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The Warehouse Group Limited
2010 Full Year Result

Ian Morrice
Managing Director

Luke Bunt
Chief Financial Officer

10 September 2010

Introduction and Overview

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- Sales $1,672.7 million compared to $1,683.6 million last year after adjusting for discontinued activities and F09's 53rd trading week, down 0.6%.
- Adjusted EBIT down 1.0% to $126.9 million.
- Adjusted NPAT down 2.4% to $83.2 million.
- Operating cash flow $129.2 million.
- Ordinary dividend increased 3.0 cps to 8.5 cps, fully imputed at 30.0%
- Special dividend of 5.0 cps, fully imputed at 30.0%.
- Mark Callaghan appointed to the board.

Highlights for the Full Year

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- TWL continuing to achieve sales increases in growth categories but significant offset from continuing decline in CD and DVD market.
- On-line launch successful with first year objectives met.
- Positive momentum in Warehouse Stationery with sales and profit recovery ahead of expectations.
- Cost reduction and productivity initiatives achieving planned outcomes in both TWL and WSL.
- Strong cash flow and financial position.

Financial Highlights – Consolidated Group

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$NZ millions	F10	F09	Change
Sales	1,672.7	1,720.8	-2.8%
Operating Profit	124.0	125.0	-0.7%
Operating Margin	7.4%	7.3%	+10.0 bp
EBIT	126.6	116.1	+9.0%
Net Profit After Tax and minorities	60.2	76.8	-21.6%
Funds employed	398.6	372.5	+7.0%
Return on Funds Employed	32.2%	30.7%	+150.0 bp
Free Cash Flow	76.3	158.0	NM
Dividend - Ordinary	24.0 cps	21.0cps	+3.0 cps
Dividend - Special	6.5 cps	10.0cps	

- Sales attributed to discontinued activities $11.9 million in F09.
- Sales attributed to F09's 53rd trading week $25.3 million.
- Sales down 0.6% on an adjusted basis.
- EBITDA $165.0 million (F09 $166.8 million), depreciation $41.0 million (F09 $41.8 million).
- Improvement in operating margin mainly due to profit recovery in Warehouse Stationery.
- EBIT – refer p.5.
- Reported NPAT includes a non cash deferred tax charge of $22.8 million.
- Adjusted NPAT $83.2 million (F09 $85.2 million).
- Increase in funds employed reflects mainly property related investments.
- Ordinary dividend up 14.3%.
- Cash conversion 107.5% in F10.

Adjusted Earnings Reconciliation

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$NZ millions	EBIT		NPAT	
	F10	F09	F10	F09
Reported Earnings	**126.6**	**116.1**	**60.2**	**76.8**
Fresh food and liquor Exit	-	10.7	-	7.4
Electricity derivatives	0.3	1.7	0.2	1.2
Property divestments	-	(0.3)	-	(0.2)
Deferred tax adjustment	-	-	22.8	-
Adjusted Earnings	**126.9**	**128.2**	**83.2**	**85.2**

- Excluding non recurring items EBIT down 1.0% and NPAT down 2.4%.

F09 Comparative – Impact of 53rd Trading week

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$NZ millions	TWL	WSL	Consolidated Group
Sales	21.9	3.4	25.3
EBIT	1.7	0.1	1.8
NPAT			1.1

- In addition, sales from discontinued fresh food and liquor activities included in F09 were $11.9 million.

Segmented Operating Profit

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$NZ millions	F10	F09	Change
The Warehouse	112.7	120.2	-6.3%
Warehouse Stationery	8.0	1.6	+404%
Other Group Operations	3.3	3.2	+7.2%
Total Operating Profit	**124.0**	**125.0**	**-0.7%**
Financial Services	2.8	3.2	-12.8%
Unusual Items	(0.2)	(12.1)	NM
Reported EBIT	**126.6**	**116.1**	**+9.0%**

- TWL result a function of sales deleverage and additional clearance activity through difficult trading conditions.
- WSL profit recovery a function of overall sales growth, cost reduction, improved category and business mix.
- Other group operations reflects rent recovery from Newmarket store acquired during the year.
- Financial Services affected by changes to provisioning model. Underlying earnings flat on last year.
- Unusual items in F09 includes $10.7 million cost to exit fresh food and liquor.
- Adjusted EBIT $126.9 million down 1.0% on F09 ($128.2 million) – refer p.5.

Abridged Balance Sheet

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$NZ millions	F10	F09
Inventory	254.6	257.9
Trade Payables	(87.3)	(102.6)
Net Investment in Inventory	167.3	155.3
Receivables	19.0	24.5
Other Creditors and Provisions	(87.0)	(95.3)
Working Capital	99.3	84.5
Fixed Assets	293.4	280.6
Investments	5.9	7.4
Funds Employed	398.6	372.5
Tax Assets	(16.9)	25.4
Derivatives	(6.0)	(29.5)
Capital Employed	375.7	368.4
Shareholders' Equity	303.0	320.9
Minority Interests	0.3	0.3
Net Debt	72.4	47.2
Source of Funds	375.7	368.4

Includes increased inventory associated with new stores in both TWL and WSL.

Timing of F09 year end.

Function of employee related provisions.

Acquisition of Newmarket store October 2009.

Dividend distribution from TWFS.

Movement mainly due to non-cash deferred tax adjustment $22.8 million and tax effect on derivative revaluations.

Favourable revaluation of financial instruments

Function of non cash deferred tax adjustment $22.8 million.

Core debt expected to remain in the order of $150 million.

Cash Flow Summary

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$NZ millions	F10	F09
Trading EBITDA	**165.0**	**166.8**
Change in Trade Working Capital	(10.9)	53.0
Taxes Paid	(22.2)	(19.1)
Interest Paid	(7.0)	(7.7)
Other Items	4.3	1.5
Operating Cash Flow	**129.2**	**194.5**
Capital Expenditure	(57.3)	(37.1)
Proceeds from Divestments	0.4	1.5
Dividends Received	4.3	3.0
Dividends Paid	(101.5)	(65.6)
Bond Adjustments	(0.3)	-
Purchase of Treasury Stock	-	(3.9)
Net Cash Flow	**(25.2)**	**92.4**
Opening Net Debt	(47.2)	(139.6)
Closing Net Debt	**(72.4)**	**(47.2)**

Timing of F09 year end impact on trade payables and receivables.

F09 included tax shield related to fresh food and liquor exit costs.

Cash component of fresh food and liquor exit costs.

Acquisition of Newmarket store.

Dividend from TWFS.

Includes F09 special dividend 10 cps and F10 additional dividend 1.5 cps.

Net capitalised issue costs.

Cash Conversion Ratio (OCF +ADR)/(ADJ. NPAT+ D+A)	**107.5%**	**166.5%**

Operating Earnings and Investment

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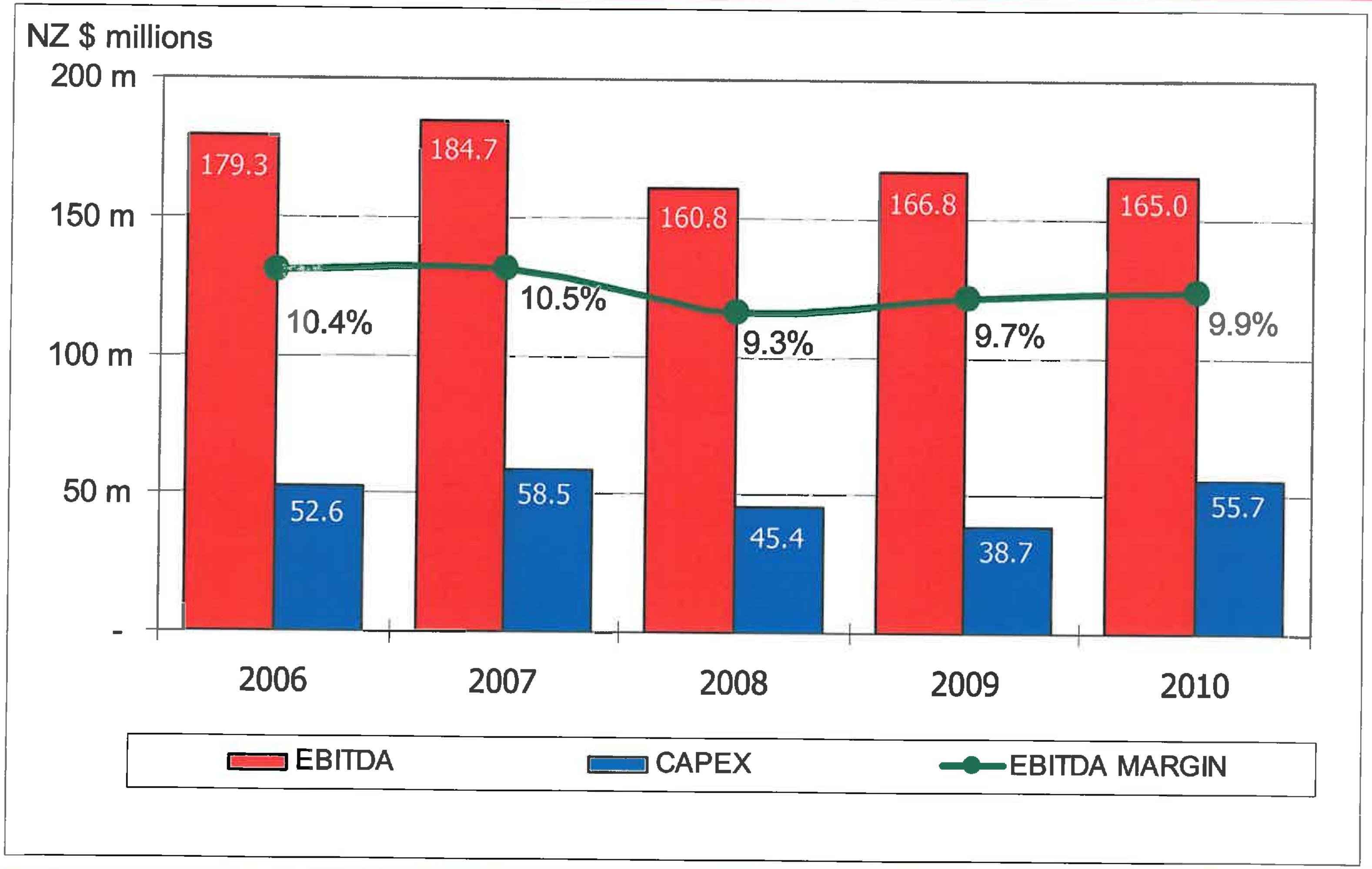

- Strong earnings maintained through economic downturn.
- Increase in total capex relates to property programme.

Earnings per Share and Return on Equity

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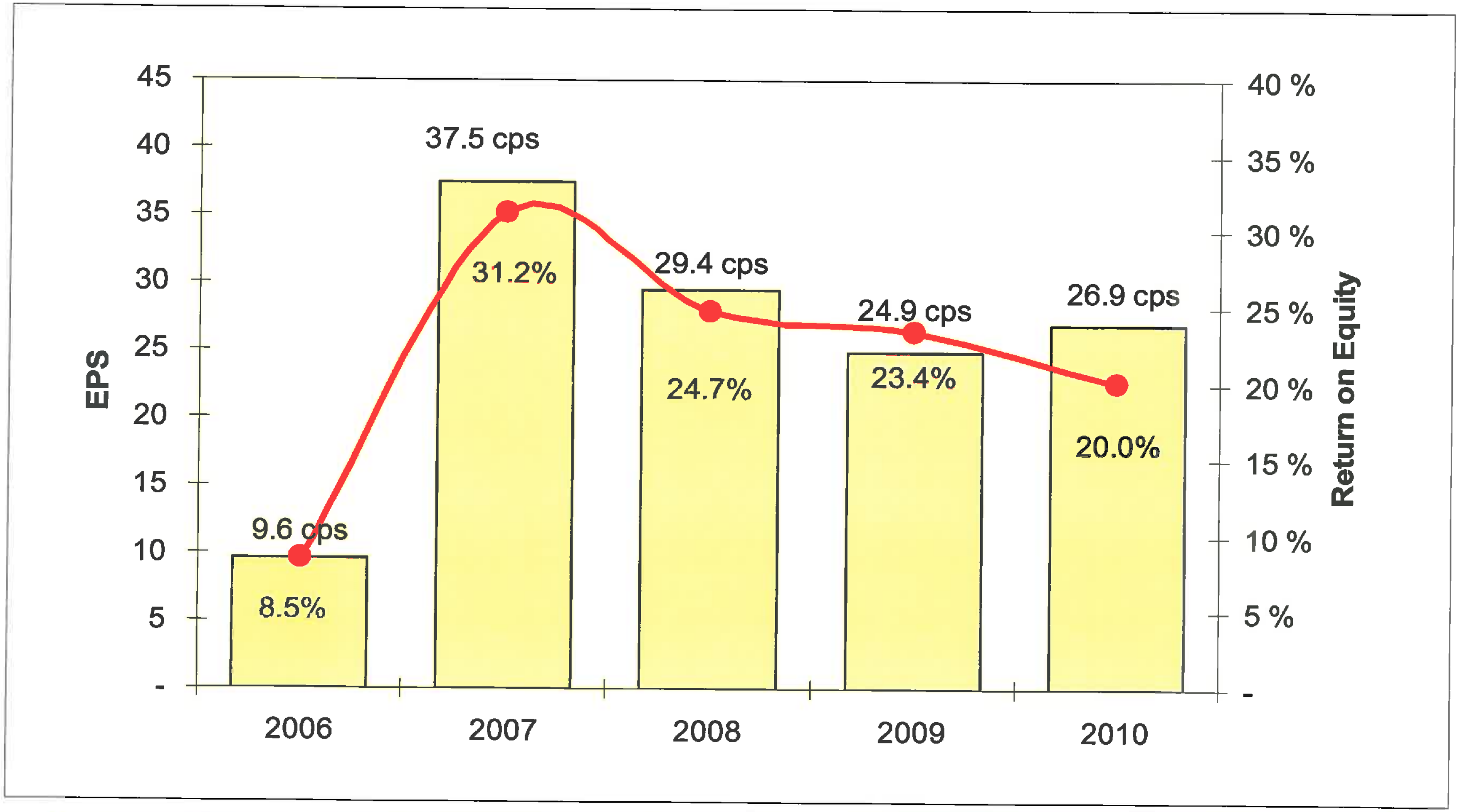

- Solid return on equity. F10 excludes impact of $22.8 million deferred tax charge.

Debt position and Book Gearing

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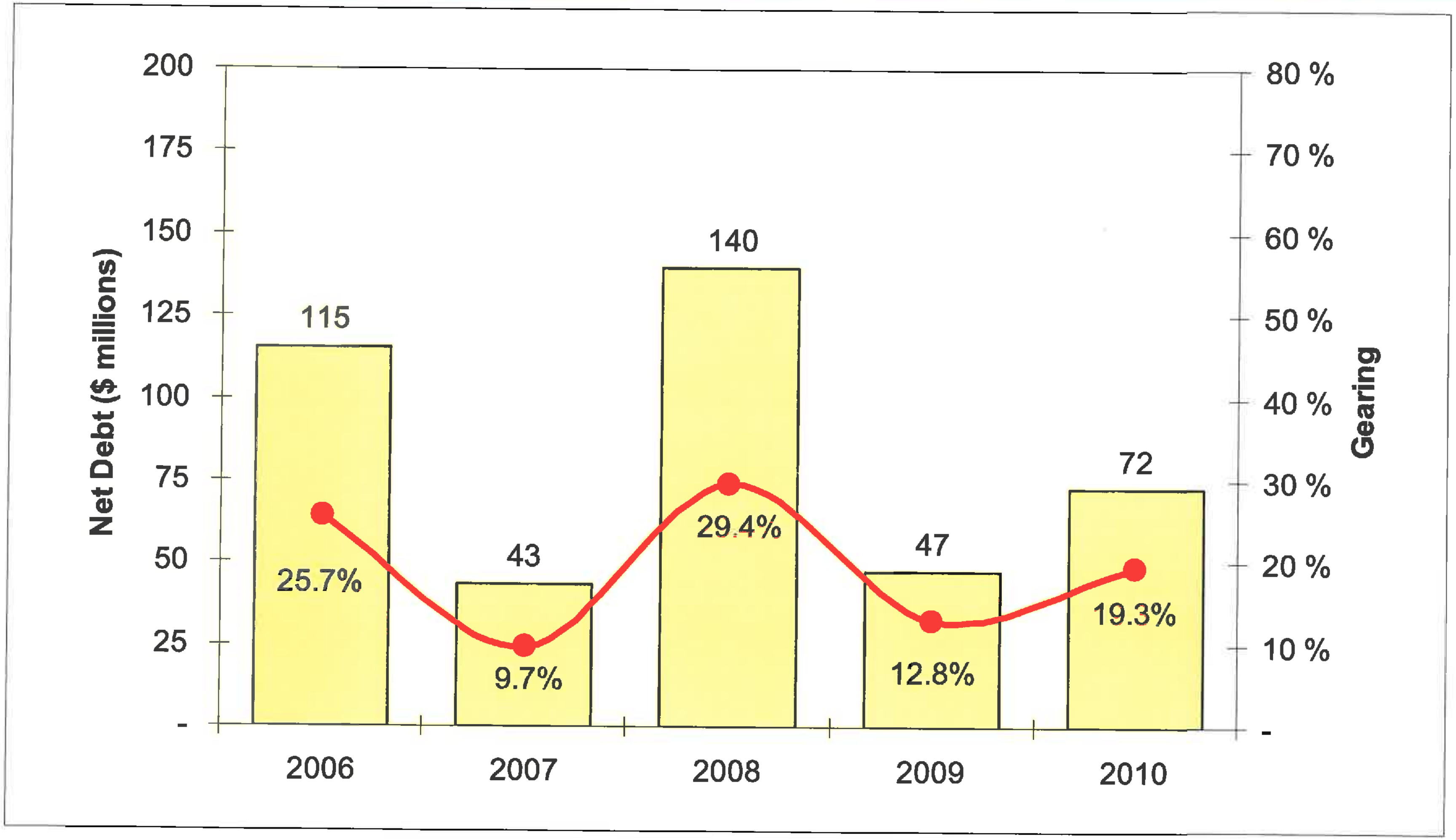

- Adjusted gearing F10 33.0% (F09 30.0%).

Summary of Financing Ratios

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$NZ millions	F10	F09	F08	F07	F06
Interest Cover (times)	17.1	17.0	21.1	27.1	6.5
Fixed Charges Cover (times)	3.4	3.2	3.6	4.3	2.2
Net debt / EBITDA (times)	0.4	0.3	0.8	0.2	1.1
Net debt / net debt plus equity (%)	19.3	12.8	29.4	9.7	25.7

- All ratios well within debt covenants.

Our Market Defined

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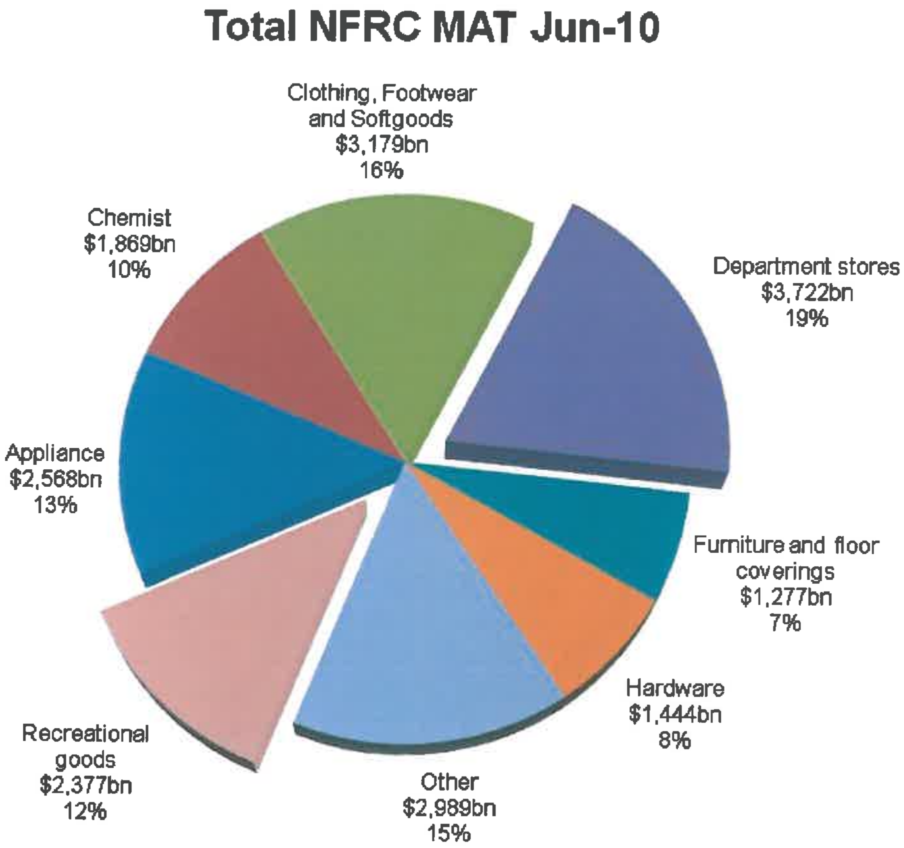
- TWL is classified in ‘department stores’ and accounts for 40%
- TWL accounts for 7.6% of total market
- WSL is classified in ‘recreational goods’ and accounts for 8%
- As a group we have two major retail businesses which lead their sectors



- MAT June 2010 the non food retail market grew by 1.2% to $19.4 billion.

The Warehouse Limited

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$NZ Millions	F10	F09	Change
Sales	1,476.2	1,531.1	-3.6%
EBITDA	146.0	154.0	-5.2%
Depreciation and Amortisation	(33.3)	(33.8)	-1.3%
Operating Profit	112.7	120.2	-6.3%
Operating Margin	7.6%	7.9%	-30 bp

Capital Expenditure	22.9	34.0	-32.6%

Stock Turn	3.9	4.2	-0.3x

- Same store sales down 2.2%.
- Difficult trading conditions throughout the year in seasonal, apparel and home categories.
- Music / DVD sales down circa $13.0m.
- Positive momentum maintained in growth categories – Footwear, Health and Beauty, Sporting and Jewellery.
- Trading margins under some pressure during a sustained period of promotion and clearance driven activity across the retail sector.
- Investing in on-line channel with first year sales objectives achieved.
- Cost reduction and productivity improvements continue to flow through at targeted levels.
- Reduced capex reflects switch to modular category investment.
- Both continuity and seasonal inventories in good shape but sell through on seasonal lines below planned levels.

Strategy Overview

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- Growth will be achieved through:
  - Category development and expansion
  - Modernising our existing stores
  - Opening new stores or enlarging existing stores
  - Developing our multi channel business
- Simplifying our business and lowering our costs
- Leading in our commitment to communities and the environment

- Our strategy is to remain the clear favourite store for families.

Revenue Growth

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- Compete vigorously in core categories - Apparel and Home
- Category expansion over three years:
  - Footwear
  - Jewellery and Fashion Accessories
  - Sporting and Leisure Goods
  - Books
  - Health and Beauty

- Refresh and refit our existing stores
  - Continue modular development in all stores
- Footprint expansion over five years by at least 30,000m² GFA

- **Growth initiatives to drive positive sales growth from F11.**

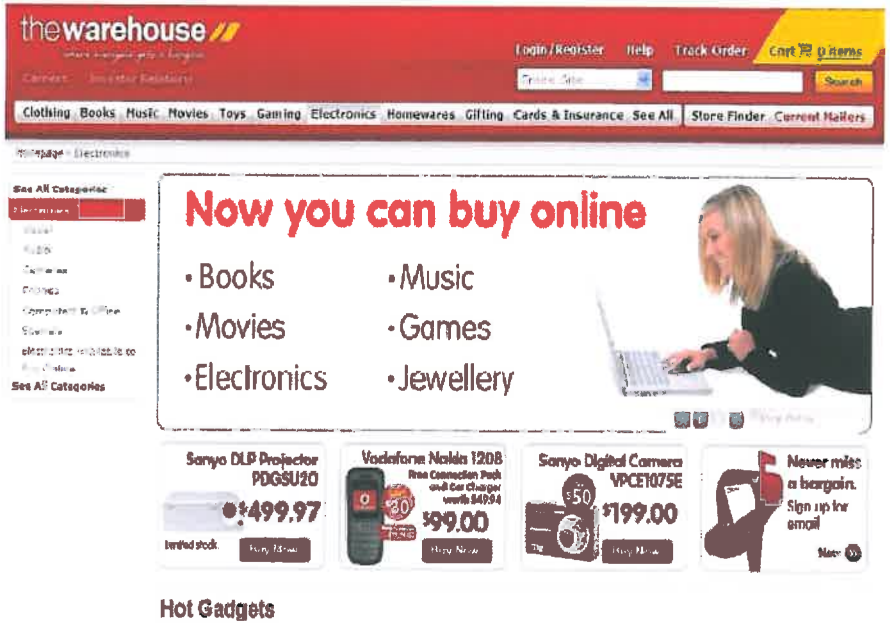
Multi Channel Development

Online Enhancements

- ROBO (Research Online, Buy Offline)
  - Product content displayed online
  - Drives sales into retail stores
- Services online (finance, insurance)

Range Expansion

- Extension of in store range available online
- High cube products
- Direct from supplier ranges



Fulfilment Enhancements

- Store based picking
  - Avoids significant additional fixed overheads
  - Reduced stock investment
- Supplier fulfilment partnerships

- **Long term investment in revenue expansion.**

Warehouse Stationery

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$NZ millions	F10	F09	Change
Sales	193.6	187.2	+3.4%
EBITDA	12.7	7.0	+81.8%
Depreciation and Amortisation	(4.7)	(5.4)	-14.1%
Operating Profit	8.0	1.6	+404%
Operating Margin	4.2%	0.9%	+330 bp
Capital Expenditure	4.3	4.4	-1.6%
Stock Turn	3.7	3.8	-0.1x

- Total sales up 5.5% on a like for like basis.
- Same store sales up 7.8% for the year on a like for like basis recovering F09 same store sales decline of 7.1%.
- Sales recovery achieved in most categories although office furniture remains challenging.
- Both transaction count and basket size up on last year.
- Trading margin improved on last year partly a function of improved category and business mix.
- One new store opened during the year - Ashburton. Positive flow on from three stores opened in F09.
- Improved profitability from restructuring of B2B/Webstore business and distribution centre operations.

Customer Value Proposition

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HUGE RANGE

LOW PRICES

NZ'S BEST AVAILABILITY

ONE-STOP-SHOP FOR ALL YOUR SMALL BUSINESS & HOME OFFICE NEEDS

- Strategy guided by customer feedback.

Warehouse Stationery Strategic Direction

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- Cement our position as NZ's leading office products retailer
- Growth Drivers:
  1. Develop and add Categories, Products and Services
  2. Invest in sustaining same store sales growth in existing stores
  3. Improve our offer to our Business Account customers
  4. Drive a highly productive direct channel
  5. Retail footprint growth to achieve national coverage

- Strong value proposition will be underpinned by an on-going cost reduction programme

- **Key objective to grow sales and achieve benchmark operating margins by F14.**

Group view of WSL prospects

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- WSL a uniquely competitive model.
- Turnaround year really important to give significant confidence for further investment.
- Real and sustainable growth available through footprint and category development and extensions.
- Objective to consolidate and grow margin off a lower cost base.

- **Potential to be a genuinely high performing retail business.**

Dividend Policy and Capital Management

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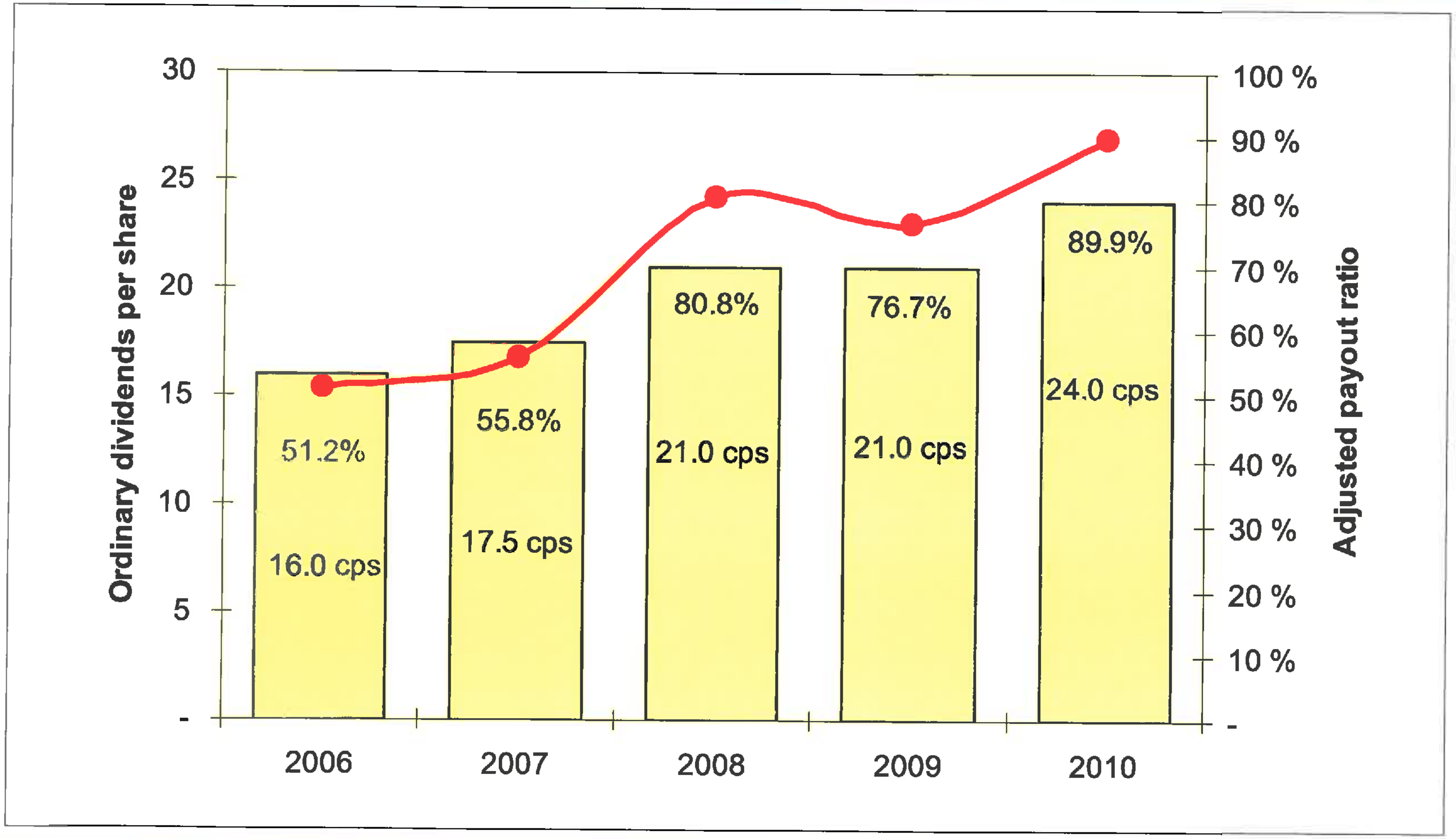
- The board expects the Group to continue its strong cash flow performance. As such the board has reviewed the company's dividend policy taking the decision to increase the ratio of net surpluses distributed in the form of ordinary dividends from 75% to 90%.
- The 90% pay out ratio will apply in relation to earnings for the year ended 1 August 2010 and reflected in the final dividend declared in respect of that year. The final ordinary dividend declared in respect of F10 will therefore increase by 3.0 cents per share to 8.5 cents per share bringing total ordinary dividends for the year to 24.0 cents per share.
- In addition, due to strong cash flow performance in F10 and the availability of accumulated imputation credits the board has also declared a special dividend of 5.0 cents per share.
- With no acquisition opportunities arising that met the company's investment criteria the board undertook a review of capital structure. The review concluded that it remains appropriate to manage the business with the intention of maintaining conservative gearing and that capital management initiatives that would ordinarily result in a significant return of cash to shareholders, were not appropriate at the present time.

Ordinary dividends



- Final dividend up 3.0 cps to 8.5 cps.
- Total ordinary dividend for the year 24.0 cps.
- Dividends fully imputed at 30.0 per cent.

Record date:	5 November 2010
Payment date:	17 November 2010

Outlook and Earnings Guidance

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Retail Environment

- Over the past 12 months underlying non-food retail spend did show signs of gradual improvement but the market was highly promotionally driven.
- Uncertainty and swings in consumer confidence remain a feature of the short term economic outlook. We expect consumer spending to continue its gradual improvement over the next twelve months but will likely remain patchy.

Fully Year Guidance

- Earnings guidance will be provided at the time of our half year results announcement in March 2011.
- Capital expenditure for F11 is expected to be in the range of $50 to $60 million.

QUESTIONS