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The Warehouse Group Limited
2008 Full Year Result

Ian Morrice
Managing Director

Luke Bunt
Chief Financial Officer

12 September 2008

Overview of the Year

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- Sales down 1.5% to 1.74 billion
- Net profit after tax excluding unusual items down 17.0% to $80.9 million
- General merchandise sales down 4.7% yoy
- Apparel sales up 5.8% yoy
- Grocery, pharmacy and health & beauty sales up 9.1% yoy
- Brand development continued in apparel and home
- 8 full store refits and 6 pulse upgrades completed
- Continued to build our sourcing capability in Asia
- Replacement of core merchandising systems completed in both businesses
- Final dividend held at 5.5 cps

Financial Results

Year ended 27 July 2008

Financial Highlights – Consolidated Group

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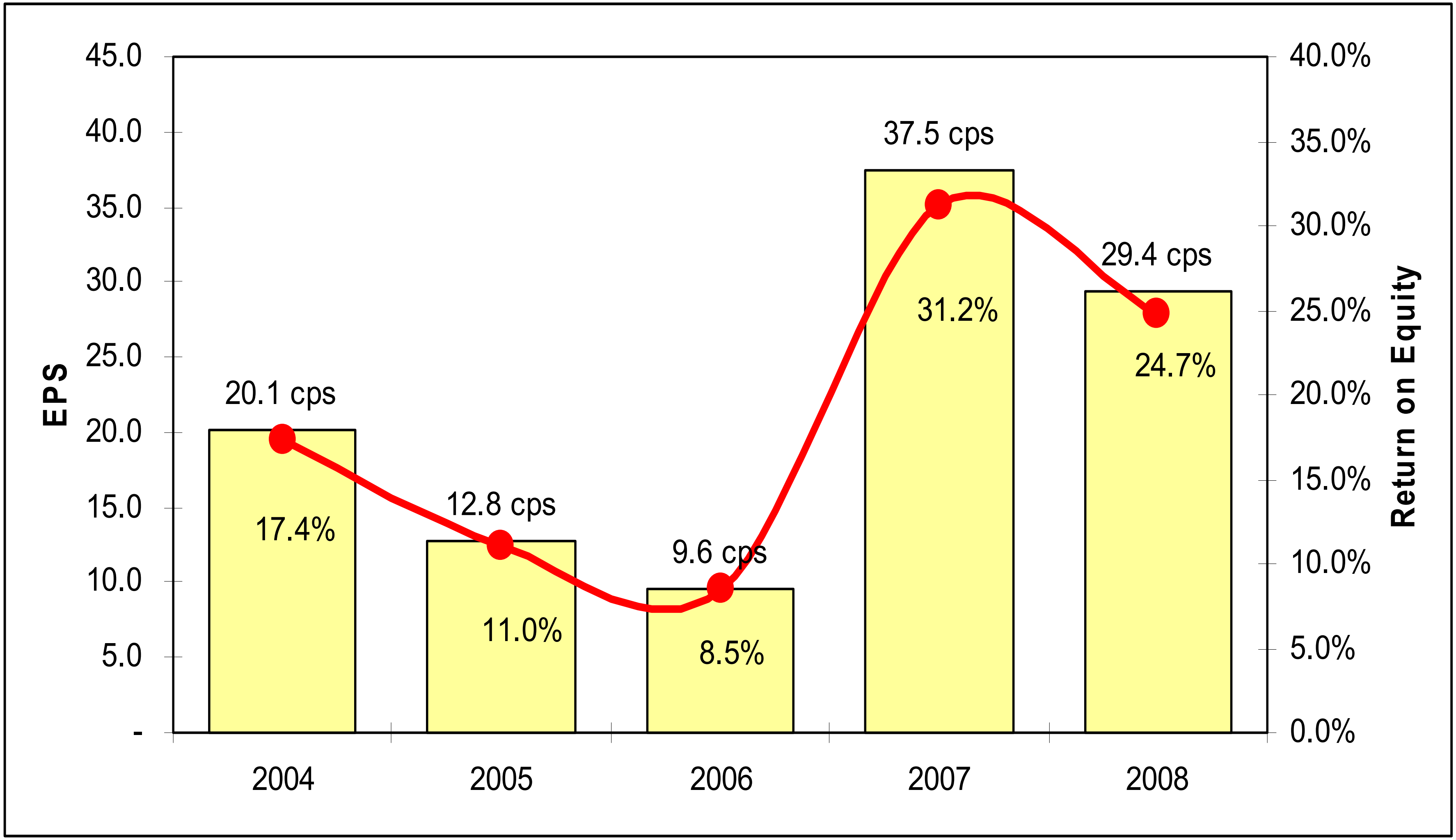
$NZ millions	F08	F07	Change
Sales	1,735.0	1,761.4	-1.5%
Operating Profit	121.1	149.3	-18.8%
Operating Margin	7.0%	8.5%	nm
EBIT	134.7	175.4	-23.2%
Net Profit After Tax	90.8	114.8	-21.0%
Earnings Per Share	29.4 cps	37.5 cps	-8.1 cps
Return on Equity	24.7%	31.2%	nm
Operating Cash Flow	102.6	129.6	-20.8%
Dividend	21.0 cps	17.5 cps	20.0%

- NPAT includes $1.2 million gain on divestment of WSL support office, $7.2 million reversal of TWA warranty provisions and $1.5 million revaluation gain on electricity contracts
- Adjusted NPAT $80.9 million, down 17.0% (F07 $97.5 million)
- EBITDA $160.8 million (F07 $184.7 million), depreciation $39.6 million (F07 $35.4 million)
- Operating margin impacted by sales de-leverage and inflationary pressures on key cost areas
- Operating cash flows impacted by return to full tax paying position
- Final dividend held at 5.5 cps bringing total dividend for the year to 21.0 cps up 20.0% (F07 17.5 cps)

Earnings per Share and Return on Equity



Segmented Operating Profit

$NZ millions	F08	F07
The Warehouse	112.7	136.6
Warehouse Stationery	5.1	9.4
Other Group Operations	3.3	3.3
Total Operating Profit	121.1	149.3
Financial Services	3.0	3.2
Unusual Items	10.6	22.9
Reported EBIT	**134.7**	**175.4**

- TWL operating profit down 17.5%
- WSL operating profit down 46.0%
- Financial Services relatively flat. Profit impacted by increased cost of funds and lower fee and commission income

Abridged Balance Sheet

$NZ millions	F08	F07
Inventory	275.6	254.8
Trade Payables	(92.5)	(80.7)
Net Investment in Inventory	183.1	174.1
Receivables	26.6	25.5
Other Creditors and Provisions	(70.8)	(79.9)
Working Capital	138.9	119.7
Fixed Assets	294.5	305.1
Investments	7.2	8.9
Funds Employed	**440.6**	**433.7**
Tax Assets	26.6	23.6
Derivatives	7.1	(14.1)
Capital Employed	**474.3**	**443.2**
Shareholders Equity	334.5	399.9
Minority Interests	0.2	0.3
Net Debt	139.6	43.0
Source of Funds	**474.3**	**443.2**

Increased general merchandise and stationery inventories (mainly continuity lines)

Reduction in TWA warranty provisions

Sale of Manukau land and WSL support office

TWFS dividend distribution

Revaluation of forward exchange contracts

Includes impact of $108.8 million special dividend paid September 2007

Cash Flow Summary

$NZ millions	F08	F07
Trading EBITDA	160.8	184.7
Change in Trade Working Capital	(11.7)	(32.3)
Taxes Paid	(40.4)	(17.5)
Interest Paid	(9.3)	(8.0)
Other Items	3.2	2.7
Operating Cashflow	**102.6**	**129.6**
Capital Expenditure	(45.7)	(60.5)
Proceeds from Divestments	17.1	40.7
Dividends Received	4.8	-
Dividends Paid	(176.3)	(55.4)
Share Options Exercised	0.9	26.7
Purchase Treasury Stock	-	(8.7)
Net Cash Flow	**(96.6)**	**72.4**
Opening Debt	(43.0)	(115.4)
Closing Debt	**(139.6)**	**(43.0)**
Cash Conversion Ratio (OCF + ADR)/(NPAT + D +A)	82.3%	86.2%

Increase in inventories

Carried forward losses fully utilised in F07

Store upgrades and systems infrastructure. (F07 includes purchase of land at Pah Road)

Sale of Manukau land and WSL support office (F07 includes sale of The Base at Te Rapa)

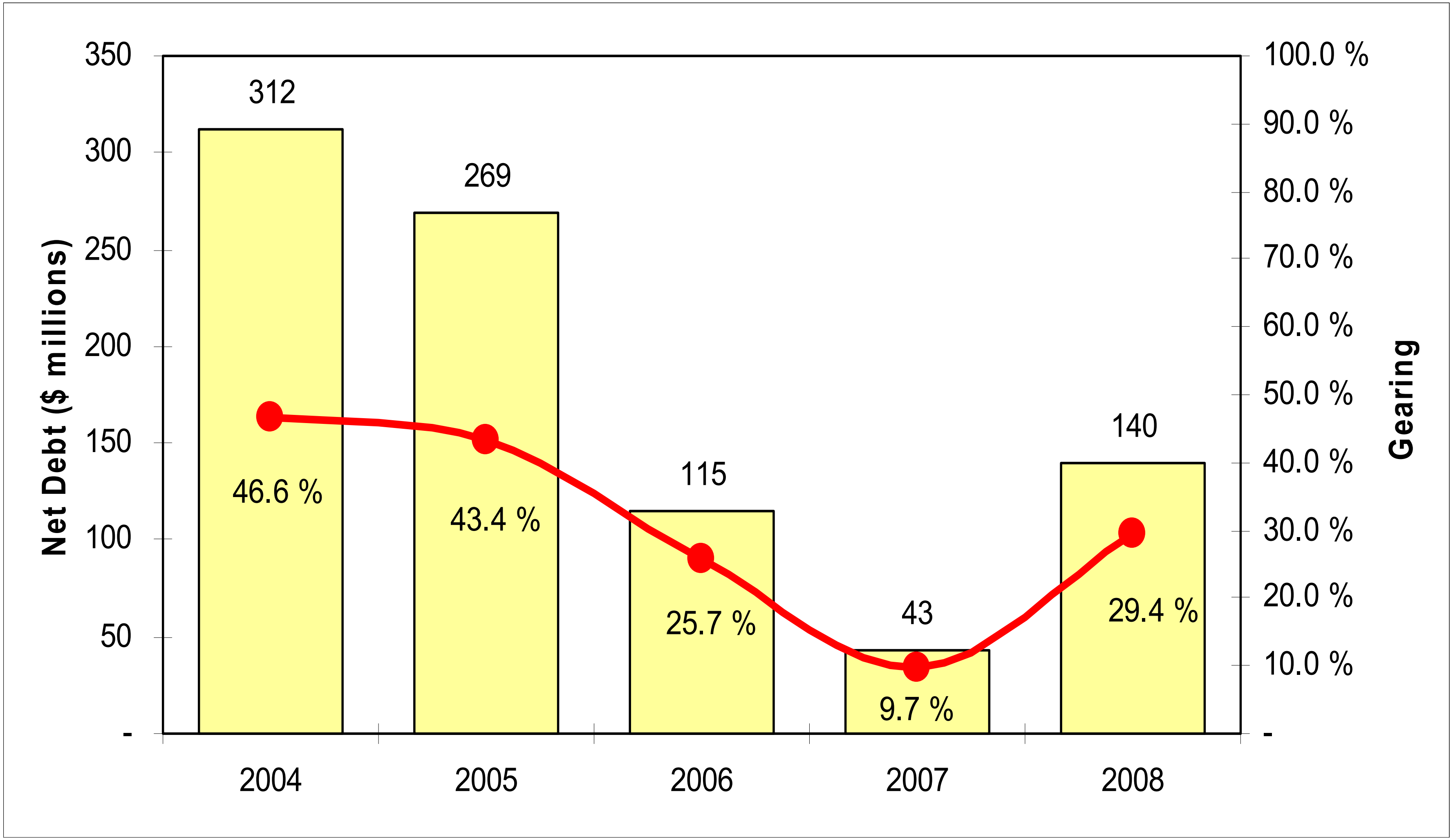
F08 includes $108.8 million special dividend paid September 2007

Summary of Financing Ratios

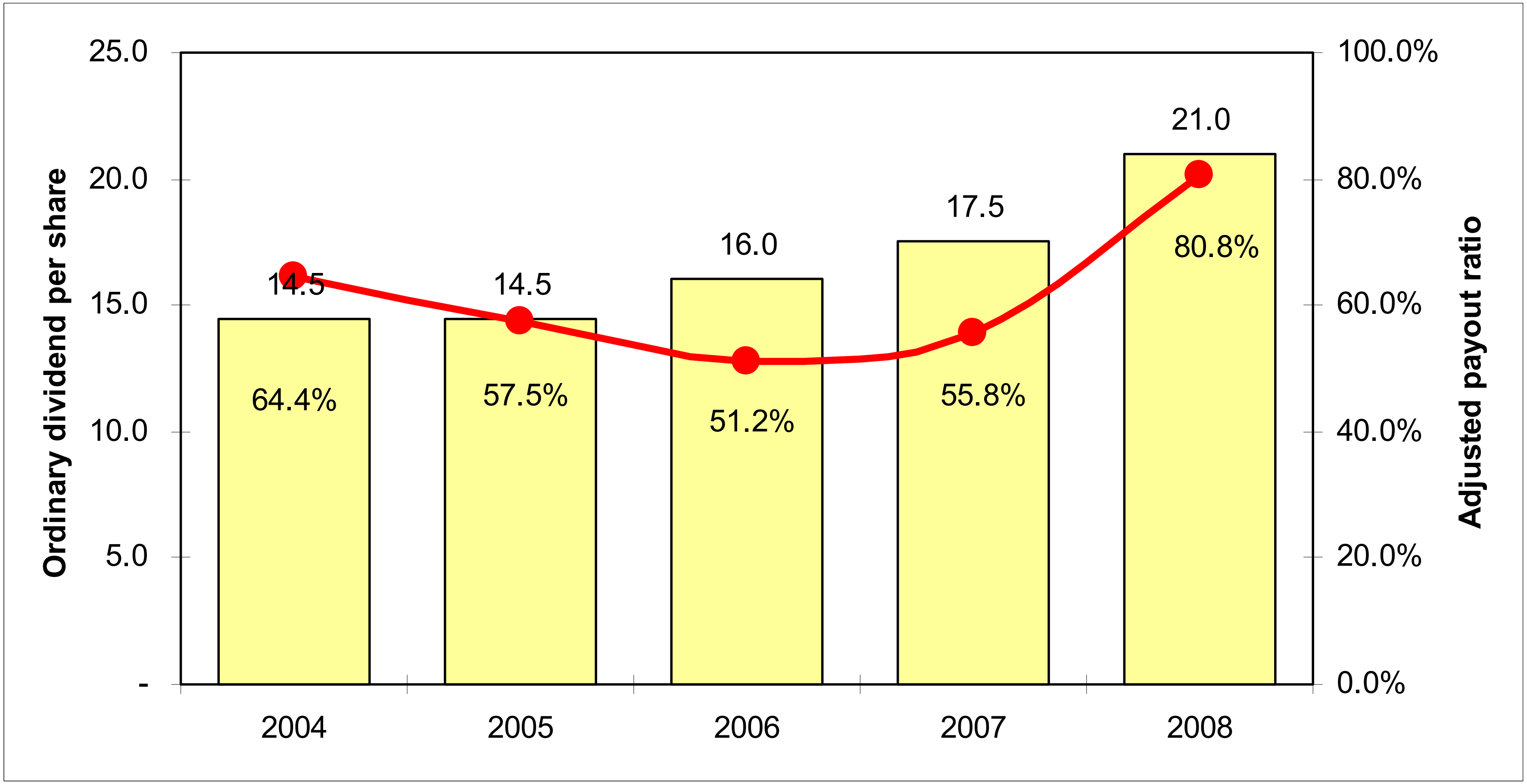
$NZ millions	F08	F07	F06	F05	F04
Interest Cover (times)	21.1	27.1	6.5	5.2	6.6
Fixed Charges Cover (times)	3.6	4.3	2.2	2.6	2.6
Net debt / EBITDA (times)	0.8	0.2	1.1	1.4	1.8
Net debt / net debt plus equity (%)	29.4	9.7	25.7	43.4	46.6

- F08 ratios impacted by special dividend
- All ratios well within debt covenants
- Conservative approach to capital management reflects current economic uncertainty

Debt position and Gearing



Ordinary dividends



- Final dividend held at 5.5 cps
- Total dividend for the year up 20.0% to 21.0 cps
- Dividends fully imputed

Record date: 7 November 2008
Payment date: 19 November 2008

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Business Unit Performance and Strategy Update

The Warehouse

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$NZ millions	F08	F07	Change
Sales	1,533.6	1,546.2	-0.8%
EBITDA	145.0	165.0	-12.1%
Depreciation	(32.3)	(28.4)	13.7%
Operating Profit	112.7	136.6	-17.5%
Operating Margin	7.4%	8.8%	-140.0 bp

Capital Expenditure	40.2	40.2	0.0%

- Overall performance affected by economic pressure on household discretionary income
- Same store sales down 1.2% for the year but down 2.8% in H2. Growth in apparel, grocery, pharmacy and health & beauty offset by weak general merchandise sales
- Overall gross margin slightly below last year due primarily to change in category mix. Seasonal clearance activity impacted Q4
- Operating margin affected by sales deleverage, inflationary pressures on labour costs, utilities and rents, higher depreciation charges and ongoing investment in capability
- Apparel business continues to outperform up 5.8% yoy with market share gains achieved
- 6 store upgrades complete including 1 store extension and 1 relocation
- 6 pulse upgrades completed
- Continued investment in systems infrastructure including TUI and WINPOS upgrades and distribution centre improvements including grocery put-away

The Warehouse will make a difference to people's lives by making the desirable affordable and supporting New Zealand's communities and the environment.

By putting the customer first, we will succeed. Everything we do flows from this principle.

We enjoy success through working together as one team.

People choose to work for us because we care about and recognise individuals.

“Making the desirable affordable”

"Making the desirable affordable"

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- We are responding to what is expected to be a period of economic uncertainty and subdued retail activity by:
  - Maintaining our price leadership position
  - Building on product innovation and quality improvement
  - Driving cost reduction and productivity improvements, $30 million cost reduction to be achieved by F11, $11 million targeted in F09
  - Continuing to build sourcing capability to help offset product cost increases
  - Investing in store modernisation and multi-channel retailing

Warehouse Extra

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- Customer acceptance of the format remains positive
- Whilst overall financial performance of the three stores improved the GM & A halo benefits observed in H1 were not sustained through H2
- The critical halo targets set for F08 were not achieved
- Food margins have remained significantly below our expectations
- The Extra strategy is under review. Indications are that the rate of return required to support further investment may not be attainable
- A further announcement in relation to the future of the Extra strategy will now be made before the end of October

Warehouse Stationery

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$NZ millions	F08	F07	Change
Sales	199.5	213.5	-6.6%
EBITDA	9.7	13.4	-27.5%
Depreciation	(4.6)	(4.0)	15.8%
Operating Profit	5.1	9.4	-46.0%
Operating Margin	2.5%	4.4%	-190.0 bp
Capital Expenditure	5.0	8.6	-41.4%

- Same store sales down 4.5% for the year, down 6.8% in H2.
- Slow down in retail spending in H2 impacted high ticket items such as computers and office furniture
- Investment in systems and inventory now yielding improved on-shelf availability
- Replacement stores opened in Porirua and Manukau

Focus on small business and family needs

Warehouse Stationery

A focus on significant performance improvement by:

- Providing outstanding value to the small business and family customer segments
- Ensuring on-shelf availability improvements are sustained for both retail and on-line customers
- Completing range rationalisation and supplier consolidation
- Continuing web store development and complete South Island business markets expansion
- Store refurbishments – 10 planned for F09
- New stores - 3 planned for F09 including small format trial
- Continuing to improve in-store standards and customer service

Capital Management

Outlook and
Earnings Guidance

Capital Management

- The Warehouse Group is continuing to manage its capital structure with the intention of maintaining a conservative gearing ratio
- The company previously advised the market that in the absence of any major acquisition opportunities it would consider undertaking capital management initiatives in the 2008 calendar year
- Given current economic conditions and their direct impact on retail activity and given present uncertainty in debt and equity markets, the board considers it prudent to defer capital management activity at this time

Outlook and Earnings Guidance

- There remains a high degree of uncertainty around macro-economic factors influencing consumer attitudes towards spending. Despite stimulus expected from forthcoming tax cuts and interest rate relief, retail sales are likely to remain subdued over the next twelve months
- It is too early to provide specific earnings guidance given market conditions and the present level of economic uncertainty
- The 2009 financial year is a 53 week trading year
- Capital expenditure for F09 is projected at $58.0 million

QUESTIONS