

8 September 2006

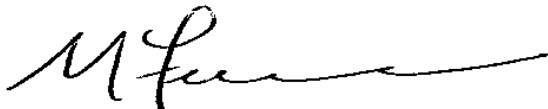
MAPS Announcement

Listed Company Relations
New Zealand Exchange Limited

The Warehouse Group Limited
Full Year Result Release Presentation Material

Attached for release is a copy of the full year results presentation slides. A copy of the slides will shortly be available on www.thewarehouse.co.nz.

Yours faithfully



Mark Fennell
Secretary to the Board
The Warehouse Group Limited

The Warehouse Group Limited 2006 Result and Strategy Update

8th September 2006

Content

- Group result overview
- The Warehouse New Zealand – results and progress against strategy
- Warehouse Stationery – results and progress against strategy
- Focus for 2007 – 09
- Outlook

*The Warehouse Group
2006 Result*

2006 Result Overview

- Sales of \$1,720.5m, up 2.2%
- EBIT of \$152.0m, up 9.2%
- H2 2006 EBIT \$57.3m, up 12.3%
- Operating cash-flows of \$166.9m, up 15.3%
- NPAT, excluding disposal of The Warehouse Australia (TWA), of \$96.9m
- Reported NPAT of \$29.3m
- Final dividend 5.5 cps, up 1.5 cps

All \$ figures are quoted in NZ\$ and refer to continuing operations unless otherwise specified

Summary of Group 2006 Result – Continuing Operations

\$NZm	2006	2005
Sales	1,720.5	1,683.9
EBITDA	183.4	173.4
Depreciation	31.4	34.2
EBIT	152.0	139.2

- Group sales up 2.2% to \$1,720.5m
- EBITDA up 5.8% to \$183.4m
- EBIT up 9.2% to \$152.0m

Segmented EBIT – Continuing Operations

\$NZm	2006	2005
The Warehouse NZ	143.5	138.6
Warehouse Stationery	9.3	3.9
Financial Services	4.2	3.9
Other Group	(5.0)	(7.2)
Total EBIT	152.0	139.2

- The Warehouse NZ – improvement in sales and gross margin performance
- Warehouse Stationery – continues to achieve sales and margin gains from refocus on core offer
- The Warehouse Financial Services JV – improved contribution
- Other Group – lower net costs

Segmented EBIT – Continuing Operations – H2 2006

\$NZm	H2 2006	H2 2005
The Warehouse NZ	51.4	48.4
Warehouse Stationery	6.1	3.7
Financial Services	2.1	2.2
Other Group	(2.3)	(3.3)
Total EBIT	57.3	51.0

- H2 2006 EBIT of \$57.3, up 12.4%
- The Warehouse New Zealand – H2 2006 trading outcome driven by improved Q4 sales performance, primarily attributed to a later start to winter
- Warehouse Stationery – significantly improved H2 2006 operating performance against stock write-offs of \$3.5m in the comparative period

Summary of Group 2006 Result – Key Ratios

	2006	2005
Interest cover*	15.3	7.0
Fixed charge cover (EBITDR/R+I)**	3.9	3.6
Net debt to EBITDA *	0.6	1.4
Net Debt / Net Debt + Equity	25.7%	43.7%
Cash realisation (NCFO/NPAT+D+A)	115.2%	118.1%

* Normalised for Australian divestment and goodwill write-offs

** Continuing Operations

- Improvement in most key ratios
- Well positioned to fund future investment from internal cash-flow

Simplified Balance Sheet

\$NZm	2006	2005
Assets		
Current assets	325.3	475.2
Property, plant & equipment	305.6	356.5
Deferred tax	11.3	28.2
Investments	4.9	10.8
Total Assets	647.1	870.7
Liabilities		
Current liabilities	168.2	240.7
Non-current liabilities	144.7	278.1
Total Liabilities	312.9	518.8
Shareholder Equities	334.2	351.9
Total Liabilities and Equity	647.1	870.7

FINANCIAL POSITION

- Total assets decreased \$223.6m to \$647.1m, mainly as a result of the divestment of the Australian business
- Inventory and goods in transit from continuing operations fell 8.0%

2007F Capital Expenditure – Continuing Operations

Gross Capex by Brand

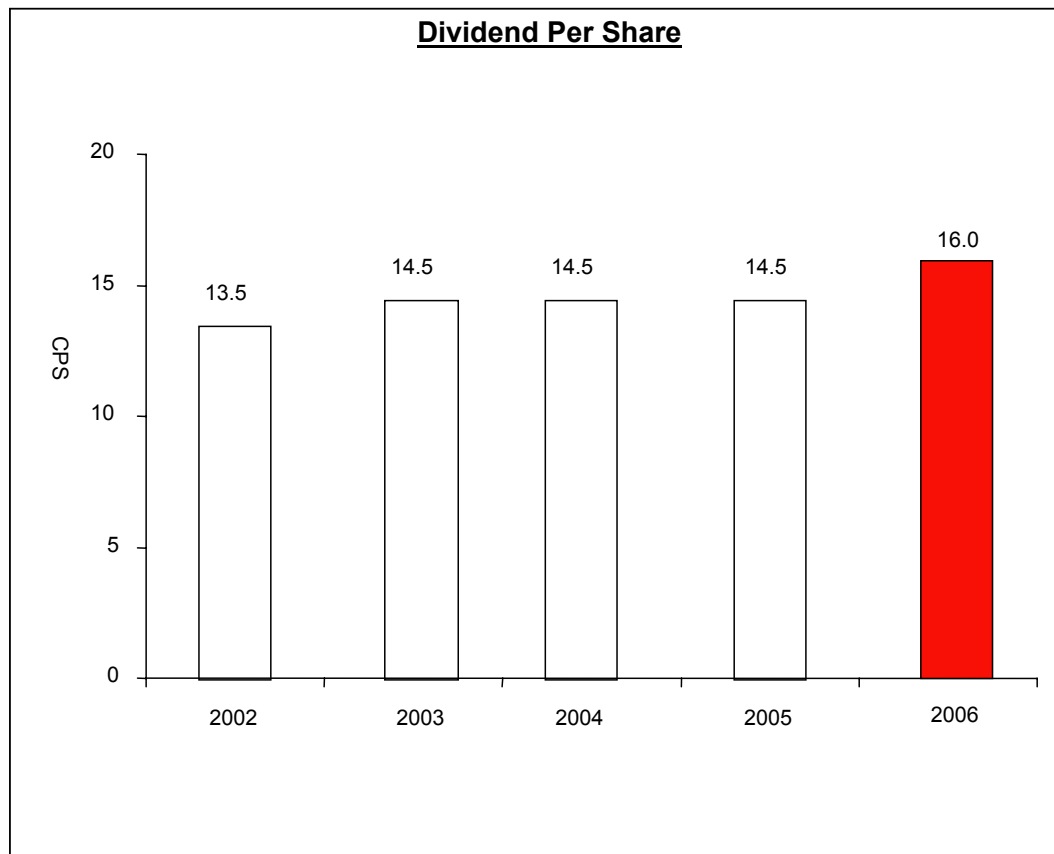
\$NZm	2007F	2006	2005
The Warehouse NZ	65.2	38.8	23.2
Warehouse Stationery	10.6	4.5	5.0
Group (Property)	15.0	17.2	43.9
Total	90.8	60.5	72.1
Depreciation	36.3	31.4	34.2
Capex / Depreciation	2.5	1.9	2.1

- In both The Warehouse and Warehouse Stationery the focus of 2007 increased capital expenditure is on format development and IT infrastructure

2007F Segmented Capex by Brand

\$NZm	TWL	WSL
Stores	29.6	6.0
Systems	12.0	3.3
Supply chain	5.6	0.8
Merchandise initiatives	12.3	-
Other	5.7	0.5
Total	65.2	10.6

Group Distribution – Dividend



- Final dividend 5.5 cps fully imputed
- Payable 20th November 2006
- Books close 5pm 10th November 2006
- Total dividends for year 16.0 cps, up 10.3%
- Adjusted 2006 payout 50.6%

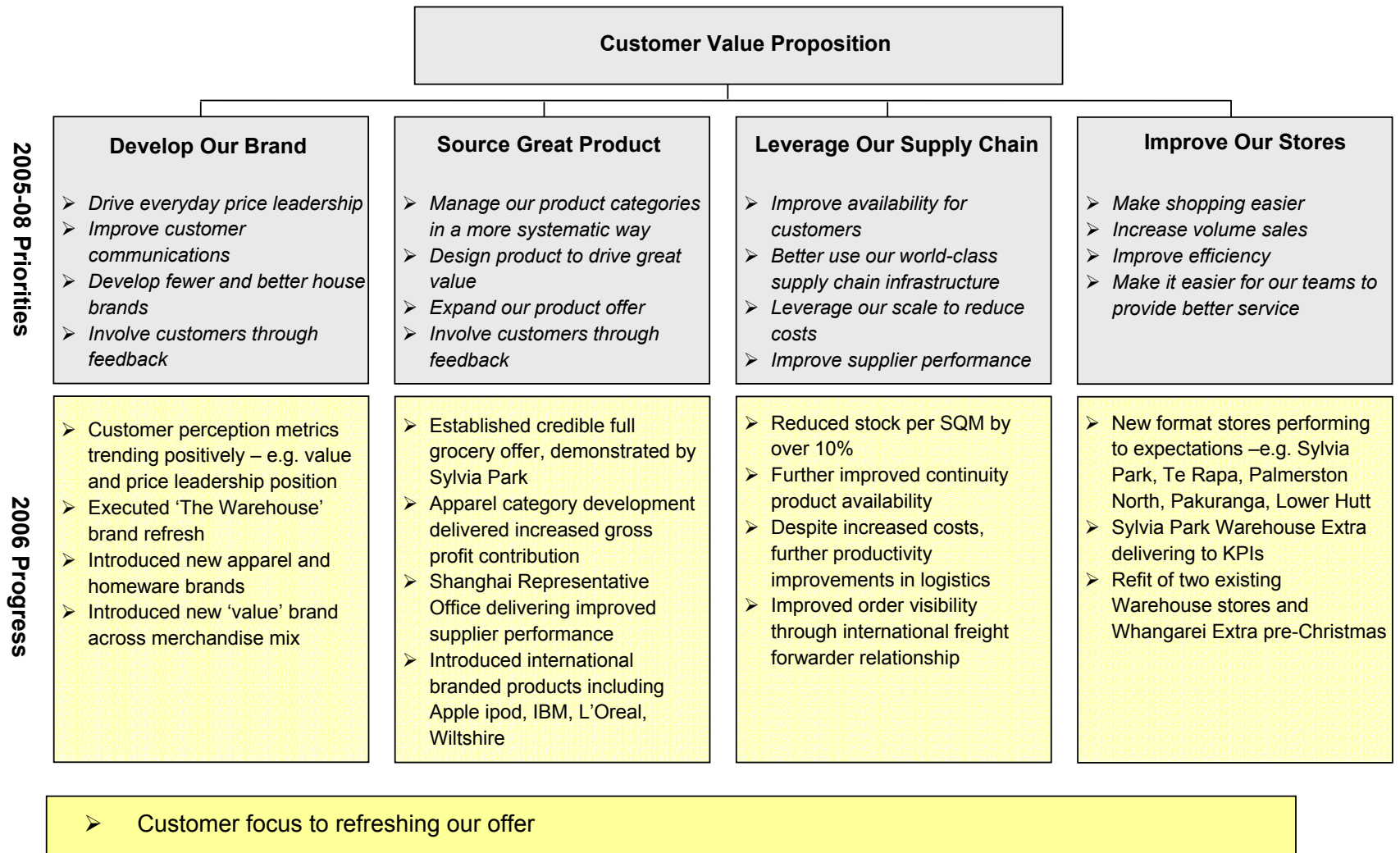
*The Warehouse New Zealand
2006 Result*

The Warehouse New Zealand – 2006 Full Year Result

\$NZm	2006	2005
Sales	1,507.7	1,483.7
EBIT	143.5	138.6

- 2006 full year result:
 - Sales up 1.6% to \$1,507.7m, with same store sales down 1.4%
 - EBIT up 3.6% to \$143.5m
- Second half result:
 - Sales up 1.7% to \$676.6m, with same store sales down 1.5%
 - Q4 2006 same store sales at -0.3%
 - EBIT up 6.1% to \$51.4m

The Warehouse New Zealand – Priorities and Progress



Developing Apparel from Source of Supply to Shelf

ACTIVITIES	OUTCOMES
Sourcing <ul style="list-style-type: none"> ➤ Sourcing supply ➤ Price negotiation ➤ New product development 	<ul style="list-style-type: none"> ➤ Sustainable margin improvement through better buying ➤ New direct supply relationships established ➤ House brand refresh
Supply chain <ul style="list-style-type: none"> ➤ Consolidated freight service ➤ Order tracking ➤ Issues resolution 	<ul style="list-style-type: none"> ➤ Consolidated freight service at Shanghai and Ningbo ➤ Improved order visibility ➤ Ordering and holding raw materials at source
Quality management <ul style="list-style-type: none"> ➤ Quality assurance and control ➤ Technical specification ➤ Standards 	<ul style="list-style-type: none"> ➤ Quality mgt. conducted at source – more effective ➤ Checking all garments in line with AQL sampling ➤ Improved quality and standards
Supplier management <ul style="list-style-type: none"> ➤ Supplier scorecard ➤ Supplier performance review ➤ Supplier accreditation / CSR 	<ul style="list-style-type: none"> ➤ Supplier performance mgt. programme established ➤ Improved supplier DIFOT
<ul style="list-style-type: none"> ➤ Sales improvement in line with apparel market ➤ Driving improved supplier performance (quality and standards) by getting closer to source of supply ➤ Next steps – improve clarity and presentation of offer in-store, and leverage eight week order cycle 	

Developing Apparel from Source of Supply to Shelf



- Value leadership = price + quality + style
- Rationalised house brands
- Introduced select brands to target key customer segments



- Introduced apparel category specific fashion mailers
- Supported by TV campaigns
- Next step – improve in-store presentation – ‘making the product the hero’

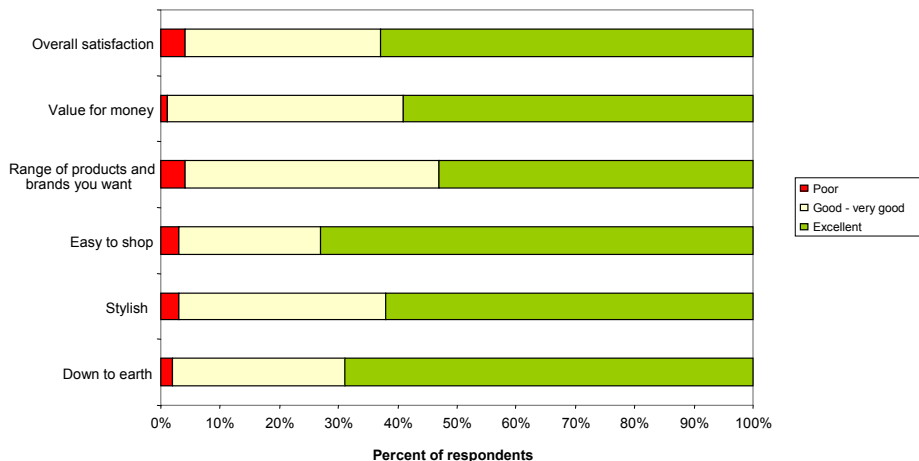
Extra Format – A New Way of Shopping

- Integrated non-food and food department store – 12,500 m² of retail space
 - First store opened at Sylvia Park, 8th June 2006
 - Extended general merchandise and apparel department
 - Full food offer including expanded grocery ranges and fresh food
 - New destination departments – pharmacy and liquor
 - Experiential areas – foodmarket, fashion, entertainment and technology, home, toys
- A new way of shopping for New Zealand – everything under one roof ... and customers love it!

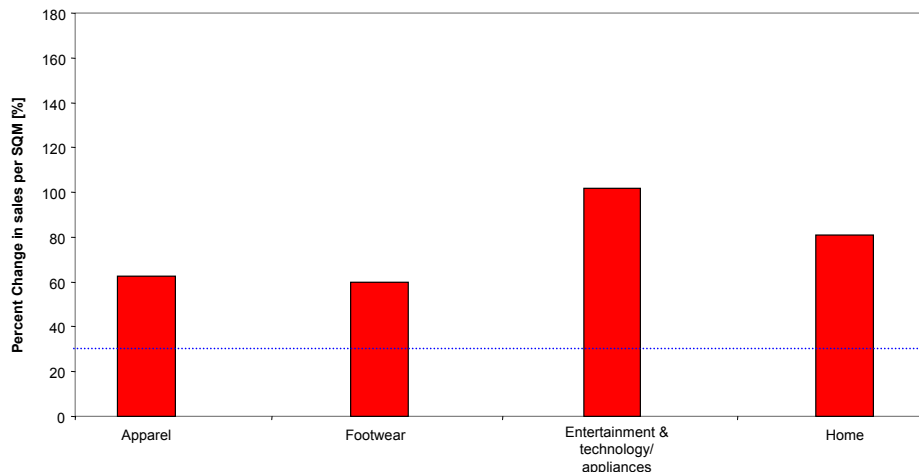


Extra Format – A New Way of Shopping

Customer Satisfaction – Sylvia Park vs. The Warehouse



Percent Change in Sales per SQM for Key Categories – Sylvia Park vs. Index Store



Sylvia Park results

- Very positive customer response to new shopping experience
- General merchandise and apparel sales up 7% on 32% less space (against index store)
- Grocery sales, as a proportion of total merchandise mix, in line with expectations
- Average basket size up against index store
- New brands introduced in technology, grocery, H&B, and homewares categories

Next steps for Extra development

- Continue to learn rapidly and improve grocery offer
- Input learnings into next Extra store, at Whangarei
- Investment of over \$60m planned in next five years

Warehouse Stationery
2006 Result

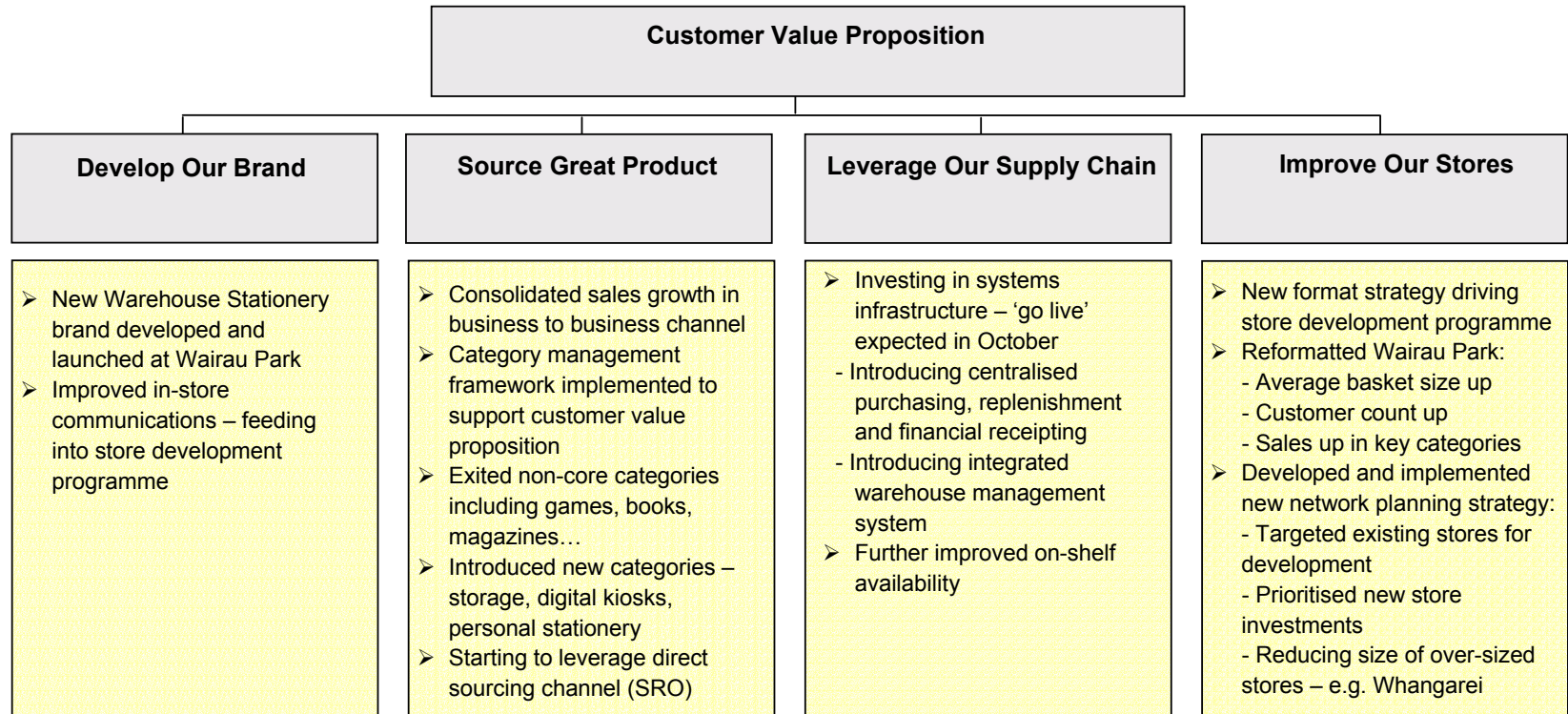
Warehouse Stationery – 2006 Full Year Result

\$NZm	2006	2005
Sales	211.7	199.0
EBIT	9.3	3.9

- 2006 full year result:
 - Sales up 6.4% to \$211.7m, with same store sales up 4.4%
 - EBIT up 142.3% to \$9.3m
- Second half result:
 - Sales up 8.5% to \$111.5m, with same store sales up 8.2% - driven by a shift of Back to School from Q2 to Q3
 - Q4 same store sales at 5.4%
 - EBIT up 64.8% to \$6.1m

Warehouse Stationery – Priorities and Progress

2006 Progress



- Consolidation and earnings recovery this year
- Investing in core infrastructure

Wairau Park Format Refresh

- New store format – focusing on improving customer shopping experience and store economics
- Reformatted store opened July 2006 – 1,553 m² of retail space
- New features include:
 - Business machine store in store with specialist staff
 - Service desks for technology and furniture
 - Self serve price checkers, silent sales mechanics, self and full service copy centre
 - Customer use PC's with live internet, wifi network
- Over 500 new products introduced including plastic storage, specialist paper ranges, art and craft products, expanded PC and notebooks ranges
- Removed over 3,000 non-core SKUs
- Improved in-store communications, store navigation, space and adjacencies

Wairau Park Store Performance – Against Old Store

Key metrics	Outcome
Sales	▲
Average basket size	▲
Customer count	▲
Customer response	✓

Wairau Park Format Refresh



Focus for 2007 – 09

Focus for 2007 – 09

Improve sales performance

Accelerate format development programme

- Roll-out Extra format
- Roll-out revamped Warehouse format
- Consider new format options
- Roll-out new Warehouse Stationery format

Provide better value

- Further introduction of branded products
- Continue to improve house brands
- Further develop key categories – liquor, food and pharmacy

Improve margin performance

Leverage direct sourcing benefits through SRO

- Improve in-flow margins
- Continue to improve supplier performance

Drive category management

- Improve price and product architecture
- Improve management of inventory
- Improve management of and return on space

Invest to improve relative CODB

Develop IT infrastructure

- Invest in inventory management
- Invest in ePOS

Improve efficiency of stores

- Improve store labour productivity
- Improve customer service

Outlook

➤ Environment

- Consumer demand weakening:
 - Impact of petrol price increases
 - Reduction in house equity withdrawal and higher mortgage rates
 - Softening housing market
- Rising costs:
 - Raw materials – oil, metals, and plastics
 - Currency cross rates – RMB vs US\$ vs NZ\$
 - Compliance and labour costs
 - Freight
- **Expect real sales growth in the New Zealand retail sector over the next 12 months to be flat**

➤ Earnings

- Focused on delivering sales and earnings growth ahead of the market
- Too early to provide specific guidance for 2007

Questions