



10 charts that show our work to give New Zealand a fair deal



New Zealanders really care about getting a fair deal at the supermarket checkout, and a fair deal from big companies, in general.

Foodstuffs South Island (FSSI) is a co-operative of NZ-owned supermarkets who are focussed on serving their local communities. It's a responsibility we take seriously, as we have done for generations.

In 2020, the Commerce Commission was asked to carry out a market study into the grocery industry, and in 2022, the Commission published its final report. The report made a number of recommendations and resulted in legislative changes that included the passing of the Grocery Industry Competition Act, in July 2023.

FSSI welcomed the market study and the Act, and we have made a number of changes to

implement the recommendations and other regulatory requirements. That includes the way we do business, including simplifying our prices so they're easier to understand, opening our wholesale supply to other retailers, and working hard to limit price rises due to inflation.

We've also supported and adopted the Grocery Supply Code, which gives clarity to the rules of engagement with our suppliers.

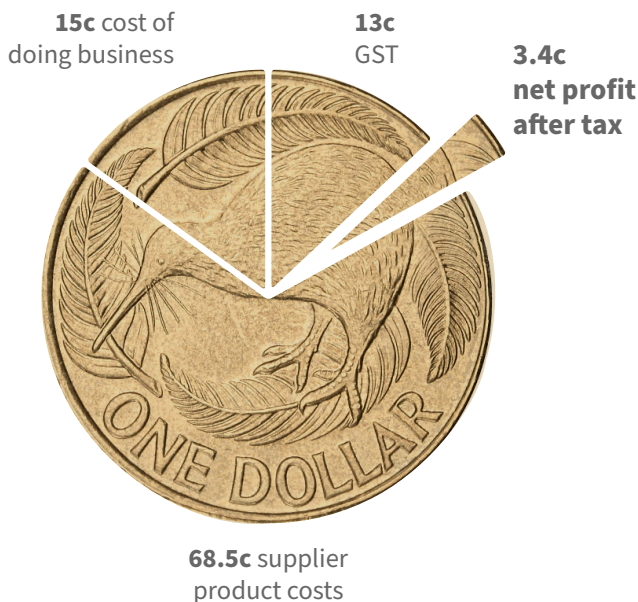
Through the challenges New Zealand's experienced in recent years, we've kept delivering value at the checkout and meaningful work for our team, and continued to invest in and support our local communities.

We're happy to share the facts on all that. Below are 10 charts that show our work to give New Zealand a fair deal.

1 Profit is a small part of our retail shelf prices

Breakdown of the price on shelf

Percentages based on the average over 5 years for Foodstuffs South Island Whole of Business FY19–FY23



Over the past five years, Foodstuffs South Island's net profit after tax of the shelf-price of goods sold has averaged less than four cents per dollar.

Around two-thirds of the shelf price covers the cost of buying the product from the supplier.

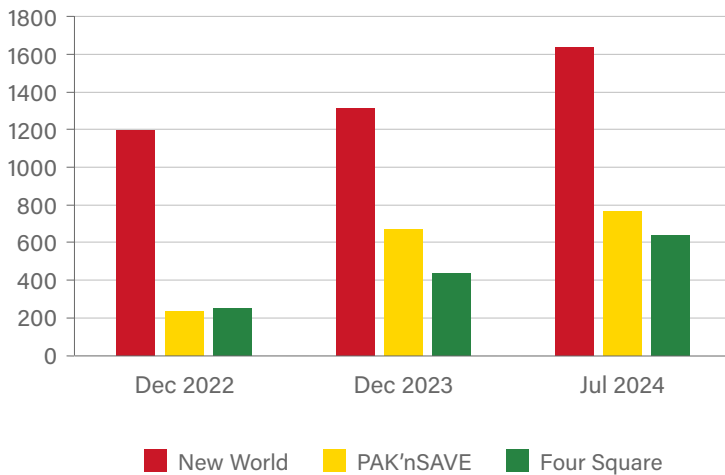
About 15 cents pays for FSSI's cost of doing business – which includes investing in our stores to ensure a good customer experience, paying wages to our 14,000+ team members, running our supply chain network, paying interest on our borrowings, and paying taxes – and 13 cents is GST.

We believe four cents per dollar is a fair and reasonable profit, and because our stores are 100% NZ-owned, those profits are returned to New Zealanders.

2 More of our prices are staying low for longer

EDLP items per banner 2022-24

Number of separate items with Everyday Low Pricing per banner in the final week of the stated month



Everyday Low Pricing (EDLP) is a grocery industry term for having consistently low prices instead of offering short-term discounts or promotional pricing.

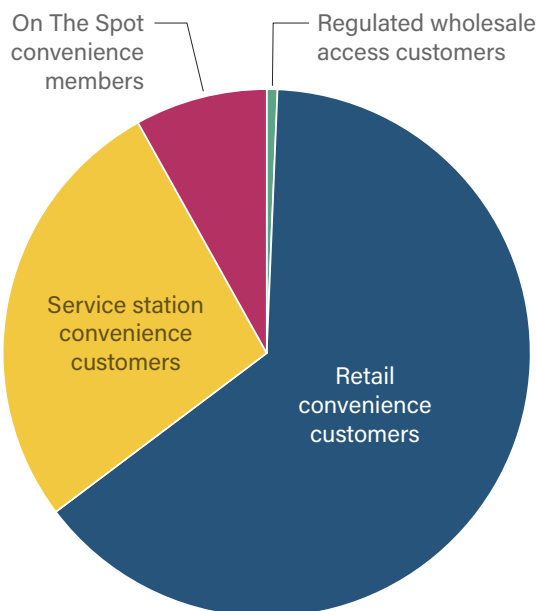
EDLP allows us to deliver better value on the products that matter most to customers, and as part of our response to inflation.

The chart to the left shows the number of products with EDLP in the final week of the stated month over the past three years.

FSSI has been increasing the number of items with EDLP over the last three years, as one of the ways we're helping to make it easy for customers to get the lowest prices on the products they want.

3 We're supporting competitor retailers

Other retailers purchasing wholesale groceries from Foodstuffs South Island



Under the Grocery Industry Competition Act (GICA), we're required to offer wholesale supply of groceries to retailers, to make it easier for them to enter the market and/or grow, by letting them benefit from our efficiency and distribution capabilities.

There are multiple ways in which we support small retailers, from our On The Spot convenience banner of 74 stores, through to our Trents business which supports foodservice and a range of small businesses including dairies and convenience stores.

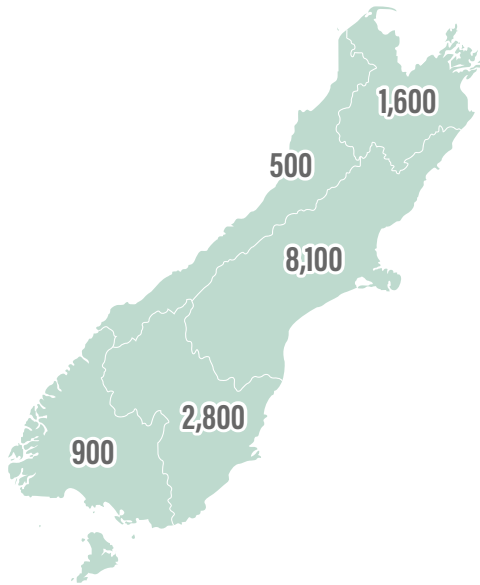
We're supportive of increasing competition but note that a regulated wholesale market wasn't a recommendation in the Commerce Commission's market study report, and believe a cost-benefit analysis and wider review of regulatory barriers for third party competitors is needed.

4

We're a major jobs provider in the South Island

FSSI jobs per region 2024

Approx team members in stores, support centres, supply chain



Foodstuffs South Island employs around 14,000 people across our 200 stores, in our support centres, and throughout our supply chain.

Few other businesses employ so many South Islanders, and so widely across the regions.

Those figures exclude all the indirect jobs generated too, like supplier businesses and tradespeople.

Our stores are also one of the biggest providers of apprenticeships in the entire South Island, training 181 new butchers and bakers in FY24, giving them lifelong skills and career prospects.

5

We're supporting families in communities

FSSI grocery donation partnerships July 2024

In addition to individual store donations to their local foodbanks, too numerous to show on this chart



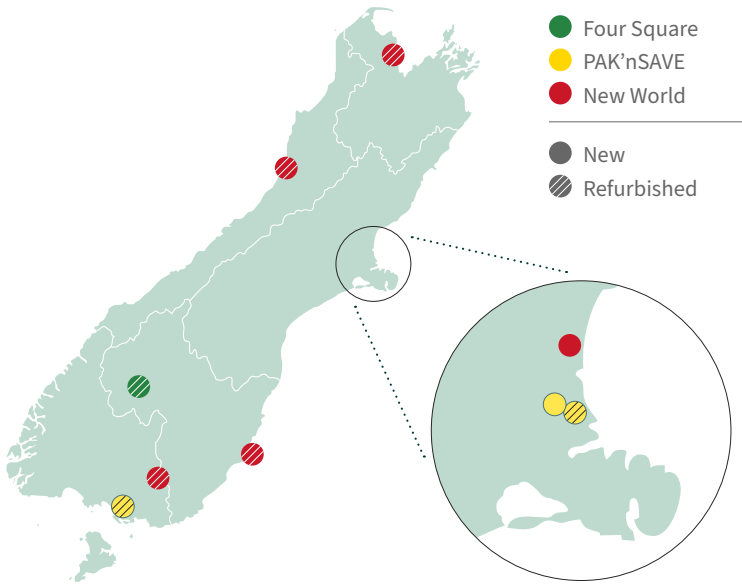
Foodstuffs South Island stores actively support their local communities, with donations of over \$2m per year to community groups throughout the South Island. This includes donations to local food banks, both through the Foodstuffs Community Trust and directly by individual stores.

In addition to donations, our stores also partner with local food rescue organisations. At last count, 94% of New World and PAK'nSAVE stores in the South Island have partnerships with their local food rescue organisation – up from 69% in 2023. All our Distribution Centres have partnerships with the New Zealand Food Network and Kiwi Harvest, resulting in over 90 tonnes of food being shared.

6

We're constantly reinvesting in stores and e-commerce

FSSI new and refurbished stores 2021-24



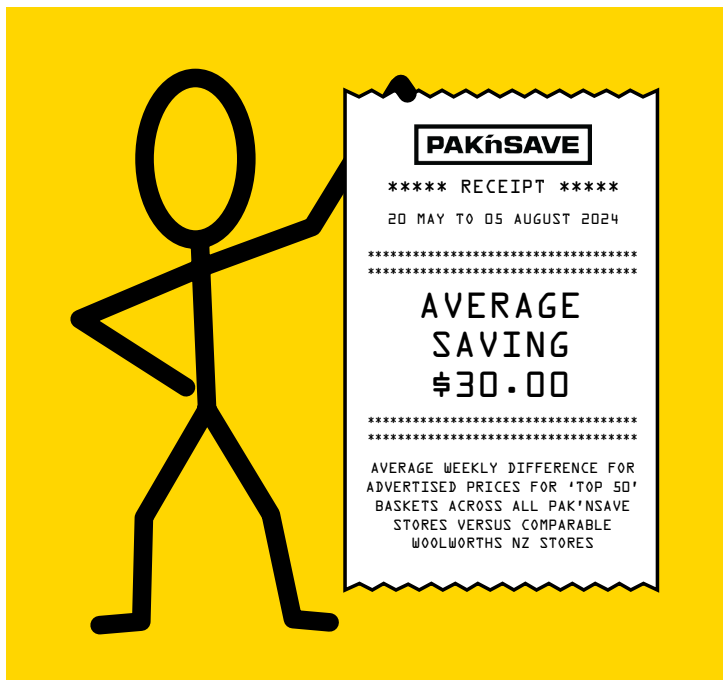
Since 2021, FSSI has invested more than \$140 million in new stores and store upgrades, so our local communities can have world class shopping experiences. Those stores also create local jobs and support local producers.

We've also invested heavily in expanding our online shopping platform and developing better digital experiences to help customers plan and shop more easily. That includes SHOP'nGO in all PAK'nSAVE stores and many New World stores.

As we're 100% NZ-owned, our profits are returned to New Zealanders – unlike our Australasian and global competitors. Keeping profits onshore is important to support New Zealand.

7

PAK'nSAVE prices beat Woolworths NZ



The two Foodstuffs co-ops work hard to provide a low-cost grocery option for budget-conscious Kiwis. Our 58 PAK'nSAVE stores are in 31 towns and cities, serving 1.8 million customers every week throughout NZ.

PAK'nSAVE stores' advertised prices for the top 10 most frequently shopped items from five departments are regularly compared with a comparable Woolworths NZ store, and in the 12 weeks to 5 August 2024, the total price of the top 50 items at PAK'nSAVE on the day of comparison was always cheaper, with an average saving of around \$30.

PAK'nSAVE has been named 'most trusted supermarket' in Reader's Digest's Trusted Brands Awards for 13 years, and was #2 in the 2024 annual Kantar Corporate Reputation Index.

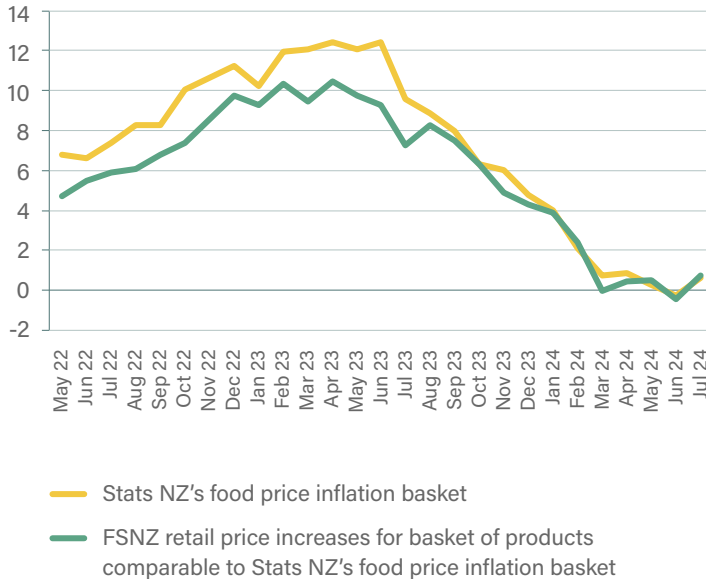
• Based on NielsenIQ Homescan Service data.
• For more information on how the comparisons are conducted see: paknsave.co.nz/pricecheck.

8

We're actively fighting food price inflation

Food price inflation vs Foodstuffs price increases

Year on year % per month May 2022 – July 2024



Like many countries, New Zealand has experienced higher than normal inflation over the past two years. In mid-2022, the two Foodstuffs co-ops started tracking the rate of food price increases at our stores in the same categories that Stats NZ monitors for food price inflation.

Since then, through the peak of the global inflation crisis, the co-ops' annual rate across our 500+ stores has been below Stats' rate for 24 out of 27 months – made possible by our efforts to get good deals on the products Kiwis want, and run our stores more efficiently.

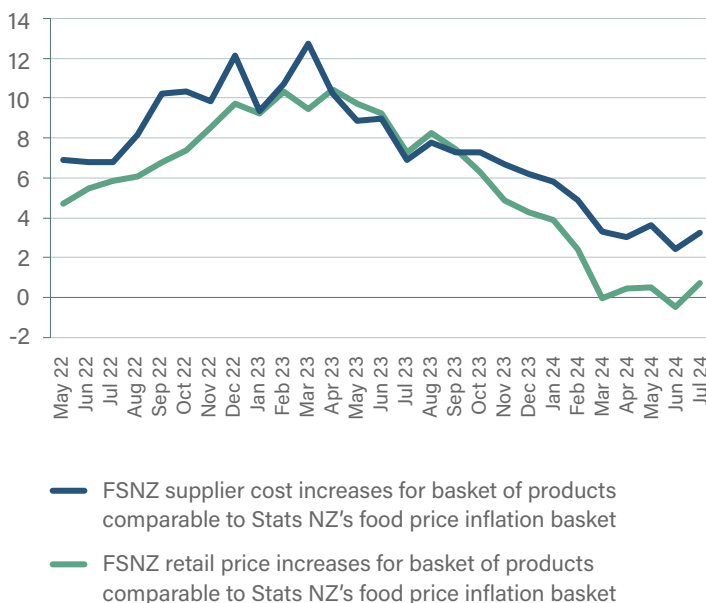
By July 2024, New Zealand's rate of food price inflation was one of the lowest in the OECD.

9

We've been absorbing product cost increases

Foodstuffs price increases vs. supplier cost rises

Year on year % per month May 2022 – July 2024



In the two years the Foodstuffs co-ops have been comparing their retail price increases against Stats NZ's rate, they've also been monitoring the rate of supplier cost increases – how much more suppliers are charging for the co-ops' basket.

Reporting on this is part of our commitment to be transparent about cost pressures – and a global first in the grocery industry.

Since May 2022, the annual rate of price increases across the two co-ops' 500+ stores has been below the annual rate of their suppliers' cost increases for 21 out of 27 months, and we have been committed to not passing on the full cost increases to our customers.

10 Our returns are in the range of global grocers

During the market study into the grocery industry, the Commerce Commission used Return on Average Capital Employed (ROACE) as its measure of profitability.

ROACE shows the average rate (%) an organisation pays to finance its assets, calculated by averaging the rate of all its sources of capital (debt or equity).

For FSSI, it shows our returns versus the amount of capital our store Owner-Operator shareholders need to invest to keep our stores, supply chain, and systems optimised.

Our ROACE from 2020-23 was 10.3%, which is down from 11.9% in 2015-19, and below the comparator set of international grocery retailers used in the Commission’s market study.

Foodstuffs South Island’s profitability has declined since the market study. The reasons for this include increased operating costs, a decline in tourism through Covid, a strong focus on delivering best possible value for customers, and a competitive trading environment, in addition to a significant investment across the co-operative in technology and property during this period.

FSSI Whole of Business ROACE FY15 – FY23

Using Commerce Commission’s market study methodology

