



THE WAREHOUSE GROUP LIMITED

2002 Interim Result Review

THE WAREHOUSE GROUP



Key Themes

- Red Sheds
 - ◆ Profit and Revenue Growth Potential

- Blue Sheds
 - ◆ Driving a High Growth Business
 - ◆ Entering New Markets

- Yellow Sheds
 - ◆ Building a Strong Platform for Australia
 - ◆ Floorspace, Transitioning costs

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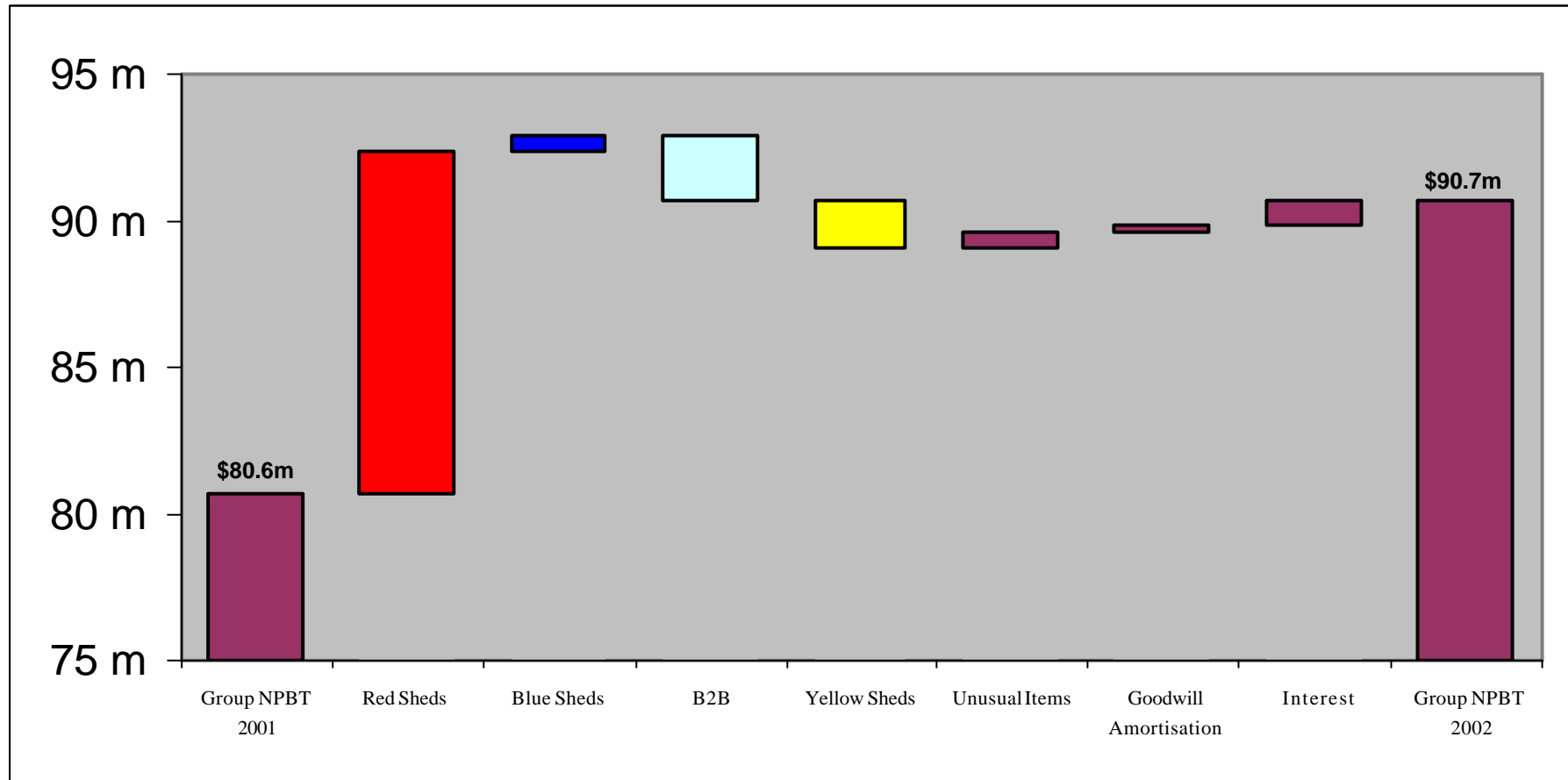
Financial Performance Summary

6 Months Ended 31 Jan (\$m)	H1 02	H1 01	% Change
Retail Sales Revenue	1012.9	913.4	+10.9%
EBITDA	127.3	116.7	+9.1%
Depreciation	22.1	16.8	+31.5%
Amortisations	7.3	11.2	(34.8%)
EBIT	97.9	88.7	+10.4%
Profit Before Tax	90.7	80.6	+12.4%
Profit After Tax	59.3	52.0	+14.0%
Earnings Per Share	19.4	17.7	+9.6%
Ordinary Dividends (cents)	9.5	8.5	+11.8%

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Underlying Net Profit Before Tax



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Financial Performance Summary

6 Months Ended 31 Jan (\$m) H1 02 H1 01

EBIT Margin

Red Shed	13.2%	12.6%
Blue Shed	1.6%	6.3%
Yellow Shed	3.1%	4.1%

Profit Margin

Group	5.9%	5.7%
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Net Debt	\$202.8m	\$218.7m
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Interest Cover (x)	13.6 x	11.1 x
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Fixed Charge Cover (EBITR/R + I)	3.4 x	3.1 x
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**Debt/Debt + Equity	38.9%	45.7%
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**restated with dividend provision excluded in 2001

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Operating Cashflows

6 Months Ended 31 Jan (\$m) H1 02

NPAT	59.3
Depreciation	22.1
Amortisations	7.3
Working Capital	(19.8)
Other	(4.8)
Net Operating Cashflow	64.1

Strong operating cashflows - 201% increase over last year

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Shareholder Gains

6 Months Ended 31 Jan (\$m)	H1 02	H1 01	% Change
Interim Dividends	9.5 cents	8.5 cents	+11.8%
Share Price (at end January)	\$6.68	\$5.48	+21.9%
ROFE (EBIT/Equity + Net Debt)	16.5%	16.4%	

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The Warehouse



- Market Share Growth
- Profit Growth Initiatives
- Expansion Prospects

RED SHEDS



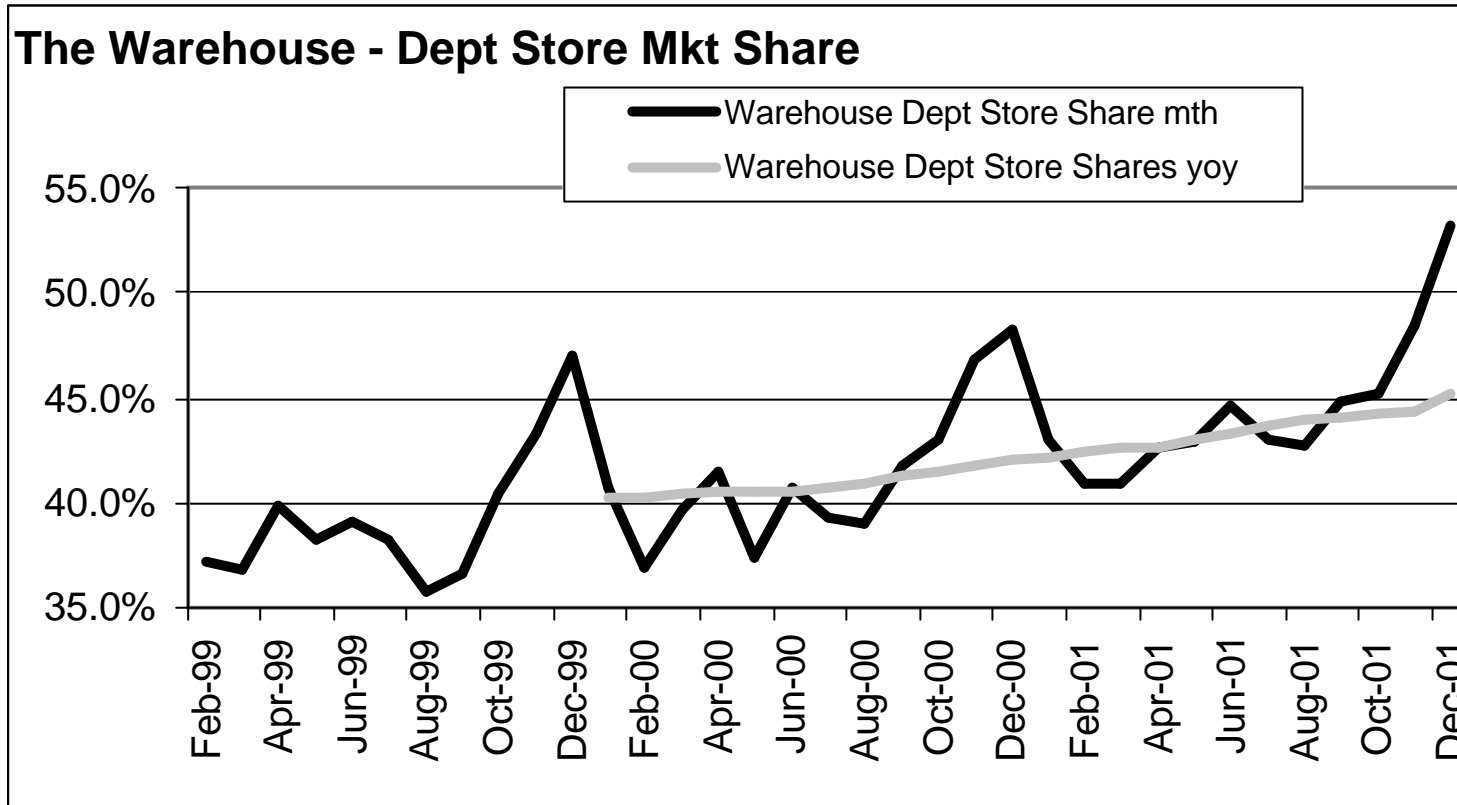
Financial Summary

	H1 02	H1 01	Increase
Sales (\$ mil)	698.6	637.6	+9.6%
Operating Profit (\$ mil)	92.0	80.3	+14.7%
Operating Margin (%)	13.2%	12.6%	60bp margin improvement

RED SHEDS



Market Share Growth



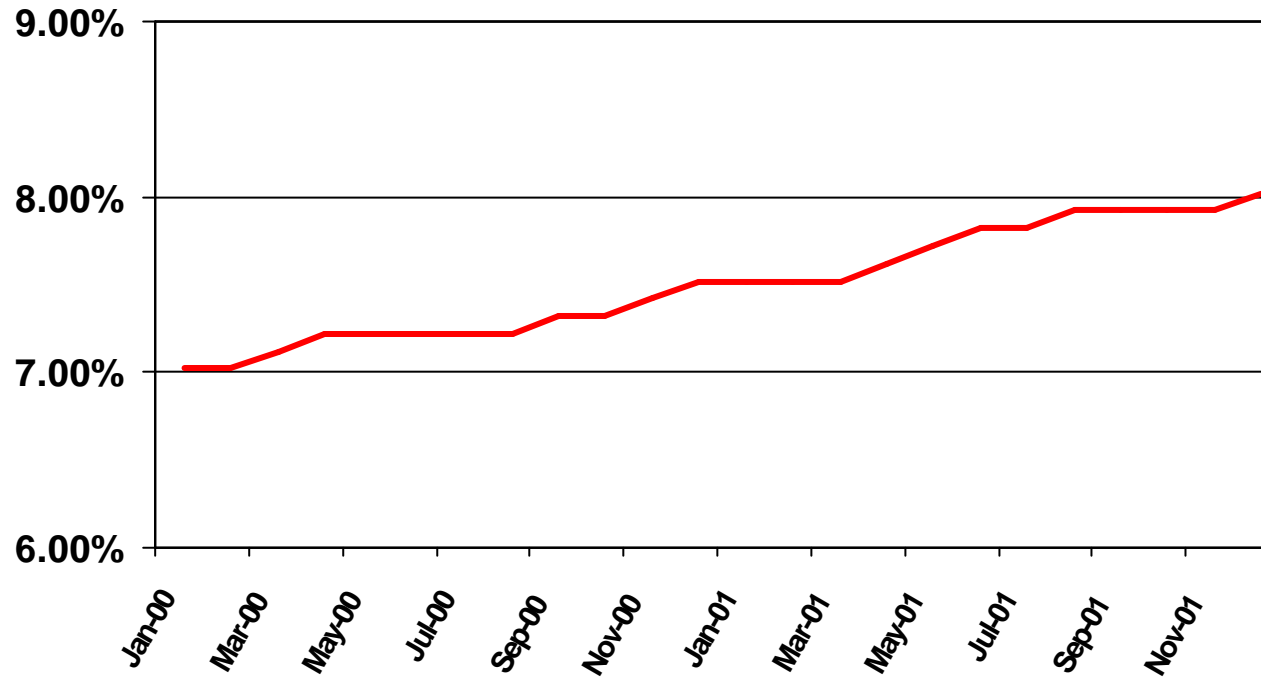
❑ Monthly departmental market share exceeded 50% in Dec 01

RED SHEDS



Market Share Growth

The Warehouse Limited Share of NZ Retail*
Period: Jan 2000 - Dec 2001



* Retail less autos, food, accommodation, hotels, liquor, cafes, restaurants and takeaways

The Warehouse still represents a small proportion of NZ retail

RED SHEDS



Some Key Merchandise Drivers

- Apparel - sales up 21%, now represent 16% of sales for the six months
- Entertainment - DVD sales up 300%
- Small appliances - Black & Decker being replaced by Sanyo product
- Homewares - introduced Jo Seagar "Seal of Approval" - positive response to date.

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Profit Growth Initiatives

Leveraging the Investment in PROMPT and Data Warehouse

GP% - Reduce markdowns

- Too much product
- Too late
- Wrong choice
- Wrong store allocation

GP\$ - Reduce Out of Stocks

- Too little (lost sales)

Price Elasticity

- Set appropriate prices

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Profit Growth Initiatives

Stock Management

PROMPT - Update

- ◆ Automated replenishment of stock from DC's to stores
- ◆ Better replenishment of domestic supplies
- ◆ Went live July 2001
- ◆ Now rolled out to 65% of Merchandise, with Apparel due in Q4 02

PROMPT - Benefits

- ◆ Allows buyer to focus on buying and not replenishment
- ◆ Store stock minimum/maximum is automatically revisited daily versus periodically

RED SHEDS



Profit Growth Initiatives

Stock Management (cont'd)

□ PROMPT - Benefits

- ◆ Reduces stock holdings of domestic sourced product
- ◆ Better store distribution reduces markdowns and enhances GP
- ◆ Examples:
 - ◆ One department reduced weeks of cover by 13%
 - ◆ Toys sales up 20%, inventory down 5%, decrease in weeks of cover

□ PROMPT - Next Stage

- ◆ Q4 Updated Allocation model - better initial allocation of overseas stock
- ◆ FY 03 "Prompt Forecast" - automatic creation of buying plan quantities

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Profit Growth Initiatives

Store Improvements

- 'Sprint' checkouts now in 21 stores, sourcing delays since September 11th
- Expect to refit a further 14 stores with "Sprint" before the end of July 2002
- Introduction of new shoe department layouts in 20 stores before 31st July 2002
- New recycling units in all stores to assist with zero waste

RED SHEDS



Profit Growth Initiatives

Logistics

Review of Last Six Months

- Extension of Apparel Distribution facilities, including implementation of autosortation unit
- New shipment order tracking in place

Expected In Next 6 Months

- Review South Island Distribution options
- Review of Apparel Supply Chain opportunities
- Design supplier accreditation programme

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Margin Changes

Margin Changes Red Sheds	H1 2002 Margins Vs. H1 2001
Gross Profit	44 bp favourable
Store Costs	15 bp favourable
Other Costs	1 bp favourable
Operating Margin (EBIT/Sales)	60 bp favourable

RED SHEDS

Property Expansion Prospects

Programme for Balance of CY02

New Stores	Opening	Store Size
South Dunedin	May	8,854m ²
Alexandra (replaces 1,951m ²)	Aug	3,588m ²
Tauranga (No. 2)	Oct	8,658m ²
Four extensions	Jun - Nov	4,500m ²

Property Programme

FY02	328,000m ²
FY04	390-400,000m ²

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Financial Services

- 50% of existing customers have converted to new MasterCard, representing over 70% of the o/s balances
- Over 215,000 cardholders with either a store card or MasterCard.
- Outstanding Balances grown by 30% - interest bearing component is on target

RED SHEDS



Warehouse Stationery



- Market Share Growth
- Expansion Prospects
- B2B Update

BLUE SHEDS



Financial Summary

	H1 02	H1 01	Increase
Sales (\$ mil)	58.5	42.2	+38.5%
Operating Profit (\$ mil)			
Blue Shed	3.2	2.7	+19.5%
B2B	(2.2)	--	--
Operating Margin (%)	1.6%	6.3%	
(After B2B impact)			

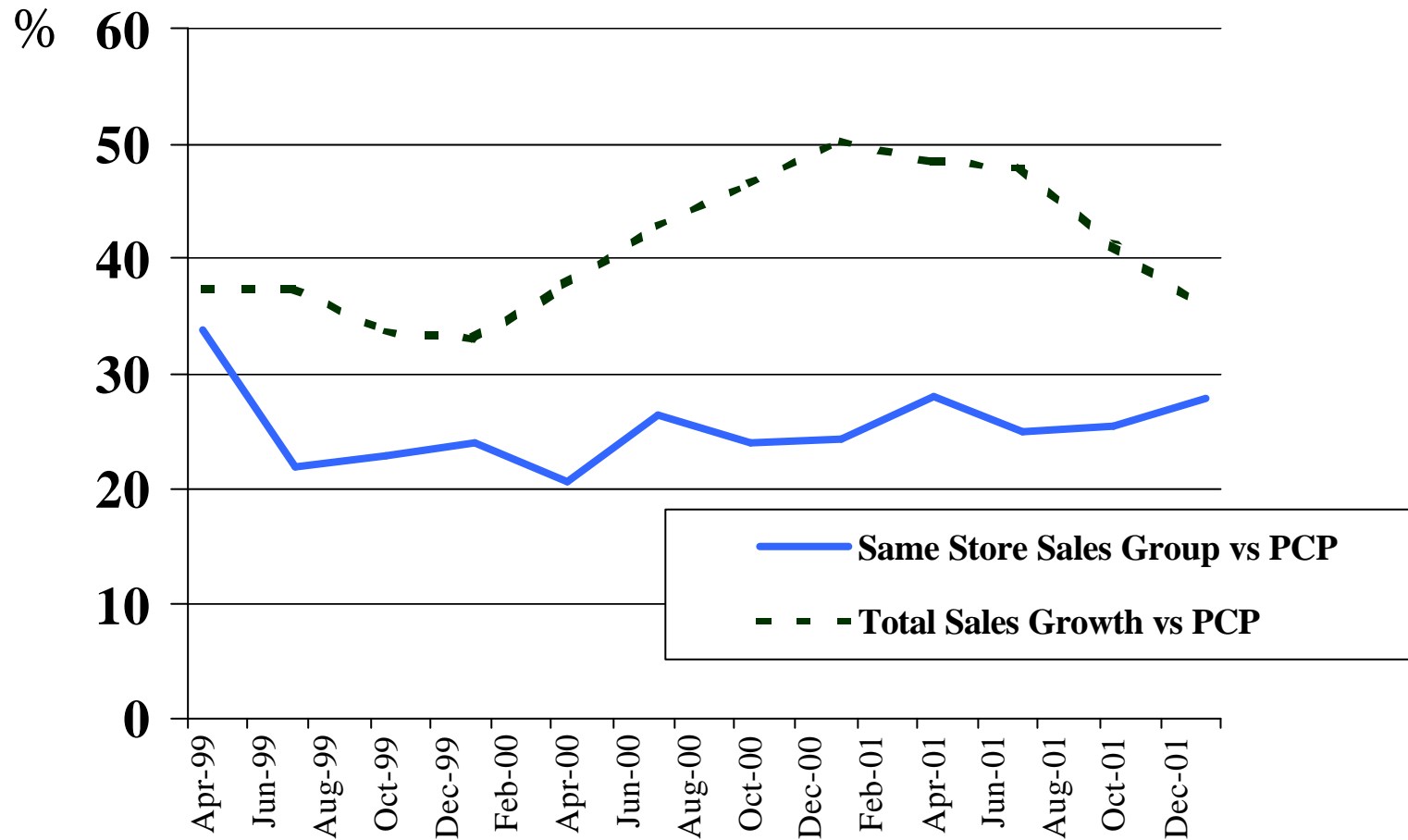
B2B planning and start-up costs \$2.2m in the period

Excluding B2B, stationery margin was 5.5% vs. 6.3% pcp. (Lower margins due to product mix change)

BLUE SHEDS



Growth Record

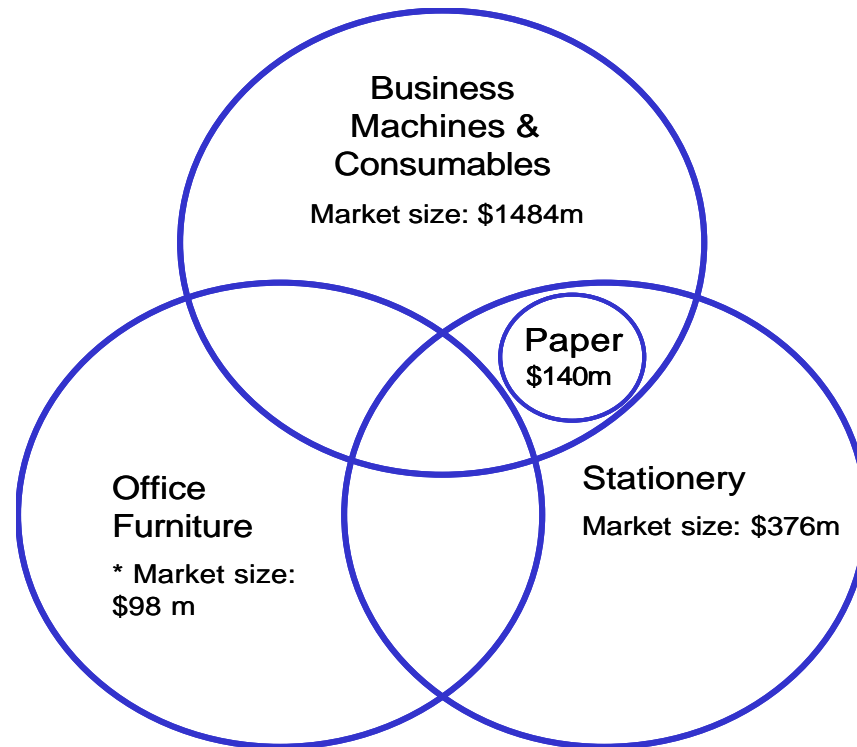


BLUE SHEDS



Market Share

Product Segments



Warehouse Stationery currently holds 6% of this market, a 1% increase equates to \$21m

BIS Shrapnel estimates, April 2001

** Office furniture market size estimate from Household Expenditure Survey, 2001*

BLUE SHEDS



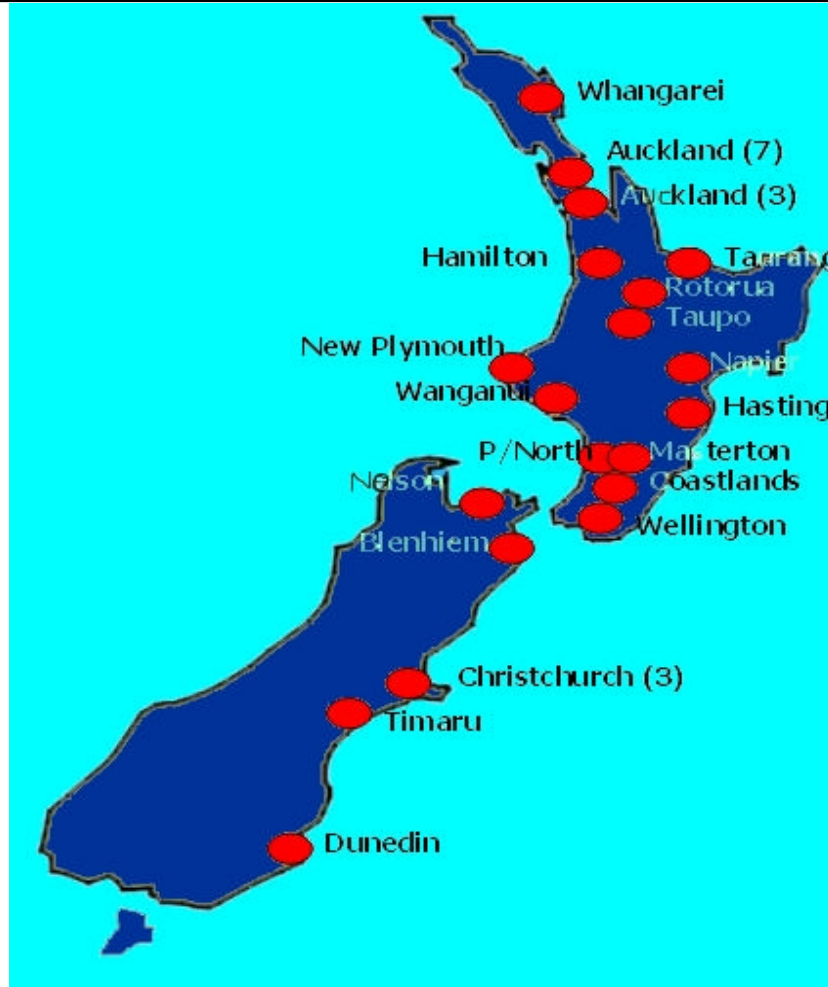
Expansion Prospects

Today
36 Stores

Total Retail SQM
40,406

4 New Stores
Added in Last 12
Months

Potential to
Expand to 60
Stores nationwide



Tomorrow..

B2B Central North
Island / South Island

24 New Stores

Enhancement of Existing
Categories

Key4Free Rollout

Other Markets

BLUE SHEDS



B2B Update

- October 2001 launch (later than planned)
- Initial launch received well by customers
- Service rates to customers of 99.7%
- Orders steadily increasing each month
- Rollout to other parts of the country to occur this year

BLUE SHEDS



The Warehouse Australia



- Progress to date
- Costs of Transition
- Growth Prospects

YELLOW SHEDS



Financial Summary

	H1 02	H1 01	Increase
Sales (A\$ mil)	209.1	180.1	+16.1%
Operating Profit (A\$ mil)	6.5	7.3	(11.0%)
Operating Margin (%)	3.1%	4.1%	

YELLOW SHEDS



Property

Property

Review of last six months

- Opened ten new stores, seven in new locations
- Energy management system operating in six stores and property management system installed

Store Rollout Plans for Balance of FY02

- Seven new stores, four in new locations, three replacements

Future Initiatives

- Planned to roll out 20-plus new stores per annum until July 2005

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Progress

Merchandising

- Everyday product range extended to 8,000 SKU's (cf 40,000 in NZ), achieving 80% in stock ratio

Future Initiatives

- Double SKU range by July 2003

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Logistics

- Logistics costs as a percentage of sales are double New Zealand.

Future Initiatives

- Target to reduce logistics costs by 2% of sales by 2005



Update: New Format Performance

STORE COMPARISONS

6 Months Ended 31 Jan 2002	ONLY NEW FORMAT TRADING FOR OVER 1 YEAR	NEW FORMAT AND CONVERTED STORES	LEGACY
Store Numbers	5	42	76
Basket Size	\$21.08	\$18.05	\$11.26
Items per Basket	6.4	5.6	4.1

Store numbers at 31.1.02: 118 (76 legacy, 19 converted and 23 purpose built)

YELLOW SHEDS



Cost of Transitioning TWAL

- The transition of TWAL into a discount variety business incurs early upfront costs, recovered only as sales increase
- The current new format TWAL 3,000m² stores could be run in a 2,200m² model because we have yet to range for a 3,000m² model.
- The additional “carrying costs” until we transition the business are significant

YELLOW SHEDS



Cost of Transitioning TWAL

		A\$ Annual Cost Savings	Cost Type
Bargain Bazaar model	<ul style="list-style-type: none"> • Smaller format • Limited range • No change to old Clints and Solly's business 	A\$6.0m	<ul style="list-style-type: none"> • Management salaries • Infrastructure personnel • Project management • Computer support
Same sales with 2,200m ² store format	<ul style="list-style-type: none"> • The opportunity cost of using a 3,000m² model for a 2,200m² merchandise range 	A\$5.5m	<ul style="list-style-type: none"> • Additional store running costs (power, rent, labour, depreciation)
Opportunity for future reduction in costs	<ul style="list-style-type: none"> • Excess logistics and other costs that the business is carrying to support store expansion model. Costs that can be reduced in the future. 	A\$4.0m	<ul style="list-style-type: none"> • Mainly logistics costs

YELLOW SHEDS



Forecast Capex Spend FY02 - 05

A\$m

STORE LOGISTICS OTHER TOTAL

FY 02	28	4	3	35
FY 03	14	5	4	23
FY 04	13	1	3	17
FY 05	13	-	2	15

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Vision for FY05

Store numbers 119

Retail m² 320,000

Store Numbers

Category 5 3

Category 10 3

Category 20 20

Category 30 93

Capex Required excluding Working Capital Changes
01.08.02 - 31.07.05 A\$55m

YELLOW SHEDS



Group Trading Conditions Update

- ❑ February trading: NZ 14.4%, Australia 27.0%
- ❑ Red Sheds - February 14.1%, same store 11.4%
- ❑ Blue Sheds - February 16.8%, same store 9.1%
- ❑ Yellow Sheds - February 27.0%, same store 8.1%
(in A\$ terms)

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'Where Everyone gets a Bargain'

**Thank you for your attendance
from the people at The Warehouse**



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