



METCASH TRADING LIMITED
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6th December 2004

Company Announcements Officer
Australian Stock Exchange Limited
Level 10
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Metcash Trading Limited

Attached is an announcement concerning an off market takeover offer for Foodland Associated Limited and a Capital Reorganisation which will result in the acquisition of the issued share capital of Metcash's 60% majority shareholder, Metoz Holdings Limited.

Yours faithfully

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

John Randall
Company Secretary



(ABN 61 000 031 569)

06 December 2004

Metcash announces Takeover Offer for Foodland and Capital Reorganisation

Metcash Trading Ltd ("**Metcash**" or the "**Company**") (ASX:MTT) announced today that it intends to make an off-market takeover offer ("**the Offer**") to acquire the entire issued share capital of Foodland Associated Ltd ("**Foodland**") (ASX:FOA).

Under the Offer, Foodland shareholders will retain ownership of Foodland's New Zealand business ("**Foodland New Zealand**"), whilst Metcash will acquire Foodland's Australian business ("**Foodland Australia**"). The Offer values Foodland Australia at A\$846m or A\$7.18 per Foodland share, representing an implied premium of 39%¹ to the estimated value of Foodland Australia.

Metcash also announced today a Capital Reorganisation which will result in the acquisition of the entire issued share capital of Metcash's 60% majority shareholder, Metoz Holdings Limited² ("**Metoz**") ("**Capital Reorganisation**").

Under the Capital Reorganisation, Metcash will pay cash consideration of A\$2.92 for each Metcash share held by Metoz (includes assumed Metoz subsidiary net debt of approximately A\$0.12 per Metcash share). Metoz shareholders will carry full exchange rate risk prior to Completion.

The Offer and the Capital Reorganisation (collectively "The Proposal") are not inter-conditional.

¹ Refer to Annex B for calculation.

² Metoz (JSE: MOZ) is a holding company listed on the Johannesburg Stock Exchange in South Africa.

A value creating transaction

Mr Andrew Reitzer, Chief Executive Officer of Metcash, said:

“The Takeover Offer for Foodland and the Capital Reorganisation represents a win-win outcome for both Foodland and Metcash shareholders. This is a transaction where both sets of shareholders can participate in significant value creation.”

“The Foodland Australia business will benefit from both the highly experienced and successful Metcash management team as well as the proven IGA business model. Foodland shareholders will receive an attractive price for the underperforming Australian operations and under the share alternative the opportunity to participate in the value created by the acquisition. In addition, they will retain the high quality New Zealand business that will now represent a very attractive pure play food retail investment that has a leading market position.”

“Metcash shareholders will also participate in significant benefits including: cementing our position as the clear number three player in the market; completing the national roll-out of IGA; the realisation of synergies in terms of margins and costs and the creation of a more attractive investment proposition through increased scale, liquidity and a broader investor base.”

“Overall, the benefits to Foodland and Metcash shareholders will be substantial.”

Benefits to Foodland Shareholders

Metcash considers the Offer to be a highly attractive opportunity for Foodland shareholders, offering the following benefits:

- a premium of 39% to the estimated value of Foodland Australia³;
- a highly experienced and successful management team (Metcash shares have outperformed Foodland shares by 16%⁴ over the past 12 months);
- access to a proven and consistent business model and growth strategy;
- participation in the expected Metcash share price re-rating and earnings uplift; and
- the unlocking of value of Foodland New Zealand by providing investors with a pure play New Zealand food retail investment with a leading market position.

³ Implied from the closing Foodland 1 month Volume Weighted Average Price of \$19.21 to 3 December 2004 and the estimated value of Foodland New Zealand (refer Annex B)

⁴ Calculated based on the share price returns over the 12 months to 3 December 2004.

Benefits to Metcash Shareholders

The Proposal also provides highly attractive benefits to Metcash shareholders:

- significant EPS accretion of 20% in the first full year following The Proposal⁵;
- unique synergies;
- increased scale through a complementary acquisition in Metcash's core business;
- strengthens Metcash's market position through the creation of a national network of Independent retailers;
- significantly improved liquidity from increasing the free float (40% to 100%);
- improved breadth and depth of equity investor base;
- optimises Metcash's capital structure;
- returns Metcash to Australian ownership; and
- expected entry into the ASX 100.

Terms of the Transaction

Under the Foodland Offer, Metcash is proposing that Foodland shareholders will receive:

- 2.44⁶ Metcash Australian preference shares ("**A Shares**") or A\$7.18 cash (to represent the same value and economic entitlement as Metcash ordinary shares); and
- one Metcash New Zealand preference share ("**NZ Shares**") per Foodland share (to represent the value of and economic entitlement to Foodland New Zealand, intended to be retained by Foodland shareholders).

Following the successful completion of the Offer and compulsory acquisition, the NZ Shares will convert into ordinary shares in Foodland New Zealand and the company will be separately listed on the ASX. This conversion will be subject to shareholder approvals at that time.

⁵ Represents year ending 30 April 2006. EPS defined as pre goodwill amortisation, amortisation of financing costs and post segregation of retail stores. Assumes 100% cash takeup.

⁶ Exchange ratio is determined using Metcash price of A\$2.94 as at 3 December 2004. In the event Metcash proceeds with a rights issue prior to the close of the Offer this figure will need to be adjusted accordingly.

Under the Capital Reorganisation, a new holding company, Newco, will be put in place whereby:

- all of the shares in Metoz will be purchased for a cash consideration of A\$2.92 for each Metcash share held by Metoz (includes assumed Metoz subsidiary net debt of approximately A\$0.12 per Metcash share); and
- shareholders in Metcash will receive 1 Newco ordinary share for each Metcash share held.

At the completion of the Capital Reorganisation, Newco will be renamed Metcash.

The Capital Reorganisation will be implemented by way of two Schemes of Arrangement:

- a Metoz Scheme of Arrangement in South Africa ("**Metoz Scheme**"); and
- a Metcash Scheme of Arrangement in Australia ("**Metcash Scheme**" or collectively "**the Schemes**").

Assuming the Schemes are approved, Metcash shareholders will become shareholders of Newco, a company to be listed on the ASX, which will own 100% of the ordinary shares in Metcash⁷.

On 3 December 2004, the two largest Metoz shareholders: RMB Asset Management (Pty) Limited, and STANLIB Asset Management Limited, who collectively control, as asset managers on behalf of their clients, 47% of the issued ordinary shares in Metoz have separately provided binding undertakings to Newco to vote in favour of the Metoz scheme and all such shareholders' resolutions of Metoz as may be necessary to implement The Proposal. This undertaking will fall away on receipt by Metoz or all its shareholders of a materially superior offer, which offer needs to be unconditional as to funding, and needs to be certified by an independent financial adviser appointed by Metoz as having a better than even prospect of becoming unconditional in every respect by the first closing date of such offer.

⁷ After the Foodland Offer has closed and Metcash has completed compulsory acquisition, if the Schemes are approved, the A shares will convert into ordinary shares of Newco. If the Schemes are not approved, on the closing of the Foodland Offer and compulsory acquisition, the A shares will convert into ordinary shares of Metcash.

Transaction Funding

Metcash has a funding plan in place for the transaction. As part of the funding for the Offer, Metcash has today launched an underwritten equity placement of 90 million shares at a minimum price of A\$2.60 per share. A Share Purchase Plan will also be offered to Retail shareholders on the same terms as the placement.

Documentation

Circulars to Metcash shareholders outlining, amongst other things, the required resolutions associated with The Proposal and the Bidder's Statement, to be despatched to Foodland shareholders, are currently being prepared. Full particulars of The Proposal will be provided to shareholders in the coming weeks.

An Independent Expert's Report will be included in the Metcash Scheme and the Foodland Offer documentation.

The Proposal will be subject to a number of conditions, a summary of which is set out in Annex A.

Foodland Approach

Over the course of the last 2 years the Metcash Board and management have been reviewing a number of strategic growth options, both domestically and in line with the Company's previously announced desire for a fourth business pillar. Consistent with this, one of the initiatives actively reviewed over the last 12 months has been the acquisition of Foodland's Australian assets.

Metcash is aware that Foodland has previously approached certain Metoz shareholders with a highly conditional and incomplete proposal that could have led to a conditional off-market offer to acquire Metcash for A\$3.30 cash per share.

Although Foodland did not directly approach Metcash, the Board of Metcash carefully considered the highly conditional and incomplete proposal which included, amongst many other conditions, a request for due diligence. The Metcash Board, in conjunction with its advisers, assessed the highly conditional and incomplete proposal on the basis of price and conditionality against its completion prospects and value, relative to other options available to Metcash shareholders. The Metcash Board concluded that the Foodland proposal was incomplete, highly conditional and less attractive than other options including The Proposal, and therefore, that providing a major

competitor with commercially sensitive information would be potentially damaging to the Company, particularly in the event Foodland did not proceed to make any offer or, if made, the offer did not succeed.

Concluding Remarks

Mr Reitzer said that: “the size and benefits of this Proposal will launch the Company into the next phase of its life cycle and offers a unique opportunity for our shareholders, employees, suppliers and customers.”

ENDS

All enquires should be directed to:

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Financial advisers

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Momentum Corporate

Legal advisers

Freehills - Australia

Webber Wentzel Bowens – South Africa

Lead Manager and Underwriter of Equity Placement

Deutsche Bank AG

Annex A: Summary of Offer and Capital Reorganisation Conditions

Offer

- (a) FIRB, ACCC and all other regulatory and shareholder approvals being obtained on an unconditional basis.
- (b) No decision, order, action, investigation or application of any government or judicial body restraining or impeding the Offer or transactions contemplated by the Offer.
- (c) Shareholder approvals being obtained under ASX listing rules 7.1 and 7.4, ASX approving the quotation of the A Shares and NZ Shares, ASIC providing the appropriate modifications of the Corporations Act (for which applications will be made) and shareholder approvals being obtained for the amendments to Metcash's constitutions required to allow the Offer.
- (d) No action by any party to an agreement or instrument to which Foodland, any Foodland associate or any entity controlled by Foodland or any Foodland associate ("**Foodland Group**") is party which could result, to a material extent in the context of the Foodland Group as a whole, in moneys becoming repayable early, termination of or action under such agreement or instrument, termination or modification of an interest in any investment, or an adverse effect on the business of Foodland or its subsidiaries.
- (e) Foodland Group, does not acquire or offer or agree to acquire, directly or indirectly, any interest in more than 5% of the ordinary shares in Metcash or Metoz.
- (f) No event that could have a material adverse effect on the business, financial or trading position, assets or liabilities, profitability or prospects of Foodland Australia, taken as a whole, since 1 August 2004, other than in the ordinary course of its business and, for these purposes, a diminution in the value of Foodland Australia of A\$80,000,000 will be material.
- (g) Foodland and its subsidiaries: not acquiring or disposing of any company, business or asset for greater than, in aggregate, A\$20,000,000; not entering, varying or terminating any joint venture or other arrangement involving a commitment of the Foodland Group greater than, in aggregate, A\$20,000,000; not entering, varying or terminating a material contract (including a contract the termination of which is likely to adversely affect Foodland Group earnings before interest and tax by more than, in aggregate, A\$10,000,000 per annum); not incurring or committing to capital expenditure greater than, in aggregate, A\$20,000,000 unless announced to the ASX prior to 6 December 2004; not releasing or discharging any substantial obligation owed to it; not entering or varying a contract of service with any director or officer, paying any retirement benefit to any director or officer, or making a substantial change to the remuneration of any

director, officer or employee; and carrying on the business of the Foodland Group in the ordinary course of ordinary business.

- (h) Obtaining the waiver or consent of parties to material contracts (including contracts the termination of which is likely to adversely affect the revenues or costs of the Foodland Group by more than A\$20,000,000 per annum) which could be terminated or varied as a result of Metcash acquiring a relevant interest in any shares in Foodland.
- (i) The S&P ASX 200 Index not falling below 3,300 on any ASX trading day.
- (j) No prescribed occurrences (listed in section 652C of the Corporations Act) happening.
- (k) Each of the preconditions to the availability of the cash facilities is and remains satisfied and there is no default or potential default under them.
- (l) The equity placement proposed for 6 December 2004 raises a minimum of A\$234,000,000.
- (m) By the end of the offer period, Metcash and its associates have relevant interests in at least 90% of the shares in Foodland.

Metcash scheme

- (a) Metcash members and option holders approving the scheme by the requisite majorities.
- (b) The South African scheme of arrangement becoming effective.
- (c) The approval of the members of Metcash by the requisite majorities in respect of financial assistance, related party transactions, Listing Rule 10 and the appointment of directors to Newco.
- (d) ASX approvals (including conditional admission of Newco to the official list), ASIC modifications, ACCC and all other regulatory approvals being obtained on an unconditional basis.
- (e) No decision, order, action, investigation or application of any government or judicial body restraining or impeding the scheme of arrangement.
- (f) A majority of the directors of Metcash recommending and not changing their recommendation to members to vote in favour of the Australian scheme of arrangement.
- (g) No material adverse change occurring in relation to Metcash or Newco.
- (h) The approval of the scheme by an Australian court of competent jurisdiction.

- (i) ASX approving the admission of Newco to, and quotation of the securities of Newco on, the official list of ASX.

Metoz scheme

- (a) The approval of the Metoz Scheme by a majority representing not less than 75% of the votes exercisable by scheme members present and voting at the scheme meeting, either in person or by proxy, and the sanctioning thereof by the High Court;
- (b) The registration by the Registrar of Companies of a certified copy of the Order of Court sanctioning the Metoz Scheme, in terms of the Act;
- (c) The obtaining of all regulatory approvals that may be necessary for the implementation of the Metoz Scheme, either unconditionally or subject to such conditions as are acceptable to Newco and Metoz;
- (d) No material adverse change having arisen in relation to Metoz, by no later than the business day prior to the date of the sanction of the scheme; and
- (e) The Metcash Australia Scheme becoming effective.

Annex B: Premium Calculation

Premium to implied Foodland Australia value

	A\$ million (unless stated otherwise)	Equity Value Per Share (A\$)
Foodland share price (1 month VWAP to 3 Dec 2004)	A\$19.21 per share	A\$19.21
Shares outstanding in Foodland	117.8m	-
Foodland equity value	2,263	-
Plus: net debt 2004	230 ⁽¹⁾	-
Foodland Enterprise Value	2,493	-
Less: Enterprise value of Foodland New Zealand	(1,883) ⁽²⁾	(14.03) ⁽³⁾
Implied Enterprise value of Foodland Australia	610	5.18
Offer price for Foodland Australia	846	7.18
Premium to implied Foodland Australia Value	39%	39%

1. Foodland reported net debt as at 3 August 2004 of A\$366m less proceeds from sale of New Zealand property of A\$136m
2. Consensus broker forecasts for Foodland New Zealand EBITA 2005E plus estimated New Zealand property EBITA less estimated share of corporate costs allocated to New Zealand equals EBITA of A\$169m. Estimated 2005E EBITA multiple for Foodland New Zealand of ~11.2x
3. Assumes all debt of Foodland remains with Foodland New Zealand. Enterprise Value per share A\$15.98 less net debt per share of \$1.95