Macquarie Connections

NZ Retail Day

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Our Market Definition

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- The Warehouse is classified in the 'department stores' sector, and accounts for approximately 40%

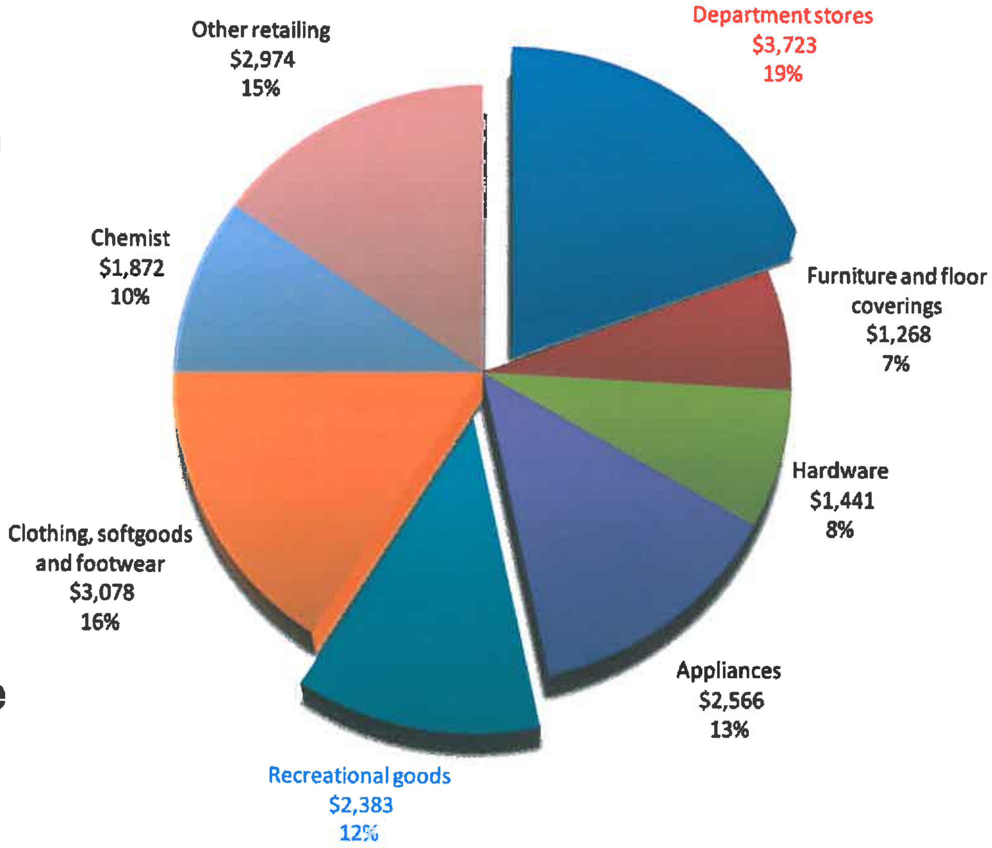
  Warehouse Stationery is classified in the 'recreational retailing' sector and accounts for approximately 8%

- We have defined our overall market as 'non food retail' (NFR) as our competitor set is clearly wider than just these two sectors

- These non food segments have had very different growth profiles over the past 10 years.

Total NFRC Calendar Year 2009

Source: Dept of Stats



In 2009 the Non Food Retail market was over $19 billion, with The Warehouse Group holding 8.8% share.

Key Changes in Consumer Spending

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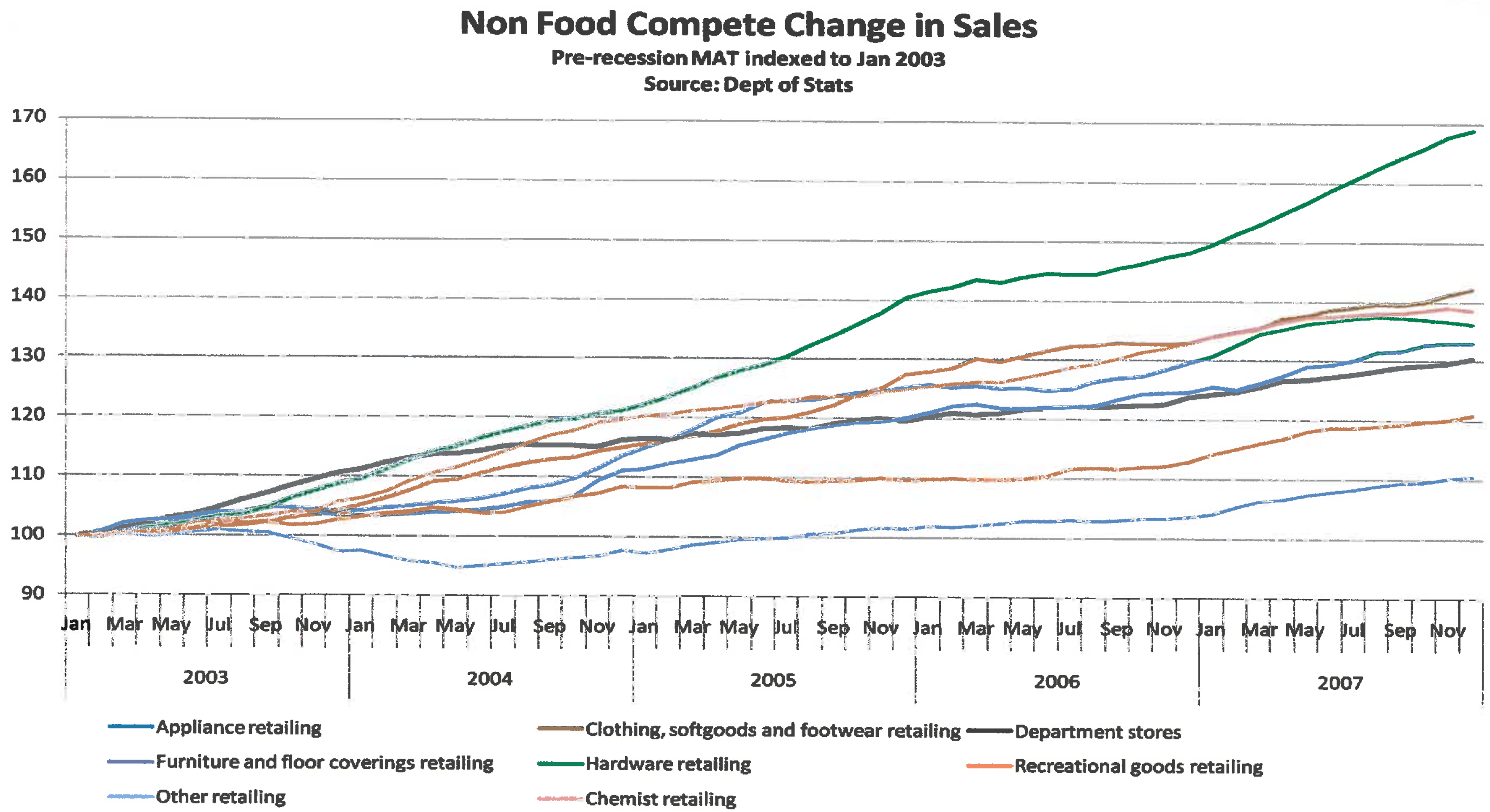

Significant amount of consumer spending growth since 2004 has gone into hardware and the clothing, soft goods & footwear sectors driven by retail footprint increase.

Environment as “we” see it

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- Consumer confidence improving but mixed signals
- Gap between consumers’ view of future and current conditions
- Lag expected between improving business confidence and major shift in employment sentiment
- Lag in wealth effect as offset to rising interest rates
- Fiscal initiatives not a stimulus to retail

> - The Warehouse an indicator of the wider economic environment.
> - We see recovery, but likely to take time.
> - Consumers will continue to respond to deep discounting.

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We make a difference to people's lives by making the desirable affordable

PRODUCT AND PROMOTION

Inspire and make it desirable so that families want to shop at TWL

HOW:

- House-brand orientated retailer, with targeted national brands where appropriate - by category
- 'Better' and 'Best' product and prices to drive trade-up and margin
- On–trend and regular opportunity buys to create excitement
- Fit-for-purpose quality
- Bargains continually created through differentiated promotions and specials, every week
- Event ownership

LOWEST PRICE

Reduce the cost of things ensuring its affordable for more families to live a better life

HOW:

- Absolute lowest price on all entry price points
- Customers trust our prices to be the best in NZ everyday
- Vigorously compete on price across all categories

SHOPPING EXPERIENCE

Always easy to shop, well presented and full of surprises

HOW:

- Always thinking from the customer's perspective in whatever we do
- Simple to shop; easy to find products correctly priced and available with fast check-out
- Assisted self-service
- Abundance, good presentation, inspiring, clean, bright, tidy and safe
- Always something new or interesting for all the family

NO FRILLS, LOW COST OPERATOR

Designed for simplicity, efficiency and speed to market from source to checkout, to continually drive out costs.

Revenue Growth

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- Compete vigorously in core categories Apparel and Home
- Category expansion over three years:
  - Footwear
  - Jewellery and Fashion Accessories
  - Sporting and Leisure Goods
  - Books
  - Health and Beauty
- On-line channel development over four years
  - On-line sales
  - Off-line sales in store
- Footprint expansion over five years

Growth initiatives offset by decline in music/DVD market in short term.

Online Channel Development

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Online Enhancements

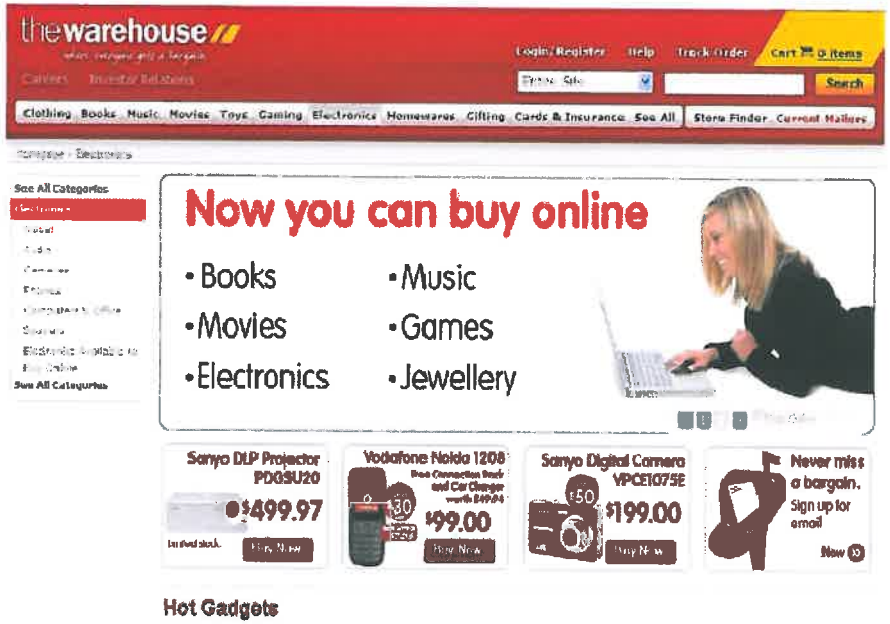
- ROBO (Research Online, Buy Offline)
  - Product content displayed online
  - Drives sales into retail stores
- Services online (finance, insurance)

Range Expansion

- Extension of in store range available online
- High cube products
- Direct from supplier ranges

Fulfilment Enhancements

- Store based picking
  - Avoids significant additional fixed overheads
  - Reduced stock investment
- Supplier fulfilment partnerships



Long term investment in revenue expansion.

New Space in Progress

Extensions

- Pukekohe
- Timaru

Replacement Stores

- Gisborne
- Balmoral (Auckland)

New Stores

- St Lukes (Auckland)
- Rolleston (Christchurch)
- Silverdale (North Auckland)
- Royal Oak (Auckland)
- Whitianga

Additional locations under consideration for Auckland catchment

Five to eight new or replacement stores over the next 5 years increasing total footprint by at least 30,000m².

Reinvesting in our stores

- **Refresh** - Addressing hygiene factors and achieving a consistent modern look across the chain
- **Refits** - Full store modernisation addressing space and adjacencies
- **Modular Investment** - Targeted at growth categories and significant space changes

Investment in all stores over next three years.

Great Products, Simple Signage, Low Price

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Gaming – full offer of all brands

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New & Interactive

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Easy to shop and low price!

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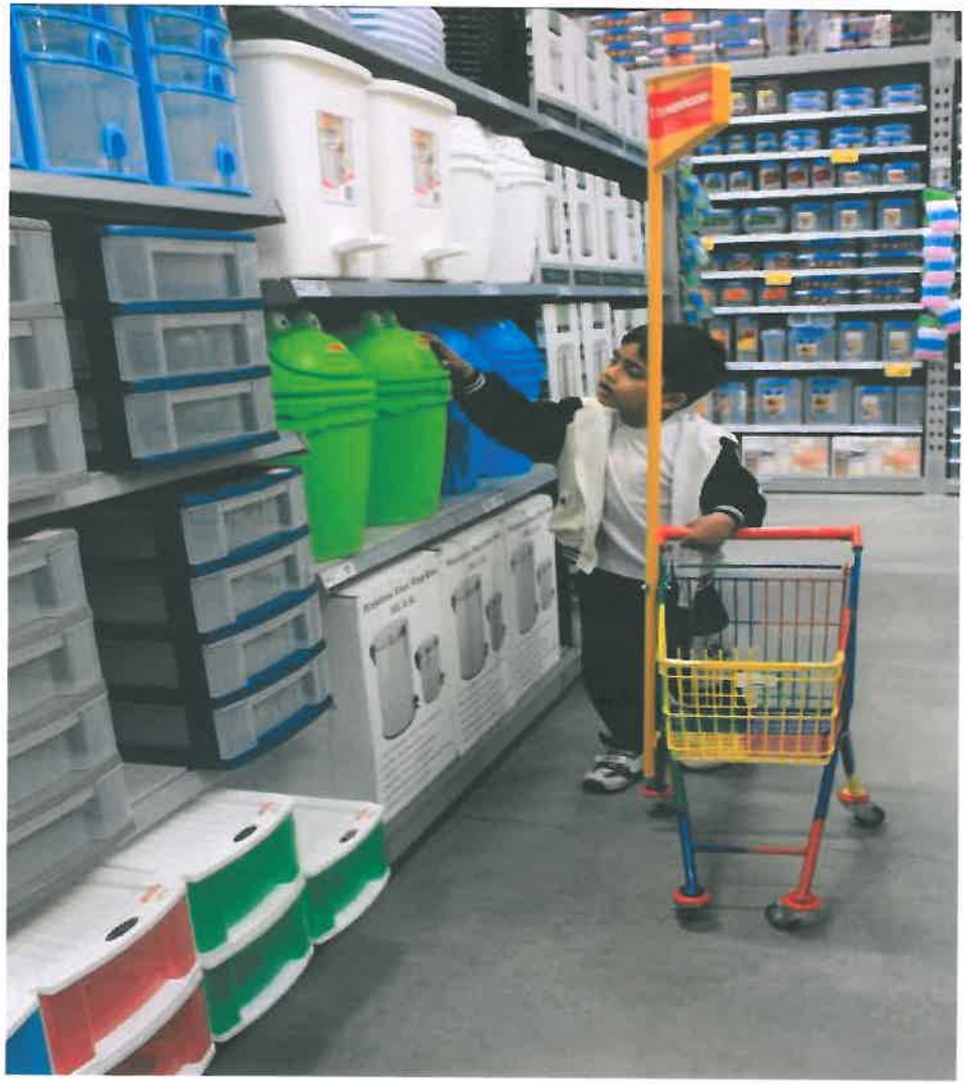
Family Friendly



Jewellery

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Fragrances – full self service

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Books – fantastic 'low price' communication

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Pocket Money Mania

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See it, Like it, Buy it

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Linear checkouts

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Modular-based Category Growth

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- Categories identified for growth:
  - Apparel and home
  - Jewellery and fashion accessories
  - Sporting and leisure goods
  - Footwear, books, health and beauty
- Investment in range, space, display and marketing to support growth in sales
- Modular store investment prioritised initially for the 17 'Extra' stores

Investment in categories with clear growth potential.

Executional Excellence

- Communicating price leadership position
- Increasing conversion
  - On-shelf availability
  - Price and promotion tie up
  - Assisted self-service
- Speed of customer through-put

Focusing on key opportunities to increase conversion.

Warehouse Stationery Strategic Direction

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- Cement our position as NZ's leading office products retailer
- Growth Drivers:
  1. Develop and add Categories, Products and Services
  2. Invest in sustaining same store sales growth in existing stores
  3. Improve our offer to our Business Account customers
  4. Create and drive a highly productive direct channel
  5. Retail footprint growth to achieve national coverage
- Strong value proposition will be underpinned by an on-going cost reduction programme

Key objective to grow sales and achieve benchmark operating margins by F14.

Improve our Store Environment

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Key Elements:

1. Logical and proportionate layout and adjacencies
2. External branding and internal signage
3. Merchandise display guides and plan-o-grams
4. Category / product specific display solutions
5. Improve lighting and energy efficiencies

The key will be in creating a cohesive store environment that links our brand/customer proposition to an easy shopping experience.

New Stores – plan for national coverage

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- Two ideal store sizes assessed based on sales per m^2 and store EBIT performance
- Large catchments where Warehouse Stationery is currently under-represented will be targeted:

  1. Medium Stores (600 – 900m^2)
  2. Large Stores (1,000 – 1,200m^2)

Seven to ten new and replacement stores to achieve national coverage.

Investment Fundamentals

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- Experienced board and management
- Sound governance structure and processes
- Powerful franchise in "The Warehouse" brand
- Significant competitive advantage in national footprint
- Earnings predictability through economic cycles
- Strong cash generator able to fund capital requirements and maintain dividend yield

Current P/E 13.0x on F10 forecast earnings.

QUESTIONS