thewarehouse
where everyone gets a bargain

The Warehouse Group Limited
2011 Interim Result

Ian Morrice
Managing Director

Luke Bunt
Chief Financial Officer

11 March 2011

Results Summary

thewarehouse
where everyone gets a bargain

- Sales down 1.2% to $908.0 million
- Operating profit down 5.2% to $78.9 million
- Adjusted NPAT down 7.1% to $53.0 million
- Operating cash flow down 22.7% to $34.3 million
- Interim dividend held at 15.5 cps, fully imputed at 30.0%

Overview of the Half Year

thewarehouse
where everyone gets a bargain

- Trading conditions difficult through the half. Retail spending more constrained than expected. Sector highly promotionally driven
- TWL continuing to achieve sales increases in online channel and key growth categories
- Price deflation and continued contraction in CDs, DVDs and consumer electronics remains the key contributing factor to lower sales year on year
- Profit recovery continues in WSL with EBIT up 21.7% to $3.7 million (HY10 $3.0 million)
- New small format Warehouse opened in Rolleston. Replacement store in Gisborne opened. Commenced extensions to existing stores in Pukekohe and Timaru
- Three new Warehouse Stationery stores opened in Riccarton, Kerikeri and Gisborne

Summary Statement of Financial Performance

the**warehouse**
where everyone gets a bargain

NZ$ millions	January 2011	January 2010	%
Sales	908.0	918.9	-1.2%
EBITDA	99.1	103.8	-4.5%
Operating Profit	78.9	83.2	-5.2%
Operating Margin	8.7%	9.1%	-40 bps
EBIT	80.9	85.3	-5.2%
Net Interest	5.2	3.4	nm
Reported NPAT	52.3	57.4	-8.9%

- Adjusted NPAT $53.0 million (HY10 $57.0 million)
- Depreciation $20.2 million (HY10 $20.6 million)

Adjusted Earnings Reconciliation

thewarehouse
where everyone gets a bargain

NZ$ millions	EBIT		NPAT	
	January 2011	January 2010	January 2011	January 2010
Reported earnings	80.9	85.3	52.3	57.4
Electricity derivatives	(0.2)	(0.6)	(0.1)	(0.4)
Property divestments	(0.2)	-	(0.1)	-
Tax rate change	-	-	0.9	-
Adjusted earnings	80.5	84.7	53.0	57.0

- Tax rate change reflects reduction in deferred tax asset following drop in corporate tax rate to 28.0 cents.

Abridged Balance Sheet

thewarehouse
where everyone gets a bargain

NZ$ millions	January 2011	January 2010
Inventory	300.0	288.0
Trade Payables	(104.9)	(99.0)
Net Investment in Inventory	195.1	189.0
Receivables	25.0	20.4
Other Creditors and Provisions	(84.9)	(80.6)
Working Capital	135.2	128.8
Fixed Assets	298.5	290.2
Investments	5.7	5.7
Funds Employed	439.4	424.7
Net Tax Balances	(13.3)	11.7
Derivatives	(12.2)	(12.5)
Capital Employed	**413.9**	**423.9**
Shareholders Equity	309.8	343.6
Minority Interests	0.2	0.3
Net Debt	103.9	80.0
Source of Funds	**413.9**	**423.9**

Stocks higher but generally in good shape

Increase due mainly to employee share scheme loans

Investment primarily in property, store development and growth initiatives

Non cash deferred tax adjustment on building depreciation, $22.8 million

Reflects dividend distributions

Cash Flow Summary

thewarehouse

where everyone gets a bargain

NZ$ millions	January 2011	January 2010
Trading EBITDA	**99.1**	**103.8**
Change in trade working capital	(36.4)	(42.3)
Taxes paid	(24.7)	(15.2)
Interest paid	(5.0)	(3.5)
Other items	1.3	1.6
Operating Cash Flow	**34.3**	**44.4**
Capital expenditure	(26.4)	(32.1)
Proceeds from divestments	1.0	-
Share plan loan repayments	0.2	-
Dividends received	2.1	3.7
Dividends paid	(42.7)	(48.8)
Net Cash Flow	**(31.5)**	**(32.8)**
Opening Net debt	(72.4)	(47.2)
Net Debt	**(103.9)**	**(80.0)**

- Net debt includes senior bond and is net of offsetting cash balances
- 60% of bank debt facilities renewed in H1, a further 30% of facilities to be renewed in H2

Segmented Operating Profit

thewarehouse
where everyone gets a bargain

NZ$ millions	January 2011	January 2010	Change
The Warehouse	74.0	78.7	-5.9%
Warehouse Stationery	3.7	3.0	21.7%
Other Group Operations	1.2	1.5	-20.0%
Operating Profit	**78.9**	**83.2**	**-5.2%**
Financial Services	1.6	1.5	5.4%
Unusual Items	0.4	0.6	nm
Reported EBIT	**80.9**	**85.3**	**-5.2%**

- TWL operating profit impacted by sales deleverage
- WSL sales up 2.0% and operating margin improved to 3.7% (HY10 3.1%)
- Other group net of $500k donation to the NZ Red Cross Canterbury Earthquake Fund
- Financial Services reflects increased insurance business and continuous improvement in execution of core cards business
- Unusual items includes profit on sale of surplus land

The Warehouse

thewarehouse
where everyone gets a bargain

NZ$ millions	January 2011	January 2010	Change
Sales	808.1	821.0	-1.6%
EBITDA	90.3	95.5	-5.3%
Depreciation	16.3	16.8	-2.6%
EBIT	74.0	78.7	-5.9%
EBIT Margin	9.2%	9.6%	-40 bps
Capex	15.2	8.9	nm
Stock Turn	3.9x	4.1x	nm

- Same store sales H1 -2.6% (HY10 -1.2%)
- Same store sales Q2 -3.3% (Q210 -1.1%)
- Significant price deflation associated with a high NZD together with ongoing decline in CD and DVD categories the key factor in sales decline year on year
- Trading margins in line with last year despite increased pressure on prices
- Unit volumes increased overall translating into transaction growth
- Online sales up 95% off a low base
- Uplift in capex targeted at store development and modular investment

Warehouse Stationery

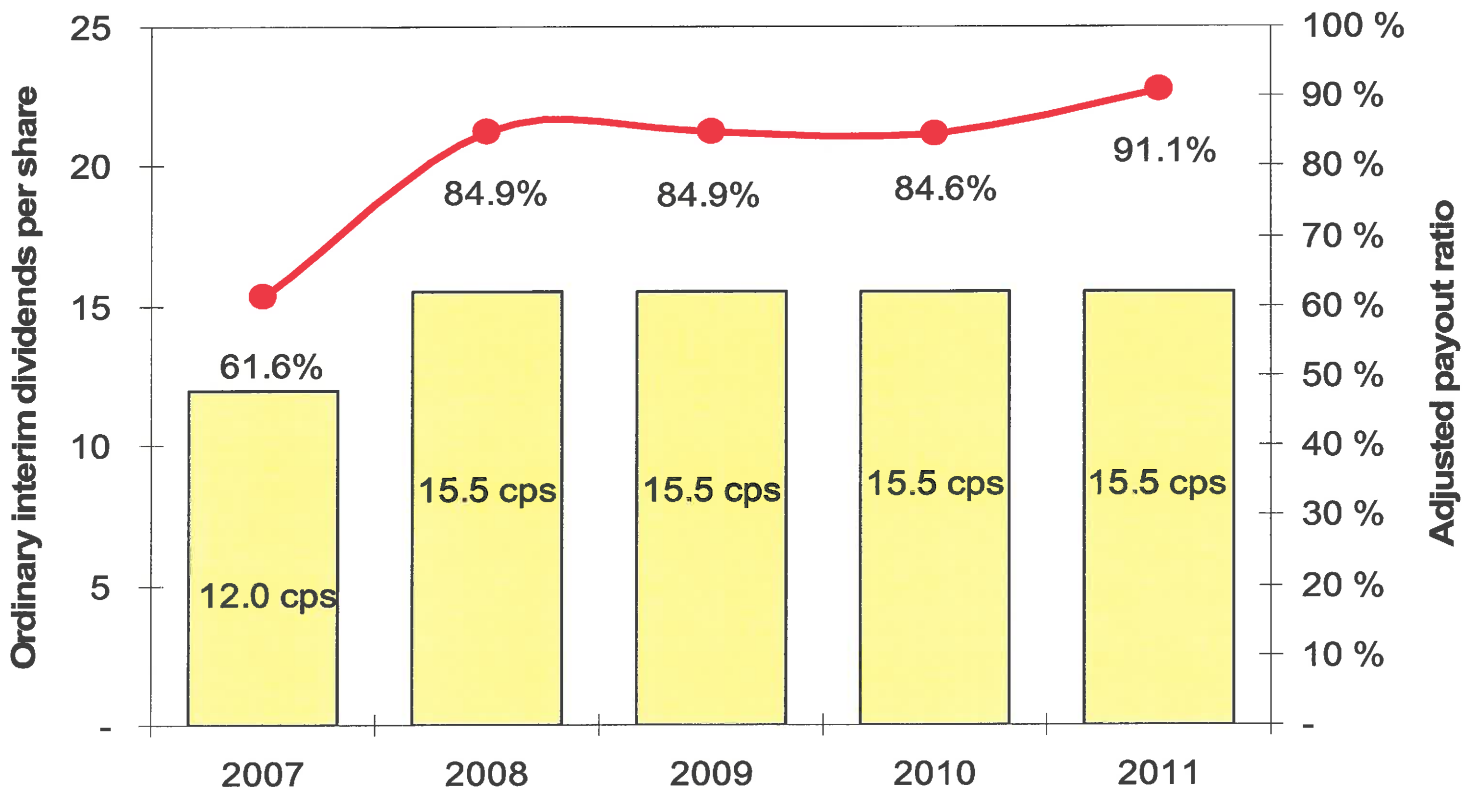
thewarehouse
where everyone gets a bargain

NZ$ millions	January 2011	January 2010	Change
Sales	98.1	96.2	2.0%
EBITDA	6.1	5.3	15.1%
Depreciation	2.4	2.3	6.4%
EBIT	3.7	3.0	21.7%
EBIT Margin	3.7%	3.1%	60 bps
Capex	2.9	0.7	nm
Stock Turn	3.5x	3.9x	nm

- Same store sales H1 +3.1% (HY10 +7.2%)
- Same store sales Q2 +1.2% (Q210 +10.2%)
- Trading margins up on H1 last year
- Big ticket items, e.g. furniture and technology products, returning to positive sales growth
- Increased investment mainly new stores and relocations

Ordinary dividends

thewarehouse
where everyone gets a bargain



- Interim dividend held at 15.5 cps.
- Dividends fully imputed at 30.0 per cent.

Record date:	8 April 2011
Payment date:	20 April 2011

F11 Earnings Guidance

thewarehouse

where everyone gets a bargain

Retail Environment

- Trading conditions expected to be challenging for the remainder of the year
- The Christchurch earthquake not expected to have any material impact on the company's financial performance or position

Full Year Guidance

- Subject to any material change in expected trading conditions FY11 adjusted NPAT is forecast to be between $76.0 million and $80.0 million (FY10 adjusted NPAT $83.2 million)

QUESTIONS