THE WAREHOUSE GROUP

2013 Interim Result and Strategy Update

Friday, 8 March 2013

Chairman’s Update

- It is pleasing to see The Warehouse’s strategy continue to evolve
- The Warehouse Group is a very different company than 18 months ago, or even 6 months ago
- While its early days since the acquisition of Noel Leeming Group we are seeing the benefits we expected both in NLG and across TWG
- Warehouse Stationery’s strategy continues to deliver strong sales and earnings growth
- The Group’s recently announced agreement to acquire a majority shareholding in Torpedo 7 Group and our focus on multi channel should position us for significant online sales and earnings growth in the medium term

Results Summary

- Sales up 18.3% to $1.11b
- Gross profit up 14.6% to $386.8m
- Reported NPAT up $52.3m to $106.3m
- Adjusted NPAT up 13.2% to $52.9m
- Continued momentum with sales and gross profit growth partially offset by “ahead of the curve” spending in multi channel
- Operating cash flow of $88.0m up $100.2m
- Good result from Noel Leeming Group in our first two months of ownership
- Interim dividend of 15.5 cps, fully imputed at 30%

The Warehouse Group

NZ millions	H1 F13 $m / %	H1 F12 $m / %	Variance $m / %	Var (excl NLG) $m / %
Sales	**1,109.2**	**937.9**	171.3 / 18.3%	41.9 / 4.5%
Gross Profit	**386.8**	**337.4**	49.4 / 14.6%	21.8 / 6.5%
Gross Margin	*34.9%*	*36.0%*	-110 bps	70 bps
CODB	**309.8**	**269.5**	40.3 / 15.0%	18.6 / 6.9%
CODB Margin	*28.0%*	*28.8%*	80 bps	-60 bps
Operating Profit	**77.0**	**67.9**	9.1 / 13.3%	3.2 / 4.8%
Operating Margin	*6.9%*	*7.2%*	-30 bps	10 bps
NPAT (Reported)	**106.3**	**54.0**	96.7%	
NPAT (Adjusted)	**52.9**	**46.7**	13.2%	
Adjusted EPS	17.1	15.1	13.2%	
Stores	243	141	102	

Sales and Gross Profit growth across all retail brands delivered an increase in Adjusted NPAT of 13.2%


thewarehouse
where everyone gets a bargain
entry
Royal Oak

The Warehouse

NZ millions	H1 F13		H1 F12	Variance $m / %
Sales	**866.6**		**835.7**	30.9 / 3.7%
Gross Profit	**312.1**		**295.1**	17.0 / 5.7%
Gross Margin	*36.0%*		*35.3%*	70 bps
CODB	**246.4**		**233.0**	13.4 / 5.7%
CODB Margin	*28.4%*		*27.9%*	-50 bps
Operating Profit	**65.7**		**62.1**	3.6 / 5.8%
Operating Margin	*7.6%*		*7.4%*	20 bps
Same Store Sales	2.1%		2.7%	
Stores	92		89	

A strong Q2 resulted in sales for the half up 3.7%, gross profit up 5.7% and operating profit up 5.8%

The Warehouse - Highlights

- 8 quarters of sales growth, with SSS of 3.3% in Q2 resulting in H1 SSS of 2.1% and total sales growth of 3.7%
- Key growth categories were Consumer Electronics, Health & Beauty together with our summer categories such as Gardening
- Strong performance in Women's Apparel and with our sell through of summer related apparel product
  - Footwear sales and margin remained challenging impacting the half's results, however recent performance is improving
- Gross Margin (GP%) up 70 bps to 36.0%
- Online growth continues (up 132% in H1) with the launch of "Red Alert" daily deal site in Q1, our extended online range of books with 1 million titles available in Q2 and 55,000 skus (essentially our entire store) now available online
- CODB increases reflect the investment in the growth of our multi channel business ($1.6m), increased logistics costs ($1.8m) and the costs of three new stores (Silverdale, Royal Oak and Mt Roskill)
- Three internal refits were completed in the half, adding to the 10 completed in FY12. With 24 refits planned in 2013. Refitted stores sales continue to deliver a 3% improvement

Warkworth

Warehouse Stationery

NZ millions	H1 F13		H1 F12	Variance $m / %
Sales	**111.9**	↑	**100.1**	11.8 / 11.8%
Gross Profit	**44.3**	↑	**40.1**	4.2 / 10.4%
Gross Margin	*39.6%*	↓	*40.1%*	-50 bps
CODB	**40.6**	↑	**37.0**	3.6 / 9.8%
CODB Margin	*36.3%*	↑	*37.0%*	70 bps
Operating Profit	**3.7**	↑	**3.1**	0.6 / 17.9%
Operating Margin	*3.3%*	↑	*3.1%*	20 bps
Same Store Sales	4.2%		2.2%	
Stores	59		52	

A strong half with sales up 11.8% translating into positive sales leverage which improved operating profit by 17.9%

Warehouse Stationery - Highlights

- Consistent execution of Warehouse Stationery's strategy is delivering positive results across all areas of the business
- Warehouse Stationery continues to experience sales growth from retail footprint expansion and improved earning performance from existing stores and recently opened stores
- SSS increased by 4.7% in Q2 resulting in H1 SSS of 4.2% - total sales growth of 11.8%
- During the first half of this year three new stores were opened (Silverdale, Royal Oak, and Warkworth) bringing the network numbers to 59. Three new store openings are planned for the second half
- Throughout the year four stores will be relocated and another three extended and refurbished, continuing on our path to have all stores that we can be truly proud of
- The customer offer continues to expand in technology, fashion stationery and own label brands
- Online growth continues with 8,000 skus (essentially our entire store) now available online
- A strong back to school performance over Jan / Feb with more sales than usual occurring in February (H2) due to timing of the new school year
- Our continued strong performance and the progress we are making reflect our commitment and focus to deliver on our strategic intent of providing the customers with "everything you need to work, study, create, connect"

Positive sales leverage improved operating profit by 17.9%


Noel Leeming
FUJIFILM
PhotoLAB
• Digital Prints
• Enlargements
• CD Copies
19c
12 MONTHS INTEREST FREE
FlyBuys
Wairau Park

Noel Leeming Group

NZ millions	H1 F13	H1 F12	Variance
Sales	**129.3**	**-**	N/A
Gross Profit	**27.6**	**-**	N/A
Gross Margin	*21.4%*	-	N/A
CODB	**21.8**	**-**	N/A
CODB Margin	*16.9%*	-	N/A
Operating Profit	**5.8**	**-**	N/A
Operating Margin	*4.5%*	-	N/A
Stores	92	-	N/A

A good Christmas trading period resulted in sales up YoY for December and January and EBIT at the top end of guidance of $4 - $6m

Noel Leeming Group - Highlights

- First 2 months of trading under TWG ownership have been pleasing, with sales up $6.7m YOY (+5.4%)
- A record GFK market share for December at 29.2% up 1% on December 2011
- Key growth categories were Tablets, Smartphones, Small Appliances and Accessories
- New stores in Warkworth and Silverdale along with a recently expanded store in Te Awamutu contributed positively to the result
- Increased focus on Back to School promotion and execution has produced pleasing results in January/February
- Engagement between NLG and TWG teams across a range of tactical and strategic synergies is on target to deliver expected results
- Christmas trading results can not simply be extrapolated to derive an H2 result

Segment, Reported & Adjusted Earnings

NZ millions	H1 F13	H1 F12	Variance
The Warehouse	65.7	62.1	3.6
Noel Leeming	5.8	-	5.8
Warehouse Stationery	3.7	3.1	0.6
Other Group Operations	1.8	2.7	(0.9)
Total Operating Profit	**77.0**	**67.9**	9.1
Financial Services	1.8	1.5	0.3
Adjusted Earnings	**78.8**	**69.4**	9.4

- Strong performance from all Retail Brands and gains from property divestments in the half resulted in reported NPAT of $106.3m, up 97%

	EBIT			NPAT		
	H1 F13	H1 F12	Variance	H1 F13	H1 F12	Variance
Adjusted Earnings	**78.8**	**69.4**	**9.4**	**52.9**	**46.7**	**6.2**
Acquisition costs	(1.1)	-	(1.1)	(1.1)	-	(1.1)
Property divestments	62.4	-	62.4	44.4	-	44.4
Warranty provisions	-	7.3	(7.3)	-	7.3	(7.3)
Deferred tax adjustment	-	-	-	10.1	-	10.1
Unusual Items	**61.3**	**7.3**	**54.0**	**53.4**	**7.3**	**46.1**
Reported	**140.1**	**76.7**	**63.4**	**106.3**	**54.0**	**52.3**

Abridged Balance Sheet

NZ millions	H1 13	H1 F12	Variance
Inventory	454.8	339.0	115.8
Trade Payables	(208.2)	(104.3)	(103.9)
Net Investment in Inventory	**246.6**	**234.7**	**11.9**
Receivables	53.5	35.0	18.5
Other Creditors and Provisions	(138.5)	(75.7)	(62.8)
Working Capital	**161.6**	**194.0**	**(32.4)**
Fixed Assets	345.9	332.9	13.0
Investments	4.0	9.0	(5.0)
Funds Employed	**511.5**	**535.9**	**(24.4)**
Tax	1.4	(4.9)	6.3
Derivatives	(9.0)	(11.6)	2.6
Goodwill and Brands	51.8	-	51.8
Capital Employed	**555.7**	**519.4**	**36.3**
Shareholders' Equity	403.9	320.7	83.2
Minority Interests	0.3	0.3	-
Net Debt	151.5	198.4	(46.9)
Source of Funds	**555.7**	**519.4**	**36.3**

Improved working capital reflects a favorable $25.2m working capital position in NLG due to the timing of creditor payments and improvements of $7.2m across the rest of the Group

Cash Flow Summary

NZ millions	H1 13	H1 12	Variance
EBIT	**77.0**	**67.9**	**9.1**
Depreciation & Amortisation	21.1	20.6	0.5
EBITDA	**98.1**	**88.5**	**9.6**
Change in Trade Working Capital	18.0	(74.6)	92.6
Taxes Paid	(24.7)	(21.2)	(3.5)
Interest Paid	(5.7)	(5.8)	0.1
Other Items	2.3	0.9	1.4
Operating Cash Flow	**88.0**	**(12.2)**	**100.2**
Capital Expenditure	(46.1)	(39.0)	(7.1)
Proceeds from Divestments	117.6	0.4	117.2
Acquisition of Subsidiaries	(81.7)	-	(81.7)
Dividends Received	4.2	0.1	4.1
Dividends Paid	(20.5)	(20.6)	0.1
Other Items	(0.3)	(1.0)	0.7
Net Cash Flow	**61.2**	**(72.3)**	**133.5**
Opening Net Debt	212.7	126.1	N/A
Closing Net Debt	151.5	198.4	46.9

Strong operating cash flows in the half with NLG contributing operating cash flows of $44.3m largely driven by the timing of creditor payments. Cash flow from property sales essentially offset acquisitions contributing to a positive net cash flow

Debt / Gearing

NZ millions	H1 13	H1 12
Net Debt	**(151.5)**	**(198.4)**
Total debt facilities	**300.0**	**300.0**
Gearing	**27.3%**	**38.2%**
Interest Cover	**15.5x**	**12.5x**

Strong cash flows in the half contributed to a reduction in net debt of $46.9m down to core debt levels of ~ $150m

Strategy Update

Our Group Strategy

- A trading group with multiple business units
- Leverage Group Synergy while remaining "Customer Led, Store Focused and People Centred"
- Maximise our Core Competencies of understanding the NZ Customer, Sourcing expertise, NZ Scale, our people and a best practice Way of Working
- Current Retail Brands
  - The Warehouse – Improve the customer experience (Store & Product) to ensure we continue to deliver positive profitable sales growth and become the "House of Bargains" and "Home of Essentials" to New Zealanders
  - Noel Leeming – Specialist Home Entertainment, Appliance & Technology retailer, wide range, service focused
  - Warehouse Stationery – Expanded retail footprint and competitive product range to ensure we provide SME's and consumers everything they need to Work, Study, Create & Connect
  - Torpedo 7 Group – Leverage Brand, Customer & Market strengths to significantly grow online sales
  - Multi Channel – By supporting the Retail Brands online presence and developing standalone online & alternative channel offers become NZ's leading Multi Channel retailer

Be a diversified & customer focused group of retail and trading companies that leverage our core competencies

The Warehouse Group

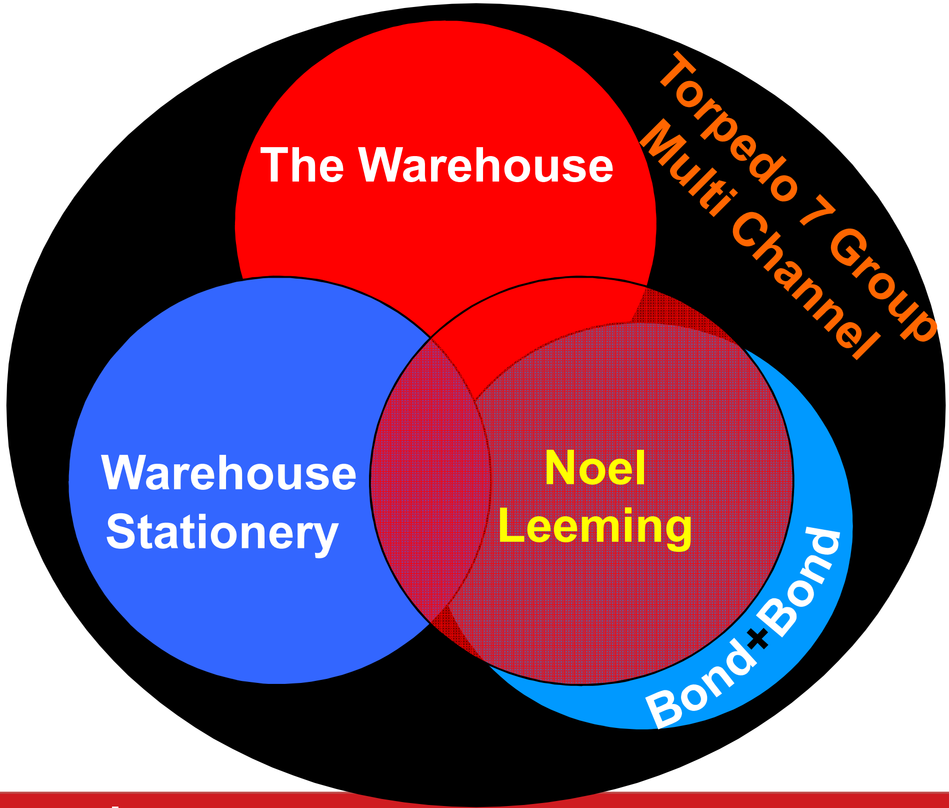
The Warehouse Group is significantly different today than 18 months ago

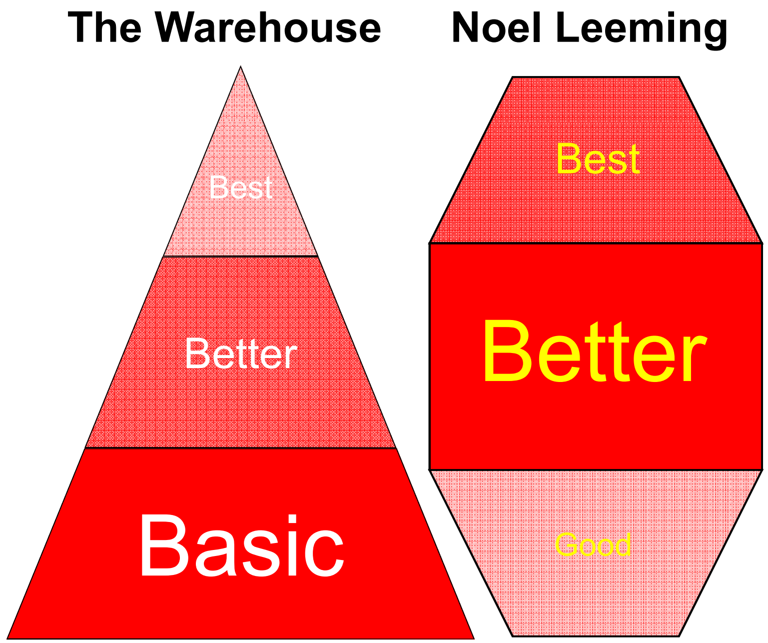
The Warehouse	Warehouse Stationery	Noel Leeming Group	Torpedo 7 Group
Sales FY12: \$1.5b **Staff:** 7,000 **Stores:** 92 + 55,000 Skus Online **Positioning:** House of Bargains, Home of Essentials **Markets:** NZ	**Sales FY12:** \$210m **Staff:** 1,000 **Stores**: 59 + 8,000 Skus Online **Positioning:** Work, Study, Create, Connect **Markets:** NZ	**Sales FY12:** \$600m **Staff:** 1500 **Stores:** 75 +4,500 Skus Online **Brands:** Noel Leeming **Positioning:** Specialty electronics and home appliances **Markets:** NZ	**Sales FY12:** \$70m **Staff:** 130 **Stores:** Online **Brands:** 1-Day, Torpedo 7, Urban Daddy **Positioning:** Specialist, Online **Markets:** NZ, Australia

Financial Services	TWFSL Various Consumer Finance Products
Multi Channel	Organic: Red Alert, Online Books, Fulfillment Capabilities, Red Alert Mobile Site Acquisitions: Insight Traders, Complete Entertainment Services (CES)

The Warehouse Group's Retail Brands

- Each retail brand in The Warehouse Group has and will continue to have its own distinct brand positioning and personality
- While the retail brands do have some category overlap there is a large degree of distinctness in customers, product range and sales process
- This approach identified too much overlap between Noel Leeming and Bond+Bond
- While Torpedo 7 / Multi Channel have some product overlap the Customer Base & Sales process is very distinct as compared to our Store channels





The Warehouse

8 quarters of positive sales growth affirms the key result areas we are focused on and gives us confidence in our strategy

Key Result Area	Strategy
Clear Brand Positioning & Personality	"House of Bargains" **and** "Home of Essentials"
Clear Way of Working Framework	Reinforcement of the importance of being "Customer Led, Store Focused & People Centered"
Community & Environment	Commitment to our role as a part of the Communities we operate in and the Environment we live in
Store Experience	Accelerate refits, 13 to date, 24 planned in 2013. "Love your customer" programme
Category Strategies & GP$ Growth	Clear role of each category and focus on trading areas of past underperformance supplemented by Product Brand acquisitions
Multi Channel and Direct Customer Engagement	Clear insight into the importance of multi channel and a focus on the breadth and speed required to be "NZ's leading multi channel retailer"

Noel Leeming Group

- As part of a Strategy & Planning process over the past two months we reviewed the Brand positioning and Customer proposition of the two retail brands, Noel Leeming and Bond & Bond
- We concluded there is too much overlap between the Bond & Bond and Noel Leeming and that 100% of the company's focus and resources should be applied to supporting a single brand and delivering a clear Customer Proposition
- As a result we have decided to merge Bond & Bond and Noel Leeming and trade solely under the Noel Leeming retail brand. This will result in:
  - 8 stores being re-branded as Noel Leeming
  - 4 stores combined into the adjacent Noel Leeming store
  - 12 stores in catchments where there is already a large Noel Leeming store closing
- After the merger the enlarged Noel Leeming chain will have 75 stores
- From a people perspective all efforts have been made to minimise the impact to our team
  - All Bond & Bond non-management store staff will be offered roles in Noel Leeming stores or in the wider group
  - There may be a small number of positions (dependant on staff turnover) impacted at the Store Support Office and in Store Management but every effort is being made to minimise the impact
- The Christmas trading results can not simply be extrapolated to derive an H2 result. We expect earnings in H2 from Noel Leeming Group (on a continuing operations basis) to be in the range of $4 – 5m

Synergy Resulting from NLG Acquisition

- As a result of acquiring Noel Leeming Group in December The Warehouse Group expects various synergy benefits to favourably impact Group earnings, including:
  - EBIT improvement from the merging of the Noel Leeming and Bond & Bond Retail Brands
  - CODB reductions including marketing, property and admin costs
  - Benefit from leveraging trading and sourcing opportunities across the group
  - Savings from relocating the NLG Support Office to TWG’s Store Support Office

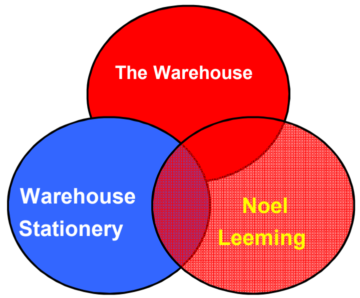
- Synergy benefits will contribute $5m - $8m on an annualised basis

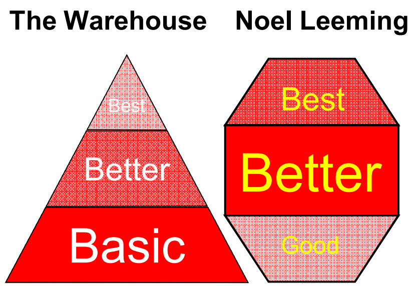
- Synergy Benefits will be progressed as follows:
  - Minimal in H2 FY13
  - ~ 70% in FY14
  - ~ 100% in FY15

- This level of synergy benefits excludes any sales and EBIT benefit from currently planned “product brand optimisation” across the Group

Retail Brand / Product Brand Optimisation

- Opportunity exists to optimize Product Brand line ups across all Retail Brands, this will result in:
  - An expanded range of Product Brands in Consumer Electronics, Technology, Small Appliances & Whiteware in The Warehouse & Warehouse Stationery
  - An expanded range of Home Brands in Noel Leeming
- Product and Brand additions will be consistent with each Retail Brand's positioning and personality
- Additional brands (supplementing our current range of brands) will start to be in stores from Q3 and will continue throughout H2, these include for example, Sony, Acer, Kambrook, and the new Aspira Whiteware brand
- Product brand optimization will be consistent with our Retail Brand competitive positioning and Basic/Good, Better, Best Framework
- Increased customer quality perception, particularly in The Warehouse





Warehouse Stationery

- Strategy has been consistent since 2009 and we have seen the results of this clear on-going strategy development and implementation
- Warehouse Stationery's strategic intent is to provide the customer with everything you need to "Work, Study, Create, Connect" and you will start to see this come through stronger in our stores and advertising over the next few years
- We will continue to revise our product offering to be consistent with our Brand Positioning
- Significant progress to date in our goal of making Warehouse Stationery a Nationwide Retail Brand with 62 stores planned to be trading by the end of the year compared with 47 three years ago
- Strong sales growth in recent times with 14 quarters of same store sales growth
- We remain committed to our Small and Medium Business customers, with innovations such as Biz Rewards

Multi Channel

- We are on a journey to be NZ's #1 Multi Channel retailer, to do this we must:
  - Support our Bricks & Mortar stores with their online offers, and
  - Identify other online or alternative channels to bring bargains to New Zealanders when and where they want to shop
- We have already seen encouraging results from activities in the past 18 months which has resulted in annual growth of 100%+:
  - Getting our full Red Sheds range online
  - Launching the daily deal site Red Alert
  - Starting an extended range online books offer with 1 million titles available
  - Providing Noel Leeming customers the ability to research and purchase product online
  - The webstore is Warehouse Stationery's largest store with 8,000 Skus available online
- Multi channel has significant growth potential in NZ, with sales at half of UK levels. To continue to grow rapidly and be NZ's #1 multi channel retailer we need continual investment ahead of the curve in capabilities, such as fulfilment, sites and category expansion
  - While this investment will have lower initial return we believe it is critical to the medium term growth of the Group
- Our growth in Multi channel will come both organically and via acquisitions such as T7

We need to be positioned to follow the customer so that they can shop whenever, wherever and however they choose

Torpedo 7 Group

- The Warehouse Group recently announced an agreement to acquire 51% of Torpedo 7 Limited, which includes the Torpedo 7, 1-day and Urban Daddy sites (with settlement expected to occur early April)

- Torpedo 7 is one of New Zealand's leading online retailers
  - Founded in 2004
  - Most visited "pureplay" online retail site in NZ (per hit-wise ratings)
  - A large customer base in New Zealand & Australia
  - Sales over the past few years of ~ $70m and EBIT of $4 – 5m

- This partnership between The Warehouse Group and the founders of Torpedo 7 will allow us to grow the business significantly over the next 2 - 4 years. Our belief is that Torpedo 7 Group sales could be larger than Warehouse Stationery in 4 – 5 years

- We will be developing this business over the next few years to ensure it remains New Zealand's leading "pureplay" online retail site with a broader product offer
  - We expect EBIT (on a 100% basis) over the next few years to be in a range of $4–6m

- Our partnership in Torpedo 7 Group is one of the foundations of The Warehouse Group becoming New Zealand's leading Multi Channel retailer

The Role of each of our Retail Brands

Each of our Retail Brands has a distinct role in the overall Group

	the warehouse	warehouse stationery	Noel Leeming	Multi Channel torpedo7.co.nz
Sales (FY12)	$1,520m	$210m	$600m	$70m
Growth	3 – 4%	4 – 5%	2 – 3%	25 - 50%
Brand Positioning	"House of Bargains", "Home of Essentials"	"Work, Study, Create, Connect"	"Technology Specialist" "Good, Better, Best" "Expert Service"	"Specialist, Serious, Professional" "Fun, Price, Young"
Customer	Families	SME, Creative, Student	Families & Specialist	"Pureplay" Online & Alternative Channels

The Warehouse has historically been ~90% of the Group's sales. Over the next 3-5 years it will fall to less than 60%

Property

The Warehouse

- We remain committed to the internal refits and modernizations of The Warehouse stores and are seeing the sales uplifts we expected as a result of this program
- We are still in the early stages of the refit program, 13 completed to date and 24 planned in 2013
- We are accelerating actions to improve our Auckland store footprint (Silverdale, Royal Oak, Mt Roskill, Takanini) with more to come

Noel Leeming

- As a result of the Noel Leeming acquisition and Bond & Bond Retail Brand merger we see opportunity to expand and improve the Noel Leeming footprint

Warehouse Stationery

- We continue to build out a nationwide retail footprint with 62 stores planned for the end of FY13 vs 47 three years ago

Group Opportunities

- We continue to review Group wide Retail Brand property opportunities
- We are pursuing all opportunities to right size stores across all Retail Brands
- We will commence the marketing of the Silverdale Retail Complex and anticipate the sale will be completed prior to the end of FY13

Dividend and F13 Outlook

Dividend Policy

- The board expects the Group to continue its strong cash flow performance enabling the company to fund its future capital requirements and to retain the current dividend pay out ratio of 90% of adjusted net profit after tax
- The Warehouse Groups approach to capital management is set out in our 2012 Annual Report and remains unchanged
- With particular reference to gearing, although we continue to roll out our refit and modernisation program across The Warehouse retail brand and will complete several acquisitions in FY13, the boards objective is to continue to manage capital structure with the intention of maintaining conservative gearing ratios. Cash generated from asset sales (both completed and announced) in FY13 will be applied to acquisitions and debt reduction in the first instance
- Dividend policy and capital structure together with associated benchmarks will continue to be reviewed on a regular basis

Dividend

- Interim dividend 15.5 cents per share, fully imputed at 30 percent
- Record date: 22 March 2013
- Payment date: 28 March 2013

Outlook and Earnings Guidance

- We expect the retail sector to continue to experience mixed trading conditions through the remainder of FY13
- Strategic initiatives addressing the weakness in The Warehouse's performance over the past decade have started to have an impact, but we are still early in our multi year transformation of this business
- Synergy and brand acquisition benefits from the NLG acquisition are a key focus of H2 activities but will not contribute significantly to the H2 results
- We will continue to invest "ahead of the curve" in Multi Channel
- Subject to any material change in expected trading conditions FY13 adjusted NPAT is forecast to be in the range of $73m and $76m (FY12 adjusted NPAT $65.2m), This Guidance
    - Includes H2 EBIT contributions from Noel Leeming (on a pre restructuring and continued operations basis) of $4 – 5m, and
    - Excludes any impact from the Torpedo 7 acquisition which is likely to be less than $1m (on 100% basis) in the April-July period

Questions