



29 June 2009

Potential Purchase of 45 Coles supermarkets

Attached is a media release from Australian United Retailers Ltd announcing the potential purchase of 45 Coles stores.

FoodWorks share ownership is restricted to our members and their associated entities and is not open to the general market.

Australian United Retailers Limited

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June 29th, 2009

FOODWORKS ENTERS INTO CONTRACT FOR PURCHASE OF 45 COLES STORES

FoodWorks CEO Peter Noble today announced FoodWorks' intention to purchase 45 Coles stores, eight with adjoining liquor outlets.

According to Mr Noble, this development would deliver the most significant growth in the company since its 2007 internal capital raising.

"This acquisition, valued at around \$35 million, would significantly contribute to achieving our growth strategies. Our focus over the last two years has been on new store development. These stores have a significant industry footprint and will allow the company to quickly and cost effectively develop our ongoing Australian growth strategy," he said.

According to Mr Noble, the deal will benefit all stakeholders including the local communities serviced by these stores and FoodWorks shareholders, and will provide ongoing employment for existing store staff.

"This development is good for FoodWorks and its current shareholders and will also be good for customers and current store staff," he said.

"We are very excited about the opportunity to purchase these stores and work with their existing staff and the local communities to improve and develop them. While the stores are not suited to the future Coles model they are perfectly suited to our business model," Mr Noble said.

"We believe store staff will embrace our vibrant, modern FoodWorks brand," he said.

"We anticipate that the existing store staff will transition over with the stores on their current terms and conditions and we are looking forward to welcoming them into the FoodWorks family."

"The stores included in the sale, which are in various locations throughout South Australia, Victoria, New South Wales and Queensland, are ideal in size and location to help accelerate FoodWorks' growth strategy."

"We decided to pursue the purchase of these stores as we believe that they have great potential to develop and generate excellent returns for our shareholders. Our business model and ownership structure is unique in the supermarket industry in Australia. We are Australian owned and operated and our shareholder base is restricted to our retail store owners and their related parties. Our retailers are at the centre of small and medium business in Australia," Mr Noble said.

Mr Noble said that one of the key factors in the success of the integration will be tailoring the stores to suit their local customer base.

"Each of our new company owned stores will, like our existing stores, be individually tailored to the local community it operates in," Mr Noble said.

The FoodWorks retail model allows the company to focus its attention on its customers and stores.

“As we outsource our supply chain and logistics to external providers, we have the flexibility to tailor the offering of our retailers’ stores to suit their local communities while still maintaining a profitable business. It means the shoppers who shop in these 45 stores and our other 403 branded stores can enjoy benefits of a large retailing brand and those of a dedicated local store that puts their unique needs first and foremost every single day,” he said.

FoodWorks’ model offers shoppers a fresh, vibrant store fit out, a product range tailored to the needs of the local community, great value and outstanding, personalised, service.

“We are committed to ensuring that these stores provide the right mix of products for their local communities and the value they need to help stretch their shopping dollar further. We believe getting the mix right is about making sure that in every FoodWorks store we are stocking what customers want and if we don’t have it, doing whatever we can to source it.

“We realise that there’s more to being the local grocer than just having a shop in an area. We are looking forward to meeting with local customers to find out what they want from their supermarket,” Mr Noble said.

At this time a sale and purchase agreement has been signed. The agreement contains a number of conditions including ACCC approval and the approval of FoodWorks shareholders at a vote to be held at an Extraordinary General Meeting in August 2009. Subject to these approvals, the first store is expected to transition to FoodWorks in September 2009.

This acquisition is to be funded by way of vendor finance, arranged through Wesfarmers. Annual revenues from the acquired stores are expected to exceed \$450 million.

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