



**Metcash Limited**

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1 December 2009

The Manager, Companies  
Australian Stock Exchange  
Company Announcements Office  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**RE: METCASH LIMITED – CEO PRESENTATION**

Please find attached the CEO presentation which will be presented to analysts and media this morning.

Yours faithfully

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

John Randall  
Company Secretary

# 'Champion of the Independent Retailer'

2010

**Metcash**

## Company Results Half Year Ending 31 October 2009

Andrew Reitzer  
Chief Executive Officer

1 December 2009



# GROUP HEADLINES

2010



Continued growth of core IGA>D business underpins solid Group result

	FY10 1H		FY09 1H		Variance %
<b>WHOLESALE SALES (\$m)</b>	<b>5,612</b>		5,263	1	6.6%
<b>EBITA (\$m) - Reported</b>	<b>189.9</b>		177.7		6.9%
<b>EBITA MARGIN (%) - Reported</b>	<b>3.38%</b>	2	3.37%	2	+1bps
<b>CODB / GP (%)</b>	<b>63.98%</b>		64.36%		-38bps
<b>PAT (\$m) - pre NRI</b>	<b>109.2</b>		97.2		12.3%
<b>PAT (\$m) - Reported</b>	<b>109.2</b>		80.0		36.5%
<b>OPERATING CASHFLOW (\$m)</b>	<b>207.3</b>		101.0		105.2%
<b>EPS - Reported (cps)</b>	<b>14.27</b>		10.46		36.4%
<b>EPS - pre IA &amp; NRI (cps)</b>	<b>14.69</b>		13.10	3	12.2%
<b>DPS (cps)</b>	<b>11.0</b>		10.0		10%
<b>MARKET SHARE (%) (MAT)</b>	<b>18.9%</b>		18.8%		+1bps

NOTES:

1. Wholesale sales excludes value of retail sales in MTS hands – nil in 1H10
2. Reported EBITA margin based on wholesale sales
3. 1H09 EPS adjusted for termination of interest rate collar treated as abnormal and intangible amortisation

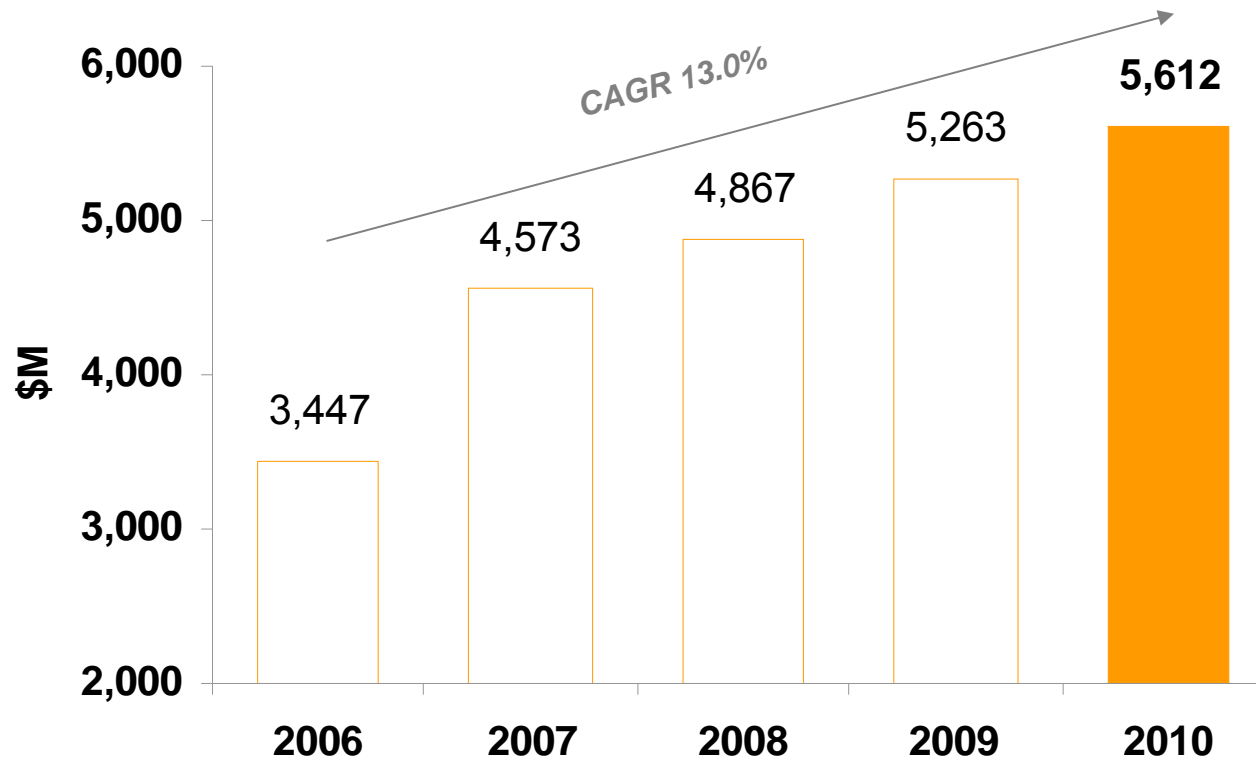
# FINANCIAL HIGHLIGHTS

## – GROUP

# WHOLESALE SALES

## Group wholesale sales up 6.6%

- Core IGA>D business achieves strong underlying growth
  - Despite significantly lower inflation in core grocery categories and deflation in many produce categories
- Moderate sales growth in ALM and CW businesses



**+6.6% on  
pcp**

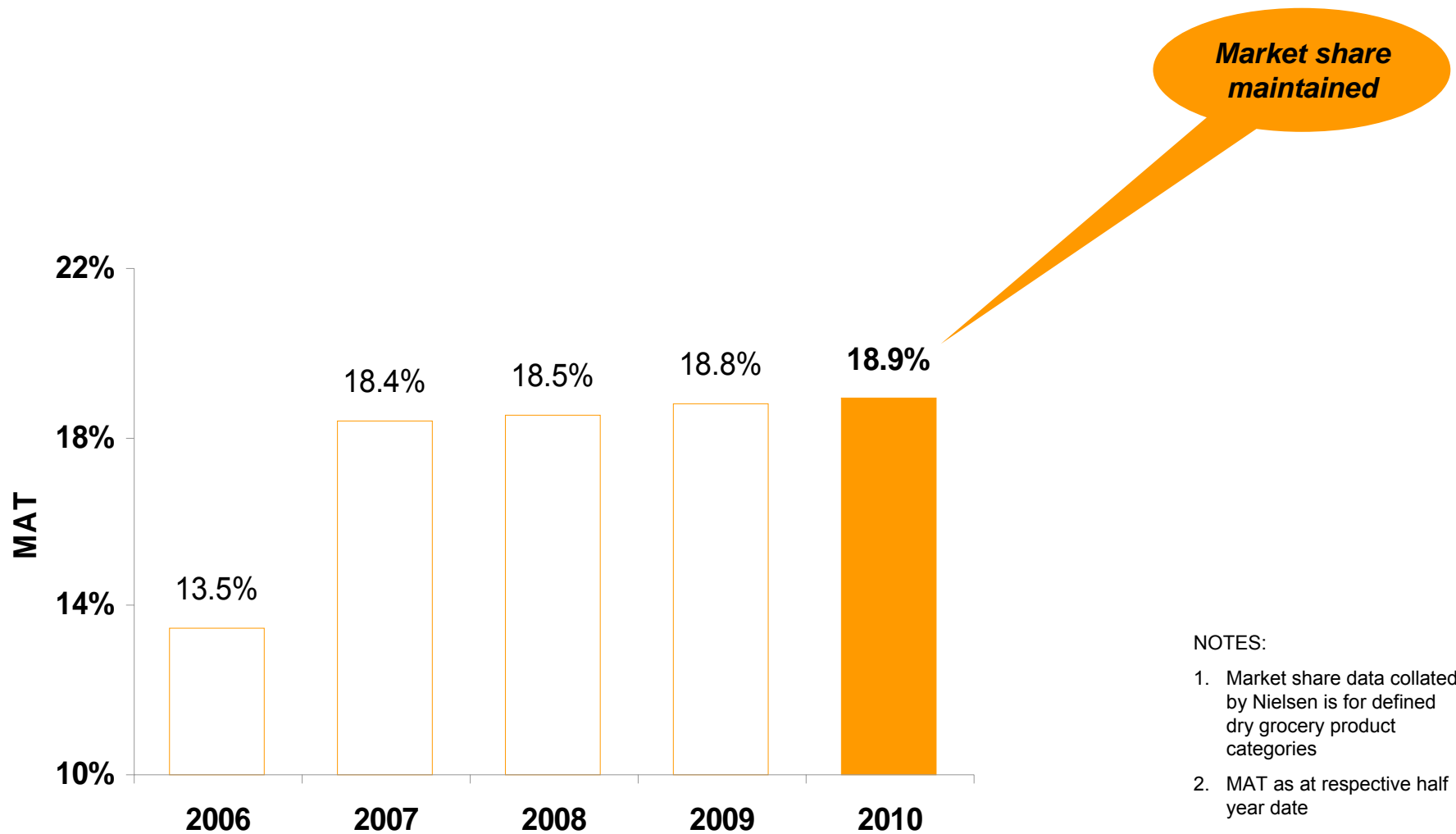
NOTES:

1. Data is for wholesale sales – hence excludes retail sales arising from ex-FAL, Action and other corporate stores for 1H06 to 1H0 (nil in 1H10)

# MARKET SHARE



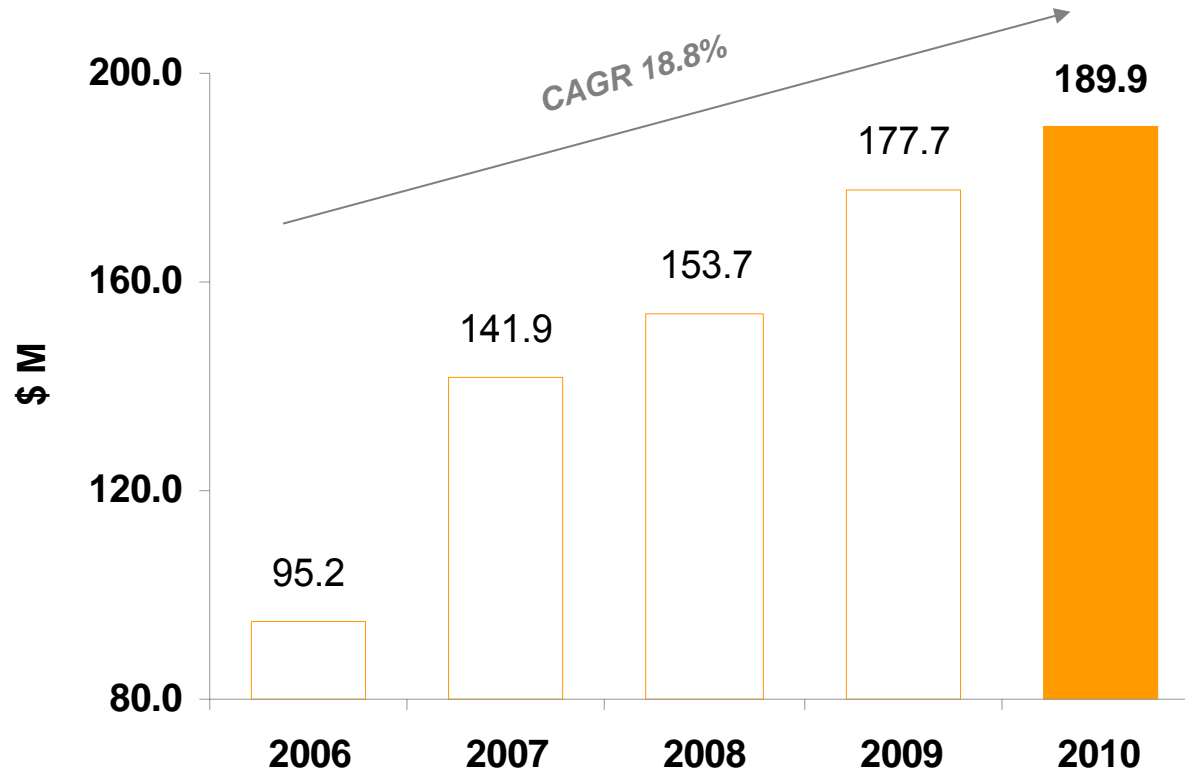
Market share (MAT) for the half year ended 25 Oct 09 was 18.9%



- NOTES:
1. Market share data collated by Nielsen is for defined dry grocery product categories
  2. MAT as at respective half year date

## 6.9% EBITA growth on 6.6% wholesale sales growth

- Operating leverage somewhat held back in 1H by:
  - Significantly lower price inflation
  - IGA Fresh dilution impact
  - CW performance hampered by large bad debt and soft foodservice and convenience market conditions



+6.9% on pcp

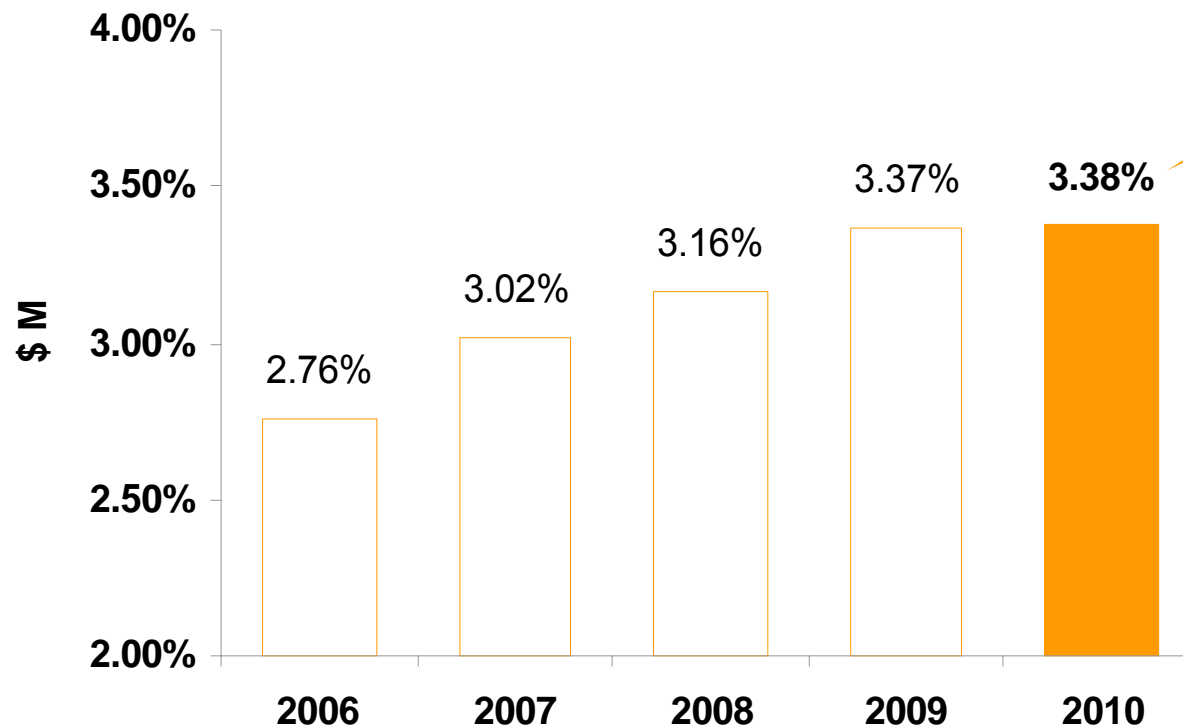
NOTES:

1. Interest collar termination cost in 1H09 is reported post EBITA

# EBITA MARGIN

## EBITA margin up 1 bps on 1H09, subdued slightly by:

- Operating leverage dilution arising from continued 'cost investment' in IGA Fresh operations
- Some increased underlying CODB pressures (electricity and rentals)
- 1H10 includes full half of Fresh acquisitions vs 1H09
- 1H09 benefited from sales inflation being greater than cost inflation



**+1bps on pcp**

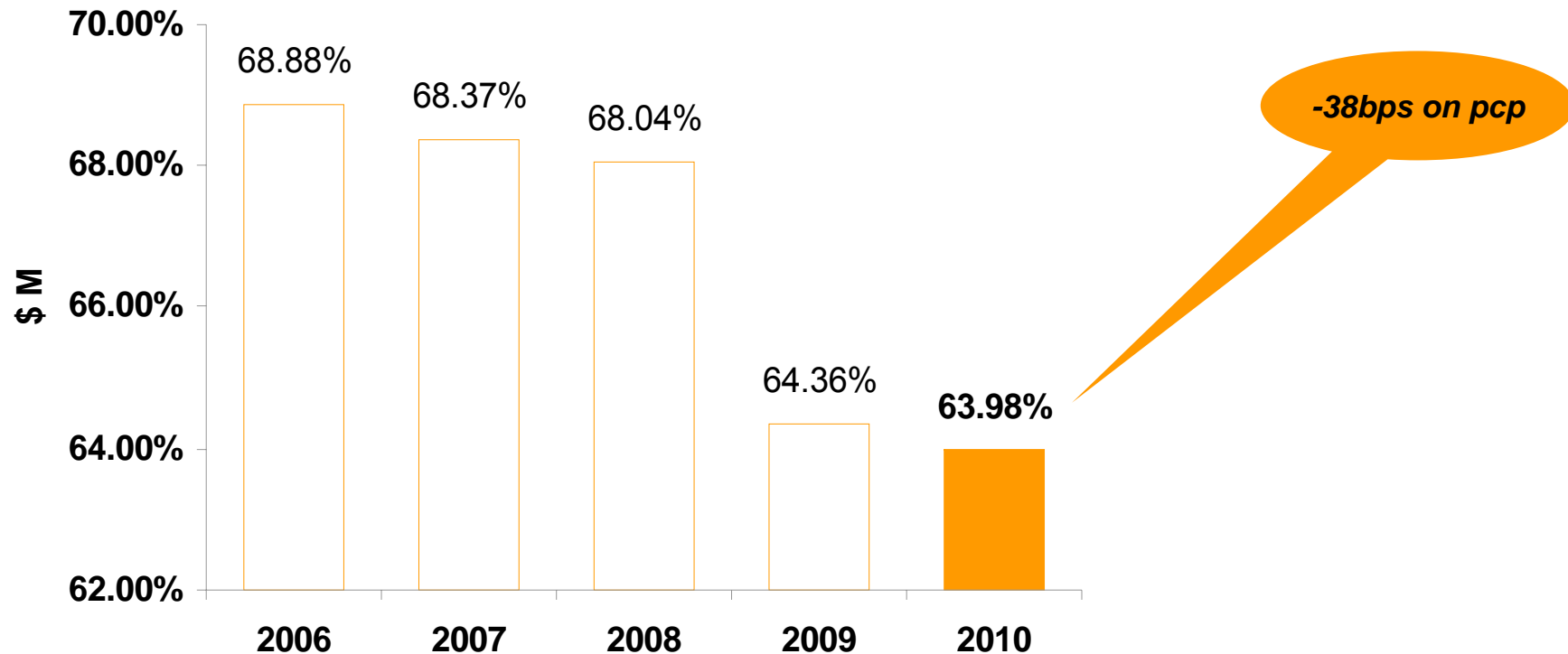
### NOTES:

1. EBITA margin calculated on EBITA pre NRI & wholesale sales
2. EBITA in 07 excludes Action loss

# CODB AS % OF GP

## CODB down 38 bps, despite

- Increased CODB establishing IGA Fresh – fully operational in 1H10 compared to 1H09; and ~8-10% deflation in produce prices impinging on Fresh margin
- Large bad debt in Campbells Wholesale (\$1.5m)
- Higher cost inflation in discrete areas (particularly electricity and rent)



# PAT

2010

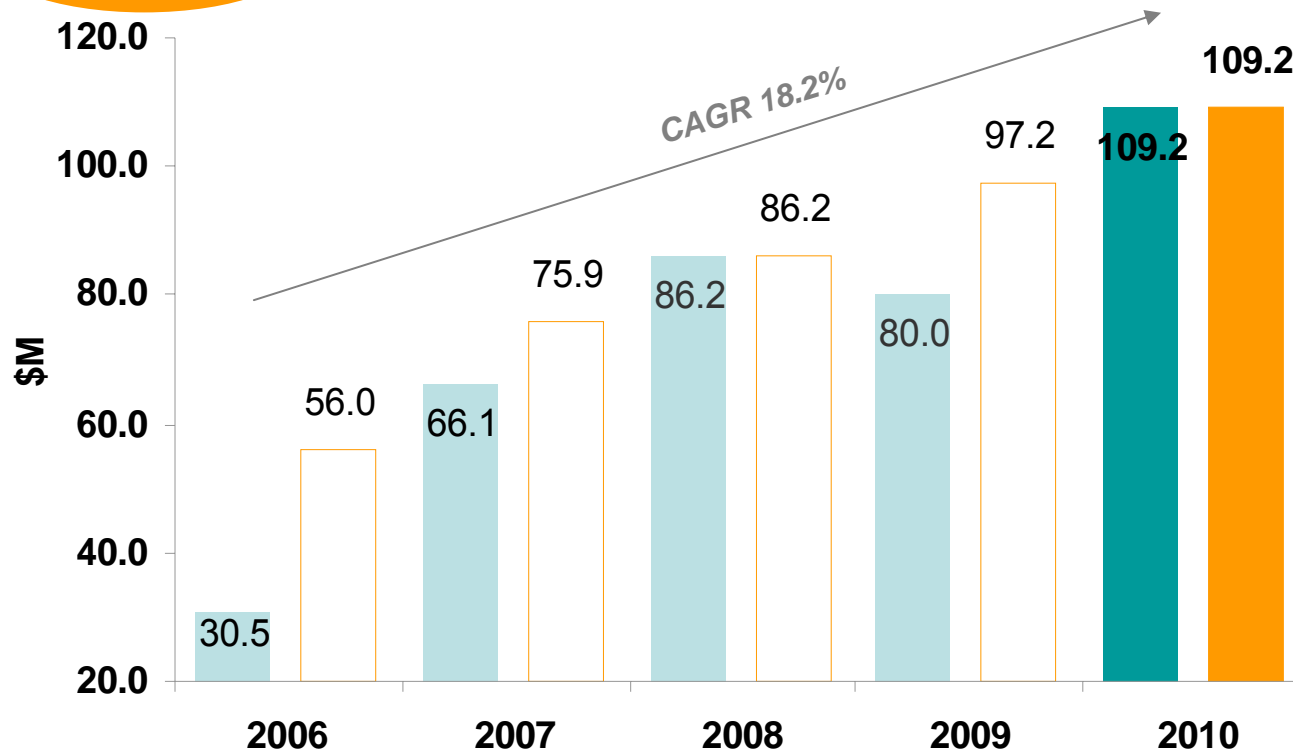


	FY10 1H		FY09 1H		Variance
PAT (\$m) - Pre NRI	109.2	1	97.2		12.3%
PAT (\$m) - Pre IA, NRI	112.4	2	100.3		12.1%
PAT (\$m) - Reported	109.2		80.0		36.5%

**Strong bottom line result**

■ PAT - Reported      □ PAT - pre NRI

**Normalised PAT +12.3% on sales growth of 6.6%**



NOTES:

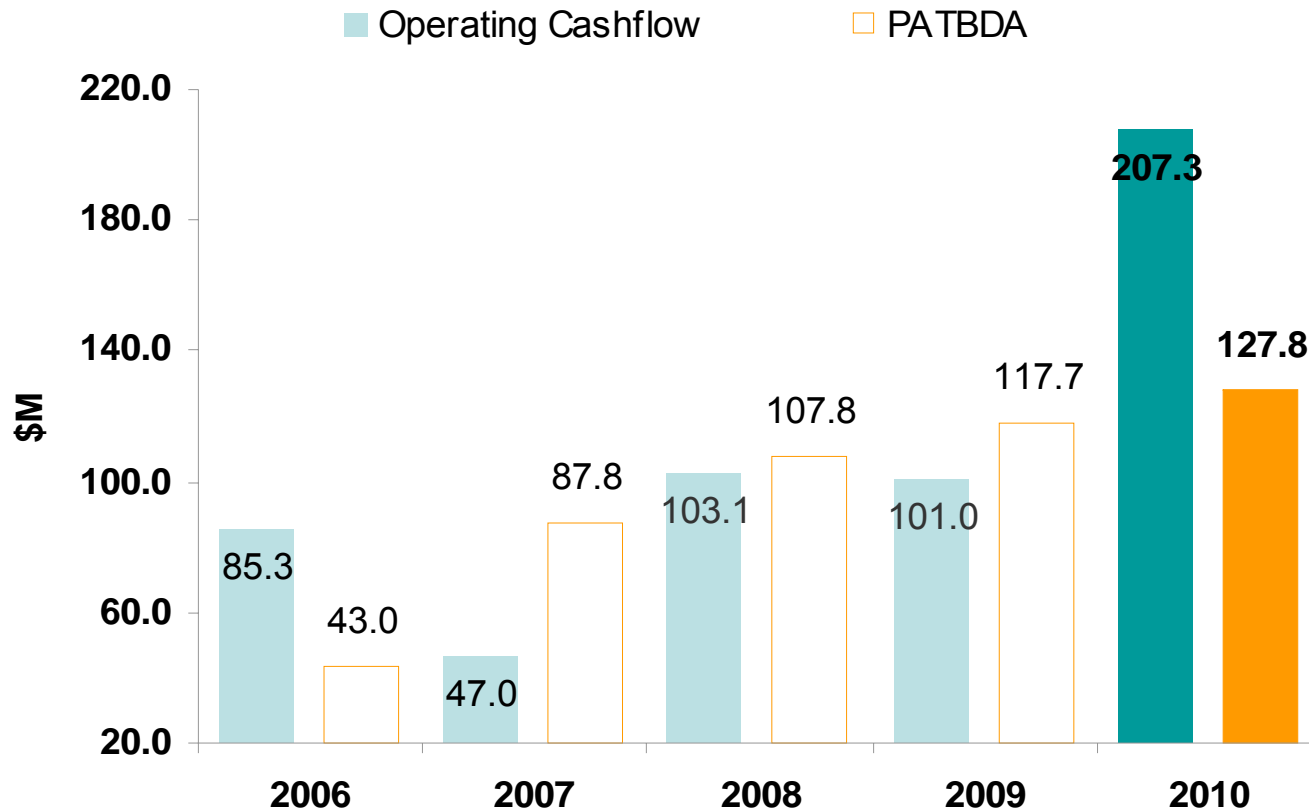
1. PAT in graph and CAGR stated pre non-recurring items
2. PAT for headline EPS purposes is stated pre non recurring items & intangible amortisation (consistent with how EPS guidance is given)
3. 1H09 - stated before interest collar termination cost (pre tax = \$24.6m, post tax = \$17.2m)
4. 1H07 - stated before restructure costs, net non-recurring income and Action loss
5. 1H06 - stated before CULS/ CUPS financing costs
6. Refer Appendix (slide 36) for reconciliation of normalised earnings to those reported in 4D

# OPERATING CASH FLOW



## Strong operating cash flow generation at \$207m (pcp \$101m)

- Assisted by some impact from cut-off
- Prior period held back by higher interest cost and Blacktown DC restocking



NOTES:

1. PATBDA = Profit after tax before depreciation and amortisation (before NRI)
2. Refer cashflow extract for detail
3. 1H06 & 1H10 cashflow impacted by timing differences
4. 1H06 PATBDA impacted by CULS/ CUPS costs and interest

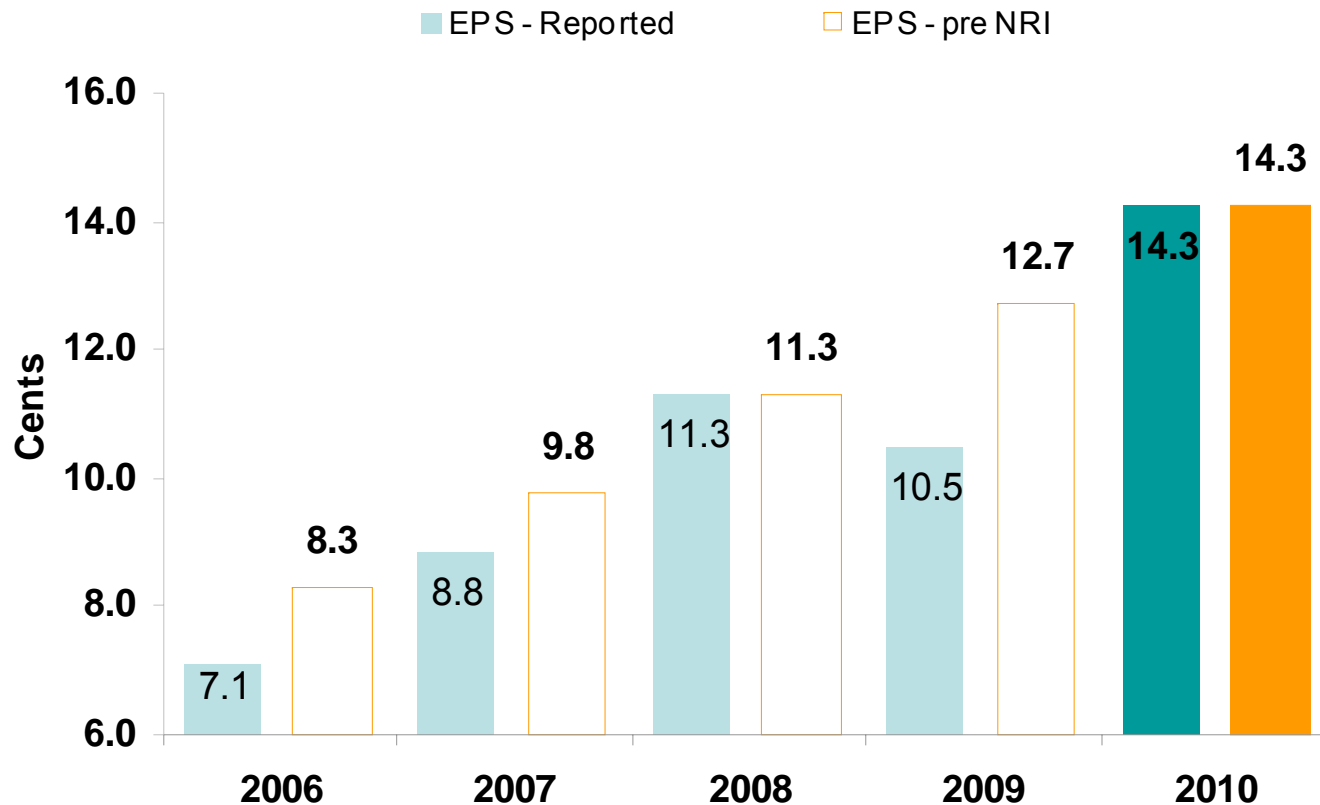
# EPS

2010



	FY10 1H		FY09 1H		Variance
EPS - Pre IA, NRI	14.7	1	13.1		12.1%
EPS - Pre NRI	14.3	2	12.7		12.3%
EPS - Reported	14.3		10.5		36.4%

**Above guidance  
range of ~7-10%  
growth**



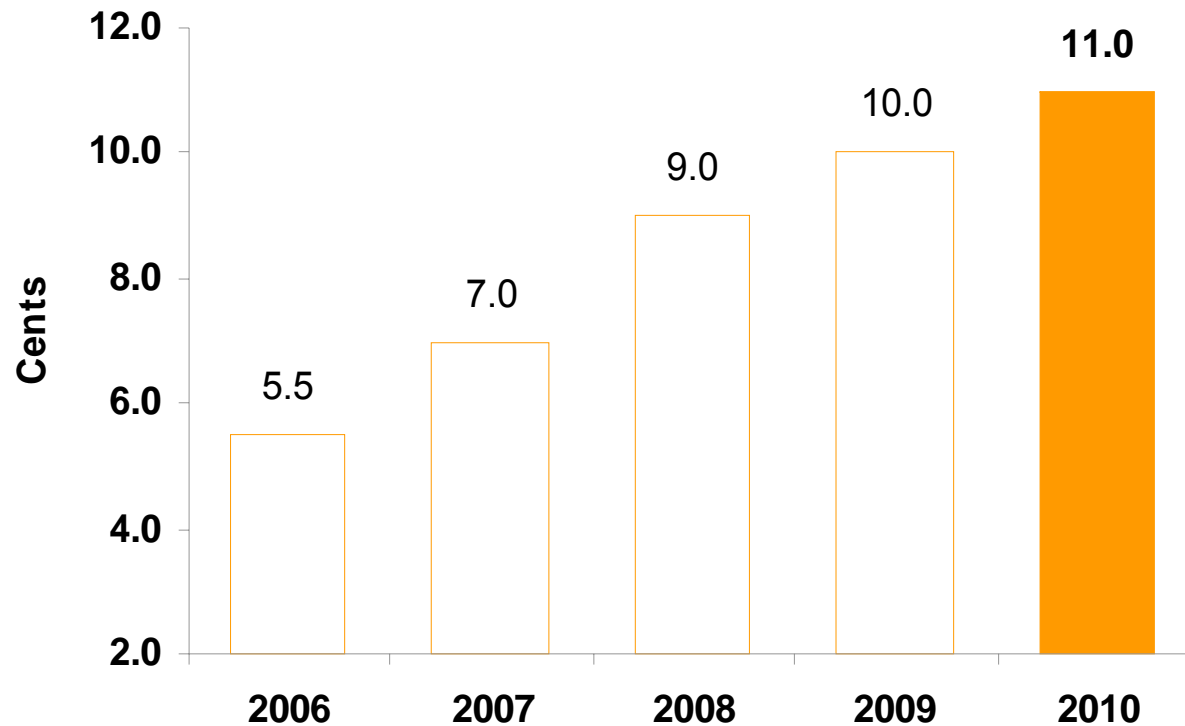
NOTES:

1. Headline EPS is stated pre non-recurring items and pre Intangible Amortisation (consistent with EPS guidance)
2. EPS in graph stated pre non-recurring items
3. 1H10 EPS based on weighted average shares of 764.9m (764.8m 1H09)
4. Refer Appendix (slide 36) for reconciliation of normalised earnings to those reported in 4D

**The Board has declared an interim dividend of 11.0 cents a share (100% franked)**

This represents a payout ratio of:

- 77% of Reported EPS (79% of EPS - pre NRI in pcp)



NOTES:

1. Metcash dividend and capital management policy reiterated in Appendix (slide 38)

2010

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# DIVISIONAL HIGHLIGHTS

– IGA>D



	FY10 1H		FY09 1H		Variance (%)
WHOLESALE SALES (\$m)	3,486.6		3,190.0	1	9.3%
EBITA (\$m)	163.3		146.5		11.5%
EBITA MARGIN (%)	4.68%		4.59%		+9bps

**1.23x operating leverage**

NOTES:

1. FY09 - Wholesale sales excludes retail sales in MTS hands

### Wholesale sales up 9.3% with comp store sales up 6.4%

- Sales trend remained strong through much of the half with inflation tailing off significantly to below 2% by the end of the half
- Independents continue to trade strongly albeit down from previous year highs which was influenced by higher inflation
- 1H10 includes full half of Fresh acquisitions vs 1H09

### EBITA of \$163.3m up 11.5% and EBITA margin improvement up 9bps

- Operating leverage at 1.23x down on 1H09 (1.35x)
- Operating leverage dilution arising from continued 'cost investment' in IGA Fresh operations
- Leverage expected to recover to 1.3-1.4x range over next 12-18 months

**Strong underlying growth maintained, both in terms of 'comp store' and 'real' sales growth**

**Comparative store sales growth 6.4%**

	FY08 1H	FY08 FY	FY09 1H	FY09 FY	FY10 1H
Base Business	7.1%	7.4%	9.8%	11.3%	9.3%
New Store & Acquisitions	(0.6)%	(1.2)%	(1.3)%	(2.3)%	(2.9)%
Comp Store Growth	6.5%	6.2%	8.5%	9.0%	6.4%
Inflation	(2.3)%	(3.2)%	(4.1)%	(4.4)%	(3.3)%
Real L4L Growth	4.2%	3.0%	4.4%	4.6%	3.1%

- Fresh sales 'kicker' vs pcp plus good underlying growth
- Includes new stores (see below) and sales 'acquired' under IGA Fresh growth strategy
- Strong comparative store sales
- Higher inflation in pcp with decreasing inflation in second quarter of 1H10 (down to <2% by end 1H10)

Retail development activity has recovered quickly to pre-GFC levels

Branded Stores (IGA + Friendly Grocer + Eziway)						
	COMPLETED 1H		PLANNED 2H		FORECAST FULL YEAR	
	NO.	SQM	NO.	SQM	NO.	SQM
<b>New Stores</b>	31	21,888	32	32,154	63	54,042
<b>Conversions<sup>1</sup></b>	9	8,262	-	-	9	8,262
<b>Extensions</b>	17	6,223	22	9,178	39	15,401
<b>Refurbishments</b>	26	N/A	54	N/A	80	N/A

*New stores activity rising*

New stores activity rising after FY09 slow down. FY10 forecast up on previous forecast of 44 and ahead of FY09 (43)

Conversions are stores converted to IGA>D from other (non-IGA related) banners

Full year forecast up on prior year actual (27) with slightly higher area forecast

Refurbishment activity picking up and FY10 forecast revised up from previous forecast of 72

*Forecast refurb activity up on prior forecast*



### FoodWorks

- Of the 45 ex Coles stores transitioning to FoodWorks, 6 had started purchasing from IGA>D by the end of Oct 09 with between 3-5 weeks of activity
- Materiality of impact to 2H10 dependent on timing of remaining store transition

### Overall Shopping Experience (OSE)

- First quarter of 2 year objective to improve IGA stores' OSE and help lift standards at stores with a rating of 2 stars or less
  - Areas addressed include: range, customer service, selling area standards and stock availability

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### Private Label (Corporate) Brands

- Black & Gold
  - Range strategy being continually refined with focus on developing categories that meet consumer demands for value
  - Sales growth at 7% p.a. for 1H10
- IGA Signature (premium label range)
  - 389 SKUs launched (Oct 09) with 228 SKUs being developed
  - Retailers and consumers supporting uniform IGA Signature branding
    - 1H10 sales growth at 10% pa - inclusive of transition of old to new range
  - IGA Signature's Community Chest support doubled to 2c per retail unit on the entire range. Funds to support the IGA Local Heroes program

# IGA FRESH STRATEGY

## - OPERATIONAL REVIEW

2010



**Strategic Rationale: Provide independent retailers with comprehensive, consistent and quality fresh food offer to meet customer needs**

### Performance

- Annualised run rate: Produce ~ \$400m, total Fresh sales ~ \$1b
- YTD category growth: Meat +27%, Deli +26%, Bakery +46%

### Produce

- City Fruit (SA) ownership now 100% from 40% - completes acquisitions for national network
- 1H10 focus - rationalisation and synergy improvements:
  - 10 produce warehouses including 2 upgraded produce processing facilities in Brisbane and Sydney
  - New produce distribution facility planned in Cairns to replace existing facility – completion in FY11
  - 6 warehouses using integrated IT solution with 4 to be completed
  - Strong retailer uptake to date
- Significant produce price deflation in Jul to Sep with average price drops of ~ 8 -10%
- VIC operations achieving ~ 60% ex farm gate – still looking to replicate in other states
- Fresh Foodservice business – developing national supply programs with a number of customers

### Meat

- Meat facility acquisitions to provide case ready meat solutions
- WA retail ready meat facility at near capacity volumes with sales increasing 40% since May 09 acquisition
  - Plans underway to relocate and combine facility with the beef boning operation in larger premises
- 3 major groups now utilizing our centrally coordinated 'supply chain solution' model

**IGA>D continually searches for opportunities to improve the efficiency and effectiveness of its supply chain**

- Initiatives to drive CODB reduction going forward include:

Business	Project	Start Date	Due Date
IGA>D VIC	<b>'Mini-loader' automated storage and retrieval system</b> <ul style="list-style-type: none"> <li>– Phase 1: completed May 09</li> <li>– Phase 2: Install, test and commission warehouse control system (completed)</li> <li>– Phase 3: Mini-loader 'ramp-up' with product (completed Oct 09)</li> <li>– Phase 4: Start servicing convenience customers with single item picking</li> </ul>	Oct 2008	June 2010 (Phase 4)
IGA>D/ALM WA	<b>Grocery warehouse extension</b> <ul style="list-style-type: none"> <li>– Approved to add ~15,000sqm, with ALM to relocate to this facility</li> </ul>	Nov 2009	Sep 2010
IGA>D QLD	<b>Fresh warehouse (Cairns)</b> <ul style="list-style-type: none"> <li>– Design and documentation completed for ~1,600sqms</li> </ul>	Post Dec 2009	FY11
IGA>D/ALM	<b>RF (radio frequency) receiving</b> - improving accuracy in goods received processing <ul style="list-style-type: none"> <li>– All IGA&gt;D perishable DCs</li> <li>– ALM warehouses – 4 completed</li> </ul>	Ongoing	

**Completed during 1H10:**

- IGA>D WA Cold store expansion - Building completed Dec 08, Relay + Voice pick installed by May 09
- IGA>D QLD Perishable warehouse extension - completed Jul 09, despite several weeks delay due to poor weather

2010

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# DIVISIONAL HIGHLIGHTS

- ALM



	FY10 1H	FY09 1H	Variance (%)
SALES (\$m)	1,282.4	1,267.3	1.2%
EBITA (\$m)	14.6	14.4	1.4%
EBITA MARGIN (%)	1.14%	1.14%	-

*Above target leverage at 1.16X*

### Sales growth up 1.2%

- Growth driven primarily by IBA sales (+7.4%)
  - Cellarbrations +9.9%, IGA Plus Liquor +16.2% & Bottle-O +5.4%
- Beer volumes up 5.3% but progress on growing this area has slowed
- 'On-premise' supply (hotels, restaurants etc) declined 12.4%
- Low liquor price inflation vs pcp also diminished overall sales growth

### EBITA up 1.4%

- Moderate expansion in EBITA pleasing given ongoing high competition in liquor sector and low sales expansion
- CODB focus from labour efficiencies had positive impact on leverage
- Leverage maintained above targeted 1.1x



### Independent Brands Australia (IBA) continues to promote its 3 major store brands

- Strong focus on improving store standards and brand equity
  - 41 store refurbishments completed to improve store standards

IBA Stores	Apr 08	Oct 08	Apr 09	Oct 09
Cellarbrations	467	502	509	498
Bottle-O / Bottle-O Neighbourhood	595	635	658	657
IGA Plus Liquor	465	412	411	408
	<b>1,527</b>	<b>1,549</b>	<b>1,578</b>	<b>1,563</b>
Liquor Force / Other Banners	890	736	730	683
	<b>2,417</b>	<b>2,285</b>	<b>2,308</b>	<b>2,246</b>



Store compliance rating review inducing changes in store numbers between brands and moves to other non bannered liquor stores.

2010

**Metcash**

# DIVISIONAL HIGHLIGHTS

## - CAMPBELLS WHOLESALE



# CAMPBELLS WHOLESALE

## - FINANCIALS

2010



	FY10 1H	FY09 1H	Variance (%)
<b>SALES (\$m)</b>	<b>843.2</b>	805.9	4.6%
<b>EBITA (\$m)</b>	<b>13.5</b>	15.8	-14.8%
<b>EBITA MARGIN (%)</b>	<b>1.60%</b>	1.97%	-37bps

### Sales up 4.6%

- Change in mix of business
  - Higher growth CSD and foodservice down
  - Cash and Carry maintained reasonable growth through tobacco rather than primary categories
- Convenience sales affected due to switch to value shopping vs convenience
- Foodservice growth (hospitality focussed) subdued due to significant shift to dining at home from restaurant meals; also mine closures in QLD & WA have impacted 'institutional' business

### EBITA down -14.8%

- Reduced investment opportunities in a low inflationary environment
- Substantial increase in fixed costs over last year (electricity and rent - higher impact in CW because across 45 sites)
- One-off bad debt of \$1.5m
- Low primary categories' growth (per 'poorer' business mix as above)



# CAMPBELLS WHOLESALE

## - OPERATING PERFORMANCE

2010



### Business Model

- |  |   |   |  |
|--|---|---|--|
| <ul style="list-style-type: none"> <li>■ Cash and Carry format in metropolitan areas supplying grocery, confectionery and other consumer goods</li> <li>■ Walk-in small business (with ABN) customers</li> <li>■ 22 metropolitan cash and carry stores</li> <li>■ Specialty sections including                             <ul style="list-style-type: none"> <li>- 9 x Sweet Spot (confectionery)</li> <li>- 6 x Catering Connection (Foodservice and hospitality)</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>■ Regional distribution outlets delivering grocery, confectionery and other consumer goods</li> <li>■ 85% is pick, pack and deliver</li> <li>■ 17 country distribution centres</li> </ul> <p>Specialty operations including:</p> <ul style="list-style-type: none"> <li>■ 9 x Coast and Country specialist confectionery operations</li> </ul> | <ul style="list-style-type: none"> <li>■ Specialist food service business (WA &amp; QLD)</li> <li>■ Supplies hotels, quick service restaurants and catering institutions</li> <li>■ 2 distribution centres in WA &amp; QLD</li> </ul> | <ul style="list-style-type: none"> <li>■ Single unit pick supplying confectionery and convenience products</li> <li>■ Organised petrol and convenience store focus</li> <li>■ 4 stockless DCs, 4 Specialist Confectionery DCs</li> <li>■ Voice Pick / Put to Light – small size pick enablers</li> </ul> |
|--|---|---|--|

### Financial Performance

- |  |   |   |   |
|--|---|---|---|
| <ul style="list-style-type: none"> <li>■ Sales +5.8% (pcp 4.1%)</li> </ul> | <ul style="list-style-type: none"> <li>■ Sales + 3.2% (pcp 6.6%)</li> </ul> | <ul style="list-style-type: none"> <li>■ Sales + 16.0% (pcp +10.9%)</li> <li>■ Sales L4L (-5%)</li> </ul> | <ul style="list-style-type: none"> <li>■ Sales + 1.95% (pcp 10%)</li> </ul> |
|--|---|---|---|

### Operational Highlights

- |  |  |   |  |
|--|--|---|--|
| <ul style="list-style-type: none"> <li>■ Catering Connection launched at 6 Cash &amp; Carry outlets - hospitality focus supplying Foodservice products, cleaning products, packaging and catering equipment</li> </ul> | <ul style="list-style-type: none"> <li>■ Continues to provide a total supply solution to Organised Petrol and Convenience outlets in remote and regional parts of Australia</li> </ul> | <ul style="list-style-type: none"> <li>■ Acquisition of Solomon Food Group (now Foodlink Queensland)</li> </ul> | <ul style="list-style-type: none"> <li>■ Crestmead QLD – Further investment in Put to Light and Put to Voice allowing customer base to benefit from wider product range</li> </ul> |
|--|--|---|--|

# FINANCIALS

- BALANCE SHEET
- CASHFLOW
- INTEREST EXPENSE

# BALANCE SHEET - EXTRACT

2010



	30-Apr-09 \$m	31-Oct-09 \$m	Movement		Commentary
			\$m	%	
Trade and other payables	(1,188.0)	(1,308.0)	(120.0)	10%	Seasonal increase in payment terms. Represents approximately 3 days additional over April 09.
Inventories	680.5	680.2	(0.3)	(0)%	After taking volume increases into consideration, net 0.7 days reduced inventory (in days) from April representing approx \$19m. Careful reduction of inventory levels planned for 2H10 but only in line with maintenance of improved inbound service levels.
<b>Net Trade Creditor Funding</b>	<b>(507.5)</b>	<b>(627.8)</b>	<b>(120.3)</b>	<b>24%</b>	
Other Creditors	(131.8)	(132.9)	(1.1)	1%	
<b>Net Creditor Funding</b>	<b>(639.3)</b>	<b>(760.7)</b>	<b>(121.4)</b>	<b>19%</b>	
Receivables	1,007.8	1,038.6	30.8	3%	Trade receivable days remain consistent with those at April 09. No substantial change in ageing profile and an increase in provisioning of \$4m during the half consistent with an ongoing prudent approach to recoverability.
<b>Net Working Capital</b>	<b>368.5</b>	<b>277.9</b>	<b>(90.6)</b>	<b>(25)%</b>	
Cash & Other Current Assets	154.2	211.8	57.6	37%	Increase in period end cash balances (see cashflow) and prepayments.
Fixed Assets and Investments	247.7	261.9	14.2	6%	Investment in infrastructure (Mini-loader) project at Laverton, Crestmead perishable DC expansion.
Intangible assets	1,180.1	1,200.1	20.0	2%	Investment in Fresh Produce network through business acquisitions plus ongoing Software Development costs.
<b>Total Funds Employed</b>	<b>1,582.0</b>	<b>1,673.8</b>	<b>91.8</b>	<b>6%</b>	
Net tax balances	(26.0)	(8.0)	18.0	(69)%	Net of provision for tax payable and deferred tax assets (\$8m increase in tax provision offset by \$26m increase in deferred tax assets).
<b>Net Assets Employed</b>	<b>1,556.0</b>	<b>1,665.8</b>	<b>109.8</b>	<b>7%</b>	
Net repayable debt	(645.1)	(659.4)	(14.3)	2%	Net drawdown of debt \$20m net of \$6m paid in costs for refinancing syndicated and other bank facilities.
	<b>910.9</b>	<b>1,006.4</b>	<b>95.5</b>	<b>10%</b>	
<b>NET ASSETS</b>	<b>1,279.4</b>	<b>1,284.3</b>	<b>4.9</b>	<b>0%</b>	
<b>EQUITY</b>					
Shareholders Equity	1,279.4	1,284.3	4.9		First half profit less final dividend plus reserve movements.

# CASHFLOW - EXTRACT

2010



	FY09 Oct 08		FY10 Oct 09		Inc/ (Dec) \$m	Commentary
	\$m	\$m	\$m	\$m		
<b>EBITDA</b>	197.8		209.7		11.9	Reduced net interest cost in line with expectations.
Net Interest Paid	(29.3)		(27.5)		1.8	
Taxation Paid	(11.6)		(64.9)		(53.3)	Prior year contained credit adjustment for prior period returns (FAL related). Current year includes 'balloon' final installment for FY09 return (provisional payments based on previously assessed lower notional tax rate).
Other Non Cash Items		156.9		117.3	(39.6)	
Working Capital Movement		(0.8)		0.2	1.0	
		(55.1)		89.8	144.9	Prior period movement included restocking of Blacktown post hail disaster. Current period movement reflects mainly cut-off impact, and some improvement in creditor days. Debtor days also down by 3.5 days from prior period.
<b>TOTAL CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>101.0</b>		<b>207.3</b>	<b>106.3</b>	
Proceeds from sale of property, plant and equipment		6.6		0.4	(6.2)	Prior year includes \$6m from sale of Hexham property.
Purchase of property, plant and equipment & software		(24.6)		(41.7)	(17.1)	Investment in infrastructure (Mini-loader) project at Laverton, Crestmead perishable DC expansion and commencement of SAP financials installation.
Loan to associates/ other entities (net)		(2.9)		(9.5)	(6.6)	
Payment on acquisition of businesses and associates		(20.4)		(13.9)	6.5	Loan repayments in line with agreed repayment schedules. Current year includes transitioned payout of \$6m of bank debt for an Associate whilst Associate restructures and refinances.
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(41.3)</b>		<b>(64.7)</b>	<b>(23.4)</b>	Two acquisitions in IGA Fresh (City Fruit, SA and Fresh Market Meats) - network now complete.
Proceeds from issue of shares		0.2		1.0	0.8	Employee options exercised in current period.
Drawdown/(Repayment) of debt		0.0		20.0	20.0	Slightly higher average debt levels.
Dividend payments		(91.8)		(107.1)	(15.3)	Increase in dividend payments.
Other payments		(3.1)		(9.9)	(6.8)	Includes \$6.1m for refinancing costs.
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(94.7)</b>		<b>(96.0)</b>	<b>(1.3)</b>	
<b>Opening Cash balance at 30 Apr</b>		<b>180.5</b>		<b>148.6</b>		
Cash Movement in the Period		<b>(35.0)</b>		<b>46.6</b>		Increase in cash represented by above movements.
Foreign Exchange Effect		0.1		0.1		
<b>Closing Cash balance at 31 October</b>		<b>145.6</b>		<b>195.3</b>		Cash and cash equivalents as shown on Balance Sheet Extract.

# INTEREST EXPENSE

2010



Interest Expense	FY10 1H	FY09 1H
Interest Expense (Total)	32.3	37.8
Interest Income	(3.2)	(3.2)
Interest Expense (Net)	29.1	34.6

**1H 10 in line  
with  
expectations**

## Interest expense \$32.3m (\$37.8m pcp)

- \$5.5m reduction due primarily to lower cash rates and pcp included \$3.8m reversed charge from MTM collar termination
- With partial offset from higher margin, slightly higher average debt level and increased amortisation from capitalised financing fees

## Interest expense expectations for 2H10

- Cash rate increase 50 basis points in past 2 months with likelihood of further rises
- On this basis 2H10 interest expense expected to exceed 1H10
- Ability to maintain interest expense within forecast \$61m will be function of timing and extent of forthcoming interest rate rises.

**Note:** Interest Rate Collar terminated in Nov 08 (as announced on ASX) in response to 1.75% interest rate cut in 6 weeks. Termination cost of \$24.6m pre tax (\$17.2 post tax) – treated as a non recurring item in 1H09

# CONCLUSIONS

- KEY MESSAGES
- EARNINGS GUIDANCE
- PROPOSAL TO ACQUIRE MITRE 10

# KEY MESSAGES

2010



AUSTRALIAN LIQUOR MARKETERS PTY. LTD.

PERFORMANCE	<p>Sales +9.3% ✓                  EBIT +11.5% ✓                  Operating leverage at 1.23x – in line with expectations during Fresh 'start up' ✓</p>	<p>Sales +4.6% ✓                  EBIT -14.8% ✗                  Operating leverage &lt;1.1 ✗</p>	<p>Sales +1.2%                  EBIT + 1.4%                  Operating leverage ~1.1x ✓</p>
GROWTH DRIVERS	<ul style="list-style-type: none"> <li>■ Fresh (Teamwork)</li> <li>■ New Stores (assist development if appropriate) &amp; refurbishments</li> <li>■ Retail execution</li> <li>■ Lift OSE (overall shopping experience)</li> <li>■ Local marketing (Local Heroes)</li> <li>■ Differentiated model (unique)</li> <li>■ Delivery of retail ready meat solutions</li> <li>■ Increase product range in each Fresh category</li> <li>■ Private label product innovation</li> <li>■ FoodWorks – 45 Corporate stores</li> </ul>	<ul style="list-style-type: none"> <li>■ Confectionery expansion</li> <li>■ Organised P&amp;C expansion</li> <li>■ Foodservice expansion</li> </ul>	<ul style="list-style-type: none"> <li>■ IBA and Liquor Alliance growth</li> <li>■ Brand equity building</li> <li>■ Beer volume/growth</li> <li>■ Continue to streamline business and expand operating leverage</li> </ul>



- ✓ Deploy strong balance sheet & cash flows in pursuit of:
  - ✓ Organic growth opportunities (all pillars)
  - ✓ Acquisitions (if attractive opportunities are found)
  - ✓ High dividend payout if funds unutilised

- Trading environment has been strong for much of half as evidenced by good comparable store growth in IGA>D. However, low price inflation (and pack changes) have hampered trading opportunities across all pillars
- Significant produce price deflation noted in this half (~8-10%) has now abated, although lower grocery inflation continues
- At a macro level, economic conditions have improved with expectations for 'trend' economic growth and reduced unemployment forecasts
- Given MTS's focus on selling consumer essentials, we anticipate consistent consumer demand albeit somewhat below the highs of last year
- Management therefore reiterates its guidance of 7-10% growth in normalised EPS for FY10.
- This EPS guidance is given subject to the following key observations:
  - Comparative FY10 EPS is 29.53 cps
  - Excludes intangible amortisation and non-recurring items
  - Interest cost for FY10 remains in line with management expectations

# PROPOSAL TO ACQUIRE MITRE 10

2010



- Metcash has a proven track record of successfully supporting independent retailers compete with the chains
- The state of the hardware wholesaling sector is very similar to how grocery wholesaling looked when Davids was acquired in 1998 and requires Metcash's core competencies to thrive:
  - Buying and Merchandising to ensure independent hardware retailers can stay competitive in the market, both in terms of price and offer
  - Brand management support for independent retailers so that over time the equity value of the brand is substantially enhanced
  - World class logistics capability to provide superior service levels to customer and keep stores competitive
- The entry of Woolworths / Lowes into the retail hardware market will intensify competition. Independent retailers will need a strong, well capitalised wholesaling partner to enable them to continue to thrive in an increasingly competitive marketplace
- Mitre 10 is in the early stages of a turnaround phase but now faces stiff new competition. With Metcash's backing, Mitre 10 will be better placed to face this onslaught.
- Metcash has submitted a Metcash board approved proposal to acquire Mitre 10
- Metcash to subscribe for 50.1% capital (in newly established M10 holding company) now, with the potential to acquire 100% in 2012 or 2013
- Metcash positioned to become "Champion of the Independent Hardware Retailer" as well

# 'Champion of the Independent'

2010

**Metcash**

**Metcash**

# APPENDICES

1. Segment Note – Unallocated & Corporate
2. Reconciliation – Group Results
3. Split of Business – EBITA by Division
4. Dividend and Capital Management Policy
5. Trend Metrics (Financial & Operational)
6. Metcash TSR
7. Directory of Terms



# SEGMENT NOTE

## - UNALLOCATED & CORPORATE

2010



	Oct 09	Oct 08
	\$m	\$m
<b>Corporate</b>		
- Share Based Payments	(1.3)	(2.4)
- Other	(0.2)	3.3
<b>Included in Group EBITA ('Above the line')</b>	<b>(1.5)</b>	<b>0.9</b>
<b>Unallocated</b>		
- Intangible Amortisation	(3.2)	(3.0)
- Interest - net	(29.1)	(34.6)
- Interest Collar Termination	-	(24.6)
<b>Unallocated ('Below the Line')</b>	<b>(32.3)</b>	<b>(62.2)</b>
<b>Unallocated Result per Appendix 4D Note 2 Segment Information</b>	<b>(33.8)</b>	<b>(61.3)</b>

# RECONCILIATION

## - GROUP RESULTS

2010



	Oct 09	Oct 08	
	\$m	\$m	
<b>EBITA</b>	<b>189.9</b>	<b>177.7</b>	
Net Interest	(29.1)	(34.6)	
Profit Before Tax and Amortisation	160.8	143.1	
Tax	(47.7)	(42.8)	
Minority Interest	(0.7)	(0.1)	
<b>PAT pre IA &amp; NRI</b>	<b>112.4</b>	<b>100.2</b>	
Intangible Amortisation	(3.2)	(3.0)	
<b>PAT pre NRI</b>	<b>109.2</b>	<b>97.2</b>	
<b>- EPS pre NRI</b>	<b>14.27</b>	<b>12.72</b>	<b>cps</b>
Significant and Non-recurring items after tax	-	(17.2)	
<b>PAT Reported</b>	<b>109.2</b>	<b>80.0</b>	
<b>- EPS Reported</b>	<b>14.27</b>	<b>10.46</b>	<b>cps</b>
PAT Reported	109.2	80.0	
Intangible Amortisation	3.2	3.0	
Net Non-recurring item profit/(loss) after tax	-	17.2	
<b>PAT pre IA &amp; NRI</b>	<b>112.4</b>	<b>103.3</b>	
<b>- EPS pre IA &amp; NRI (used for guidance purposes)</b>	<b>14.69</b>	<b>13.10</b>	<b>cps</b>
Weighted average shares	764,938,752	764,813,183	

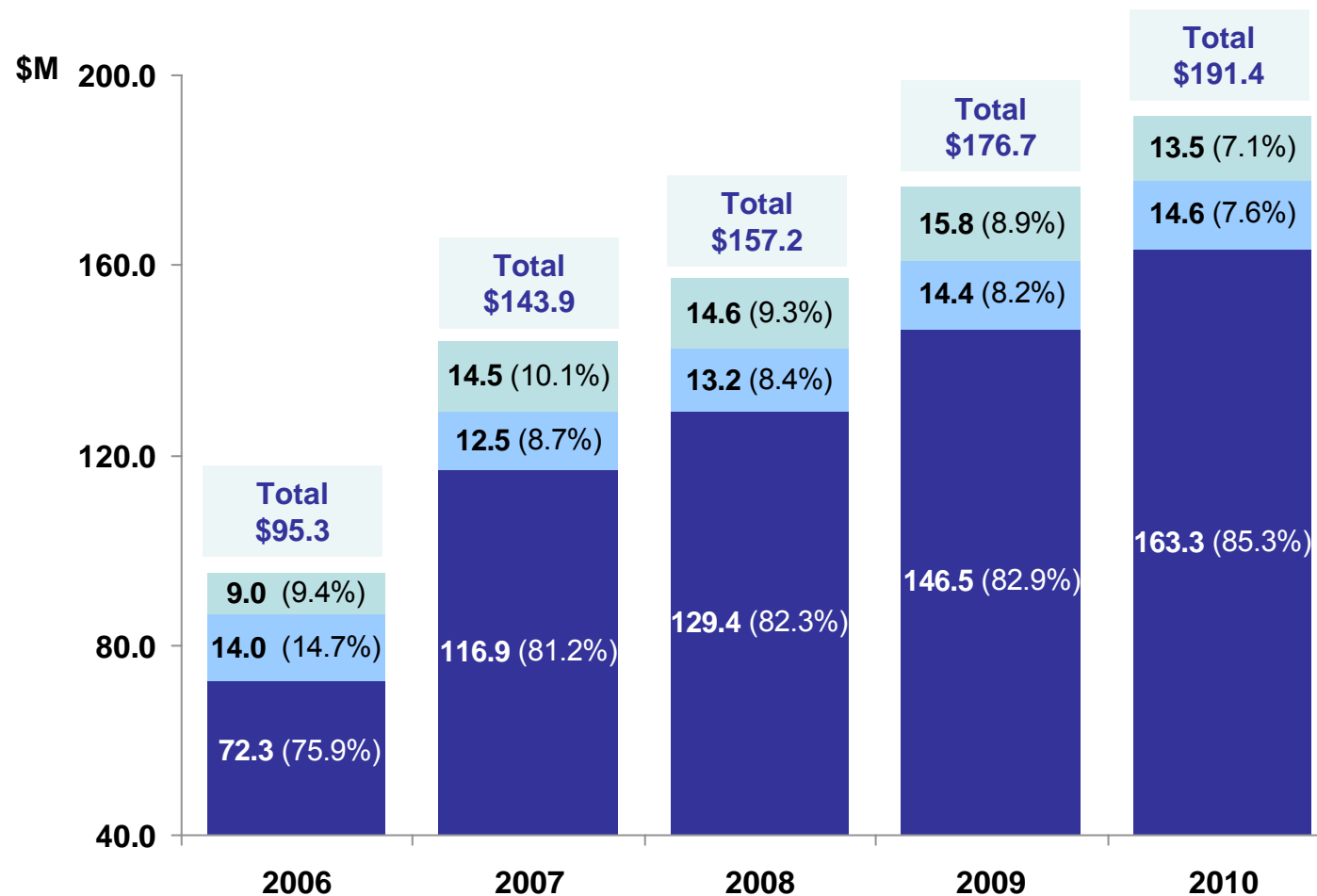
# SPLIT OF BUSINESS

## - EBITA By Division

2010



■ Food Distribution    
 ■ Liquor Distribution    
 ■ Cash & Carry Distribution



NOTE:

1. The difference to the Reported EBITA will be in 'Corporate' as per slide 35

- The Board's intention is to return earnings to shareholders whilst retaining adequate funds within the business to invest in future growth opportunities
- The proposed 1H10 dividend of 11.0 cents per share represents approximately:
  - 77% of Reported EPS (79% of EPS - pre NRI in pcp)
- From a capital management perspective the following points should be noted:
  - Management and the Board remain focussed on seeking growth opportunities (both organic and via acquisition)
  - Metcash continues to consider it important to achieve and maintain balance sheet ratios that would satisfy an investment grade rating

NOTE:  
No change in Dividend and Capital Management Policy since FY06

# TREND METRICS

## – FINANCIAL (HALF YEAR)

2010



HALF YEAR		FY 2006 Oct 05	FY 2007 Oct 06	FY 2008 Oct 07	FY 2009 Oct 08	FY 2010 Oct 09	CAGR
Sales (all sources)	\$ millions	3,482	4,764	4,952	5,311	5,612	13.0%
Sales (wholesale)	\$ millions	3,447	4,573	4,867	5,263	5,612	13.0%
EBITDA - reported	\$ millions	111.5	159.5	175.8	197.8	209.6	17.1%
EBITDA - pre NRI	\$ millions	111.5	163.5	175.8	197.8	209.6	17.1%
EBITA - reported	\$ millions	95.2	137.9	153.7	177.7	189.9	18.8%
EBITA - pre NRI	\$ millions	95.2	141.9	153.7	177.7	189.9	18.8%
PAT - reported	\$ millions	30.5	66.1	86.2	80.0	109.2	37.6%
PAT - pre NRI	\$ millions	56.0	75.9	86.2	97.2	109.2	18.2%
PAT - pre IA & NRI	\$ millions	56.0	76.1	89.2	100.3	112.4	19.0%
Operating cashflow	\$ millions	85.3	47.0	103.1	101.0	207.3	24.8%
EPS - reported	\$ cents	7.10	8.84	11.30	10.46	14.27	19.1%
EPS - pre NRI	\$ cents	8.29 <sup>2</sup>	9.77	11.30	12.72	14.27	14.6%
EPS - pre IA & NRI	\$ cents	8.29 <sup>2</sup>	10.17	11.67	13.10	14.69	15.4%
Dividend per share	\$ cents	5.50	7.00	9.00	10.00	11.00	18.9%
Payout ratio (on EPS - reported)	%	77%	79%	80%	95%	77%	
Payout ratio (on EPS - pre IA & NRI)	%	66%	69%	77%	76%	75%	
Cash Realisation Ratio	%	127%	52%	101%	91%	164%	
Interest Cover	times	7.04	4.98	6.36	5.23	6.49	

### NOTES:

1. Definitions and explanations provided in Directory of Terms (slides 43 - 45)
2. 1H 06 EPS - pre NRI and EPS - pre IA & NRI calculated on weighted average shares adjusted for executive long term incentives of 675.5m (unadjusted = 429.4m)

# TREND METRICS

## - FINANCIAL (FULL YEAR)

2010



FULL YEAR		FY 2006 Apr 06	FY 2007 Apr 07	FY 2008 Apr 08	FY 2009 Apr 09	CAGR
Return on Capital Employed	%	12.5%	17.2%	17.7%	19.6%	
Return on Equity	%	11.9%	15.0%	15.6%	17.2%	
Gearing	%	42.3%	34.4%	33.2%	33.5%	
Debt / EBITDA (pre NRI)	times	2.73	1.72	1.64	1.46	

# TREND METRICS

## - OPERATIONAL



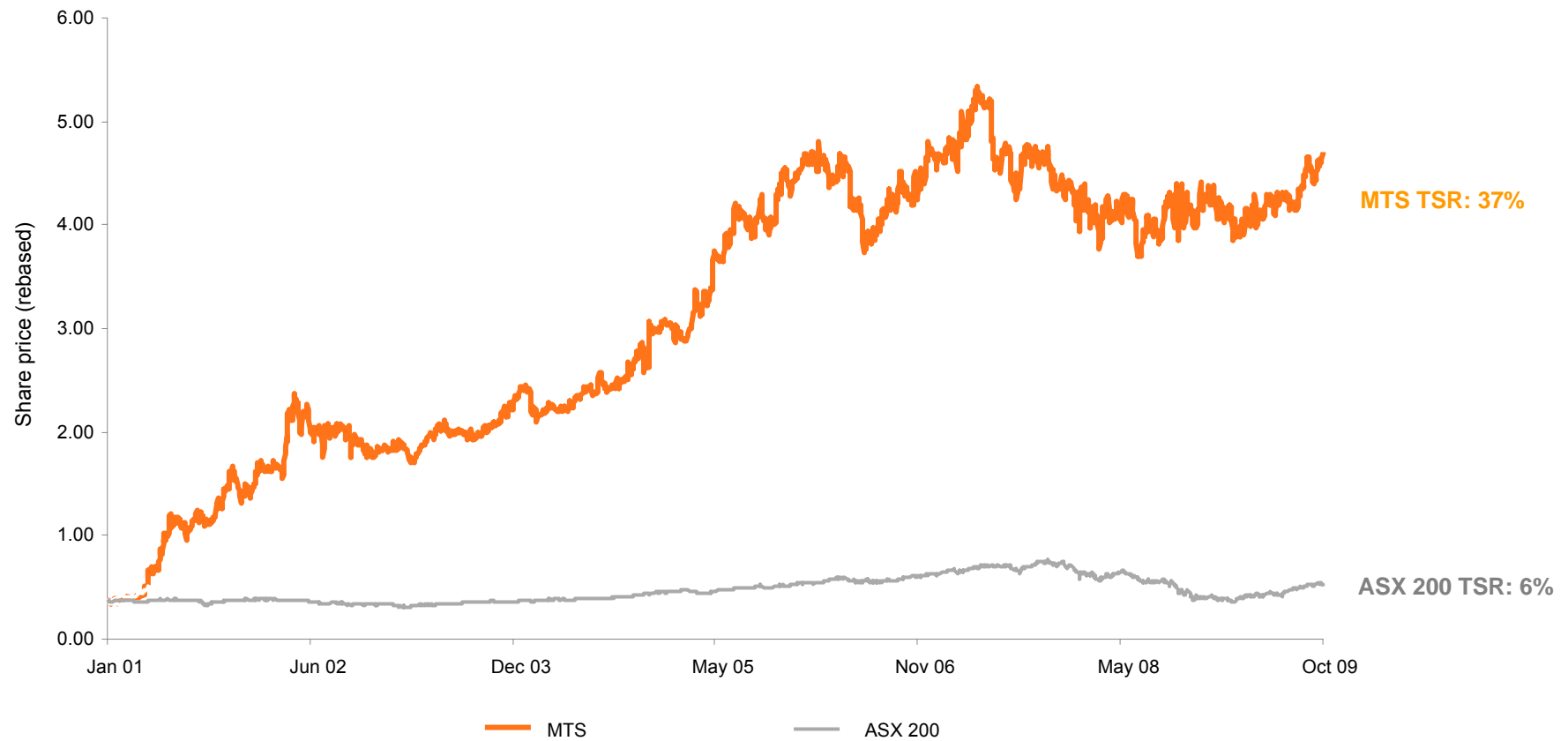
Branded Stores (IGA + Friendly Grocer + Eziway)	Stores Oct 07	Stores Apr 08	Stores Oct 08	Stores Apr 09	Stores Oct 09
Supa IGA	416	418	425	430	440
IGA	719	717	720	717	720
Xpress	249	153	129	131	140
<b>IGA branded stores</b>	<b>1,384</b>	<b>1,288</b>	<b>1,274</b>	<b>1,278</b>	<b>1,300</b>
Friendly Grocer / Eziway		298	323	351	339
<b>Total Stores</b>		<b>1,586</b>	<b>1,597</b>	<b>1,629</b>	<b>1,639</b>

**Note:** Metcash also services over 700 Foodworks stores and a number of non-bannered independents.

Total number of stores serviced is approximately 2,500.

Friendly Grocers were previously bannered Friendly Grocer IGA. Eziway was part of the FAL acquisition and has been maintained in WA. Eziway exists only in WA.

## TSR under current management vs market



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

# DIRECTORY OF TERMS

2010



**ALM** - Australian Liquor Marketers is Australia and New Zealand's leading broad range liquor wholesaler. ALM operates from 18 distribution locations across the country. Larger 'off-premise' customers are supplied through the main distribution system; a specialist 'on-premise' distribution arm, Harbottle On-Premise (HOP) supplies pubs, clubs and restaurants. ALM also provides marketing support and a range of services to assist their customers grow their business.

**Bottle O** - Retail liquor brand developed by Independent Brands of Australia (IBA)

**'Catering Connection'** - A dedicated, high profile in-store area focussed on food service for larger scale supplies to customers such as restaurants (CW)

**CCC** - Campbells Cash & Carry (a division of CW) is a bulk retail outlet format serving major metropolitan markets. CCC caters to a high proportion of small business customers providing a wide range of products (groceries, liquor, confectionery, and foodservice lines) and strong promotions.

**Cellarbrations** - Retail liquor brand (part of IBA/ALM) with bold visual identity as a genuine alternative to chains

**Coast & Country** - Specialist confectionery wholesaler attached to a CWD

**CODB** - Cost of doing business

**CSD** - C-Store Distribution (a division of CW) focuses on the convenience sector, servicing customers that cannot be economically serviced through a full case grocery distribution centre. CSD has 4 distribution centres complemented by 4 specialist confectionery wholesalers nationally.

**CW** - Campbells Wholesale is Metcash's retail services pillar with four divisions: CCC, CSD, CWD and Foodlink. Foodlink is based in QLD and WA. The other divisions are based in a number of states.

**CWD** - Campbells Wholesale Distribution (a division of CW) provides specialist distribution services to regional Australia, delivering a wide range of products to large geographical areas. CWD services route, petrol and convenience, hospitality, and foodservice channels of trade.

**Eziway** - Small format branded grocery stores which exist solely in WA. The brand was acquired as part of the 2005 FAL acquisition.

## Financial Metrics Definitions

- **CAGR** - Compound Annual Growth Rate over 4 years (FY06 to FY10)
- **Cash realisation ratio** - Net operating cash flow (not adjusted for non-recurring items) / [Profit after tax pre non recurring items + Depreciation + Amortisation (tax effected) ]
- **Gearing** - Debt / [Debt + Shareholders equity]
- **Interest cover** - EBITDA / Interest Expense
- **Return on Capital Employed** - EBIT / [Average Shareholders Equity + Average Debt]
- **Return on Equity** - Profit after tax (pre NRI) / Shareholders equity (closing)

**Foodlink** - Food service division of CW based in WA and QLD

**Friendly Grocer stores** - Small format stores existing across the Eastern seaboard

**IBA** - Independent Brands Australia. Allied to the resources of ALM, and backed by the IGA>D, IBA aims to develop strong national brands to meet retailer and consumer needs.

**IG** - Independent Grocers - trading name of some CWD operations

**IGA>D** - Grocery wholesaler serving ~ 2,500 independent retail grocery stores (including IGA branded stores) across Australia. IGA>D operates 6 major distribution centres, carrying dry, chilled and frozen grocery products. IGA>D supports independent retailers with a comprehensive range of services including: 24 hour retail system, in-store training, retail development and store equipment service to assist in expanding, refurbishing or building new sites.

**IGA Fresh** - A sub-division of IGA>D focusing on fresh food (fruit, vegetables, meat, deli and bakery) supply to independent retailers.

**Intangible Amortisation (IA)** – Amortised costs of customer relationships, calculated on a straight line basis over 25 years



**Moving Average Total (MAT)** - A 12 month running average measure of market share

**Non-recurring items (NRI)** - Items not expected to recur in the ordinary course of business in subsequent trading periods

**Normalised** - Adjusts for non-recurring items

**PATBDA** - Profit after tax before depreciation and amortisation = proxy for real cash generation by business in financial period

**PCP** - Prior corresponding period

**Restructure costs** - Relate to costs booked in the first half of 2007 re FAL integration and are non-recurring (\$9.8m pre tax; \$7m post tax)

**SBP** - Share based payments - expenses associated with the Metcash employee share option scheme

**'Sweet Spot'** - A dedicated, high profile in-store area focussed on confectionery and snacks (CW)

**Teamwork** - Percentage of a retailer's total store purchases made through IGA>D

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