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THE WAREHOUSE GROUP LIMITED

Decision in respect of The Warehouse Extra

Following a comprehensive review and assessment of future earnings potential, the Directors of The Warehouse Group Limited have today taken the decision to discontinue plans to roll out the Warehouse Extra format.

Chairman, Mr Keith Smith, says "having now had the opportunity to analyse key elements of economic performance, we have concluded that the company's aspiration to achieve the critical 10% halo benefit in general merchandise and apparel will not be realised. As a consequence of this, the Extra strategy will not meet our return on investment criteria".

"Having made the decision to withdraw, we can now simplify aspects of the business and focus attention and resources on our core general merchandise and apparel categories. This will be more important than ever given uncertainty associated with developments in world financial markets and present challenges in the domestic economy", Mr Smith says.

The three existing Extra stores will undergo a phased withdrawal from fresh produce, meat and frozen foods. This will commence immediately and is expected to be completed within six months. Modest investment in reconfiguring the existing three Extra stores will be required but this will not commence until early 2009.

The company will continue to develop its pharmacy business and the health and beauty category both of which are proving highly successful. A decision has yet to be made in respect of liquor currently ranged in six of the company's 85 stores.

Managing Director, Mr Ian Morrice says "This has been a very important trial for The Warehouse to leverage our larger footprint stores. The format and level of investment has been managed to ensure the supercentre model was properly and thoroughly tested with the benefits flowing to the wider business. These benefits have been significant particularly in relation to range extensions, store operations, supply chain and systems".

Exit and restructuring costs are estimated at $10-$12 million pre tax, including asset write-downs of up to $5 million. This will be a charge in the 2009 financial year. The company expects an annualised pre tax improvement in operating earnings of approximately $9 million.

ENDS

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