



## Pumpkin Patch to close 20 United States stores

In February 2009 the Company announced it was undertaking a review of its United States stores with the aim of developing strategies that better met the difficult economic environment in that market.

With the high degree of uncertainty as to how long the current downturn will continue the Company has made some difficult decisions and has today outlined a reorganisation plan that it has begun implementing in the United States.

While there was early success with the initial store openings, the imposition of import quotas and the prolonged financial crisis in the United States has created significant headwinds for the profitability of the United States operation.

Over the next two months the Company plans to close approximately 20 of the Company's 35 stores in the United States. The stores to close are generally the more recently opened stores that have struggled to gain traction in the very difficult retail environment that has prevailed in the market since late 2007. The remaining stores will be based primarily along the West Coast.

The Company has renegotiated lease terms for 11 of the remaining 15 stores at rent levels that better reflect current market conditions. Discussions on the remaining 4 stores are ongoing.

Maurice Prendergast, Pumpkin Patch's Chief Executive Officer, said "The long term future of the Pumpkin Patch brand in the United States require changes to be made to our store network that provide the Company with better financial outcomes in the near term and create a more sound foundation on which we can develop our United States strategy in the longer term. The plan we have outlined today allows us to build from a lower base in a much more structured way and enables the United States company to go into the future with far more financial certainty".

Assuming no further deterioration in trading levels the Company expects the reorganised United States store network to generate a close to breakeven earnings result at store level. Combined with a reduction in United States Head Office costs the segment is expected to generate a loss in the 2010 financial year in the region of NZD3m vs. the analysts' average forecasts of a NZD13m loss. This will lead to a significant improvement in consolidated Pumpkin Patch Group earnings and cash flow results.

Full recognition of all reorganisation costs will be made in the 2009 financial year. This will include non-cash impairment charges on all United States store fixed assets and where required adjustment to the valuation of inventory. Other reorganisation costs such as employee commitments will also be provided for. Non-cash costs are expected to be between NZD30m and NZD34m and cash costs are expected to be between NZD6m and NZD8m.

Due to the corporate structures employed in the United States the reorganisation plan does not impact the remaining 220 Company owned stores or any other trading segment including the United States wholesale company. The plan utilises legal protections afforded to United States corporate bodies that reorganise their business operations and therefore does not impact the New Zealand parent company.

Discussions with various stakeholders, primarily landlords, will be ongoing over the next two months. It is not anticipated that there will be any significant change to the plan outlined above.

Prendergast said "We have undertaken a number of major initiatives this year that have significantly strengthened the balance sheet and positioned us well to take advantage of improved trading conditions in the future. Bank debt has reduced by around 60%, inventory levels are significantly lower, overheads have been realigned to better suit the current environment, and we are now making changes to the United States retail operation. All of these actions will help deliver much improved financial outcomes for our shareholders in coming years."

Previously the Company forecasted year end bank debt of between \$30m and \$40m. It now expects bank debt to be at the lower end of this range. In addition the Company has rebalanced its inventory levels much quicker than originally anticipated. Trading in other retail markets continues to be reasonably robust considering the generally poor retail conditions.

Prendergast added "We of course must remember that a number of our valued team members in the United States are being impacted by these changes. We are a close knit team and decisions like this are always difficult. We have senior managers up in the United States at the moment supporting team members through what is obviously a difficult time for them. Our thanks go to all our team members in the United States".

On behalf of the Board of Directors



Maurice Prendergast  
Chief Executive Officer

Pumpkin Patch Limited  
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