

The Warehouse Group Limited
Annual Shareholder Meeting
25 November 2005

1. Introduction and 2005 results [Keith Smith, Chairman]

2. Strategy overview [Ian Morrice, Group CEO]

3. Business of the meeting [Keith Smith, Chairman]

- Receive annual and auditors' reports
- Re-election of directors
- Auditors' remuneration
- Other business

4. Refreshments

*Copies of the presentation are available on
www.thewarehouse.co.nz or by emailing investor@twl.co.nz*

- Full year net operating profit after tax of NZ\$71.9m – up 17.5%
- Attributable full year net profit of NZ\$39m, after goodwill write-off and tax
- The Warehouse Australia – large turnaround in operating result and positive operating cashflows
- The Warehouse New Zealand – sales grew 0.4%, operating profit fell to NZ\$138.6m from NZ\$151.3m
- Warehouse Stationery – refocusing on its core offer
- Improvement in key balance sheet ratios during the period

Sale of The Warehouse Australia

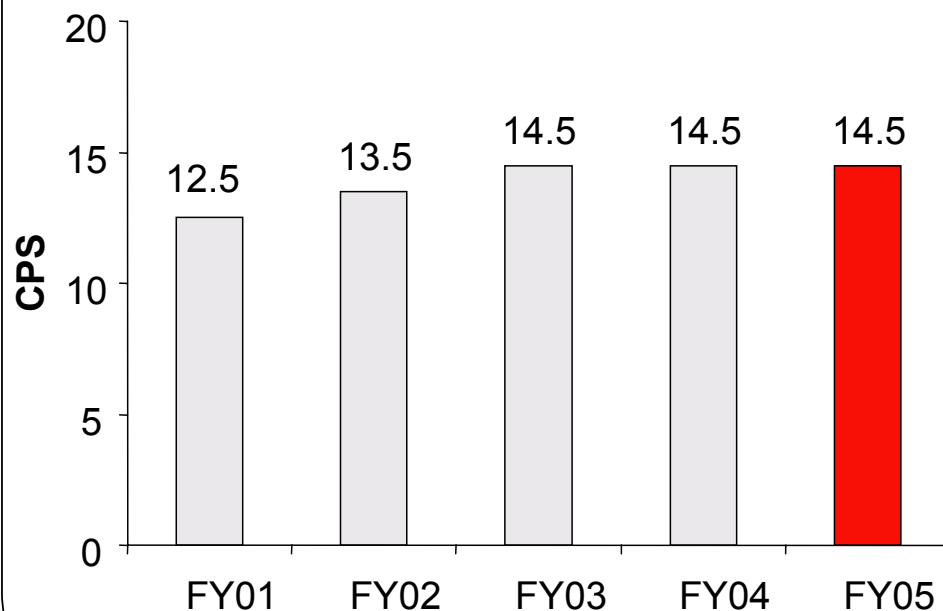
- The Warehouse Australia sold for NZ\$99m (A\$92m)
- Transaction effective 27 November – final completion early 2006
- FY05-06 pre-tax earnings expense of between NZ\$80m and NZ\$90m
- Focus the company's resources on developing its New Zealand businesses



- Planned adoption for the year ended 27 July 2008
- The most significant impacts on the financial statements relate to:
 - Share-based remuneration
 - Taxation
 - Hedge accounting
- Goodwill of NZ\$39m written off in advance of adoption of IFRS
- Non-cash write-off – no impact on quantum of dividends paid



Dividend Per Share



- Dividend for the year was maintained at 14.5cps
- Payout ratio 61.6% after adjusting for goodwill

- Glen Inger and Joan Withers retired as directors during the year
- Ian Tsicalas resigned as a director following TWA divestment
- Board currently conducting search for replacement directors
- Annual assessment process confirmed Board functioning effectively
- Seeking approval for financial assistance for Executive Share Scheme

Quarter 1 (FY06 vs FY05)	Total sales growth	Same store sales growth
The Warehouse New Zealand	3.2%	0.2%
Warehouse Stationery	2.9%	(1.6%)
The Warehouse Australia	(7.8%)	(6.5%)

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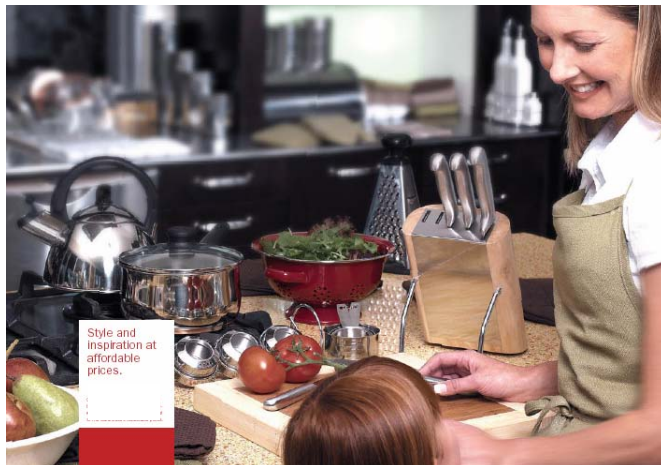
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The Warehouse New Zealand

Priorities and Progress

We set out with one simple concept in mind. To put the **customer first** and let everything else, every business activity and consideration, flow from that principle. Within The Warehouse itself we all work together and our **team spirit** comes through because we enjoy being successful and we aim to keep our customers **satisfied**. We regard **employees** as our greatest asset; they choose to stay with us because we care and we take time to recognise individual qualities. The Warehouse is a **way of life** for countless New Zealanders. We make a difference to people's lives, especially family life, by making the desirable **affordable**.



- Retail offer needs to better reflect changing trends
- Value leadership is a function of price + quality + style

- Need to develop our offer to better reflect consumer and market changes
- Have invested ahead of the curve – falling sales densities and ROI
- Have not consistently used scale to our advantage
- Fixed costs growing at greater rate than sales, while selling prices are deflating
- Do not currently leverage world-class supply chain infrastructure
- Need to invest in people and processes to develop world-class retail model
- **Operating model requires development over three years**

1. Develop our brand

- Drive everyday price leadership
- Improve customer communications
- Develop fewer and better house brands
- Get customers to re-appraise our offer
- Involve customers through feedback

- **Establish everyday 'value leadership' position in New Zealand retail**

1. Develop our brand

2. Source great product

- Manage our product categories in a more systematic way
- Design product to drive great value
- Expand our product offer
- Involve customers through feedback

➤ **Make the desirable affordable**

1. Develop our brand
2. Source great product

3. Leverage our supply chain

- Improve availability for customers
- Better use our world-class supply chain infrastructure
- Leverage our scale to reduce costs
- Improve quality and supplier performance

1. Develop our brand
2. Source great product
3. Leverage our supply chain

4. Improve our stores

- Make shopping easier
- Increase volume sales
- Improve efficiency
- Make it easier for our teams to provide better service

Warehouse Stationery

Priorities and Progress

Priorities and Progress

- Refocused on core stationery business
- Progress made on realigning organisational structure to strategy
- Appointed new CEO and strengthened key management team
- Focusing on efficient utilisation of existing footprint
- Stepped up investment in infrastructure planned in FY06
- B2B channel development continues

➤ **Consolidation and earnings improvement this year**



The Warehouse Australia

The Warehouse Australia

- Focused on achieving break-even position
- Assessed our strategic options for the Australian business
- Analysis highlighted that substantial further investment required to achieve a scale operation and growth
- New combined entity creates exciting opportunities for the Australian team
- Immediate focus of investment on the New Zealand operations to achieve returns on current infrastructure



The Warehouse Group

Priorities and Progress

- Significant incremental investment in footprint in last three years has failed to produce expected return on investment
 - Structure and processes in place to ensure increased rigour and accountability in capital management decisions and investment outcomes
 - In the near-term we are investing in areas that improve return on our current infrastructure
- **Drive return on capital through improved investment management and decision-making**

- New Zealand Q1 sales held – TWL sales benefited from a high level of clearance activity
- Strategic promotional shift likely to produce short-term sales volatility
- Consumer spending likely to continue to moderate
- Re-positioned our offer to provide everyday price leadership

➤ **Both New Zealand businesses positioned to respond to a more difficult trading environment**