
PROGRESS AS THE WAREHOUSE GROUP CONTINUES TO RESHAPE ITSELF FOR GROWTH

Group Sales for H1 of \$1,420 million
The Warehouse (Red Sheds) Same Store Sales up 4.1%
Warehouse Stationery (Blue Sheds) Same Store Sales up 4.9%
Noel Leeming Same Store Sales up 9.3%²
Torpedo7 Group Total Sales growth over 30%³

The Board of The Warehouse Group (TW Group) today announced an adjusted¹ net profit after tax of \$46.2 million in line with recent guidance and down 12.5% compared to \$52.8 million last year. Reported net profit after tax for the period was \$58.7 million compared to \$106.3 million last year when significant one-off gains were made on the disposal of properties.

Sales in all retail brands were up year over year, resulting in Group sales for the half of \$1,420.4M up 29.5% compared to the first half last year. Group Trading Profit (the profit from our retail brands) for the half was down 3.1% vs last year as a result of the Q1 margin pressures in the 'Red Sheds', with all other retail brands increasing their trading profit.

The Warehouse

The Red Sheds' reported sales for the first half of \$920.1 million, an increase of 6.2% or \$53.5 million compared to the same period last year. Same store sales increased 4.1% in the half. The 'Red Sheds' have now recorded 12 quarters of positive same store sales. The major drivers of sales growth in the half were the continuing sales growth in the Auckland market and double digit sales growth in Womenswear, Menswear, Health & Beauty, Jewellery, Consumer Electronics, Gaming, Small Appliances & Whiteware categories.

Strong Christmas trading in the 'Red Sheds' delivered a solid Q2 result, with 3.4% same store sales and gross margins above last year. This solid Q2 result did not fully offset the Q1 margin impact resulting in gross margins for the half down 40 bps compared to last year. Operating Profit for the half was \$60.6M a decrease of 7.8% over last year.

Commenting on The Warehouse result Group Chief Executive Officer Mark Powell said "It has been at least a decade since the 'Red Sheds' grew same store sales more than 4% in a half and had 12 quarters of consecutive growth. It is still early days but we are pleased with the progress to date. We believe that the actions we are taking to improve our products, prices, promotions and store environment and the investment in our team members has started to bring customers back to The Warehouse, as New Zealand's 'House of Bargains and Home of Essentials'."

Warehouse Stationery

Warehouse Stationery (Blue Sheds) reported sales for the first half of \$121.5 million, an increase of 8.6% or \$9.6 million compared to the same period last year. Same store sales increased 4.9% in the half with the 'Blue Sheds' now recording 18 consecutive quarters of positive same store sales. Operating Profit of \$4.7M increased 28.1% over last year, with a 60bps improvement in Operating Profit margins.

The major driver of sales growth in H1 has been the double digit sales growth in Communications, Computers, Consumables and Copy Centers and the four new stores opened in the past year. Commenting on the 'Blue Sheds' result Group Chief Executive Officer Mark Powell said "Warehouse Stationery continues to grow in a market where a number of the traditional categories are flat or even in a state of decline. 18 quarters of positive same store sales and close to double digit sales growth in the half reflects the recent rebranding and 'work, study, create, connect' strategy, showing that our customers appreciate the actions we are taking."

Noel Leeming Group

Noel Leeming Group reported sales for the first quarter of \$328.8 million, an increase of 14% compared to the same period last year². Same store sales increased 9.3%² and Gross margins improved 30 bps². This strong performance was a result of the merging of Bond & Bond with Noel Leeming, double digit Sales growth in all major product categories and improved gross margins. Noel Leeming Group's Operating Profit

of \$6.8M increased 20% over last year, although last year was a non comparable two month period vs a full six months this year.

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 we expected as a result of the acquisition. It is still early days and we will be investing in our store environment, the ‘passionate experts’ in our stores and the range of services we offer our customers to ensure that we remain New Zealand’s leading Home Entertainment, Appliance & Technology retailer.”

Torpedo7 Group

Torpedo7 Group reported sales for the first half of \$47.9 million, with sales increasing 30% and Gross Margins growing more than 400 bps over the same period last year³. We have made a significant investment in fulfilment centre infrastructure & capacity along with TV & Digital advertising to increase brand recognition in support of our multiyear growth plans. Operating Profit in the half was \$0.7M

In line with our strategic plan for Torpedo7 to be a leading multichannel outdoor and adventure sport retailer we acquired and integrated No1 Fitness and Shotgun Supplements. We also acquired R&R Sport in December and post-Christmas started the process of range integration planning and strategy development. TW Group recently entered into an agreement to increase its ownership of Torpedo7 Group from 51% to 80%. “Torpedo7 Groups strategic emphasis in FY14 is to integrate acquisitions and to build the brand for future growth. We are investing to create a leading multichannel outdoor & adventure sport retailer. We continue to be excited by the growth opportunities we see in this area of our business” said Mr Powell.

TW Group

TW Group has been reshaped over the last two years with 4 clear Strategic Priorities: First, to ‘Keep the Red core strong’. Second, ‘Growing Non-Red to be as large as Red’. Third, to ‘be the leading Multichannel retailer in New Zealand’ and fourth, to ‘Leverage Group Competencies & Scale’. In a separate announcement today The Warehouse Group has announced its intention to add a fifth distinct strategic priority to ‘be a leading NZ retail Financial Services company’. TW Group has outlined a number of actions it will undertake with respect to this important complementary 5th Strategic Priority. These actions are likely to be slightly earnings dilutive in the short term, with this impact being reflected in our FY14 guidance.

In announcing the result, Chairman Ted van Arkel commented “We are in an ongoing process of reshaping The Warehouse Group, with each business at a different stage in its journey. Opportunities such as Financial Services, which has arisen because of our strategy, are exciting and will provide material earnings to the Group in the medium term.”

The Directors have declared an interim dividend of 13 cents per share. Dividends will be paid on 19 March 2014. The record date is 12 March 2014. NZX has issued a waiver from the requirement to provide 10 working days' prior notice of the record date in this instance and accordingly, the record date for the interim dividend is 4 working days after TW Groups interim results announcement. Any shareholders wishing to adjust their shareholdings prior to the ex date for the dividend will therefore need to make any trades prior to market close on 7 March 2014.

Subject to any material change in anticipated trading conditions, the Directors expect Adjusted Net Profit After Tax for the full year to be between \$67 million and \$71 million. This Guidance includes earnings from The Warehouse Groups existing businesses of \$70M - \$74M, and the FY14 H2 impact of Financial Services which could be a loss of up to \$ 3M after tax.

The FY14 dividend is targeted to be 19 cents per share, comprising the 13 cent interim dividend and a final dividend targeted to be 6 cents. This targeted 19 cents per share payout for FY14 and FY15 is subject to no significant change in trading, ensuring we are meeting our obligations under our Bank & Bond covenants and are able to provide appropriate levels of funding for strategic initiatives.

¹ A reconciliation of adjusted net profit to reported net profit is detailed on page 7 of the NZX release and in note 14 of the condensed interim financial statements. Certain transactions such as the sale of properties and the release of warranty provisions can make the comparisons of profits between periods difficult. The Group monitors adjusted net profit as a key indicator of performance and uses it as the basis for determining dividends and believe it helps investors to understand what is happening in the business

² Sales for Noel Leeming relate to continuing stores. Same store sales and prior year sales comparisons are based on pre-acquisition proforma sales information. TW Group acquired Noel Leeming Dec 2012

³ Sales & Gross Margins for Torpedo7 Group are based on pre-acquisition proforma information. TW Group acquired Torpedo7 Group April 2013

ENDS

Background: The Warehouse Group Limited

The Warehouse Group Limited comprises 92 Warehouse stores, 76 Noel Leeming stores and 63 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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