

The Warehouse Group Limited 2003 Full Year Result



Group Results Key Influencing Factors



- ◆ Progress towards achieving targeted sales density in Australia slower than expectation
- ◆ Restructuring of Australian logistics infrastructure
- ◆ Executional deficiencies during Christmas period 2002 in Red Sheds

Group Results

Action undertaken



- ◆ Project urgency focusing on improved ranging, merchandising and marketing in Australia
- ◆ Commissioning 'state of the art' national distribution facility in Queensland
- ◆ Major revamp of promotional calendar and marketing format in New Zealand
- ◆ Strengthening capability in merchandising and supply chain for long term competitive advantage

Group Results

Summary



- ◆ Sales up 9.3% to \$2.035b
- ◆ Net operating profit down 3.0% to \$142.7m
- ◆ NPAT down 8.3% to \$75.4m
- ◆ Normalised NPAT \$79.7m down 3.3%
- ◆ Total assets increased by \$122m to \$779m
- ◆ Debt to debt plus equity increased from 39.0% to 41.5%
- ◆ Final dividend of 4 cents fully imputed, total dividend for the year 14.5 cps up 7.4%

Group Results

Financial Performance Summary



| | F03 \$m | F02 \$m | % change |
|--------------------|------------|------------|-------------|
| Sales | 2,035 | 1,863 | +9.3% |
| EBITDA | 189.2 | 197.7 | -4.3% |
| Depreciation | 50.9 | 45.0 | +13.1% |
| Amortisation | 9.4 | 13.5 | -30.4% |
| EBIT | 128.9 | 139.2 | -7.4% |
| Reported NPAT | 75.4 | 82.6 | -8.3% |
| Normalised NPAT | 79.7 | 82.5 | -3.3% |
| Ordinary dividends | 14.5 cps | 13.5 cps | +7.4% |

Group Results

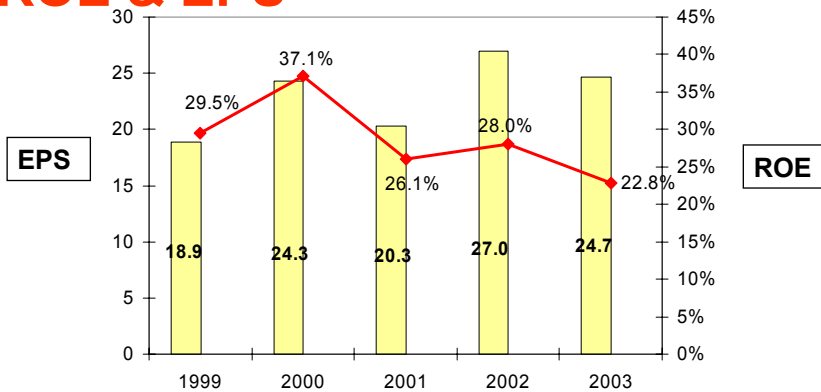
Unusual Items (pre-tax)



| | F03 \$m | F02 \$m |
|--|----------------|----------------|
| Gain on sale of Gold Mobile | \$0.6 | |
| Employee compensation (options tax effect) | - | (\$0.3) |
| Gain on property disposals | \$0.2 | \$1.1 |
| Restructuring costs | (\$7.5) | (\$1.1) |
| Total Unusuals Pre Tax | (\$6.7) | (\$0.3) |

- F03 post tax (\$4.3m)

Group Results ROE & EPS



- ◆ EPS down 8.5% to 24.7 cents
- ◆ ROE 22.8%

Group Results Key Ratios & Statistics

| | F03 | F02 |
|--------------------------------|-------|-------|
| Interest cover | 11.9x | 12.0x |
| Fixed charge cover (EBITR/R+I) | 2.4x | 2.7x |
| Net Debt to EBITDA | 1.30x | 1.02x |
| Gearing (Debt/Debt & Equity) | 41.5% | 39.0% |

Group Results: Cash Generated

| | F03 | F02 |
|---|---------------|----------------|
| Net profit after tax | 75.399 | 82.206 |
| Depreciation | 50.881 | 44.994 |
| Other Amortisations | 9.388 | 13.530 |
| Handset capitalisation | (0.602) | (3.280) |
| Deferred Taxation | (5.608) | (2.644) |
| Change in assets & liabilities | (45,335) | (21.211) |
| Other Items | (0.978) | (1.108) |
| Net cashflow from operating activities | 83.145 | 112.487 |
| Cash realisation ratio ⁽¹⁾ | 0.58 | 0.80 |

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

Group: Capital Expenditure

| | F03 | F02 | F01 |
|--------------------------------|-----------------|-----------------|-----------------|
| Capital Expenditure | (115.416) | (79.911) | (77.776) |
| Property Sales/Develop. adv | 20.110 | 29.492 | 10.313 |
| Net Capex | (95.306) | (50.419) | (67.463) |
| Depreciation and Amortisations | 60.269 | 58.524 | 57.100 |

Major capex spend in F03 on:

- SIDC fitout
- QDC fitout
- And continued store rollouts

Net capex for F04 **\$134m** after property sales estimated at \$8m.

F04 budget depreciation and amortisations **\$65.5m**.

Group Capital Expenditure Budget F04



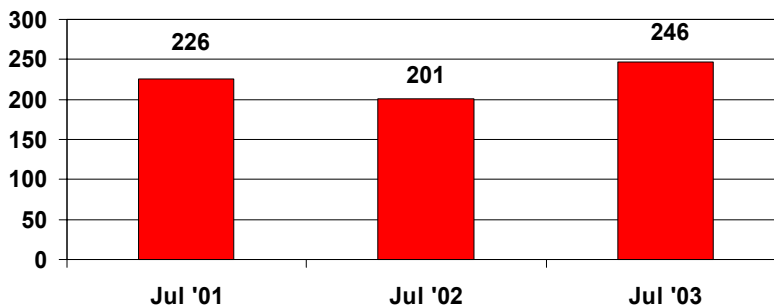
| | B(F04) | |
|-------------------------------------|------------|---------------------------|
| Store footprint | 47 | |
| Owned properties Store footprint | 53 | |
| Logistics excl apparel DC | 3 | |
| Apparel DC | 20 | New DC at Wiri (owned) |
| IS and other | 19 | |
| Property disposals | (8) | |
| TOTAL | 134 | |

TWL currently own 8 stores valued at \$35m

Group: Net Debt Position



NZD \$m



- ◆ Net debt level \$246m, up \$45m from July 2002
- ◆ Unused debt facilities of \$142m
- ◆ All core debt denominated in A\$, no core NZ\$ debt
- ◆ Currently examining future funding options

Currency

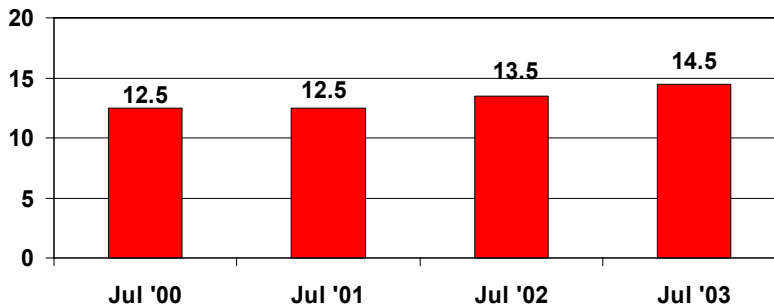
- ◆ Policy: rolling hedge of between 35% to 85% of forecast 12 month exposure

Objectives:

- ◆ Remain competitive
- ◆ Strong view that currency gains will be passed onto customers

Dividend

Cents per share



- ◆ Final dividend unchanged at 4 cents fully imputed.
- ◆ Dividend for F03, 14.5c an increase of 1c or 7.4% on F02
- ◆ Ex date 14 Nov 2003 and payable 24 Nov 2003
- ◆ Payout ratio 58.7%, no change in dividend policy

Corporate Governance

Board & Board Structure

- ◆ Following the issuance of the ASX Corporate Governance Guidelines and the draft NZX Best Practice, The Warehouse has:
 - ◆ Revised the terms of reference for all Board committees
 - ◆ Reviewed committee membership to increase the numbers of independent directors
 - ◆ Formed a Corporate Governance Committee comprising only of independent directors

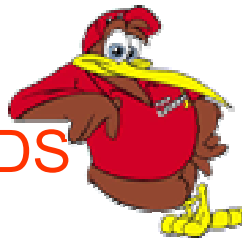
Group Executive Management

| | |
|------------------------|--|
| Stephen Tindall | Acting Managing Director |
| Luke Bunt | Chief Financial Officer |
| Glen Inger | Director - Property |
| John Journee | GM Merchandise |
| Hamish McKenzie | GM People Department |
| Mark Powell | GM Supply Chain & Acting CEO Yellow Sheds |
| Robert Smith | GM Blue Sheds |
| David Wilson | GM Red Sheds |

Business Unit Overview

Business Unit Overview

RED SHEDS



Red Sheds Review

| | F03 | F02 | % Chg |
|------------------------|--------|--------|---------|
| Sales (\$m) | 1,351 | 1,262 | 7.1% |
| Operating Profit (\$m) | 146.6 | 140.1 | 4.6% |
| Operating Margin (%) | 10.86% | 11.11% | (25 bp) |

| Operating Margin (%) | F03 | F02 | % Chg |
|----------------------|--------|--------|--------|
| First half | 13.04% | 13.15% | -11 bp |
| Second half | 8.20% | 8.56% | -36 bp |

Red Sheds Review Margin changes

| Margin Changes Red Sheds | | F03 Margins versus F02 (basis points) |
|--|---------------------|---|
| Group costs | Unfavourable | -25bp |
| Store operating margins | Unfavourable | -9bp |
| Financial services | Favourable | +9bp |
| Operating Margin (EBIT/Sales) | Unfavourable | -25bp |

Red Sheds Review

Growth Drivers



| | F03 | F02 | % Chg |
|------------------------------------|---------|---------|---------|
| Same store sales *1. | 5.6% | 4.2% | +140 bp |
| Retail footprint (m ²) | 360,055 | 330,343 | +9.0% |
| Sales per square metre *2. | \$3,873 | \$3,947 | -1.9% |
| Weekly customer count | 956,000 | 885,000 | +8.0% |
| Av. spend per customer | \$27.13 | \$27.41 | -1.0% |

*1. Same store sales definition changed between F02 and F03

*2. Rolling weighted average sales per square metre

Red Sheds Review

Market Position



| | F03 | F02 | % chg |
|--------------------------------|------|------|-------|
| Market share of WHS compete *1 | 7.9% | 7.9% | - |

*1. Total NZ retail excluding food, vehicles, meals and accommodation . 12 months ended June

Market position

- Apart from a few categories (toys, music), WHS does not have a significant position in most of our current categories

Red Sheds Review Merchandise Highlights



Speed to execute and develop scale

Example: Jewellery

- ◆ Jewellery trialled as a new category in 4 stores in February 2003
- ◆ The jewellery offer now available in 76 of our 80 stores



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23

F03

Red Sheds Review Marketing Initiatives



- ◆ Rolled out Red Radio to all stores
- ◆ Improved customer research to drive promotional activity:
 - ◆ Basket analysis
 - ◆ Departmental performance
 - ◆ Understanding customer drivers & barriers to purchase
- ◆ Revamped mailer & TVC's
- ◆ Ongoing housebrand development to support ranging strategy across categories

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24

F03

Red Sheds Objectives F04

Merchandising Initiatives



- ◆ Evaluation of new product categories and space efficiency underway
- ◆ Continue to dominate events throughout the year
- ◆ Real emphasis on driving down prices, driving up volume

Red Sheds Review & Objectives

Property



| What we said we would do in F03 | What we did in F03 | What we plan to do in F04 |
|--|--|---|
| 4 new stores | 4 new stores 3 new location stores Fraser Cove (Tauranga) Bell Block New (Plymouth) Balclutha 1 replacement store Alexandra - | 9 new stores 4 new location stores Te Kuiti, Snells Beach, Dargaville, Waipapa (Kerikeri) 5 replacement stores Whangarei, Hawera, Masterton, Matamata, Henderson |
| <ul style="list-style-type: none"> • Extend up to 7 stores • 10 store relays | <ul style="list-style-type: none"> • Extended 5 stores • 7 stores relayed | <ul style="list-style-type: none"> • Extend up to 5 stores • 10 store relays |
| 29,000m ² increase in floor space | Floor space increased 29,712m ² to 360,055 ² | Up to 45,000m ² increase in floor space or 12.5% increase |

Red Sheds Objectives F04 Whangarei Store



New Whangarei Store

– opening 23 October

2003 [Labour Weekend]

- Size 12,500 sqm

- Trial “store within a store” concepts

- Future proofing the Whangarei catchment with our biggest store yet



Red Sheds Objectives F04 Metropolitan areas



- Warehouse to be the anchor tenant for Wellington International Airport Retail Park

- 8100 sqm

- Expected opening pre Christmas 2004

- Westcity (Auckland)

- 6000 sqm

- Expected opening mid 2004

- Others in negotiation

Red Sheds Review Logistics



New SIDC (located Rolleston, Chch)

Opened 5.6.03

- Base footprint 33,000m²
- Storage capacity of 12,000 pallets
- Fully automated conveyor system
- Service Wellington and SI
- Increases operational efficiency by reducing SI lead times
- Expansion potential for future growth and improves risk management



Red Sheds Objectives F04 Logistics



Apparel DC (Wiri) at NIDC site

- Base footprint 18,000m²
- 2 levels with ability to add further levels
- Storage capacity of 2.5 million hung garments
- 2 automated sortation systems
- Services all New Zealand
- Operational 1 April 2004
- Fully commissioned 1 June 2004
- Growth enabler



Red Sheds Objectives F04 Logistics

- Optimisation of total supply chain value stream:
 - Continuity product
 - Opportunity product
 - Seasonal/promotional product
- Drive CODB out of value stream through waste reduction
- Increase contribution of value stream through reduction in out of stocks
- Provide better service for customers

Warehouse in the Community

- ♦ **Clean Up NZ**
 - Remain a key sponsor.
 - Participation in event now part of company KPIs.
- ♦ **Red Shirts 'N Schools**
 - 48 stores have established partnerships with schools
- ♦ **Fundraising Balanced Scorecard**
 - Total fundraising support in FY03: \$2.2 m
- ♦ **Zero Waste**
 - Zero Waste programme continues in all stores.
- **Packaging and Kiwi Made**
- **Sustainable Building Strategy**
 - Energy management, water reticulation, solar water, increased planting.

Financial Services



| Key Success Factors | Measures |
|---------------------|---|
| Sales generation | <ul style="list-style-type: none">♦ Red Shed Card key success factor♦ Travel insurance policies selling well |
| EBIT | <ul style="list-style-type: none">♦ F03 equity earnings of \$1.7m (F02 \$0.4m) |

Business Unit Overview



BLUE SHEDS



Blue Sheds Review

| | F03 | F02 | % Chg |
|---------------------------------|-------|-------|---------|
| Sales (\$m) | 164.5 | 124.4 | 32.2% |
| Operating Profit (\$m) | 9.4 | 4.2 | 122% |
| Operating Profit excl B2B (\$m) | 12.3 | 8.3 | 48.2% |
| Operating Margin (%) | 5.7% | 3.4% | +231 bp |
| Operating Margin excl B2B (%) | 8.2% | 6.9% | +130 bp |



WHY PAY FULL PRICE?

Blue Sheds Review

| Strategies | Indicators |
|-------------|---|
| Property | <ul style="list-style-type: none"> • 4 stores opened and one closed in F03 |
| Merchandise | <ul style="list-style-type: none"> • All categories achieving sales growth • Business machines now largest category • Introduced Compaq Computers – May 2003 • Strengthened relationships with key brands |
| Formats | <ul style="list-style-type: none"> • Significant improvements in store layout |



WHY PAY FULL PRICE?

Blue Sheds Review

Introduced Compaq Computers – May 2003

Key4free



- \$400,000 in Scholarships to New Zealand Polytech Students
- Free Computer training in 9 stores
- 100,000 NZ'ers have participated in Key4free classrooms since opening



WHY PAY FULL PRICE?

B2B Review

| Key success factors | Measures |
|----------------------|--|
| Customer acquisition | <ul style="list-style-type: none"> ♦ Over 10,000 customers ♦ Offer available from Kaitaia to Taupo. |
| Sales generation | ♦ F03 \$16m (F02: \$3m) |
| EBIT | <ul style="list-style-type: none"> ♦ F03 EBIT loss \$2.9m (F02 loss 4.1m) ♦ Forecast EBIT breakeven in F04 |



WHY PAY FULL PRICE?

Business Unit Overview

YELLOW SHEDS



Yellow Sheds Current Focus

1. Strategy remains unchanged.
2. Execution focused on
 - improving ranging and merchandising capability
 - improving stock availability
 - improving marketing effectiveness
 - leverage benefits from Queensland DC and
 - store rollout.

Yellow Sheds Review



| | F03 | F02 | % Chg |
|------------------------|--------|-------|----------|
| Sales (A\$m) | 463.3 | 394.4 | 17.5% |
| Sales (NZ\$m) | 519.4 | 476.0 | 9.1% |
| Operating Profit (\$m) | (13.4) | 2.6 | n.m. |
| Operating Margin (%) | (2.6%) | 0.6% | (320 bp) |

Yellow Sheds Review Property



| What we said we would do in F03 | What we did | What we plan to do in F04 |
|---------------------------------|---|---|
| Open 20 new stores in F03 | 22 new format stores opened, 12 stores closed Increased retail space – 24.6% to 238,470 m ² | Open up to 16 new stores Concentrate around the “DC” states and Sth Aust |

- Store numbers: 130 made up of 28 new format stores, 50 converted stores and 52 traditional stores
- Plan to add a net 30,000 – 35,000 m² in F04

Yellow Sheds Review Logistics

| What we said we would do in F03 | What we did | What we plan to do in F04 |
|---------------------------------|--|---|
| Open new Brisbane DC mid 2003 | <ul style="list-style-type: none"> ◆ New Brisbane DC opened August 03 ◆ Blacktown DC closed Feb 03 | Systems convergence with NZ from August 2003 to enhance supply chain efficiencies |

- ◆ Project Leapfrog unusual costs: NZ\$7.5m (F02 \$1.1m)

Yellow Sheds - Logistics

New Queensland DC (located Brisbane)

- Opened new 50,000 m2 DC in Brisbane
- Racking capacity of 27,500 pallets
- State-of-the art sortation system that handles 8,000 cases an hour



Yellow Sheds Review Merchandise

| What we said we would do in F03 | What we did | What we plan to do in F04 |
|--|-------------------------------|---|
| Core range to grow from 5,000 to 9,000 lines | Core range around 8,000 lines | <ul style="list-style-type: none"> • Category review • Mailer performance review • Trading calendar review |
| Active sku range 22,500 by Jul '03 | Active sku range 27,000 | |

Yellow Sheds – Two chain format

| What we plan to do in F03 | What we did |
|---|--|
| Ensure focus is maintained on the legacy stores | All stores re-branded The Warehouse |
| Specific mailers and operational improvements | Marketing proposition “where everyone gets a bargain” and “money back guarantee” |

Yellow Sheds – Store Comparisons

| Year Ended 31 July 2003 | NEW FORMAT & CONVERTED STORES | LEGACY STORES | ALL STORES |
|----------------------------|-------------------------------------|------------------|----------------|
| Store Numbers | 78 | 52 | 130 |
| Basket Size | \$17.42 | \$11.70 | \$15.07 |
| Items per Basket | 3.5 | 3.1 | 3.4 |

NZ basket size is NZD27.13

Current trading & future outlook

Sales

- Group sales for the month of August 2003 up 10.0%
 - Red Sheds sales up 6.2% (same store +3.9%) – Fathers Day impact
 - Blue Sheds incl. B2B sales up 25.4% (same store +16.8%)
 - Yellow Sheds sales (in A\$) up 19.4% (same store +6.1%)
- Reporting 13 week quarters from 1 August 2003, next quarterly sales release 7th November
- F04 year end will be 1 August 2004

Outlook

- Conditions remain very competitive
- Economic environment remains broadly supportive for retail
- Assumption: general retail sales growth will slow relative to last year

Questions?



The Warehouse Group Limited 2003 Full Year Result