



HARDWARE WAREHOUSE

ALWAYS THE LOWEST PRICES!

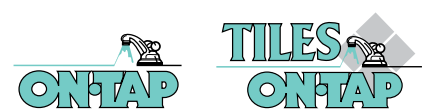
UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

Revenue:	↑ 61.12%
Profit for the period:	↑ 34.45%
Earnings per share:	↑ 16.89%
Headline earnings per share:	↑ 17.85%





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Hardware Warehouse Limited

Incorporated in the Republic of South Africa

Registration number: 2007/004302/06

Share code: HWW ISIN: ZAE000104253

("Hardware Warehouse" or "the group")

Unaudited Interim Results for the Six Months Ended 31 December 2008

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Earnings per share:	↑ 16.89%
Headline earnings per share:	↑ 17.85%

Consolidated Group Income Statement

	Unaudited	% Change	Reviewed	Audited
	Six months to 31 December 2008		Six months to 31 December 2007	12 months to 30 June 2008
	R' 000		R' 000	R' 000
Revenue	165 711	61.12	102 848	220 504
Cost of sales	127 547	60.71	79 364	170 802
Gross profit	38 164	62.51	23 484	49 702
Other operating income	371	1.37	366	210
Administration expenses	1 869	264.33	513	800
Personnel costs	11 960	85.92	6 433	17 073
Other operating costs	12 474	52.21	8 195	16 759
Operating profit	12 232	40.45	8 709	15 280
Investment income	126	(47.72)	241	452
Finance costs	1 056	145.01	431	1 304
Profit before taxation	11 302	32.67	8 519	14 428
Taxation	3 180	28.33	2 478	3 968
Profit for the period	8 122	34.45	6 041	10 460
Total shares in issue ('000)	77 900		80 000	80 000
Weighted average number of shares in issue ('000)	71 150		61 833	66 667
Earnings per share (cents)	11.42	16.89	9.77	15.69
Headline earnings per share (cents)	11.42	17.85	9.69	15.49

Reconciliation of Headline Earnings

	Unaudited	Reviewed	Audited
	Six months to 31 December 2008	Six months to 31 December 2007	12 months to 30 June 2008
	R' 000	R' 000	R' 000
Profit for the period	8 122	6 041	10 460
After tax profit on sale of property, plant and equipment	-	(135)	(135)
After tax loss on proposed acquisition	-	89	-
Headline earnings	8 122	5 995	10 325

Commentary on Results

1. Nature of Business

Hardware Warehouse is a retailer of low cost building materials and associated products, selling directly to predominantly cash paying customers including homebuilders, home improvers, contractors, traders and government organisations. It is fast becoming the low cost building material retailer of choice in its selected markets.

Whilst a large portion of the group's customer base falls within the lower to middle income rural groups, we have identified that our customers needs are changing, in that they are becoming more aspirational, and will continue to adapt accordingly.

With the acquisition of the On-Tap franchise incorporating Tiles-On-Tap in a portion of the region of the Eastern Cape, the group has diversified its base to include: urban customers, middle to high LSM groups, plumbing and other contractors.

Acknowledging that the buying of materials to build or improve a home can be a significant expenditure and a daunting process to its target market, the group has developed a specific environment and approach to make the selection of products both comfortable and understandable, with a strong emphasis on supplying quality products at competitive prices.

2. Basis of Preparation

These interim results are prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS34 (Interim Financial Reporting), the Companies Act, 1973 (Act 61 of 1973), as amended, and the Listings Requirements of JSE Limited. These interim results have not been reviewed or audited by the group's auditors. The accounting policies applied in preparing these interim financial results are consistent with those applied in the audited annual financial statements for the year ended 30 June 2008.

3. Financial Performance

The board of directors continues to be positively pleased with our third six month reporting period since listing. In all three instances, we have exceeded forecasts or expectations of stakeholders, this despite the extreme decline within the economic environment.

Revenue increased by R62.9 million to R165.7 million from R102.8 million for the same period in the previous year. 26.22% is attributable to new store openings and 34.90% to organic growth. We regard any positive organic growth as good performance in these market conditions.

For the six months to December 2008, our net profit before tax increased to R11.3 million compared to R8.5 million for the same period in the previous year. The group continued to invest in personnel and systems to support current and future growth. This is to ensure that we are appropriately resourced for when the upswing in the economy occurs.

Net asset value per share is 45.48 cents per share. This has grown by 48.10% since 31 December 2007, due to the policy of retaining earnings to fund growth.

These interim results are especially encouraging, considering the continued negative effects



Consolidated Group Cash Flow Statement

	Unaudited Six months to 31 December 2008	Reviewed Six months to 31 December 2007	Audited 12 months to 30 June 2008
	R' 000	R' 000	R' 000
Operating income	12 232	8 709	15 280
Non-cash items	1 355	658	2 576
Working capital changes	885	(11 426)	(20 091)
Cash generated by / (absorbed by) operations	14 472	(2 059)	(2 235)
Taxation paid	(2 941)	(2 462)	(3 194)
Finance costs	(1 056)	(431)	(1 304)
Cash generated by / (absorbed by) operating activities	10 475	(4 952)	(6 733)
Cash effect of investing activities	(8 870)	(11 228)	(13 930)
Cash effect of financing activities	7 935	16 369	15 246
Net cash change for period	9 540	189	(5 417)
Cash at beginning of period	(8 921)	(3 504)	(3 504)
Net cash at end of period	619	(3 315)	(8 921)

Cash and Cash Equivalents include the following for the purposes of the Cash Flow Statement

	Unaudited Six months to 31 December 2008	Reviewed Six months to 31 December 2007	Audited 12 months to 30 June 2008
	R' 000	R' 000	R' 000
Cash and cash equivalents	3 741	1 480	761
Bank overdraft	(3 122)	(4 795)	(9 682)
Net cash at end of period	619	(3 315)	(8 921)

Consolidated Group Balance Sheet

	Unaudited At 31 December 2008	Reviewed At 31 December 2007	Audited At 30 June 2008
	R' 000	R' 000	R' 000
ASSETS			
Non-current assets:			
– Property, plant and equipment	16 958	10 709	11 664
– Intangible assets	11 834	8 654	9 491
Current assets:			
– Inventories	65 930	48 705	55 485
– Trade and other receivables	9 108	6 070	5 672
– Cash and cash equivalents	3 741	1 480	761
Total assets	107 571	75 618	83 073
EQUITY AND LIABILITIES			
Shareholders' equity	35 430	24 565	28 927
Non-current liabilities:			
– Borrowings	12 452	6 917	3 733
– Deferred taxation	72	43	11
Current liabilities:			

visited upon the retail sector during the reporting period. High interest and inflation rates, and higher fuel and electricity costs have affected disposable income. Motivated staff have assisted with improvement in areas such as cost control, product range, strategic initiatives and constant operational improvements and efficiencies.

The business model remains simple, which will ensure sustainable growth into the future.

4. Operational Performance

WORKING CAPITAL: Expansion has been achieved through gearing as much as possible using the group's own balance sheet. Current conditions on the equity market have not been conducive to the raising of funds.

STORES: The On-Tap acquisition, which comprised three On-Tap stores being acquired and one new store being opened under the On-Tap banner, became effective on 1st December 2008.

At 31 December 2008, the total number of stores under the expanded Hardware Warehouse, Bath and Tile Warehouse and the On-Tap brand totalled 20. This represents a store growth of 82% over an 18 month period.

In the next six months, only one new store will be opened, in Nelspruit. This will be the first operational investment into the Mpumalanga province. The group will then be represented within three of the five identified key provinces. This is in line with our strategy to have a national footprint in the identified areas in which we operate. Identifying and securing premises for further expansion into Kwa-Zulu Natal and Mpumalanga, will be a high priority over the next 18 months, to this end an additional three new stores per province are planned.

During the next calendar year, we will concentrate on bedding in the acquisitions of On-Tap and the Granite Top business. In addition, we will be concentrating on operational efficiencies and inter-company synergies, with specific ongoing attention to overhead control.

5. Prospects and Future Performance

The profitability for the second half of the financial year is expected to be lower than that of the first half of the year owing to the continued anticipated general slowing of sales in the retail sector.

The short to medium term strategy of selective expansion within SADC region continues to receive senior management attention. We are currently seeking strong alliances for this expansionary objective during late 2009 and 2010. It is within Africa that we strongly believe our unique and simple business model will enable margin growth.

6. Government Tenders

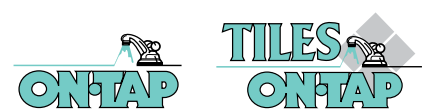
The group will also continue to focus on the securing of tenders to supply local government structures. This comprises supplying the local government housing departments and large contractors, with a turnkey solution to assist in rolling out housing delivery.

7. Inventory Levels

The board of directors continues to focus on reducing inventory levels to be more aligned with the industry standard. Inventory levels at December 2008 were extraordinarily high, due to



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– Borrowings	7 736	6 457	15 994
– Trade and other payables	47 584	34 301	30 285
– Income tax liability	4 297	3 335	4 123
Total equity and liabilities	107 571	75 618	83 073
Net asset value per share (cents)	45.48	30.71	36.16
Net tangible asset value per share (cents)	30.29	19.89	24.29

the acquisition of On-Tap on 1 December 2008. This gave rise to additional inventory of R8.8 million at 31 December 2008.

8. Industry Concerns

Rising prices: Hardware Warehouse continues to pursue reductions in the prices of building materials. The group firmly believes that price reductions from suppliers are stubbornly unresponsive to the current market conditions and management will continue to aggressively pursue price reductions for the benefit of its consumers.

9. Subsequent Events

The board of directors is not aware of any material matters or circumstances arising since the end of the interim period and up to the date of this report.

10. Dividends

No dividend has been declared or paid during the interim period. This is in line with our prospectus and our growth strategy.

11. Appreciation

The commitment and dedication of our management team and staff, coupled with the numerous service providers, has positioned us well to work through the tough times, as well as for sustainable growth. I would like to thank our group's board members, personnel, suppliers and advisors and look forward to the coming year with enthusiasm.

18 March 2009

Shaun Craig Miller
Chief Executive Officer

Consolidated Group Statement of Changes in Equity

	Share Capital	Share Premium	Retained Earnings
	R' 000	R' 000	R' 000
Balance 30 June 2007	10	-	7 462
Shares issued	6	21 495	-
Share issue expenses	-	(1 949)	-
Treasury shares	(2)	(8 498)	-
Profit for the period	-	-	6 041
Balance 31 December 2007	14	11 048	13 503
Share issue expenses	-	(56)	-
Profit for the period	-	-	4 418
Balance 30 June 2008	14	10 992	17 921
Share buy-back	(1)	(1 618)	-
Profit for the period	-	-	8 122
Balance 31 December 2008	13	9 374	26 043

Segmental Information

BUSINESS SEGMENT	Unaudited	Reviewed
	As at 31 December 2008	As at 31 December 2007
	R' 000	R' 000
REVENUE		
Hardware Warehouse stores	163 878	102 848
On-tap Stores	1 833	-
PROFIT BEFORE TAX		
Hardware Warehouse stores	11 309	8 519
On-tap Stores	(7)	-
ASSETS		
Hardware Warehouse stores	92 732	75 618
On-tap Stores	14 839	-
LIABILITIES		
Hardware Warehouse stores	64 200	51 053
On-tap Stores	7 941	-

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Shaun Craig Miller *Chief Executive Officer*,
Lesley Ann Rhind *Financial Director*,
Neville Errol Woollgar *Non-Executive Director*
& Hamilton Anthony Long *Non-Executive Director*.

Company Secretary:

Charteris & Barnes Administrative Services cc

Designated Adviser:

Merchantec (Proprietary) Limited

For further information, please contact:

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