



NZX / ASX RELEASE

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The Warehouse Group Limited H1 04 result

Attached for release is a copy of the first half results presentation.

THE WAREHOUSE GROUP LIMITED



Interim results 2004

Group Results Summary



- ♦ Sales up 13.3% to \$1.243 billion
- ♦ Operating profit down 11.0% to \$94.1m
- ♦ Reported profit down 4.7% to \$55.5m
- ♦ Dividend of 10.5 cents fully imputed, unchanged

Group Results

Key Influencing Factors

- ♦ Red Sheds: Price deflation, impact of higher product volumes, increased marketing spend
- ♦ Yellow Sheds: Continued weak operating performance and expected to worsen in the short term
- ♦ Blue Sheds: product mix (PC's), B2B investment in telemarketing infrastructure and mega-store development costs

Group Results

Financial Performance Summary

	H1 04 \$m	H1 03 \$m	% change
Retail sales revenue	1,243	1,097.5	13.3%
EBITDA	122.5	124.5	(1.5)%
Depreciation	28.5	24.6	15.7%
Amortisation	3.6	5.0	(28.0)%
EBIT	90.4	94.9	(4.7)%
Reported NPAT	55.5	58.2	(4.7)%
Ordinary dividends	10.5 cps	10.5 cps	n/c

Key Ratios and Statistics



	H1 04	H1 03
Interest coverage ratio	12.0x	17.7x
Fixed charge cover (EBITR/R+I)	2.7x	3.2x
Net Debt to EBITDA	2.16X	1.34x
Gearing (Debt/Debt & Equity)	40.6%	31.5%
Inventory incl. GIT Total	\$444m	\$349m
Net Capex / Depreciation	1.85x	1.62x

Inventory



	H1 04	H1 03
Inventory	\$398.7m	\$308.8m
GIT	\$44.9m	\$40.6m
Total	\$443.6m	\$349.3m

- ♦ Inventory levels higher than planned
 - ♦ Blue Sheds: product mix, higher carrying of PC's, store footprint up 18%
 - ♦ Yellow Shed: stock carried for 7 new store openings, excess stock relative to sales, store footprint up 14%
 - ♦ Red Sheds: Addition of jewellery, increased holdings in entertainment, food/beverage/pet, early receipt of winter stock, store footprint up 7.7%

Cash Generated



\$m	H1 04	H1 03
Net profit after tax	55.477	58.221
Depreciation	28.484	24.618
Other Amortisations	3.628	4.979
Handset capitalisation	-	(0.435)
Change in trade working capital	(37.540)	(14.264)
Other Items	(0.884)	(3.879)
Net cashflow from operating activities	49,165	69.240
Cash realisation ratio ⁽¹⁾	0.561	0.788

$$(1) \text{ Cash realisation ratio} = \frac{\text{Net cashflow from operating activities}}{\text{NPAT} + \text{Depreciation} + \text{Amortisations}}$$

Capex



\$m	H1 04	H1 03
Purchases of plant, property	(69.2)	(51.5)
Proceeds from disposals/landlord funding	16.5	11.6
Net capex	(52.7)	(39.9)

♦ Disposal

○ SIDC

♦ Purchases

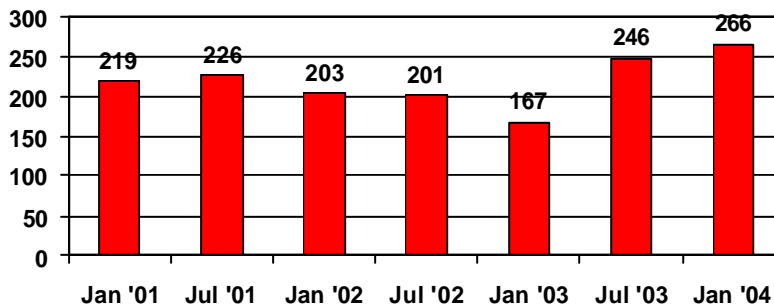
○ Property (NZ) incl apparel DC \$40.5m

○ Stores – new and fitout \$20.3m

○ IT and other \$ 8.4m

Net Debt Position

NZD \$m



- ◆ Net debt level \$266m, up \$99m from January 2003
- ◆ All core debt denominated in A\$, no core NZ\$ debt

Dividend

	H1 04	H1 03
Dividend CPS	10.5	10.5

- ◆ Dividend 10.5c, unchanged
- ◆ Dividends carry full imputation with supplementary dividends also paid to qualifying non-residents
- ◆ Books close 16 April 2004. Payment 26th April 2004

Business Unit Review

Red Sheds Review

	H1 2004	H1 2003	% Change
Sales (\$m)	814.1	741.7	9.8%
Operating Profit (\$m)	102.7	98.0	4.8%
Operating Margin (%)	12.6%	13.2%	-60bp

Red Sheds Review

Margin changes

Margin Changes Red Sheds (basis points)		H1 04 Margins versus H1 03
Gross profit	Unfavourable	13bp
Store operating margins	Unfavourable	23bp
Marketing / Advertising / Other	Unfavourable	24bp
Operating Margin (EBIT/Sales)	Unfavourable	60bp

Red Sheds Strategy

**Increase market share by reinvesting
reductions in cost of doing business and cost
of goods into lower prices**

Is it working?

Yes

■ **MAT Dec 2003 Dept store market share up
est. 50bp**

Red Sheds Strategy

Drive sales growth through property expansion, category development and Merchandising initiatives.

Is it working?

Yes

- **Sales up 9.8%**
- **Footprint up 7.7%**
- **Initiatives such as Dell show retail power**

Red Sheds Review

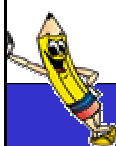
Strategies	Indicators
Property	<ul style="list-style-type: none"> ♦ 4 stores opened and 1 extension ♦ 7.7% increase in floorspace ♦ H2: 5 new stores planned and 2 extensions
Merchandise	<ul style="list-style-type: none"> ♦ Category growth achieved across most of the range - improvements in: <ul style="list-style-type: none"> ○ entertainment ○ electrical ♦ New product ranges performed well - digital cameras, Dell computers, game hardware, projectors, jewellery

Red Sheds Review

Strategies	Indicators
Logistics	<ul style="list-style-type: none"> ♦ Apparel DC opens mid April 04 ♦ New SIDC fully commissioned – benefits yet to flow through
Marketing	<ul style="list-style-type: none"> ♦ Introduced new one day sale themes : 'One Day Monday sale man' and 'Tuesday Specials Day'

Blue Sheds Review

	H1 2004	H1 2003	% Change
Sales (\$m)	100.9	73.2	37.8%
Operating Profit (\$m)	3.81	3.80	0.3%
Operating Profit excl B2B (\$m)	3.89	5.35	-27.3%
Operating Margin (%)	3.8%	5.2%	-140bp
Operating Margin excl B2B (%)	4.3%	7.9%	-360bp



WHY PAY FULL PRICE?

Blue Sheds Review

Lower operating margins due to

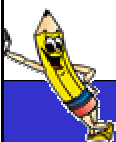
1. Sales mix (PC sales)
2. Development of mega-store concept
3. New support office costs
4. IT infrastructure investment
5. Increased marketing



WHY PAY FULL PRICE?

Blue Sheds Review

Strategies	Indicators
Property	♦ 5 stores opened in H104
Merchandise	♦ All categories achieving sales growth
Formats	♦ New mega-store format developed and trialled in Whangarei



WHY PAY FULL PRICE?

Blue Sheds Strategy

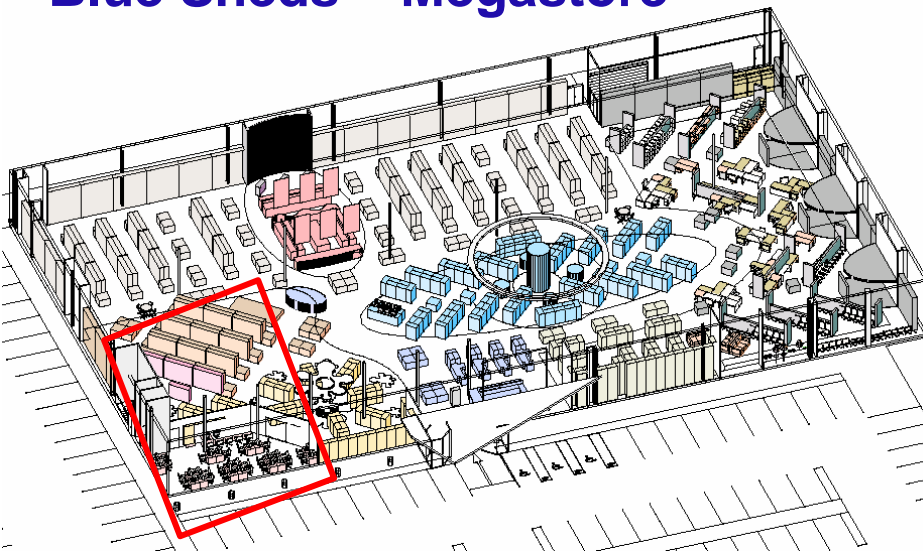
Leverage a multi-channel approach to develop
a world class one stop shopping experience

Is it working?

Yes

- Sales up 37.8%
- Footprint up 17.9%
- Mega-store concept developed
- B2B close to breakeven in H104

Blue Sheds – Megastore



WHY PAY FULL PRICE?

Blue Sheds - Megastore

■ Expanded Departments

- Art and Craft
- Paper
- Furniture
- Luggage
- Training and Presentation

■ Destination categories

- Copy Centre
- Business Machines
- Art and Craft (demo area)
- Furniture

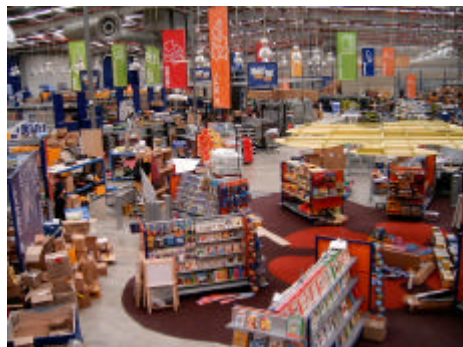
■ New Categories

- Kids Early Learning
- Health and Safety
- Specialty Papers
- Books and Magazines
- Storage
- Technology Enhancements – HP / Microsoft / Kodak / Telecom / Ricoh

WHY PAY FULL PRICE?

Blue Sheds - Megastore

- Colour Coded Departments and signage to assist customer buying decisions



WHY PAY FULL PRICE?

Yellow Sheds Review



	H1 04	H1 03	% Change
Sales (A\$m)	288.1	249.7	15.4%
Sales (NZ\$m)	327.9	282.7	16.0%
Operating Profit/(Loss)(\$m)	(12.9)	5.1	nm
Operating Margin (%)	(3.9)%	1.8%	(570bp)

Yellow Sheds Review



Strategies	Indicators
Property	<ul style="list-style-type: none"> ♦ 8 stores opened in H104, 13 store closed ♦ 14.5% increase in floorspace
Logistics	<ul style="list-style-type: none"> ♦ New Fishermans Island DC commissioned and working well
Merchandise	<ul style="list-style-type: none"> ♦ Strong sales growth in entertainment, appliances & supamarket
People	<ul style="list-style-type: none"> ♦ Permanent CEO and General Manager Buying both appointed & commenced
Systems	<ul style="list-style-type: none"> ♦ TUI and Tolas went live 25th August ♦ Financial System Oracle went live 1st August

Yellow Sheds Strategy

Continue the rollout of 3,000 square metre destination-style outlets across Queensland, Victoria, South Australia and NSW

- 8 new stores added
 - 2 - South Australia
 - 2 - Queensland
 - 2 - NSW
 - 2 - Victoria
- Eleven stores were closed during the quarter.

Yellow Sheds Strategy

Progressively increase stock load and thereby improve sales density... where sensible adopt the same range that has been successful in NZ

- No significant change in sales density reflecting a slow start to merchandising improvements
- Range reviews that are underway are expected to deliver an improved product mix better suited to our business model.
- The nature of the merchandise “pipeline” means that changes made now will take time to yield results

Current trading & future outlook

Sales

- Month to date sales for February 2004
 - Red Sheds sales up 5.1%
 - Blue Sheds incl. B2B sales up 30.4%
 - Yellow Sheds sales (in A\$) up 4.6%

Earnings

- Full year NPAT projected range \$60m - \$70m
 - Projections in this forecast assume Yellow Sheds EBITA of loss of A\$30m-\$40m
- Earnings guidance is provided subject to the present business, competitive and economic climate continuing.