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

TW GROUP: SOLID Q1 SALES GROWTH, BUT MARGIN PRESSURE IN THE 'RED SHEDS'

**Group Sales for Q1 of \$569.8 million
The Warehouse (Red Sheds) Same Store Sales of 5.5%
Warehouse Stationery (Blue Sheds) Same Store Sales of 6.1%
Noel Leeming Same Store Sales of 6.1%**

Auckland, 8th November 2013

The Board of The Warehouse Group (TW Group) today reported Group sales for the first quarter ending October 27th of \$569.8M with solid sales performances from each of our retail brands.

The Warehouse

The Warehouse (Red Sheds) reported sales for the first quarter of \$354.5 million, an increase of 8.8% or \$28.8 million compared to the same quarter last year. Same store sales increased 5.5% in the quarter with the 'Red Sheds' now recording 11 consecutive quarters of positive same store sales.

The major drivers of sales growth in Q1 have been the continuing improvement in performance from Auckland stores (with 12 Auckland stores now refitted) and double digit sales growth in our Apparel, Housewares, Health & Beauty, Gaming, Jewellery, Consumer Electronics, Appliances & Whiteware categories. The growth in Consumer Electronics, Appliances & Whiteware is due to the introduction of a number of international technology and appliance brands and the expansion of our range of Kensington and Aspira products.

This sales growth has not yet translated into Gross Profit growth with margin pressure due to category mix and a number of different factors in General Merchandise categories. These include continuing structural declines such as CD, DVD & Books and categories that have had major product range transitions in the quarter such as the final exit of our previous white goods range as we introduce the full range of Aspira product, and the transition to our own range of Direct Response TV (DRTV) products.

During October we announced two important multichannel initiatives for the 'Red Sheds', Click & Collect and Free in store Wi-Fi, which will continue to improve our customers shopping experience.

Commenting on The Warehouse (Red Sheds) result Group Chief Executive Officer Mark Powell said "It is pleasing to see the impact from a range of strategic initiatives such as new international technology & appliance brands, improved product quality, a critical mass of store refits and improved team training. This has started to bring former customers back to The Warehouse and has resulted in strong sales driven by good transaction growth. We will continue to invest in growth initiatives which may have a short term earnings impact; this is in line with our strategy which focuses on the long term future of The Warehouse."

Warehouse Stationery

Warehouse Stationery (Blue Sheds) reported sales for the first quarter of \$56.9 million, an increase of 10.3% or \$5.3 million compared to the same quarter last year. Same store sales increased 6.1% in the quarter with the 'Blue Sheds' now recording 17 consecutive quarters of positive same store sales.

Warehouse Stationery has continued its focus on its customers and employees recently winning Retail Employer of the Year and the Kenexa Best Workplaces Award (for Enterprises with more than 750 employees).

Commenting on the Warehouse Stationery result Group Chief Executive Officer Mark Powell said "We have been very pleased with our customer's feedback on our rebranding and new initiatives such as our expanded range of Print & Copy Centre products and services which make us NZ's only nationwide Print & Copy Centre."

Noel Leeming

Noel Leeming reported sales for the first quarter of \$139.2 million, an increase of 11.6% compared to the same quarter last year¹. Quarterly same store sales¹ increased 6.1%.

The major drivers of sales growth in Q1 have been, the continuing improvement in performance from focusing on one retail brand, a double digit increase in Television sales as a result of the digital switchover, and the success of customer focused promotional activities.

Commenting on the Noel Leeming result Group Chief Executive Officer Mark Powell said “Across a range of areas Noel Leeming is contributing the strategic benefits that we expected as a result of the acquisition. We will continue to invest in Noel Leeming, including an expansion of the range of services we offer our customers, to ensure we remain NZ’s leading Home Appliance, Entertainment & Technology retailer.”

Torpedo7 Group & Multichannel

Torpedo7 Group reported sales for the first quarter of \$19.2 million. In line with our strategic plan for the business we continued to expand through the quarter with the launch of the Knucklebone.co.nz (outdoor sporting products) and PedalPro.co.nz (specialist bike products) sites. We also completed the acquisition of No1 Fitness in September and entered into an unconditional agreement to acquire Shotgun Supplements in December.

In the first quarter The Warehouse Group launched the ilovebeauty.co.nz (branded beauty products) site, along with ilovebeauty branded kiosks in several shopping malls and expanded our Australian online offering with Petau.com.au (pet food & products).

Early in October we launched TV International Brands, our own DRTV business, with product advertised on TV and available online, via a call centre and in store at The Warehouse.

“We continue to focus a considerable amount of effort on becoming the leading Multichannel retailer in NZ and this quarter has seen the launch of many initiatives. We continue to be excited by the growth opportunities we see and will continue to accelerate activities in this area of our business” said Mr Powell.

TW Group

As a reshaped Group we continue to focus on actions that leverage our size and scale. In October we relocated our Central Hamilton Noel Leeming and Warehouse Stationery stores to the existing Warehouse site allowing us to create an exciting retail destination and right size our Warehouse store. We sold the Group owned Riccarton Warehouse store in October for a pre-tax gain of approximately \$8.9 million enabling us to recycle this capital into new property initiatives.

In announcing the result, TW Group Chairman Graham Evans said “In line with our strategic plan the quarter has seen continued investment in our existing businesses and accelerated investment in new activities with three small bolt-on acquisitions, the launch of four new online businesses, new Multichannel offerings in The Warehouse such as Click & Collect and in store Wi-Fi and the start-up of our DRTV business TV International Brands. While we have seen positive sales results in our retail businesses in the quarter, we are incurring start-up costs as a result of all of these activities. The Board is confident this strategic focus will deliver long term results for our shareholders in a retail environment that is continuing to evolve to satisfy customers changing buying habits.”

¹ Sales for Noel Leeming relate to continuing stores. Same store sales and prior year sales comparisons are based on pre-acquisition proforma sales information

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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