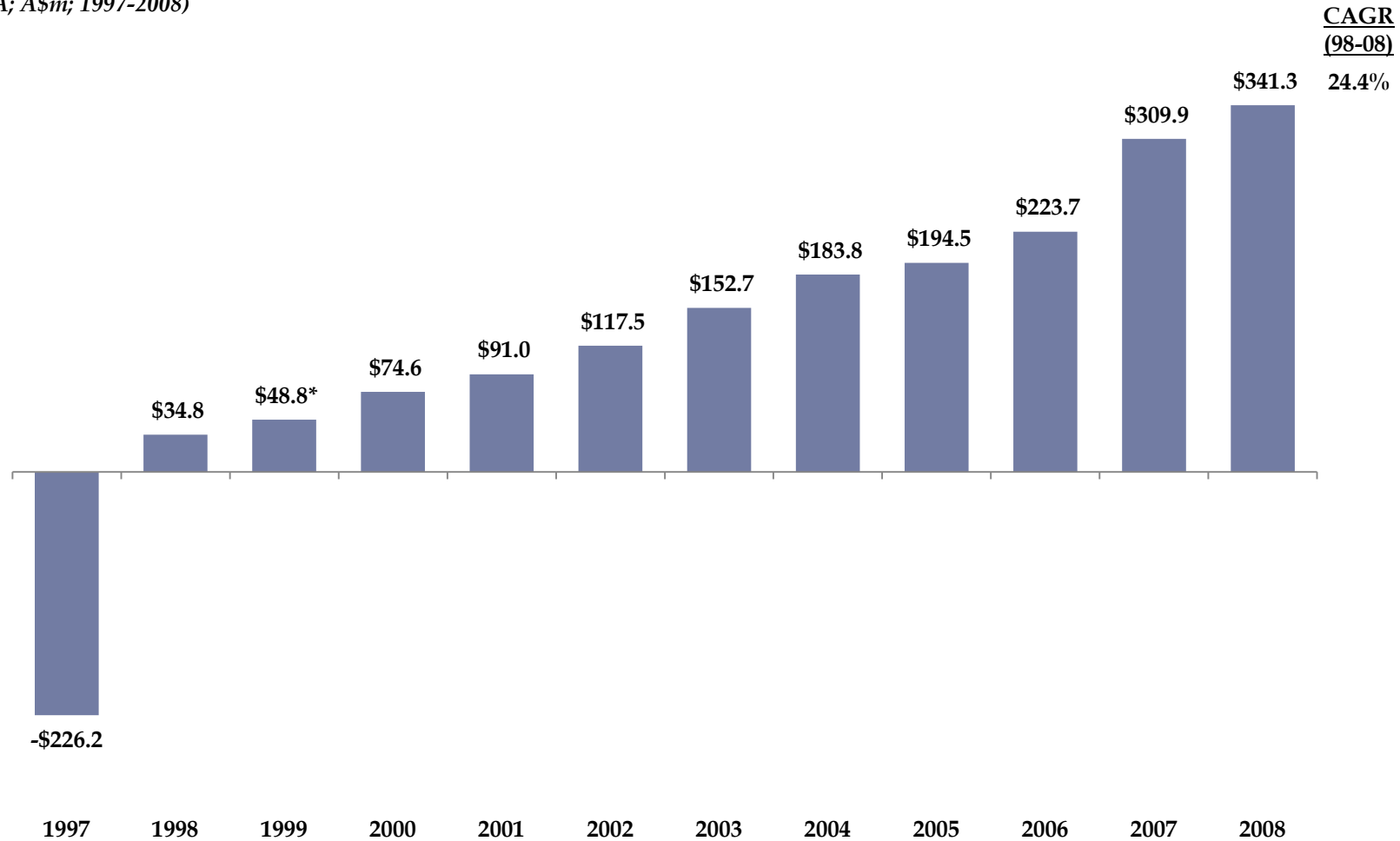
Metcash sales by division
(A\$m; 1997-2008)



METCASH PROFIT INCREASING

Metcash has shown steady profit growth

Metcash trading profit
(EBITA; A\$m; 1997-2008)



METCASH TRADING SHARE PRICE*

After a decline during the late 90s, Metcash then substantially increased its share value

Metcash Trading share price

(AU:MTT; A\$; 04/1994-04/2008)



METCASH - ACQUISITIONS

Metcash's acquisitions focus on gaining distribution in grocery, liquor and confectionery; all retail stores acquired are sold to independent retailers

Metcash Acquisitions

(Significant; A\$m; 2000-2007)

Date	Category	Acquisition	# of Stores	Sales	Acquisition Price	Location
2006	Liquor	Magees Liquor Wholesalers				North QLD
Jan 2006	Supermarket retailer	26% Dramet Pty - supermarkets				QLD/SA
2006	Liquor	Giants Group (adding to "Cellarbrations")	100			QLD
Nov 2005	Grocery wholesaler/ retailer	FAL wholesale business, retail stores (Action)* and food service business	61	~\$750	\$1,007.3m	WA
Apr 2005	Grocery wholesaler	Metoz Holdings Ltd (former owner) - capital reorganisation			\$1,097.5m	
Apr 2005	Confectionery wholesaler	CD's Confectionery Wholesalers			\$6.3m	WA
Apr 2005	Liquor	Novocastrian (ALM)			\$7.7m	NSW
Jul 2004	Grocery wholesaler	Independent Grocers, Alice Springs			\$6.3m	NT
Jul 2003		Carringtons			\$9.0m	
Aug 2003	Confectionery wholesaler	Amalgamated Confectionery			\$12.7	QLD
Mar 2003	Grocery wholesaler	Independent Grocers, Darwin			\$8.9m	NT
Nov 2002	Liquor wholesaler	Creedys Group			\$3.1m	QLD
Jun 2002	Liquor wholesaler	Allied Liquor			\$2.7m	NZ
Jun 2002	Confectionery wholesaler	Jorgensen Confectionery			\$2.5m	NSW
Aug 2000	Wholesaler	Top End Wholesalers			\$3.5m	

METCASH – ACHIEVEMENTS

Metcash's most recent significant achievement was its reorganisation and purchasing and assimilating the majority of FAL's Australian operations

- Seeking bolt-on opportunities in wholesale pharmacy – looking at JV with Sigma and Metcash**
- 2008 Campbells introduced new banner Lucky 7, branded 120 c-stores – will convert many of current 147 stores to brand (aim for 400 by 2010)**
- 2007 fully integrated and converted all FAL businesses acquired in 2005 from Action, retained 12 as SupaIGA; additional Dewsons, and Supa Valu also converted to IGA or SupaIGA**
- Acquisition of the Giants group adding additional 100 stores to the “Cellarbrations” banner**
- 2005 Metcash acquired its former parent company Metoz Holdings in a capital reorganisation and Metcash Trading is now owned by holding company Metcash Ltd and is fully Australian owned public company**
- In November 2005 purchased all assets of FAL in Australia; 60 Action stores (excluding 19 Action stores and 3 Action sites acquired by Woolworths, along with the FAL NZ operations)**

METCASH - GROWTH STRATEGY- IGA

IGA plans to strengthen and grow its independent stores

- Continue to grow 'like for like' retail sales growth in real terms**
- Develop 60 new stores, complete 63 extensions and 69 store refurbishments during the 2008 financial year**
- Double fresh sales through IGA>F (IGA Fresh), geographically expand the program and increase 'grower direct' purchases**
- Continue to develop the community image of the IGA brand and the strong IGA 'Family/Village/Tribe' culture**

METCASH – GROWTH STRATEGY- ALM

ALM continue to gain scale and efficiencies in the liquor business

- Continue to reduce the cost of doing business through warehouse productivity gains, warehouse rationalisation and increased customer use of electronic ordering and invoicing**
- Growth of Liquor Alliance and rebranding of pubs under the new ‘Thirsty Camel’ banner – brand consolidation**
- Combining Liquor Alliance and IBA to be the largest customer in Australia for the top five suppliers**

METCASH – GROWTH STRATEGY- CAMPBELLS WHOLESALE

Metcash has successfully restructured its business to focus on its key customer segments

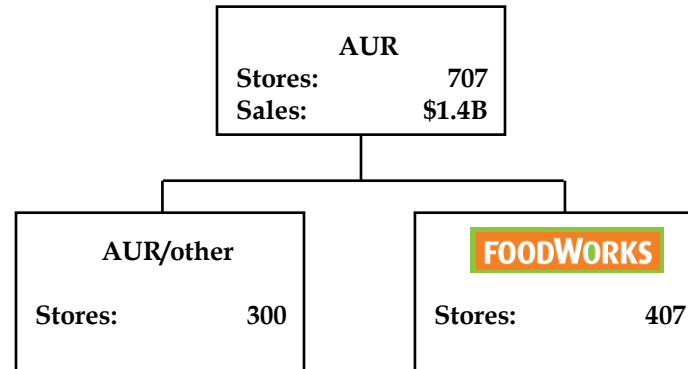
- **Providing a total supply chain solution to the modern petrol and convenience channel**
- **Growth of Independent convenience sector through the ‘Lucky 7’ convenience banner**
- **Expanding the Foodservice offer**
- **Continued growth in confectionery markets**
- **Continued sales growth through the Campbells web portal**

FOODWORKS

AUSTRALIAN UNITED RFTAILERS STRUCTURE

AUR trading as FoodWorks is the second largest independent banner group in Australia

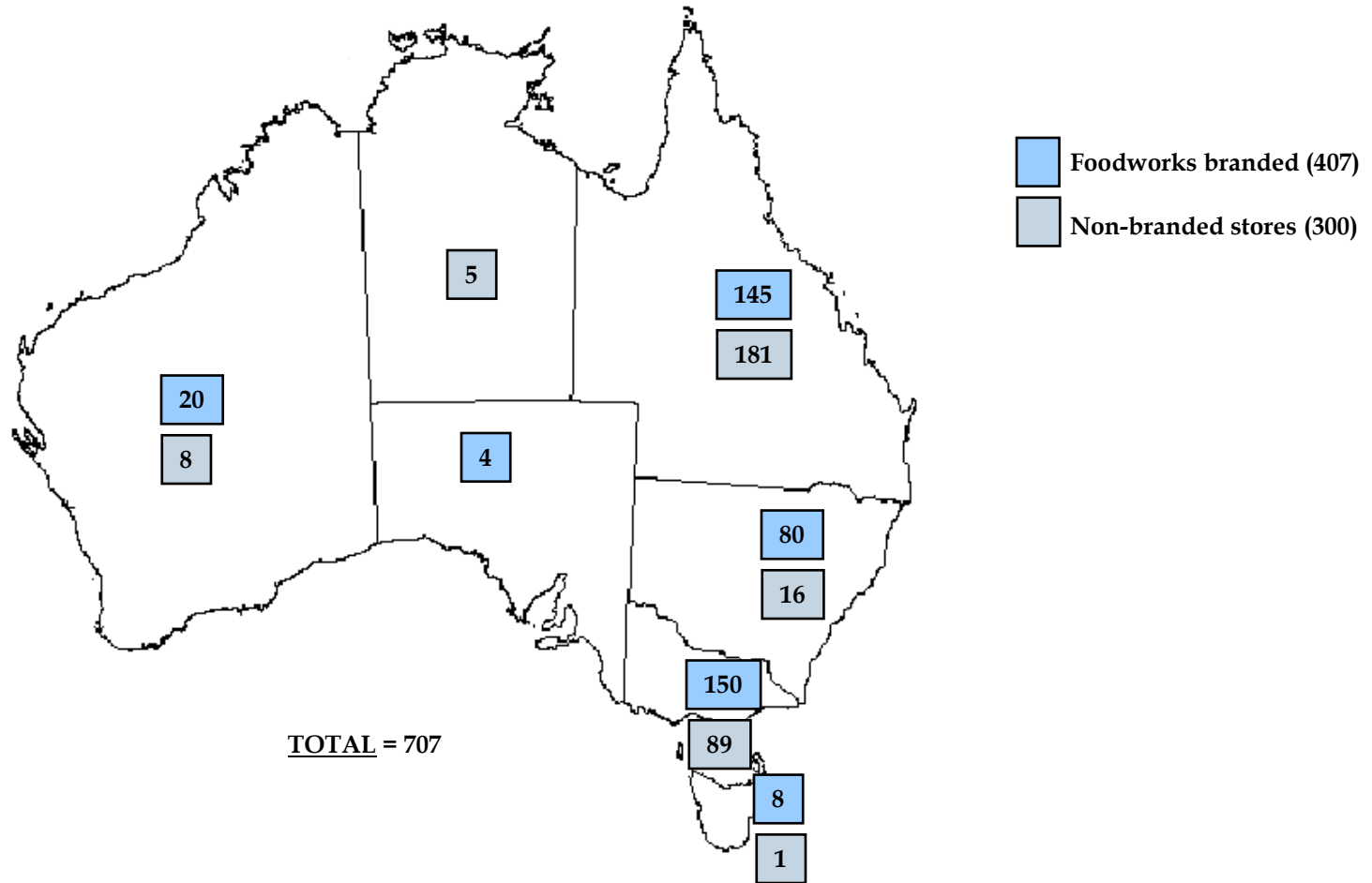
AUR Structure
(A\$;b; 2008)



FOODWORKS STORES BY STATE

FoodWorks is now a national brand with over 700 stores

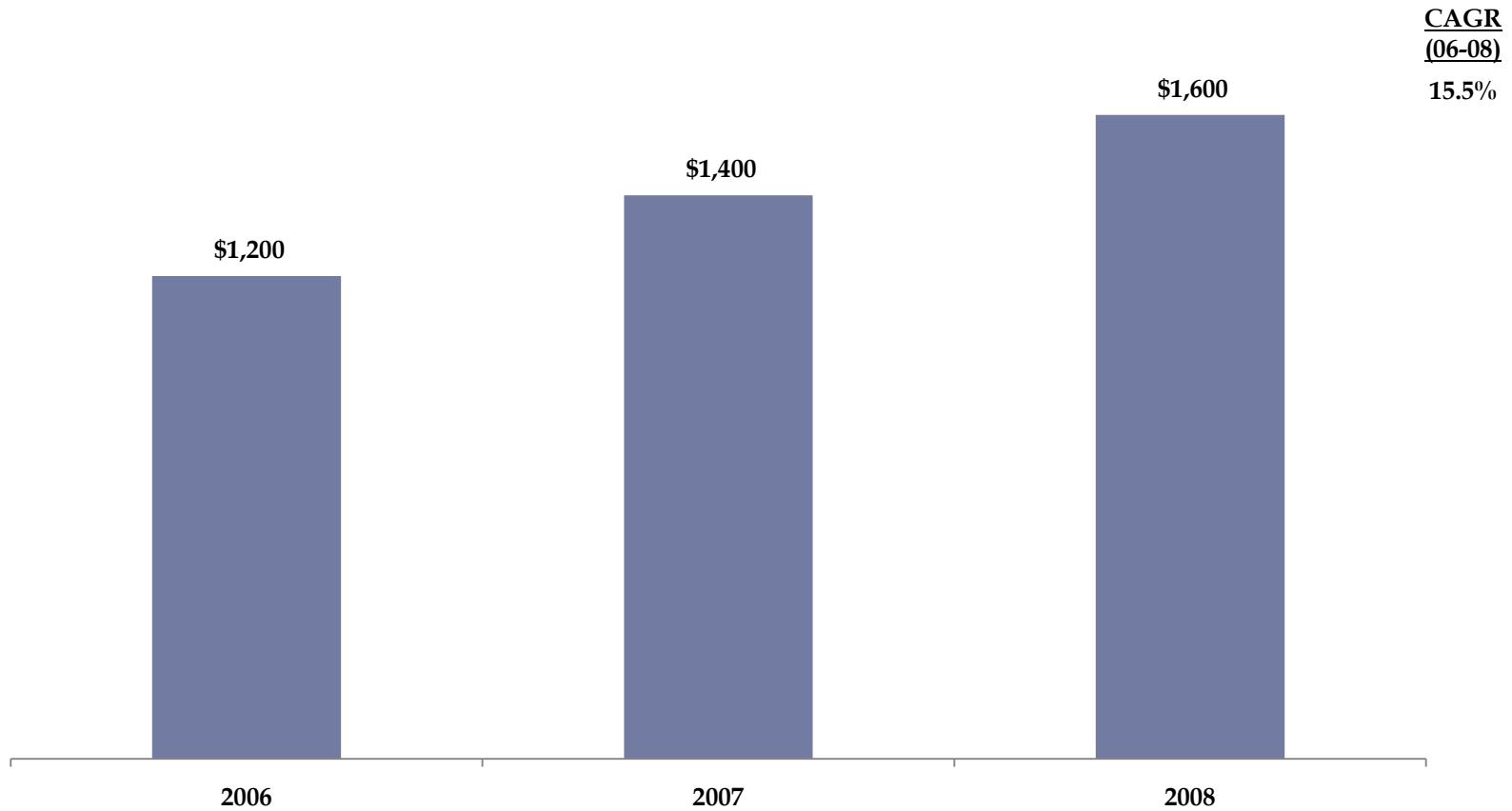
FoodWorks supermarkets by region
(2008)



FOODWORKS SALES GROWTH

FoodWorks have shown steady sales growth over the past three years

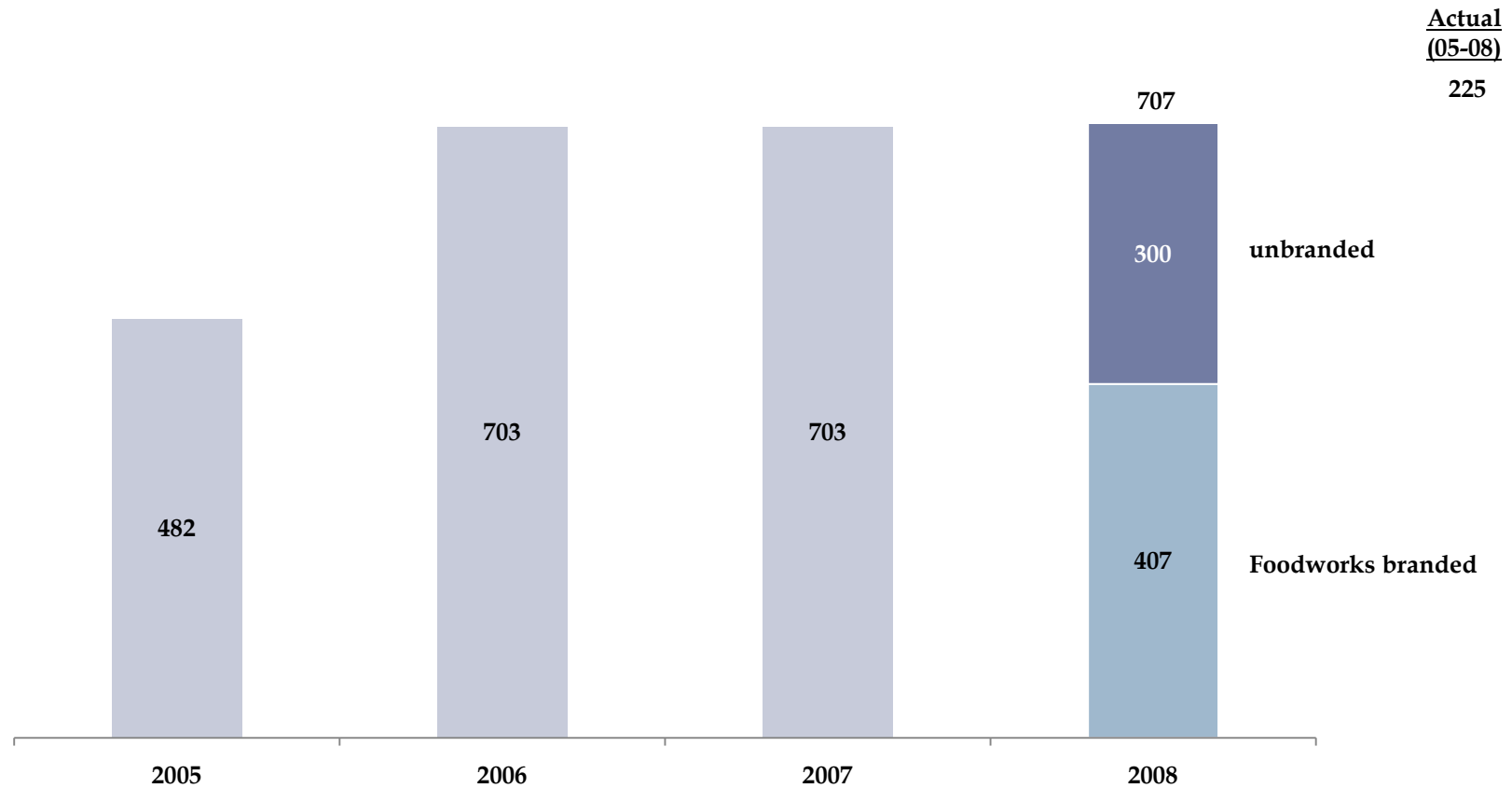
FoodWorks sales
(units actual; FY2006-2008)



FOODWORKS STORE GROWTH

FoodWorks strategy is to rebrand many stores to the FoodWorks brand

FoodWorks store numbers
(units actual; 2005-2008)



FOODWORKS – EVENTS

FoodWorks is an independent supermarket group supplied by Metcash

- **Created from the Merger of the FoodWorks Supermarket Group Ltd (FSG) and Australian United Retailers (AUR) in November 2004 in response to rapid industry consolidation and increased competition, Australian United Retailers Limited (AURL) is an independent retail supermarket group trading under the "FoodWorks" brand.**
- **Foundation members of FoodWorks were originally AUR, Foodstore, FoodWorks, Buy Rite, Cut Price, 727, Rite-Way, Food-Rite, Tuckerbag and Food-Way proprietors.**
- **Spent A\$5.5m rebranding AUR stores to FoodWorks banner**

FOODWORKS - ACHIEVEMENTS

FoodWorks is focused on continued growth

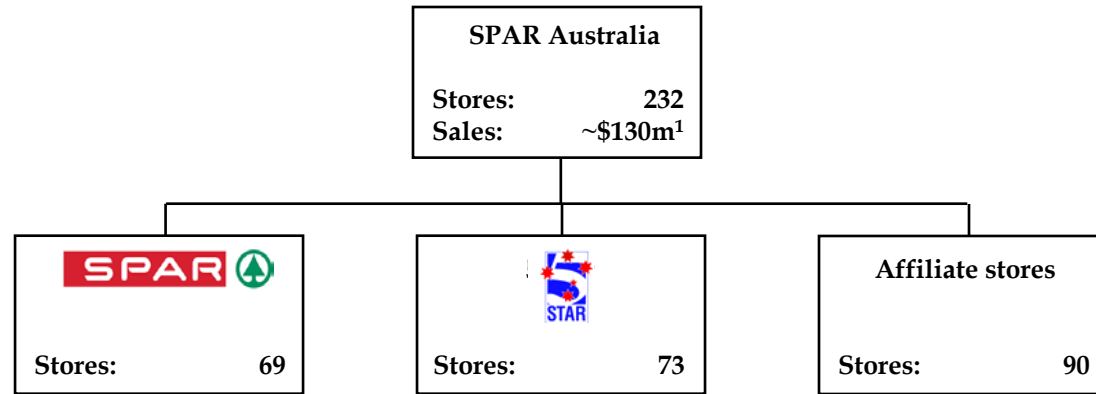
- **National Coverage** - Expansion into SA is a significant event in the growth of the FoodWorks brand nationally, allowing the group to officially operate in all eight Australian states and territories, providing a genuinely formidable opponent to the major chains and follows on from last year's announcement of the establishment of 23 supermarkets in Western Australia. FoodWorks National Business Development Manager Simon Thompson said that "In many ways entering the South Australian market was the final remaining frontier".
- **New Concept** - The launch of their first "Perfect Store" concept store in Bradbury, NSW in December, with another 20 stores secured to open over the next three months.
- "With FoodWorks' aiming to double the size of their retail business over the next three years, having identified over 900 potential suburbs nationally where new stores could be located, and now having commenced launching their "Perfect Store" concept supermarkets, the Group is no longer prepared to play second fiddle in the competitive, dynamic retail marketplace." *Press release, Dec 2007*
- **Private Label** - The significant extension of their private label offering now in full swing with around 250 new category specific product lines in the final design and branding phase for launch in-store soon



SPAR STRUCTURE

Spar consists of two main banner groups Spar and 5 Star





SPAR Structure
(A\$;b; 05/2008)



SPAR STORE FORMATS

SPAR operates two banners SPAR and 5 Star in addition to supplying affiliated stores

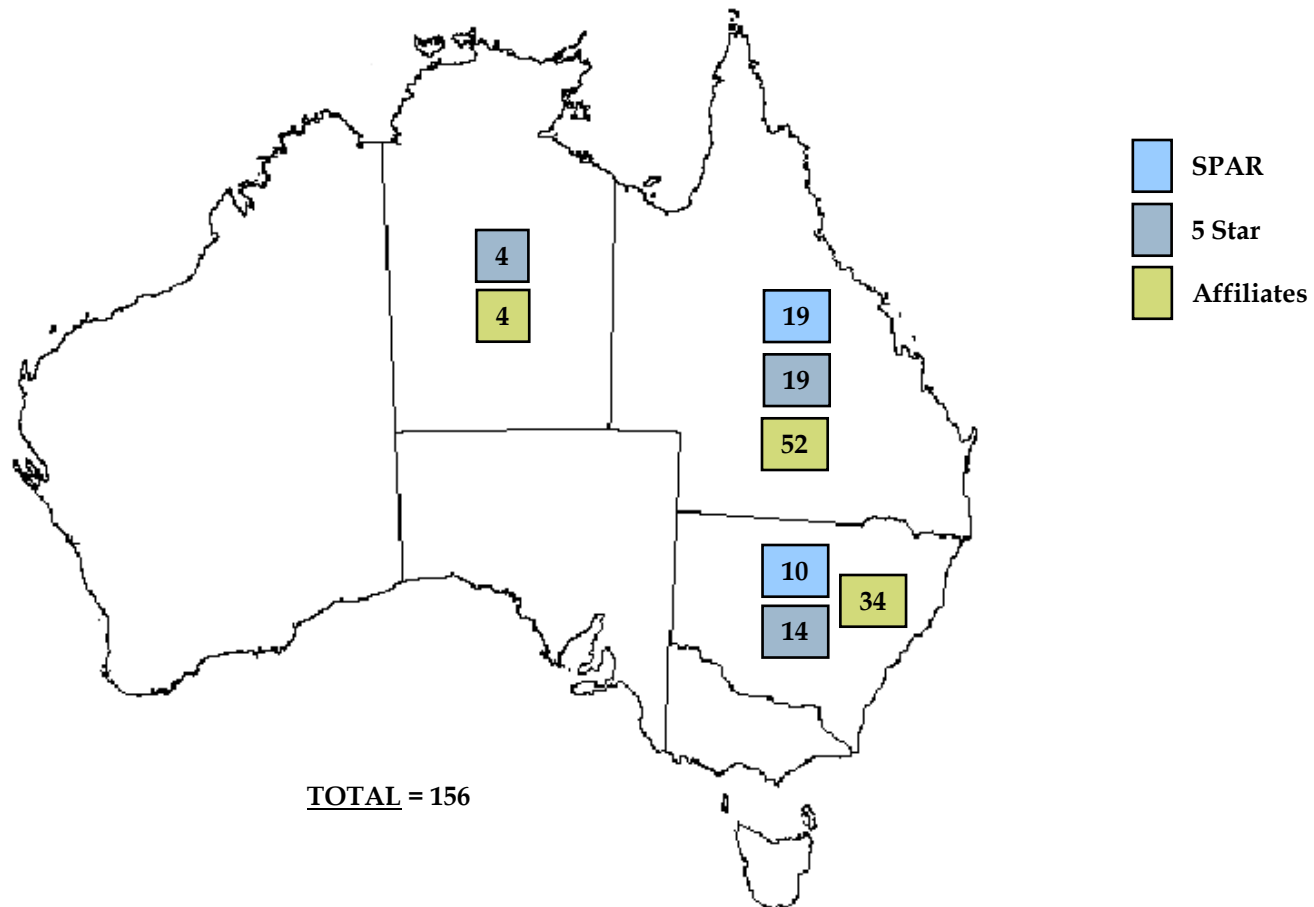
SPARS store formats
(2007)

Format		# of stores
Conventional supermarket		29
Discount supermarket		37
Convenience		40
		36
Affiliates		90

SPAR STORES BY STATE

The supermarkets are located primarily in Queensland and New South Wales

SPAR supermarkets by region
(2008)



SPAR TIME LINE

SPAR developed out of the Woolworths former AIW wholesaling business

- United Star Supermarkets formed Australian Retail Logistix Limited when it began operating the former AIW Brisbane warehouse**
- SPAR Australia Limited was established in December 2002, then under the name Australian Retail Logistix Limited.**
- Set up by independent retailers to acquire and operate the former Woolworths owned AIW distribution business in Brisbane supplying 240 5 Star stores, 21 SPAR stores and several unbannered stores).**
- SPAR Australia Limited is the Licensor holder for SPAR in the Australian region.**
- In 2006 Amalgamated with United Star Supermarkets Limited (USSL) and many stores rebranded to SPAR**
- Spar brand expanded into Sunshine Coast in Feb 2007**
- In May 2007 renewed a 15 year franchise deal with SPAR International**
- Operates a large 40,000 sq mtrs DC**

SPAR STRATEGY

SPAR is strengthening its brand and position as an independent in Australia

- Developed a three point plan
 1. Integration of United Star Supermarkets Limited
 2. Strong focus on providing a world class retail offer (growth of SPAR brand)
 3. The introduction of a new warehouse and cost management regime

- **“Plans to grow the chain’s national presence through an expanded network of distribution centres was proceeding. The proposed network would allow Spar to offer warehousing support to all independent retailers around Australia.”** *Leigh Carson, Press Article, Oct 2007*

- **“We employed a property development manager and we have developed new store format plans for 500sqm, 1000sqm and 1500sqm formats.”** *Leigh Carson, CEO SPAR, Oct 2007*

- **“Mr Wasmuht said that with SPAR’s growing presence in Asia Pacific, the company would soon be able to maximise the synergies and economies of scale associated with being a major player in the region. For example, the Australian market will definitely benefit from our new buying group based in Shanghai, China. It will provide a range of products ideally suited to this market and ultimately it will make our retail offer more competitive. Given our independent structure, we are ideally suited to clearly segment our offer according to each store’s local social-economics and demographics.”** *Tobias Wasmuht, MD China, Spar Feb 2008*

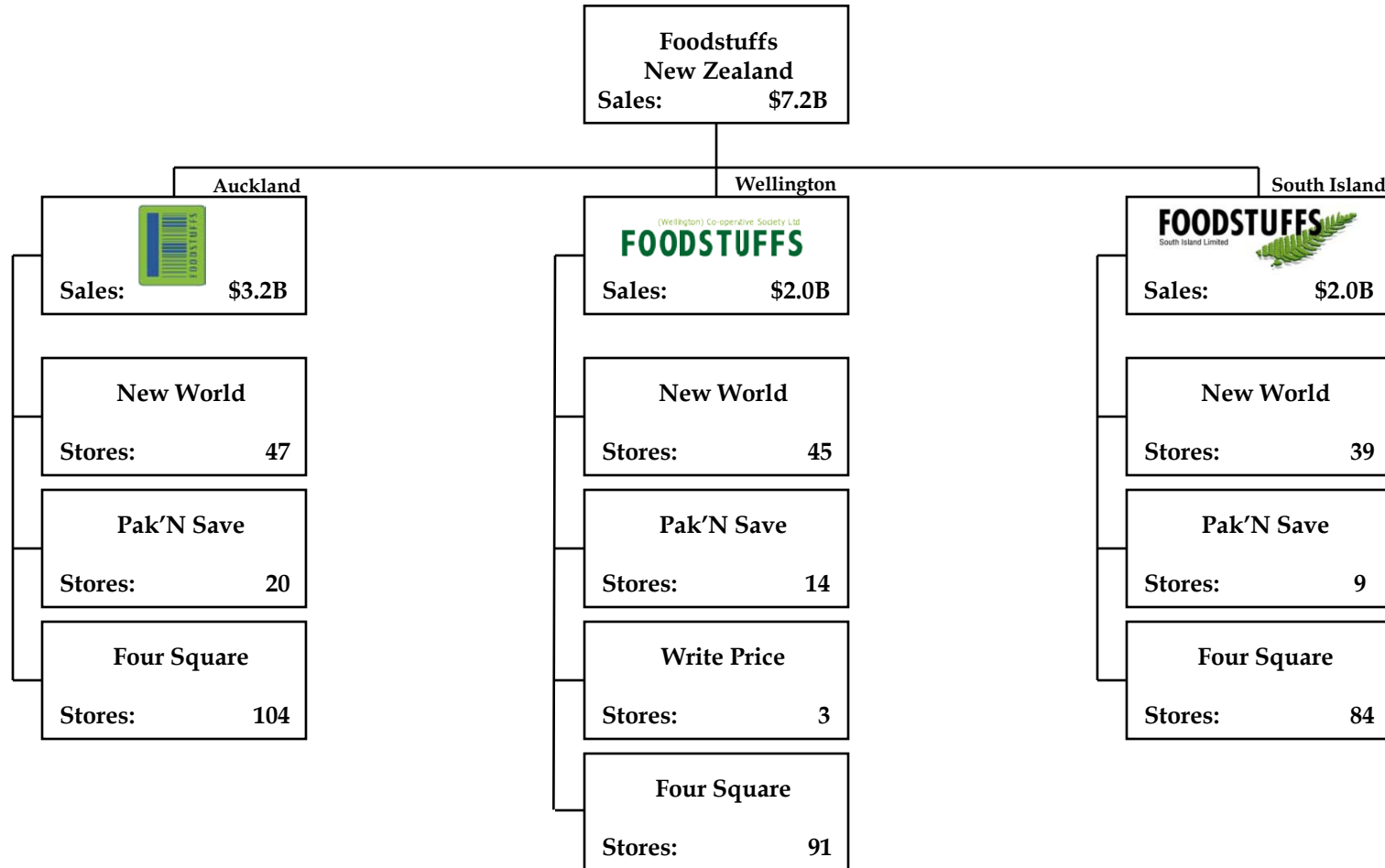
FOODSTUFFS

Proudly New Zealand

FOODSTUFFS CORPORATE STRUCTURE

Foodstuffs is made up of three legally separate supermarket owner-operator owned cooperatives

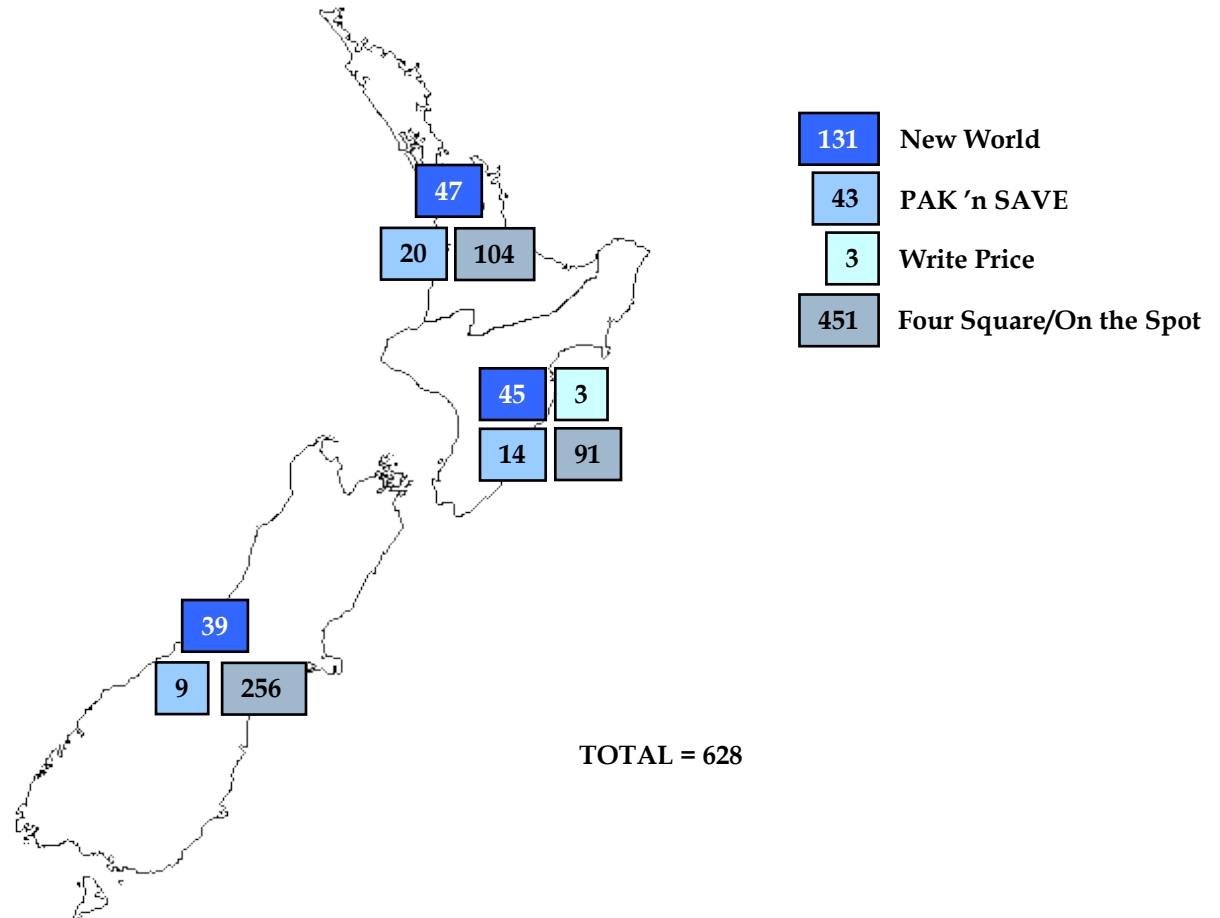
Foodstuffs Corporate Structure
(NZ\$;b; FY07)



FOODSTUFFS STORES

Foodstuffs operates supermarkets throughout New Zealand








Foodstuffs food stores by region
(Dec 2007)



FOODSTUFFS STORE FORMATS

Foodstuffs operates the mid-market New World banner, the price driven PAK'nSAVE and Write Price banners and the Four Square, On the Spot convenience banner

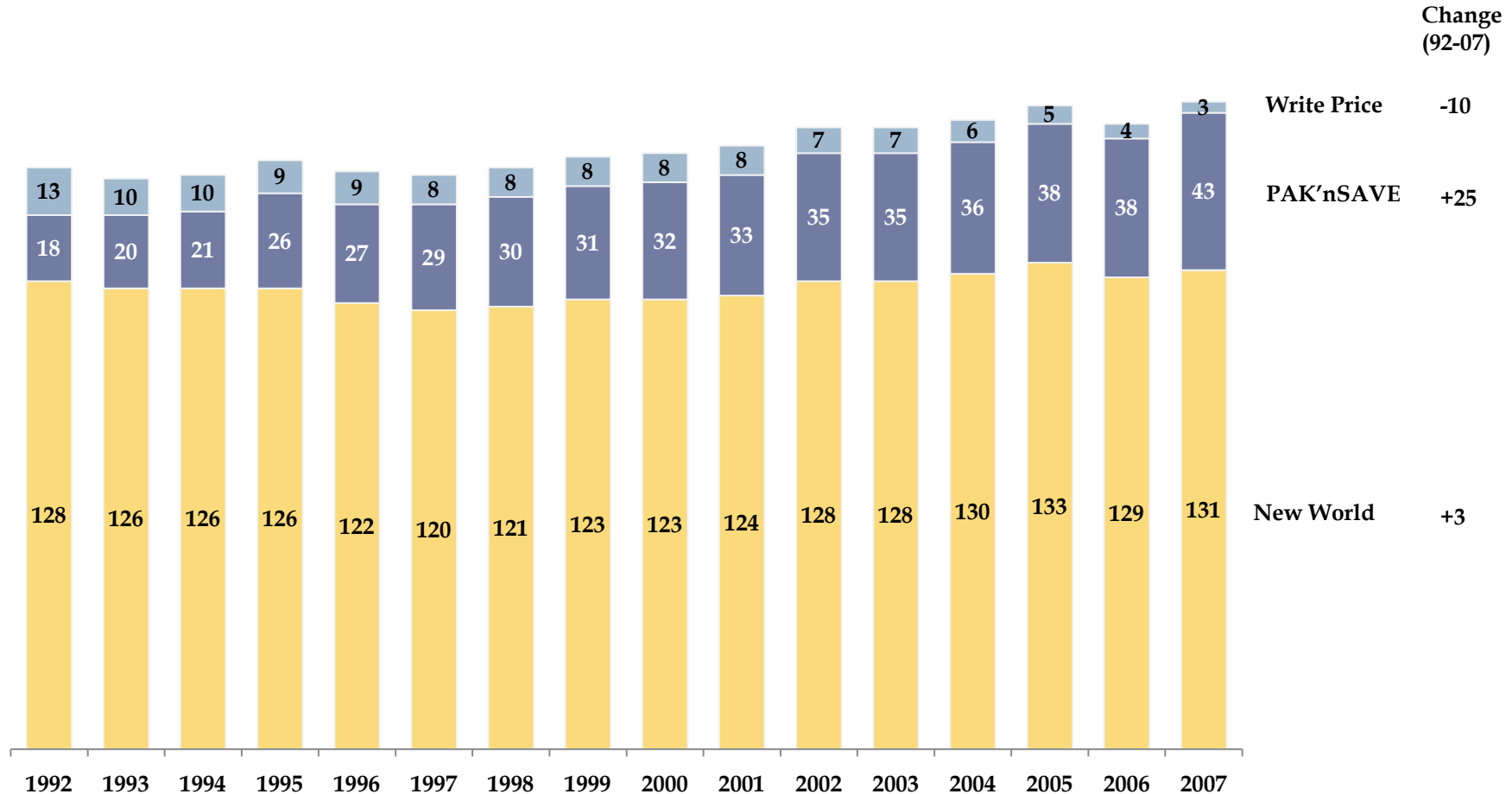
Foodstuffs food and liquor store formats
(2007)

Format		# of stores
Conventional supermarket		131
Warehouse supermarket		43
Discount supermarket		3
Convenience store		279
		172
Liquor store	Henrys Beer, Wine and Spirits	10
	Duffy and Finns	2
Cash & Carry wholesale	  	22

FOODSTUFFS SUPERMARKET GROWTH

PAK'nSAVE has driven unit growth over the last 15 years

Foodstuffs store number growth
(actual units; 1992-2007)



FOODSTUFFS GROUP SALES

Foodstuffs collectively represent retail supermarket sales of over NZ\$6.9 billion

Foodstuffs Group, Wholesale and Retail Sales
(NZ\$b; 2007)

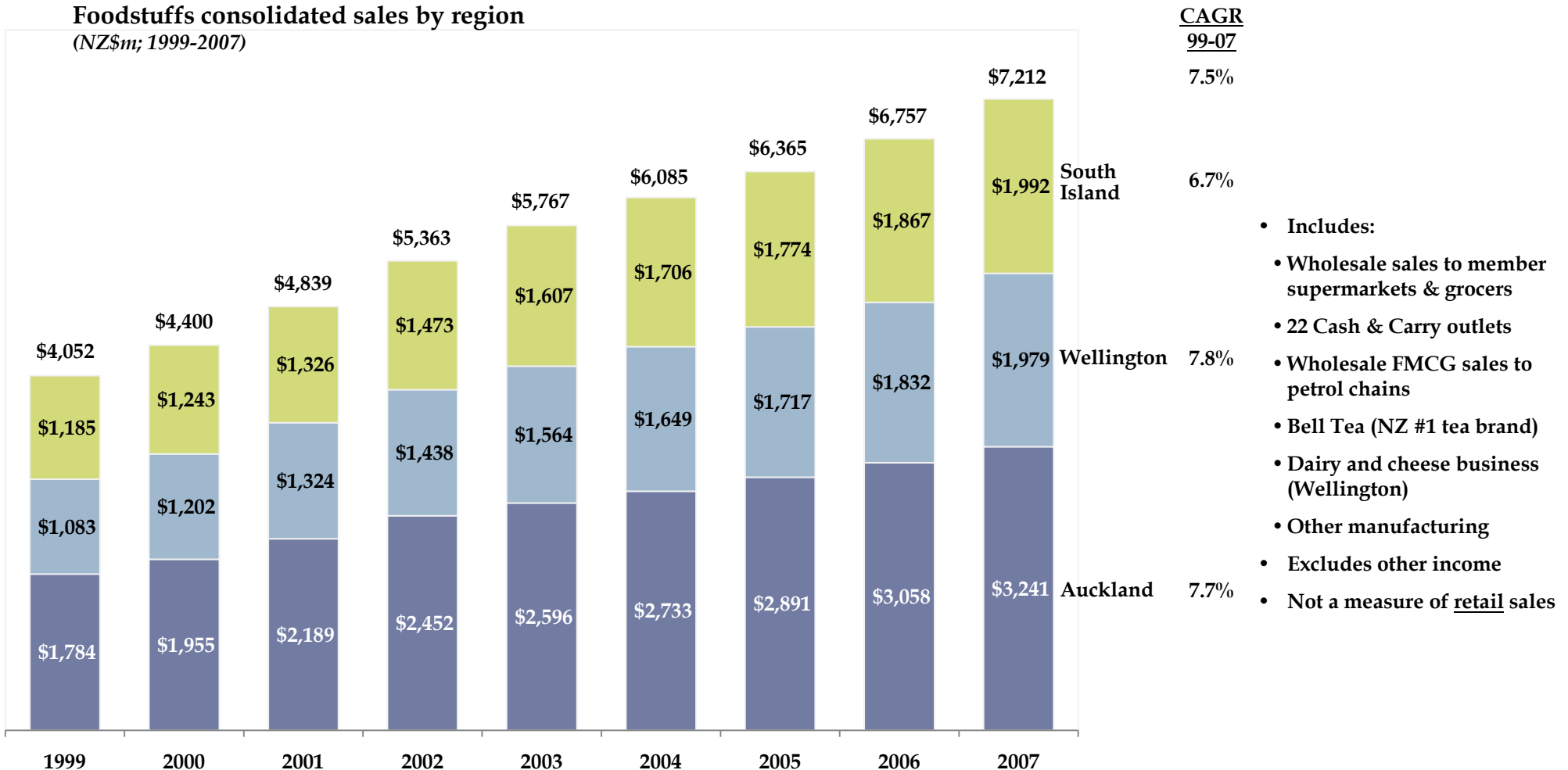
Cooperative	Wholesale & Subsidiary Sales	Market Share Based Estimated	
		Wholesale Sales to Members	Retail Supermarket Sales ¹
Auckland	\$3.2b	\$2.4b	\$3.0b
Wellington	\$2.0b	\$1.6b	\$1.9b
South Island	\$2.0b	\$1.8b	\$1.8b
Group	\$7.2b	\$4.9b	6.9b

FOODSTUFFS SALES

All three Foodstuffs groups have shown consistent organic sales growth

Foodstuffs consolidated sales by region

(NZ\$m; 1999-2007)

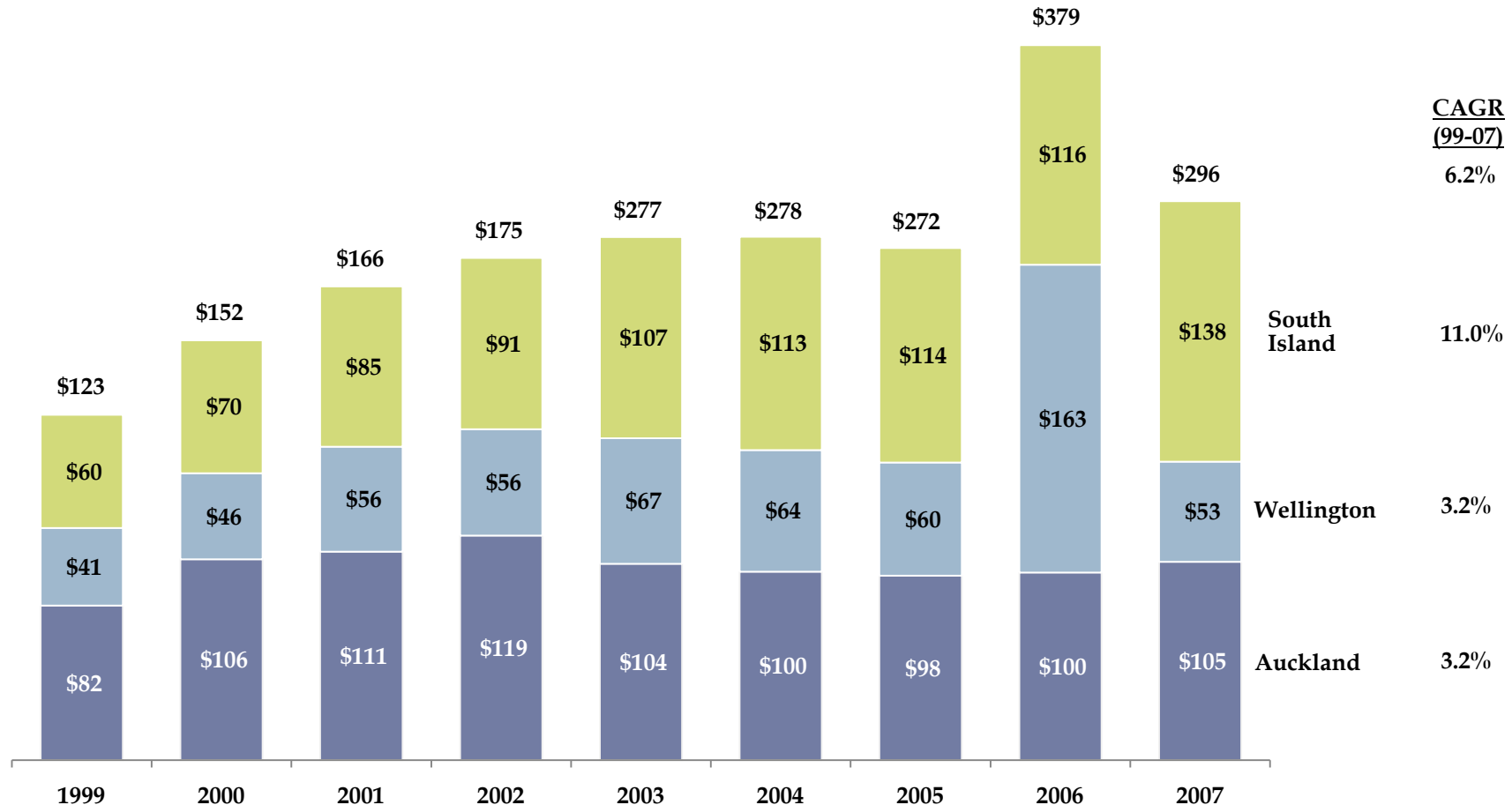


- Includes:
 - Wholesale sales to member supermarkets & grocers
 - 22 Cash & Carry outlets
 - Wholesale FMCG sales to petrol chains
 - Bell Tea (NZ #1 tea brand)
 - Dairy and cheese business (Wellington)
 - Other manufacturing
- Excludes other income
- Not a measure of retail sales

FOODSTUFFS EARNINGS

All three Foodstuffs groups have grown profits slower than sales, though too much should not be read into this, given the cooperative structure

Foodstuffs consolidated earnings by region
(EBT; NZ\$m; 1999-2007)



FOODSTUFFS - ACHIEVEMENTS

Foodstuffs are extending and entering new retail concepts and strengthening their buying power

- **Formed two new retail liquor store brands; Duffy and Finns and Henry's Beer, Wine and Spirits**
- **Acquired of a 10% stake in The Warehouse Group Limited**
- **Added to fuel offer with the joint venture agreement with BP allowing selected supermarket sites to sell fuel. Twenty five fuel sites now in operation**
- **A national trans-Tasman joint venture involving Foodstuffs Own Brands Limited and Australian Metcash Trading Limited, was put in place during the year with the joint venture company, Metfoods Pty Limited, to develop strategic procurement of private label product. To date Metfoods has provided significant savings for both joint venture partners.**
- **During 2007 Foodstuffs Wellington formed AFL, a freight and transport operation, operating from the new temperature controlled distribution facility opened. Foodstuffs Wellington's distribution fleet increased from 37 to 94 trucks with the AFL initiative.**
- **Opened new fresh distribution centre in Auckland**
- **In February 2007, Foodstuffs South Island commissioned a new 13,000m², high stud ambient temperature distribution centre at Hornby in Christchurch adjacent to their existing Chilled and Frozen Hornby Distribution Centre**