



Metcash Limited

ABN 32 112 073 480
4 Newington Road
Silverwater
NSW 2128 Australia

PO Box 6226
Silverwater Business Centre
NSW 1811 Australia
Ph: 61 2 9741 3000
Fax: 61 2 9741 3999

17 October 2006

Company Announcements Officer
Australian Stock Exchange Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Re: Shareholder Mail-out

The following documents were mailed today to shareholders who receive annual reports:

- Covering Letter to Shareholders
- Summary of questions asked at the company's AGM, and the answers.
- Chairman's Address
- CEO's Presentation
- Annual Report Election questionnaire

The Chairman's Address and CEO's Presentation were forwarded to ASX prior to the Annual General Meeting. The covering letter and summary of questions and answers are attached. This information will also be available on the Company's website.

Yours faithfully

A handwritten signature in black ink, appearing to read "John Randall".

John Randall
Company Secretary



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13th October 2006

Dear Shareholder

Enclosed with this letter are the following articles relating to the Company's recent Annual General Meeting:

- Summary of questions asked at the meeting, and the answers;
- Chairman's Address
- CEO's Presentation

The information enclosed and other publications can be found on the company's web site; www.metcash.com

Yours faithfully

A handwritten signature in black ink that reads "John Randall".

John Randall
Company Secretary



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ABN 32 112 073 480

**METCASH LIMITED
ANNUAL GENERAL MEETING**

31 August 2006

Questions asked by Shareholders at the Annual General Meeting and answers provided.

Q1 Why doesn't the Metcash Annual Report show the age of Directors?

A This will be considered when next year's report is drafted.

Q2 The management of Metcash should be congratulated for an excellent job in turning the company around over the last 8 years. However, it is concerning that trade receivables have increased by 25% in the last year.

A Trade receivables are well controlled. The 2006 figure includes the receivables of the former Foodland Associated Limited businesses acquired in 2005.

Q3 Why have employee numbers increased substantially during 2006?

A The 2006 figure reflects the additional employees required to operate the former Foodland Associated Limited businesses, especially the retail stores that were acquired and are still operated by the company.

Q4 Metcash state that they are the 'champion of the independent retailers' but are operating retail stores which would compete with the company's independent retailer customers.

A Metcash does not compete with its customers and is the 'champion of the independent retailer'. The company is presently managing former Foodland Associated Limited Action supermarkets pending the sale of the stores to independent retailers.

Q5 The Chairman said that the 2005 earnings per share base for calculation of long term senior executive incentives would be 18.78 cents per share. This is not the figure shown in the Annual Report.

A As Metcash Limited operated for less than one month in 2005 and Metcash Trading Limited for more than 11 months, it has been necessary to recalculate earnings per share as an incentive base. The 18.78 cents per share has been calculated as the 2005 profit after tax for the combined companies calculated on an AIFRS (Australian International Financial Reporting Standards) basis divided by the weighted average number of Metcash Trading Limited shares during the year.

Q6 Why does the Chairman hold only 100 Metcash Limited shares?

A The Chairman is a South African resident, subject to exchange control and cannot move sufficient money out of South Africa to invest in Metcash Limited as he would like to.



Q7 Why did the investments in associate companies increase substantially during the year?

A The company has a program of investing in its larger multi-store customers. The money so invested is used by the customers to grow. An example is the 26% investment in Ritchies stores. These are good investments but they also have the long term benefit of retaining the multi-store customers as future customers.

Q8 Congratulations on the year's results. Can liquor growth continue at 29% per annum as it did in 2006?

A Last year was a good year and we received additional liquor distribution business from the chains. Although the grocery business is going from strength to strength, the liquor business is in troubled waters. The two chain competitors are growing by acquiring ALM's independent retail customers and also establishing destination stores. This is still a good long term liquor business but we will be struggling in the short to medium term.

Q9 2006 was a year of hard work but some of the financial ratios are stretched and need to be tightened.

A Agree with this comment and will be working to improve the financial ratios during the year.

Q10 What is the rationale for selling the 12 large Action stores in Western Australia in one transaction and to one buyer?

A All the 12 stores are large supermarkets and overhead resources are required to drive the performance of these stores. Western Australia has restrictive retail regulations and for a supermarket to operate on a 24 hour/7days per week basis they have to comply with the maximum number of employees allowed per store and also that store owner can't own more than 3 retail stores. It is thus difficult for individual retailers to acquire these stores and they will be held until next year whilst a new owner is identified.

Q11 The company says that it has 18% market share as calculated by Niensens. Is this on a wholesale or retail basis?

A This is based on the Metcash Group's wholesale sales with a factor applied by Niensens to equate to retail sales.

Q12 Does the company still plan to expand to South-East Asia?

A The company announced some time ago that it would not proceed with a then planned acquisition in the Philippines. We are currently focussed on the integration of the former Foodland Associated Limited businesses.

Q13 What happens if a strong international retailer acquires Coles?

A We already operate in a competitive market and believe the company would continue to operate as it presently does.

Q14 It was previously said that Metcash owns 26% of some independent retailers. With the sale of Action stores is this a 'sell down' of assets?

A No, it is not a sell down it is an investment and a good investment.



Q15 What happens if Metcash should lose the court case regarding the dispute with Franklins?

A The case is presently before the courts and we cannot comment.

Q16 The company should be congratulated on its policy of not allowing unexercised options to be hedged.

It is noted that the earnings per share hurdle for senior executive options can be adjusted should there be material changes to the number of shares on issue. Would a reconciliation of adjustments be provided to shareholders should this occur?

A Yes.

Q17 Should a further issue of employee options take place would options issued to all senior executives be subject to performance hurdles?

A The point is taken and will be noted should any future options be issued.



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31st August 2006

Chairman's Address

Ladies & Gentlemen,

2006 was another successful year for your company. The results for the year will be covered in more detail by Andrew in his presentation.

I would like to spend some time discussing the FAL integration, the composition of the Board, capital management, Remuneration Policies and the first quarter's performance.

FAL integration

The integration of the former FAL businesses is proceeding well. We have acquired some excellent assets but Andrew will cover this in more detail.

Board composition

At the last Annual General Meeting, I advised that the Board intended to move to a position where the majority of directors are Non-Executive. Prior to that time we had a Board of twelve Directors, six of whom were Executive Directors. With the retirement from the Board of Mr Bernard Hale and Mr Michael Wesslink and the election of Mr Bruce Hogan, the majority of our Directors are Non-Executive.

Mr Hale and Mr Wesslink remain as senior executives of the company and, on behalf of the Board. I would like to thank them for their contribution as Board members.

Capital Management

The issue of capital management and the company's decision not to undertake a share buy-back received some attention during the year.

In the past, the company has used its funds to finance growth, provide trading opportunities and strengthen its balance sheet. This has served shareholders well with total shareholder returns of 57% p.a. since January 2001. The company has not stopped pursuing growth opportunities and will require funds to secure those opportunities.

The Board undertakes to keep a watching brief on its capital management options and when appropriate it will seek to adjust the company's capital structure where the result would clearly enhance value to shareholders.

Remuneration Policies

As set out in the Remuneration Report section of the Annual Report, the objectives of the company's remuneration policy include

- the provision of competitive rewards to attract and retain executive talent
- applying demanding key performance indicators to deliver results across the Group
- linking rewards to Executives to the creation of value to shareholders.

Utilising independent advice, the Remuneration & Nomination Committee of the Board has implemented short and long term incentives to reward performance and increase shareholder value. The two long term incentives for Executive Directors, share options and the long term bonus, have hurdles of a 12.5% per annum compounding earnings per share growth based on 2005 financial year earnings per share.

In order to provide a fair base for the incentive, an EPS of 18.78 cents will be used, which has been calculated from the AIFRS profit after tax of \$126.8m divided by the weighted average number of shares issued by Metcash Trading Limited during 2005. This amount is considered to be representative of the actual result and compares to the 16 cents per share earned in 2004 and the 13 cents in 2003.

As a further point of clarification, a proportion of the long term retention bonus was not accrued against the 2006 financial result or included in the Remuneration Report. By itself, this amount was not material (\$1.4m after tax). It should also be noted that any bonuses so earned will be payable in 2010 if the hurdles are met and the executives concerned remain in the company's employ at that time.

First quarter, FY07, performance

I would like to advise you that sales for the first quarter are in line with expectations and confirm the earnings guidance of full year earnings expected to be in the range of 22.5 – 25.0 cents per share.

Conclusion and Appreciation

Andrew Reitzer and his team have again produced excellent results. I would like to thank them on your behalf for their hard work in achieving this year's returns whilst integrating and growing the former FAL business.



Annual General Meeting 2006

Andrew Reitzer
Chief Executive Officer

Financial Highlights

Metcash
2006

- Sales rose 10% to \$7.7 billion
- EBITA grew 19.5% to \$226.9 million and EBITA margin rose to 2.93% from 2.72% last year
- Cost of Doing Business as a percentage of gross profit fell to 67% from 81% 5 years ago
- Group Net Profit after Tax rose 23.8% to \$127.9 million on a normalised basis (before significant and non-recurring items arising from the FAL acquisition)
 - EPS (normalised) lifted 34.7% to 21.55 cents
- Cashflow from Trading rose from \$129 million to \$237 million
- After non-recurring items of \$46.8 million, Profit after Tax for the year was \$81.2 million
- Dividends for the year increased 21% to 11.5 cents per share (fully franked)

IGA > **D**
DISTRIBUTION

Campbells
Wholesale
Cash & Carry

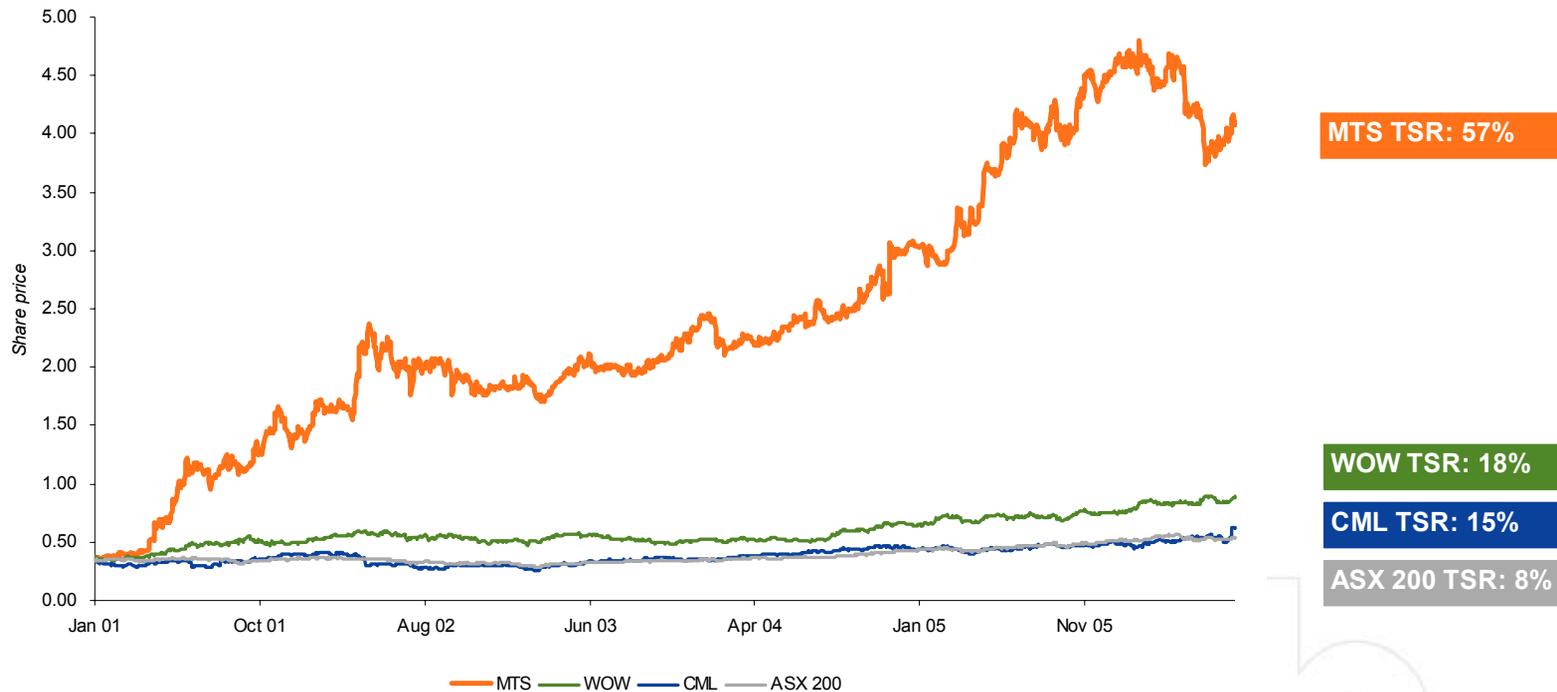
ALM
AUSTRALIAN LIQUOR MARKETERS PTY. LTD.

Metcash TSR



- Under current management vs competitors and market.

Note: Total Shareholder Returns (TSR) represents share price appreciation and dividend returns to shareholders.



Source: Iress



IGA>D Achievements

Meicash
2006

- Sales increased 7.4% to \$4.1 billion
 - Excluding FY05 sales to Franklins, sales up 21%
 - Excluding acquired FAL businesses, IGA>D growth per AC Nielsen was 8% compared to underlying market growth of 4.5%
- Comparable stores sales (excluding acquired FAL business) up 6.3%
 - Market share per AC Nielsen at 30 April up to 18.5% from 13.5% the year before
- EBIT increased 24.5% to \$175.8 million (excluding loss of Franklins contract EBIT increased 32.3%)
- Opened 44 new stores and did 48 major store refurbishments, 76 new stores will open this year with a further 200 "on the drawing board"
- Voice pick implemented in all 4 dry DC's with frozen/chilled by April 07
- Strong corporate brand growth and encouraging start to development of IGA Fresh
- Continued successful focus on building "Chain of Independents" with differentiated offer driven by IGA retailers positioned as "Local Heroes"

IGA>D
DISTRIBUTION

Campbells
Wholesale
Cash & Carry

ALM
AUSTRALIAN LIQUOR MARKETERS PTY. LTD.

Campbells Achievements

Mercash
2006

- **Sales up 15.8 % on last year**
 - Primary categories up 34.2%
 - Confectionary up 30.4%
- **EBIT increased by 22.5% to \$21.2 million**
 - Reflecting favourable product mix with primary sales now > 55%
- **Traditional Convenience down 2.8%**
- **Modern Petrol and Convenience businesses grew 16.4%**
 - Market share now 26% (of \$3.3 billion market)
 - Sales to 7-Eleven up 66% with further growth expected in FY07)
 - Strong interest in lowest cost/one stop shop convenience supply chain solution
 - Significant investment planned for FY07 in "voice sort" and "put to light" systems driving CODB lower and enabling CSD to operate in stockless environment

IGA > **D**
DISTRIBUTION

Campbells
Wholesale
Cash & Carry

ALM
AUSTRALIAN LIQUOR MARKETERS PTY. LTD.

ALM Achievements

Metcash
2006

- Sales up 11.6% on last year
- EBIT up 17.6% to \$30.7 million
- Significant productivity improvements after installing Voice Pick
 - +15-20% after 12 months
 - +25% after 24 months
 - Crestmead expected to be +15%
- Growth of Independent Brands of Australia to 1,820 retail liquor stores and hotel outlets
 - Consolidated under the Cellarbrations, IGA Plus Liquor, Liquor Force, Cheers and Liquorwise brands
- Harbottle on-premise now doing \$296 million sales
- 478 pubs in "Liquor Alliance" buying and promoting together

IGA **D**
DISTRIBUTION

Campbells
Wholesale
Cash & Carry

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AUSTRALIAN LIQUOR MARKETERS PTY. LTD.

Strategic Update – FAL Integration

Metcash
2006

- **Western Australia**

- Completed creation of 5th IGA>D State operation
- IGA successfully launched on 1 May
- 207 stores now branded IGA
- Market share up to 32.7%
- Rebranded independent stores up 18% on prior year
- Dry DC relayed and converted to Exe (13% productivity gain)
- Voice pick implementation commenced August with full benefits to flow from October
- Frozen & chilled DC to be converted by March 07

- **Queensland**

- Richlands DC closed; all stores now serviced ex-Loganlea
- New dry DC at Crestmead "mega site" to be operational April 07; Frozen/Chilled already operating
- Supa IGA to be relaunched in September 07

- **Targeted buying synergies on track**

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DISTRIBUTION

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Strategic Update – FAL Integration

Mercash
2006

- **Store Divestment**

- 60 retail supermarkets available for sale (excluding 7 stores that are being managed until closure due to short leases/replaced by new store/profitability issues)
- Of which 2 are being managed until a new lease can be written as part of major site redevelopment
- Leaving 58
- 12 of which are in WA and are being retained for later disposal preferably as one group
- Leaving 46, all of which have been sold
 - Of these, 26 have been handed over
 - 9 will be handed over in September
 - 8 will be handed over in October
 - 3 will be handed over in November

IGA **D**
DISTRIBUTION

Campbells
Wholesale
Cash & Carry

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Guidance



- **Earnings Guidance provided on 20 July**
 - Consistent with +100 day report
 - FAL acquisition to yield incremental EBIT of \$80-90 million (before restructuring costs) to FY07 earnings
 - Of which approx. 60% to fall in 2nd half
 - Restructuring costs expected to be approx. \$7-10 million
 - Full year earnings to fall in range of 22.5 – 25.0 cents per share
 - Guidance assumes:
 - Action stores targeted for sale will have been completed by 30 Nov 06 (on track)
 - Continuation of current trading conditions
- **Sales for first quarter in line with expectations**



The logo features the word "Matcash" in a bold, orange, sans-serif font with a black drop shadow. The text is centered within a large, light gray, stylized outline of a map of Africa. The map outline is composed of several geometric shapes, including a large triangle at the top, a smaller triangle at the bottom, and various polygons in between. The entire graphic is set against a white background with a blue curved border at the bottom and an orange curved border at the top.

Matcash



Annual Report Election

We wish to advise you of the choices available to you with regard to receiving the Company's annual report.

We are aware that some shareholders prefer not to receive an annual report at all whilst some prefer to view or download the annual report from the Company's website. By reducing the number of annual reports printed and mailed each year you are not only helping your Company to reduce costs but helping the environment as well.

By marking the box below you can select not to receive a copy of the company's Annual report. However, you will still receive all other shareholder mailings including notices of meetings and proxy forms.

Please return this letter to our share registry (Registries Limited) by fax, email or mail.

The Annual Report, other releases and general company information are also available on our web site at www.metcash.com.

Annual Report Request

The company will automatically mail you an Annual Report each year unless you elect otherwise.

Please mark this box if you **DO NOT** wish to receive the Company's Annual Report. You will however, receive all other securityholder mailings including notice of meetings and proxy forms.

Email request for Annual Report

Please insert your email address in the box if you wish to receive email advice that the Annual Report is available for viewing or downloading from our website.

Please forward to: