
**TO: Market Information Services Section
NZX Limited**

The Warehouse Group Limited
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TRADING UPDATE

Auckland, 23rd January 2014

TW Group reports strong Christmas Trading but not enough to fully offset Q1 margin impact in the 'Red Sheds'

The Board of The Warehouse Group (TW Group) today reported that Christmas trading across the group was strong. The Warehouse 'Red Sheds' is expecting an increase in same store sales for the half of 4%, total sales growth of 5%, and a recovery in Q2 gross profit margins to FY13 Q2 levels. However, this strong Christmas result will not fully offset the previously disclosed Q1 margin issues in the 'Red Sheds' and will result in a forecast Adjusted NPAT for Group in H1 of \$46 – 48M.

Mark Powell, Group CEO said "we are pleased with how all of our retail brands traded over the critical Christmas period and the Trading Profit (the profit delivered by our retail businesses) is likely to be down only 1 – 2% in the half, recovering much of the ground lost in the first quarter. This reflects the progress we are making as we reshape the Group, in a retail market that is undergoing significant change." This strategic reshaping of the TW Group has required significant investment in both the core 'Red Sheds' business and in new retail verticals, with the acquisition of Noel Leeming and in a number of multichannel businesses. As expected this has resulted in an increase in funding costs and a reduction in rental income in the Group segment. These two items alone will account for approximately half of the reduction vs last year in Adjusted NPAT, and while important, are more related to TW Group's funding structure and property ownership than the underlying trading performance.

Online continues to be a significant game changer in the retail market. In line with its strategy to be the leading multi-channel retailer in NZ, TW Group has continued to invest in growing its online businesses with investments in infrastructure, resources, marketing and customer acquisition in RedAlert.co.nz, Pet.co.nz, iLovebeauty.co.nz, No1 Fitness.co.nz, ShotgunSupplements.co.nz, Torpedo7.co.nz, CoLabel.co.nz and its bricks and mortar brands online sites. This investment is critical to the long term success of TW Group.

TW Group Chairman Ted van Arkel said "The Board is fully committed to the strategy which will enable the TW Group to best navigate the ongoing changes in the retail market in order to create long term value for our shareholders. While the expected result in H1 is below last year, management acted quickly to address the margin issues identified in the first quarter, with the improved margins and sales in the 'Red Sheds' in Q2 strongly supportive of the strategic direction."

Full year guidance will be given at the half year results release on March 7th, but the improved trend of the second quarter is expected to flow through into the second half.

ENDS

Background: The Warehouse Group Limited

The Warehouse Group Limited comprises 92 Warehouse stores, 75 Noel Leeming stores and 61 Warehouse Stationery stores in New Zealand and several online businesses. The company had turnover of \$2.2 billion in FY13 and employs over 10,000 people.

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