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3 September 2009

Media Release

METCASH AND FOODWORKS REACH AGREEMENT ON SUPPLIES FOR COLES SUPERMARKETS

Australia's largest independent grocery wholesaler and distributor, Metcash Ltd, today announced that it has reached agreement for the supply of grocery and liquor products to the 45 supermarkets (and 8 aligned liquor stores) that Foodworks will acquire from Coles.

It is anticipated that the first store will transition to supply from Metcash in the next month with the last transferring by the end of April 2010. The supply agreement will be for an initial period of 10 years and will incorporate supply of the fresh categories.

At the wholesale level it is expected that the new Foodworks stores will add an additional \$250 million of sales to Metcash in the first full year of operation.

Metcash will also continue to provide its high level of service to the more than 700 Foodworks-aligned customers under the terms of its existing contracted supply arrangements which have been extended until 2019.

Chief Executive of Metcash, Mr Andrew Reitzer, said "We are delighted to have reached agreement with Foodworks and look forward to a mutually prosperous expansion of our relationship.

"The Foodworks' brand is well recognised in the market place and espouses common themes to those championed by Metcash; namely, tailoring independent stores to suit their local customer base and the communities in which they operate. While the volume is obviously crucial to supporting Metcash's negotiating power on behalf of all its independent retail customers, having such an important customer as Foodworks aligned to achieve similar goals in servicing consumers' needs is critical", he added.

Metcash's grocery distribution business IGA>D has helped the Foodworks' stores increase their sales from \$450 million to \$1.75 billion over the last seven years. This growth has been achieved through Metcash providing:

- access to Metcash's Black & Gold generic products, as well as Metcash's newly introduced and fast growing Fresh range of products.
- use of its national network of wholesale distribution outlets, facilitating the expansion of Foodworks to a National Retail Chain.
- competitive wholesale prices.
- access to Metcash's sophisticated IT systems.
- attractive trading terms that can not be matched by any other wholesaler.

Mr Reitzer concluded by saying “Metcash continues to be focused on supporting independent retailers compete effectively against the national chains and these additional Foodworks stores will assist in further building the independent sector as a viable third force in grocery retailing in Australia”.

Issued by:

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