The Warehouse Group Limited

2008 Interim Result

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Results Overview

- Sales flat at $950.6 million.
- Operating profit down 10.8% to $83.3million.
- Reported NPAT $64.3 million.
- Adjusted NPAT $57.1 million down 5.1%
- Dividend pay out ratio increased from 50% to 75% of attributable profit.
- Interim dividend 15.5cps, up 3.5cps or 29.2%.

Comparatives – Impact of IFRS and other adjustments

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H1 F07	Old Segmentation	Allocation of Overheads	IFRS	New Segmentation
Red	95.2	(4.6)	(0.7)	89.9
Blue	3.6	(0.1)	(0.1)	3.4
Group (Net)	(4.6)	4.7	-	0.1
Operating Profit	94.2	-	(0.8)	93.4
NPAT	61.0	-	(0.9)	60.1

Allocation of Overheads

Relates to support costs previously not allocated - information systems, human resources and senior executive share based remuneration.

IFRS

Relates primarily to recognition of make good, sick leave, long service leave and product return provisions.

Financial Highlights – Consolidated Group

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$NZmillions	H1 2008	H1 2007	Change
Trading Revenue	950.6	951.1	NC
Operating Profit	83.3	93.4	-10.8%
Operating Margin	8.8%	9.8%	-100bps
EBIT	92.2	94.3	-2.2%
Net Profit After Tax	*64.3*	*60.1*	*+6.9%*
Earnings per share	*20.8 cps*	*19.7 cps*	*+5.6%*
Funds employed	*450.7*	*453.4*	*-0.6%*
Operating Cash Flow	*64.7*	*60.6*	*+6.8%*
Interim Dividend	*15.5cps*	*12.0cps*	*+3.5cps*

- H1 F08 EBIT and NPAT include a reversal of ADRT warranty provisions of $7.2 million.
- Lower inventories contributing to reduction in capital employed and increase in operating cash flow.
- Capital expenditure for the half $27.2 million, lower than planned.
- Depreciation $19.2 million compared to $16.8 million H1 F07.

Segmented Operating Profit

$NZmillions	H1 2008	H1 2007
The Warehouse NZ	79.4	89.9
Warehouse Stationery	2.6	3.4
Other Group	1.3	0.1
Total Operating Profit	83.3	93.4

- TWL operating profit down 11.7%.
- WHS operating profit down 23.0%.
- Group LTIP costs lower than H1 F07.

Financial Services	1.4	1.5

- Financial Services flat, timing of dividend distributions a factor.

Abridged Balance Sheet

$NZmillions	Jan 08	Jan 07
Inventory	293.8	307.9
Trade Payables	(108.9)	(113.2)
Net Investment in Inventory	**184.9**	**194.7**
Receivables	30.8	28.2
Other Creditors and Provisions	(70.9)	(92.0)
Working Capital	**144.8**	**130.9**
Fixed Assets	300.4	315.3
Investments	5.5	7.2
Funds Employed	**450.7**	**453.4**
Net Tax Balances	15.2	26.8
Other items	0.5	(10.7)
Capital Employed	**466.4**	**469.5**
Shareholders Equity*	350.9	378.0
Minority Interests	0.2	0.2
Net Debt	115.3	91.3
Source of Funds	**466.4**	**469.5**

Clearance of excess stock the main contributor to lower inventories

TWA warranty settlements

Sale of property including Manukau land $10.9 million in H1 F08

Impact of tax rate reduction and movement in temporary differences including derivatives

Fair value of derivatives

Includes impact of special dividend paid September 2007

***311,126,868 shares on issue at 27 January 2008**

Cash Flow Summary

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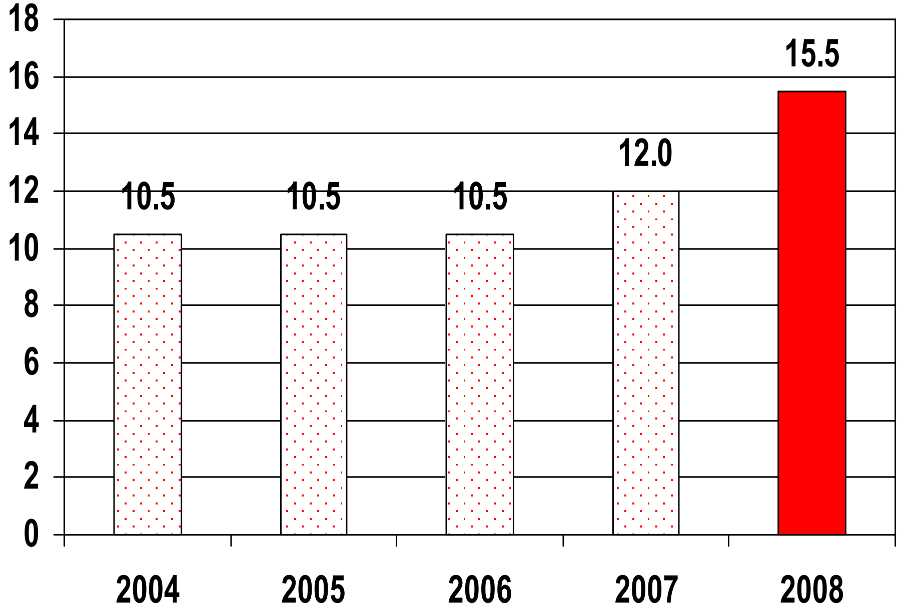
$NZmillions	H1 Jan 08	H1 Jan 07
Trading EBITDA	102.5	110.2
Change in Trade Working Capital	(17.4)	(46.0)
Taxes Paid	(17.6)	(0.1)
Interest Paid	(4.0)	(4.9)
Other Items	1.2	1.4
Operating Cash Flow	64.7	60.6
Capital Expenditure	(27.2)	(32.1)
Proceeds from Divestments	12.6	0.5
Dividends Received	5.8	-
Dividends Paid	(128.9)	(17.5)
Share Options Exercised	0.7	13.9
Purchase of Treasury Stock	-	(1.3)
Net Cashflow	(72.3)	24.1
Opening Net Debt	(43.0)	(115.4)
Closing Net Debt	(115.3)	(91.3)

Cash Conversion Ratio (OCF / NPAT+D+A)	77.6%	78.7%

- Trading performance main contributor to shortfall
- Carried forward losses fully utilised in F07
- Store upgrades and relocations, information technology including TUI and WINPOS upgrades
- Sale of Manukau land H1 F08
- TWFS dividend
- Special dividend $108.8 million paid September 2007
- Minimal share options exercised during the period
- No treasury stock purchased during the period

Interim Dividend

Interim Dividend (cps)



TIMETABLE	
Announcement Date:	**Friday, 14 March 2008**
Record Date:	**Wednesday, 2 April 2008**
Payment Date:	**Wednesday, 16 April 2008**

- **An interim dividend of 15.5 cents per share has been declared, an increase of 3.5 cents per share or 29.2%**
- **This reflects a decision taken by the board to increase the dividend pay out ratio from 50% to 75%.**
- **The decision to increase pay out ratio was based on a number of considerations including a review of medium term operating cash flow and capital expenditure forecasts.**
- **Dividends will be fully imputed.**

The Warehouse New Zealand

$NZmillions	H1 2008	H1 2007	*Change*
Sales	852.9	849.1	+0.4%
EBITDA	95.1	103.4	-8.0%
Depreciation	15.7	13.5	+16.5%
EBIT	79.4	89.9	-11.7%
EBIT Margin	9.3%	10.6%	–130bps
Capex	21.6	23.7	-8.5%

- Overall performance affected by slow down in consumer demand, Q1 particularly difficult across the board.
- Same store sales up 0.3% for the half and up 1.0% for Q2, with grocery and apparel the main positive contributors.
- December and January were solid trading months but sales still below target overall.
- General merchandise performance disappointing across most categories.
- Grocery business on target overall with positive customer response to improved execution.
- Apparel business continues to outperform.
- Gross margin flat before clearance of electronic goods stock and targeted investment in price.
- Operating margin under pressure from wage and rent inflation, incremental depreciation and continued investment in capability and category start up.
- Three full store refits and one relocation completed during period.
- 7 pulse upgrades commenced during the period.

Warehouse Stationery

$NZmillions	2008	2007	*Change*
Sales	96.6	101.3	-4.6%
EBITDA	4.7	5.2	-10.2%
Depreciation	2.1	1.8	+13.2%
EBIT	2.6	3.4	-23.0%
EBIT Margin	2.7%	3.3%	-60bps
Capex	5.1	4.6	+9.8%

- Trading conditions difficult in the sector in H1.
- Same store sales -1.8% for the half but up 4.2% for Q2.
- Performance for the half year affected by lower availability from distribution model changes, particularly during Q1.

The Warehouse Extra – Recap from September Update

	Area of Focus	Activity
1.	Building skills	Established a team dedicated to Extra and broader grocery business.
2.	Establishing credibility	Investing in market research and focussing on specific customer feedback.
3.	Improving availability	Leveraging investment in grocery “Put Away” and improving in-store replenishment processes.
4.	Assessing halo	Measurement systems developed to assess both change in customer frequency and GM & A sales.
5.	Improving overall economics	Comprehensive activity based modelling in place. Format continually refined in terms of capital inputs, operating costs and margin improvement.

The Warehouse Extra - Progress

- Customers are demonstrating increasing acceptance of the “one stop shop” proposition with early evidence of increased shopping frequency.
- Our strategy is based on generating a halo effect (increasing General Merchandise and Apparel sales). Halo is beginning to be recorded based on the first store which annualised three months ago.
- Customer feedback suggests executional issues affecting credibility are being resolved:
  - Measured improvement in critical areas of price competitiveness and on-shelf availability.
  - Qualitative research confirms improved perception of customer service, presentation, completeness of offer, sense of abundance and consistency.
- Economics demonstrating gradual improvement.

The Warehouse Extra – Where to from here?

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- Whilst there has been a number of operational improvements the long term economic potential of the model will take more time to evaluate.

Therefore:

- There are no further Extra format stores planned for this year.
- The three existing Extra stores will continue to operate and be refined.
- The performance of Extra will remain subject to normal operating reviews but long term direction will not be considered until the 2009 calendar year.

F08 Earnings Guidance

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Trading Update

- Sales performance in February was flat compared to the same period last year.

Retail Environment

- Present macro economic factors point to general retail spending remaining subdued for the balance of this year.
- Inflationary pressures on food, fuel, utilities and other necessities are expected to place increasing pressure on discretionary expenditure.

Full Year Guidance

- F08 NPAT is expected to be in the range $94.0 to $98.0 million including reversal of ADRT warranty provisions of up to $8.0 million.

Capital Management

- In the near term expected operating cash flows are projected to be sufficient to fund the group's estimated capital investment requirements.
- As a consequence the company has taken the initial step of lifting its dividend payout ratio from 50% to 75%.
- The company will consider undertaking further capital management initiatives once legal proceedings affecting ownership of the company have concluded and the outcome of related corporate activity becomes clearer.

QUESTIONS