The Warehouse Group Limited

Ian Morrice

Group CEO

2005 First quarter sales

- Disappointing start to FY05 – Q1 results

Brand	Total sales growth	Same store sales growth
The Warehouse NZ	+1.6%	-2.6%
Warehouse Stationery	+17.6%	+8.6%
The Warehouse Australia	Flat	-2.4%
Total Group	+1.1%	

Red Sheds – Initial observations

- Head-line sales performance of the Red Sheds has historically been strong

We face three key challenges:

- Falling sales densities have translated into same store sales pressure
- Our market share is under pressure from new entrants and established players – footprint and offer
- Our fixed and variable cost base has been increasing over the last three to four years

Red Sheds – Road-map

1. Align our offer to better reflect customer needs
   - Increase sales densities through improved category management
   - Focus on quality, as well as price
   - Make our stores easier to shop in – modernise the format
2. Leverage our strengths, building on what we are great at
   - Our powerful brand – “Where everyone gets a bargain”
   - Our scale – 85 stores nation-wide
3. Drive efficiencies
   - Better sourcing
   - Return on supply chain assets
   - Significantly reduce stock levels
   - Modernise store operations

Red Sheds – Road-map

- < 9% share of categories in which we compete
- Significant opportunity to offer customers more exciting bargains

NZ Retail	Made up of…		The Warehouse has…	But only…
Total market $53 billion	Food	23%		8.2% share of retail market we compete in
	Clothing/footwear	5%	45% share of dept. store sales	
	Department Stores	6%		
	Furniture/floorings	3%		
	Appliances	4%		
	Hardware	2%		
	Recreational Goods	4%		
	Other	10%		
	Restaurant/takeaways	6%		
	Accom., hotels & liquor	8%		
	Motor vehicle sales/serv.	29%		

- Structured category management – critical to drive up sales density

Red Sheds – Road-map

- Leverage brand strength and scale to expand existing categories and enter new categories

Our categories have been arranged into five groups:

1. Head to Toe
2. Home
3. Health and Lifestyle
4. Entertainment and Technology
5. Consumables

- Customers now aspire to have quality experience as well as a 'bargain'
- Make the desirable affordable

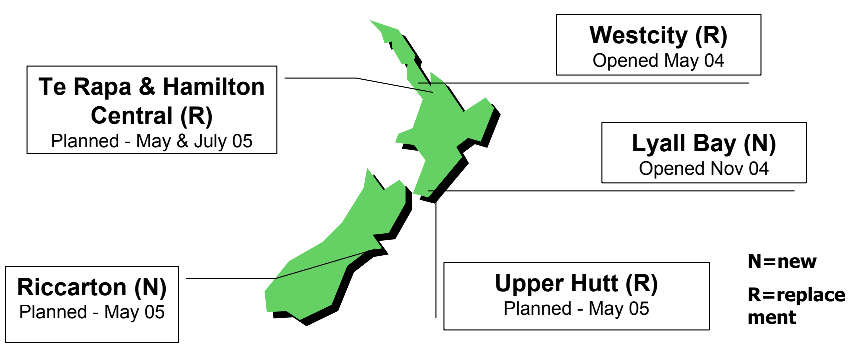
<u>Red Sheds</u> – Road-map

- Still opportunity to grow our footprint

1. In NZ our store coverage is second to none – 85 stores and 417,071 SQM

2. There is potential for a significant increase in footprint, especially in metropolitan areas

<u>Red Sheds</u> – Road-map



- Pah Road, Manukau and Silverdale sites secured for future development
- Negotiations underway to secure a presence at Sylvia Park (AKL)

<u>Blue Sheds</u> – Initial observations

- Young business, with very rapid growth

We face two key challenges:

1. The business needs more focus – e.g. category strategies and systems development
2. A period of consolidation is needed to invest in infrastructure

<u>Blue Sheds</u> – Road-map

- A multi-channel approach to servicing defined market segments

1. Develop a clear merchandise strategy to deliver a sustainable and competitive customer proposition
2. Mega-store concept is a big step forward – needs more refinement before we invest further
3. Continue to develop multi-channel and B2B retailing
4. Invest in resources and infrastructure – people, systems and supply chain

- Lower costs of doing business

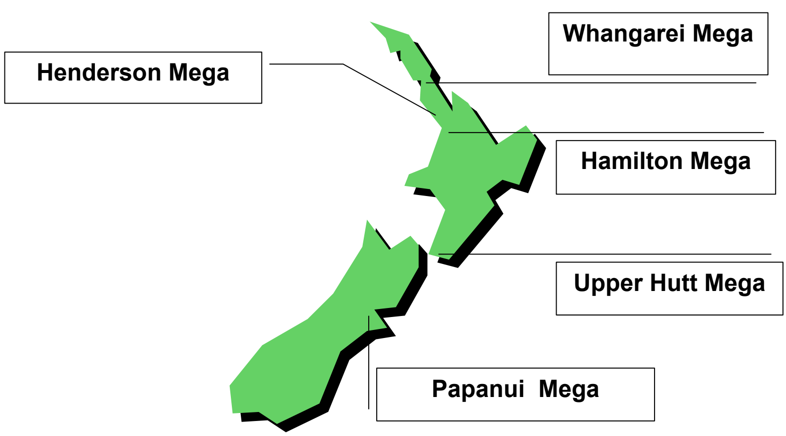
Blue Sheds – Road-map

- First mega-store opened in Whangarei, December 03 (4,330 SQM)

- Sales per capita up 82% and average sale up 22%

Blue Sheds – Road-map

- Five mega-stores operating by Christmas 2004



- Refine concept before further development

Yellow Sheds – Initial observations

- Clint's and Solly's offer and format was incompatible with TWL

1. Invested a lot of capital in this business building new format stores – 60% in the new Cat 30 format
2. Costs are under control and we are sourcing better product at better prices
3. We expect to significantly reduce operating loss of NZ$36.6 million in FY05

- There is future value being in Australia
- Despite problems experienced we can see signs of recovery

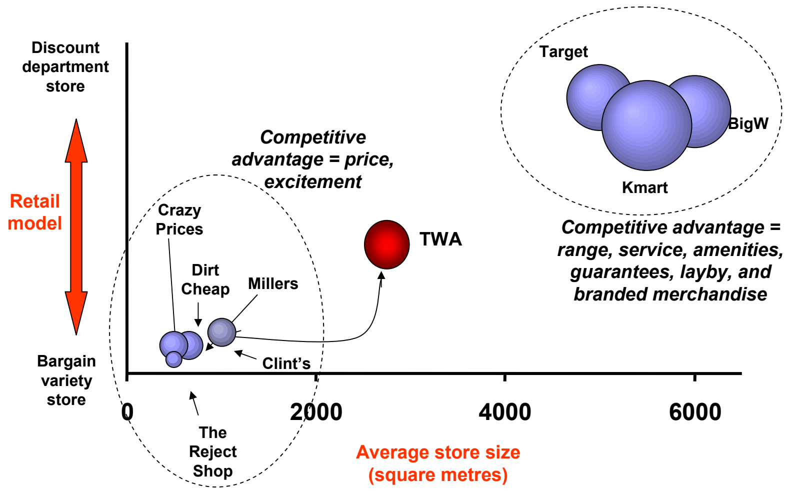
Yellow Sheds – Road-map

- First priority is to get back into the black – two years
- Strategy is straight-forward and remains unchanged for now

1. Continue development of 3,000 SQM destination retail outlets across QLD, VIC, SA and NSW
2. Progressively improve merchandise choice for customers, to lift sales density
3. Where sensible, adopt the same range (heavily house-branded) that has been successful in NZ and modify the range to suit particular characteristics of the Australian market

- Lifting customer traffic
- Execution remains the key

Yellow Sheds – Road-map



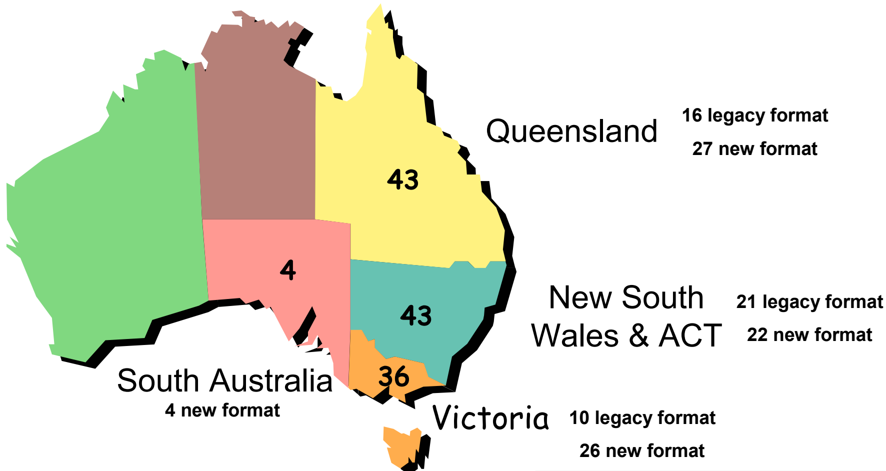
- Market position – differentiated offer

Yellow Sheds – Road-map

	Yellow Sheds	Discount Variety	DDS
Price	Best price	Low price	EDLP
Brand	Non brand	Non brand	Mix brand and non-brand
Merchandise	• Bargain, better and sometimes best • Continuity and opportunity	• Limited • Opportunity	• Good, better, best • Continuity
Location	Destination	Strip or mall	Mainly mall

- Market position – differentiated offer

Yellow Sheds – Road-map



Store profile
1 August 04
126 Total (63% new style)

Summary

- **A business with a strong history of growth**
- **Needs to drive profitable growth through:**
  1. **Better customer insight and more structured category management – move from product to customer centric**
  2. **Leverage of core competitive advantage**
     - **Brand**
     - **Infrastructure – e.g. Footprint, distribution and systems**
     - **Scale – better and lower cost sourcing**
  3. **In Yellow Sheds, brand awareness to drive customer traffic**
- **Make the desirable affordable – Give customers more quality bargains**

<u>Core Purpose</u> of The Warehouse Group

We set out with one simple concept in mind. To put the customer first and let everything else, every business activity and consideration, flow from that principle. Within The Warehouse itself we all work together and our team spirit comes through because we enjoy being successful and we aim to keep our customers satisfied. We regard employees as our greatest asset; they choose to stay with us because we care and we take time to recognise individual qualities. The Warehouse is a way of life for countless New Zealanders and Australians. We make a difference to people's lives, especially family life, by making the desirable affordable.