

Chairman's Address

To The Warehouse Group Limited Annual Meeting

27 November 2009

Welcome to the Annual Meeting of The Warehouse Group Limited.

Result Overview

The 2009 financial year saw The Warehouse Group deliver a pleasing result for its shareholders demonstrating resilience in extraordinarily difficult trading conditions. The company took a very measured approach to trading and financial management to ensure delivery of both solid returns and financial stability.

A focus on gross margin, inventory management, cost reduction and cash flow was the main factor contributing to an increase in net profit after tax excluding unusual items of 5.3 per cent to \$85.2 million compared to \$80.9 million in F08. This was on sales of \$1.72 billion. Net profit after tax for the second half, excluding unusual items, was \$28.4 million up 17.8 per cent, year on year.

Reported net profit after tax for the 53 weeks ended 2 August 2009 was \$76.8 million after incurring a \$7.4 million post-tax charge relating to the exit from fresh food and liquor. This compares to reported net profit after tax for the previous year of \$90.8 million which included a benefit from the reversal of warranty provisions in respect to the sale of the Australian business of \$7.2 million.

The retail environment was without doubt one of the toughest experienced for some time. Despite this, the Group improved earnings year on year and our performance gathered momentum with improvements quarter by quarter finishing the year in a very strong position.

We have not had the volatility of earnings that other retailers have experienced. Rather, over the last two years The Warehouse Group has demonstrated how resilient our earnings profile is through economic cycles.

Dividends

It was pleasing to deliver a 47.6 per cent increase in total dividend payout this year. Our very strong operating cash flow enabled the board to not only maintain the ordinary dividend of 21.0 cents per share for the year, but also to distribute accumulated imputation credits to shareholders by way of special dividend of 10.0 cents per share.

Capital Management

The Group will continue to manage its capital structure with the intention of maintaining a conservative gearing ratio. The board believes market conditions do not support any major capital management initiative at the present time. The opportunity for any appropriate capital management initiative will be considered again in the new calendar year.

Board Governance

The current board comprises of directors with the mix of qualifications, skills and experience, we believe to be appropriate to the company's existing operations and strategic direction. I'm proud to say that we have had a stable and successful board, but recognise that change is desirable over time in the interests of introducing new talent and ideas, and we will continue to implement our board succession plan.

I take this opportunity to welcome our new independent director, James Ogden to his first shareholder meeting of The Warehouse. He brings strong financial expertise to the board and director experience across a broad range of industries. James joined the board in August this year.

As you all know John Avery is retiring at the conclusion of this meeting. I would like to take this opportunity to thank John for his 25 years' service to The Warehouse. John has been a pleasure to work with and will be greatly missed. His experience of legal affairs and property matters have enabled him to make a significant contribution to the development of the company over many years. In particular John played a very important part in the company's formative years as we expanded and grew our footprint throughout the country. On behalf of the board, management and shareholders I want to acknowledge and thank John for his service and commitment and unreserved dedication to the company's affairs.

Outlook

The path we have been on over the last five years focussing on productivity, modernisation of our stores and brand and extending our appeal to a wider group of customers has served us well.

As a business we will continue to focus on building long-term sustainable growth and will continue to invest in our core business and in the capability necessary to execute our plans.

We have weathered this recessionary storm well and have come out of it in good shape. I am confident we have the leadership and plans in place to see us through times that are likely to remain uncertain for a while yet.

In conclusion, I would like to thank my colleagues on the Board, management and team members in both The Warehouse and Warehouse Stationery for their commitment and the delivery of solid financial results. I extend my thanks also to our customers and shareholders for their confidence and continued support.

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