

The Warehouse Group Limited
2007 Interim Result
9 March 2007

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- **Warehouse Stationery – results and progress against strategy**
- **Outlook**



*The Warehouse Group
2007 Interim Result*

- Sales up 2.0% to \$951.7m (continuing operations)
- EBITDA up \$2.9m to \$112.5m (continuing operations)
- Reported profit of \$61.0m compared to a loss of \$8.0m after the divestment in Australia in 2005
- On an adjusted basis, NPAT of \$61.0m, up 3.1% (H106 \$59.2m adjusted for divestment of The Warehouse Australia)
- Earnings per share, adjusted for Australian divestment, up 0.5 cents to 19.9 cents per share
- Interim dividend 12.0 cps – up 1.5 cps or 14.3%

All \$ figures are quoted in NZ\$ unless otherwise specified

Summary of Group 2007 Interim Result

— Continuing Operations

\$NZm	H1 07	H1 06
Sales	951.7	933.0
EBITDA	112.4	109.6
Depreciation	16.8	14.9
EBITA	95.6	94.7

- Group sales up 2.0% to \$951.7m
- EBITDA up 2.6% to \$112.5m
- EBITA up 1.0% to \$95.7m

Segmented EBITA 2007 Interim

– Continuing Operations

\$NZm	H1 07	H1 06
The Warehouse	95.2	92.1
Warehouse Stationery	3.5	3.2
Financial Services	1.5	2.2
Other Group	(4.6)	(2.8)
Total EBITA	95.6	94.7

- The Warehouse – improvement in sales and gross margin performance
- Warehouse Stationery – continues to consolidate through the refocus on its core offer
- The Warehouse Financial Services JV – lower contribution as a result of increased debt provisioning in compliance with changed standards under NZIFRS
- Other Group – higher Group costs associated with long term incentive plans

		H107	H106	F06
Interest cover*	x	19.8	12.6	15.4
Fixed charge cover (EBITDR/R+I)*	x	4.3	4.3	3.9
Net debt to EBITDA*	x	0.8	1.1	0.6
Gearing (Net Debt / Net Debt + Equity)*	%	18.9	27.7	25.7
Cash conversion ratio (NCFO/NPAT+D+A)	x	78%	146%	131%
Net capex / depreciation	x	1.9	1.6	1.7

* Adjusted for continuing businesses

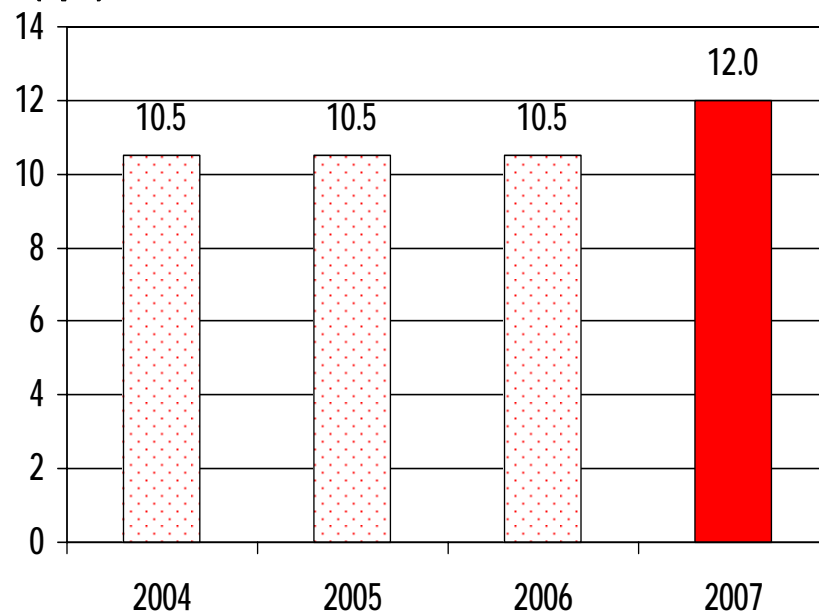
- Improved gearing, fixed charge and debt servicing ratios
- Lower cash conversion ratio reflects increased investment in inventory
- Well positioned to fund future investment from internal cashflow

\$NZm	Jan 2007	Jan 2006
Assets		
Current assets	379.3	340.8
Property, plant & equipment	315.3	290.3
Deferred tax	14.1	13.0
Investments	6.4	12.6
Total Assets	715.1	656.7
Liabilities		
Current liabilities	177.1	173.4
Non-current liabilities	146.5	153.6
Total Liabilities	323.6	327.0
Shareholder Equities	391.5	329.7
Total Liabilities and Equity	715.1	656.7

FINANCIAL POSITION

- Total assets increased \$58.4m to \$715.1m mainly as a result of the increased investment in inventory
- Total gross capital expenditure unchanged at \$32.1m (H1 F06 \$30.3m). Previous guidance for net capital expenditure for F07 (\$90.8m) now \$65m-\$70m
- Inventory and goods in transit increased to \$307.9m
- Net debt levels down to \$91.3m (H1 F06 \$126.6m)

Interim Dividend (cps)



- Final dividend 12.0 cps fully imputed
- Dividend up 1.5 cps
- Payable 26 April 2007
- Books close 5pm 18 April 2007

Capital Management

- Board is reviewing capital management options
- In the absence of any developments on corporate activity, the Board will update shareholders on this matter towards the end of the financial year.

*The Warehouse
2007 Interim Result*

\$NZm	Jan 2007 6 Mths	Jan 2006 6 Mths	Jul 2006 12 Mths
Sales	849.7	831.1	1,507.7
Operating profit	95.2	92.1	143.5
Operating margin	11.2%	11.1%	9.5%

- Sales up 2.2% to \$850m, with same store sales up 0.9%.
- Q2 same store sales were up 2.1%
- Operating profit up 3.4% to \$95.2m with operating margin up 10 basis point
- Christmas season was the best in three years but still below internal expectations
- Good sales and contribution performance from dry grocery, confectionery, home décor, health & beauty and homewares but disappointing apparel and outdoor furniture season
- Store development continues. During the period under review, one new replacement store was opened, two stores refitted and one store converted to a Warehouse Extra

- **Integrated non-food and food department store**
- **Progress:**
 - Two Warehouse Extras now operating (Sylvia Park and Whangarei).
 - The Whangarei store was converted to an Extra format in late November 2006
 - Next conversion will be the Te Rapa store, planned to open before Christmas 2007, which will incorporate further refinements to the format
- Warehouse Extra Whangarei has only been operating for four months and the initial customer response to the converted Whangarei Extra has been excellent



Merchandise Development

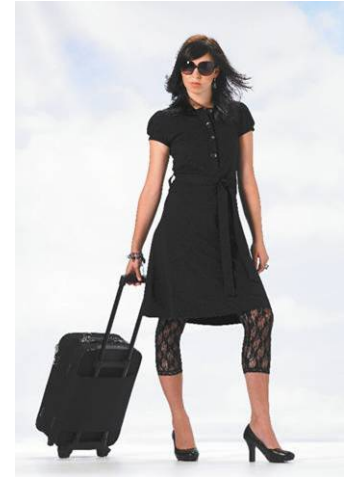
- Continued introduction of branded products – e.g. Wiltshire, RCA, Bonds and Levene's Paints
- Continued to improve house brands – positive customer response to both Match / Maya

Brand Development

- Continued to drive price leadership
- Surveys indicate positive customer reappraisal of the Warehouse brand
- Implemented a successful Christmas gift guide and launched a Christmas Club card

Store Development

- Second Warehouse Extra store opened in Whangarei
- Replacement store opened in Ashburton in October 2006 with Nelson & Newmarket stores refitted in November 2006
- Project Pulse (a low capital cost store improvement programme) successfully trialled and is being rolled extended to a further 18 stores
- New point of sale equipment installed in all stores
- Store labour productivity up 5.4% (sales per FTE)



wiltshire®



*Warehouse Stationery
2007 Interim Result*

\$NZm	Jan 2007 6 Mths	Jan 2006 6 Mths	Jul 2006 12 Mths
Sales	101.3	100.1	211.7
Operating profit	3.5	3.2	9.3
Operating margin	3.5%	3.2%	4.4%

- Same store retail sales growth of 1.9% in a sector which remains highly competitive. Q2 same store sales flats were flat
- Operating profit up 9.1% to \$3.5m
- Operating margin of 3.5% up 30 basis points
- Reformatted Wairau Park store performance is ahead of the store average for Warehouse Stationery
- Warehouse Stationery implemented a new Oracle merchandise system in October 2006. The introduction has caused some disruption to performance during the period under review

- **Continues to consolidate through the refocus on its core offer**
- Continued investment in systems infrastructure including bedding in the Oracle merchandise system
- A new format replacement store opened in New Plymouth in October 2006
- Two new format replacement stores are scheduled to open before then end of the 2007 financial year



Outlook

Trading Update

- Sales performance in first four weeks of the second half have been firm
- The Warehouse recorded same store sales of 6.6% in February 2007

Retail Environment

- Despite positive start to the second half, expect retail conditions to remain challenging for the balance of the year especially in the light of the increase in the Official Cash Rate yesterday

Full Year Guidance

- Comfortable with market consensus which we understand to be around \$96 million for the year



Questions