NZX / ASX RELEASE

Market Information Services Section New Zealand Exchange Limited	Company Announcements Office Australian Stock Exchange Limited.

13th March 2006

The Warehouse Group Limited
H1 FY06 result presentation material

Attached for release is a copy of the half-year results presentation material.

Yours faithfully

Mark Fennell
Secretary to the Board
The Warehouse Group Limited

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where everyone gets a bargain

The Warehouse Group Limited

2006 Interim Result

13th March 2006

Result Overview

- Sales from continuing operations up 1.9% to $933m
- EBITA from continuing operations up 7.4% to $94.7m
- The Warehouse Australia divested on 27th November 2005. Pre-tax loss on exit of $88.8m, within range provided at time of announcement
- NPAT excluding Australian divestment up 11.1% to $59.9m
- Reported after tax loss of $8.0m after the divestment of Australia
- Operating cashflows up 20.3% to $87.8m
- Interim dividend 10.5 cps – unchanged
- Net debt down 55.0% to $126.6m

All $ figures are quoted in NZ$ unless otherwise specified

Summary of Group Result – Continuing Businesses

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$NZm Continuing Businesses	Jan 2006 6 Mths	Jan 2005 6 Mths	Jul 2005 12 Mths
Sales	933.0	915.2	1,683.9
EBITA	94.7	88.2	139.2
Net profit after tax and minorities	60.4	55.6	86.4
EBITA %	10.2%	9.6%	8.3%

- **Sales revenue from continuing operations up 1.9% to $933m**
- **EBITA from continuing operations up 7.4% to $94.7m**
- **NPAT adjusted for Australian divestment up 11.1% to $59.9m**

Continuing businesses: segmental EBITA

$NZm	Jan 2006 6 Mths	Jan 2005 6 Mths	Jul 2005 12 Mths
The Warehouse NZ	92.1	90.1	138.6
Warehouse Stationery	3.2	0.2	3.9
Other Group operations	(0.6)	(2.1)	(3.3)
EBITA	94.7	88.2	139.2

- **Satisfactory result for The Warehouse NZ one year into a three year transformation programme**
- **Warehouse Stationery achieving sustainable sales and margin gains from renewed focus on operational disciplines**
- **Other Group operations improved on higher contribution from The Warehouse Financial Services JV and property rental income**

The Warehouse Australia Result

$NZm	Jan 2006 4 Mths Only *	Jan 2005 6 Mths	Jul 2004 12 Mths
Sales	162.4	299.3	479.4
Operating profit / (loss)	1.0	5.3	(5.4)

*The 2005/06 trading results for The Warehouse Australia only covers the period 1 August 2005 to 27 November 2005.

The equivalent EBITA for the first four months of 2004/05 was a $0.753m loss.

- **The Warehouse Group announced that it entered into an agreement to sell The Warehouse Australia business and other Australian assets for an aggregate cash consideration of A$92 million (NZ$99m) with the effective date of 27th November 2005.**
- **As a result of the divestment of the Australian business The Warehouse incurred a pre-tax charge of $88.8m.**

Simplified Balance Sheet

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$NZm	Jan 2006 6 Mths	Jul 2005 12 Mths
Assets		
Current assets	340.8	475.2
Property, plant & equipment	290.3	356.5
Deferred tax	13.0	28.2
Investments	12.7	10.8
Total Assets	656.7	870.7
Liabilities		
Current liabilities	173.4	200.6
Non-Current Debt	141.2	315.2
Non-current liabilities	12.4	3.0
Total Liabilities	327.0	518.8
Equity		
Equity and minority interests	329.7	351.9
Total Liabilities and Equity	**656.7**	**870.7**

FINANCIAL POSITION

- Total assets decreased $214.0m to $656.7m (FY05 $870.7m) mainly as a result of the divestment of the Australian business.
- Total gross capital expenditure down 32% to $30.3m (H1 FY05 $44.5m). Previous guidance for net capital expenditure for FY06 ($86m) now lowered to $62m-67m.
- Inventory and goods in transit decreased by 36.6% to $245.4m.
- Inventory and goods in transit from continuing operations fell 11% while overall footprint increased by 6.5%.
- Debt levels down 55%

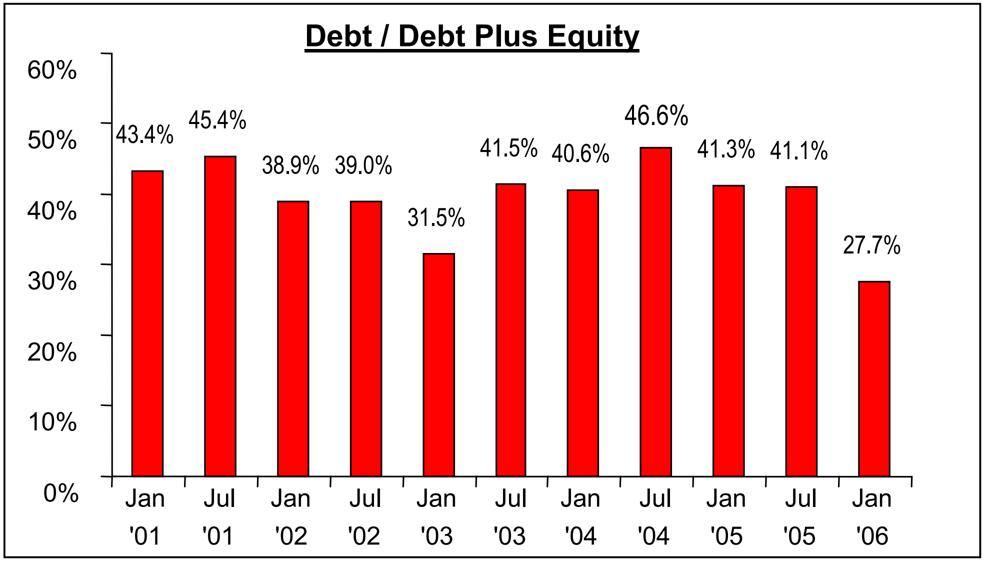
Financial Position - Key Group Ratios

		H106	H105	FY05
Interest cover	x	**12.5***	9.1	5.2
Fixed charge cover (EBITDR/R+I)	x	**3.3***	3.1	2.6
Net debt to EBITDA	x	**1.1***	2.3	1.4
Gearing (Net Debt / Net Debt + Equity)	%	**27.8**	41.3	43.4
Cash conversion ratio (NCFO/NPAT+D+A)	x	**1.11***	0.85	1.18
Net capex / depreciation	x	**1.3**	1.4	1.3

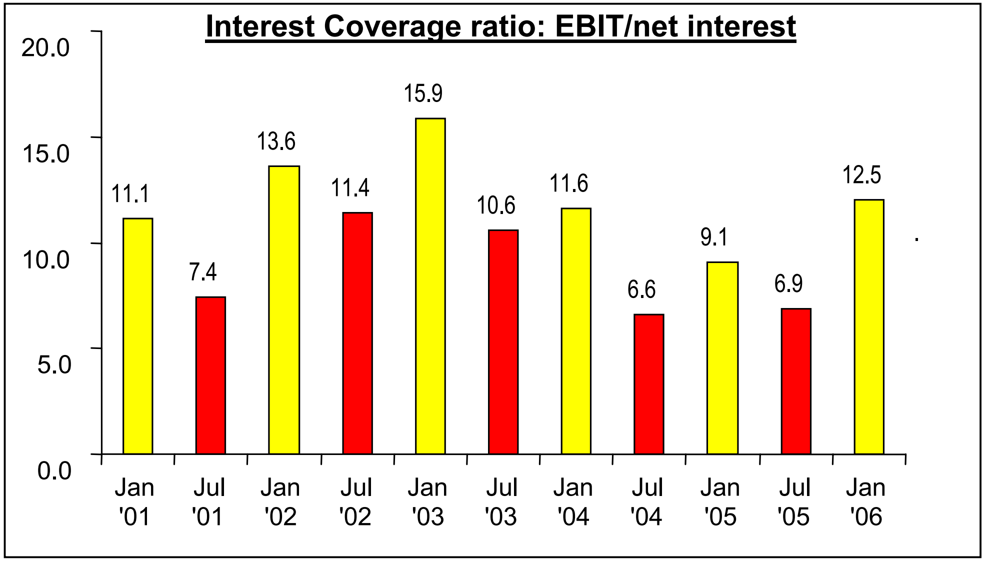
* Excluding the divestment of the Australian business.

- **Continued improvement in key ratios (adjusted for TWAL divestment)**
- **Improved working capital management**
- **Net cash-flow from operating activities up 20.3%, operating cashflows from continuing operations up 15.8%**
- **Cash conversion ratio up 30.6%**

Financial Position – Group debt & interest coverage ratios



- Substantially improved gearing ratio post sale of Australian assets



- Significant improvement in H1 FY06 coverage ratio (adjusted for Australian divestment)

The Warehouse New Zealand Result

$NZm	Jan 2006 6 Mths	Jan 2005 6 Mths	Jul 2005 12 Mths
Sales	831.1	818.5	1,483.7
Operating profit	92.1	90.1	138.6
Operating margin	11.1%	11.0%	9.3%

- **Sales up 1.5% to $831m, with same store sales down 1.3%**
- **EBITA up 2.2% to $92.1m with flat EBITA margin %**
- **Customers benefiting from even lower prices with customers spending more on each visit**
- **Good sales and contribution performance in apparel, entertainment and furniture**
- **Higher than anticipated cost of repositioning everyday price leadership**
- **New format stores opened in the period continue to perform to expectations – e.g. Te Rapa, Lower Hutt and Palmerston North**
- **Continued focus on reducing relative cost of doing business**
- **Improved cashflow and ROFE, a result of improved working capital management**

The Warehouse New Zealand – Priorities and Progress

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Customer Value Proposition
Used to guide decisions relating to:

FY05-08 Priorities

Develop Our Brand	Source Great Product	Leverage Our Supply Chain	Improve Our Stores
➢ Drive everyday price leadership ➢ Improve customer communications ➢ Develop fewer and better house brands ➢ Involve customers through feedback	*➢ Manage our product categories in a more systematic way ➢ Design product to drive great value ➢ Expand our product offer ➢ Involve customers through feedback*	*➢ Improve availability for customers ➢ Better use our world-class supply chain ➢ Leverage our scale to reduce costs ➢ Improve supplier performance*	*➢ Make shopping easier ➢ Increase volume sales ➢ Improve efficiency ➢ Make it easier for our teams to provide better service*

FY06 Progress

Develop Our Brand	Source Great Product	Leverage Our Supply Chain	Improve Our Stores
➢ Launched new promotional mechanisms – shift from short-term discounting to every day price leadership ➢ Developed new creative – more consistent customer communications ➢ Rationalised and restructured house brands – e.g. apparel ➢ Refreshed our motherbrand ➢ Key customer perception metrics trending positively – e.g. style and quality, price leadership position reinforced	➢ Established programme to improve product quality and supplier performance ➢ Style direction received positively by customers with improved sales and contribution ➢ Range development well advance for Sylvia Park store	➢ Cost of goods savings largely invested in price and quality ➢ Improved continuity product availability from 80% to 90% ➢ Reduced same store stock holdings by 11% ➢ Appointed new international logistics operator to improve inbound stock and order visibility	➢ New format stores performing to expectations –e.g. Te Rapa, Palmerston North, Lower Hutt ➢ Invested in development of in-store environment in ten stores – apparel and entertainment ➢ Reset store standards in apparel, manchester and grocery ➢ Sylvia Park store – new concept in NZ retail to open in June 2006

➢ **Strategy remains unchanged – One year into three year transformation programme**

The Warehouse at Sylvia Park

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The Warehouse at Sylvia Park

- **Integrated non-food and food department store**

- Details:
  - 12,500 m² of retail space
  - Extended general merchandise and apparel department
  - Full food offer including expanded grocery ranges and fresh food
  - Convenience of all under one roof
  - Prime site in an important shopping area

- Features:
  - Space to showcase full product range, and to integrate additional services
  - High merchandise standards – customer service, shop fitout and housekeeping
  - Selection of serviced and non-serviced fresh food
  - Easy to navigate and easy to shop

- **Quantum leap in New Zealand shopping experience**
- **Start of a $60m commitment over the next 5 years on expanding food offer and upgrading the existing retail network**

Warehouse Stationery Result

$NZm	Jan 2006 6 Mths	Jan 2005 6 Mths	Jul 2005 12 Mths
Sales	100.1	96.1	199.0
Operating profit	3.2	0.2	3.9
Operating margin	3.2%	0.2%	1.9%

- **Sales up 4.2% to $100.1m, with same store sales up 0.3%**
- **EBITA up $3.1m to $3.2m.**
- **EBITA margin of 3.2% up 300 bp**
- **Sustainable sales and margin performance as a result of a renewed focus on operational disciplines**
- **Modest same store retail sales growth of 0.3% the result of:**
  - **Later commencement of the first school term**
  - **Cycling against a comparative year that had heavily discounted inventory clearance activity and exiting of non core categories**
- **Business to Business channel achieved sales growth of 15.7% through improved customer acquisition and customer retention programmes**
- **Stock turn improved 30% from a year earlier**

Warehouse Stationery – Priorities and Progress

FY05-08 Priorities	FY06 Progress
Develop clear customer value proposition	➢ Refocused on core stationery business ➢ Review completed – market positioning determined, customer value proposition and category framework revised, channel strategy confirmed
Focus on efficient utilisation of existing footprint	➢ Format strategy developed, new format options identified
Develop organisation capability – people, process and systems	➢ New CEO and executive management team in place ➢ Stepped up investment in systems infrastructure
Consolidate growth in business to business channel	➢ Operating model refined ➢ Solid incremental sales growth

➢ **Consolidation and earnings improvement this year** thewarehouse

➢ **Consumer demand 'patchy'**

Environment

- Mixed signals suggests uncertain consumer outlook for 2006
- Well positioned to respond if that eventuates

Outlook

- Trading conditions since January 2006 mixed with sales flat for The Warehouse NZ
- Full year earnings forecast between $83m to $88m excluding the Australian divestment write-down
- The above guidance assumes no change in current trading conditions for the balance of the FY06 year

Questions