

## **Michael Hill International Ltd – US Acquisition**

Michael Hill International today announced it has entered into a conditional agreement to acquire 17 stores in Illinois and Missouri in the United States from the Chapter 11 bankruptcy of Whitehall Jewelers Holdings Inc.

The purchase price is approximately USD\$5.0m (NZD\$7.0m) and is payable in cash upon settlement which is anticipated to occur on or before September 9 2008. This will be funded from existing bank facilities and cash resources.

The purchase price is attributed primarily to the inventory and will be set at an amount equal to 80 cents on the dollar on the cost price of the inventory held at the 17 locations on the settlement date. The acquisition includes Whitehall's rights with respect to store fitouts and leases for all 17 stores and all other trading assets at those locations.

The agreement is conditional upon receipt of any necessary regulatory approvals and approval of the transaction by the United States Bankruptcy Court overseeing the Whitehall Chapter 11 case. These conditions must be satisfied prior to closing date. At this stage, it is expected that the necessary court hearing to approve the transaction for the purpose of US bankruptcy laws will be held on 28 August 2008. Michael Hill International will take possession of the stores as soon as possible following the satisfaction of all relevant conditions.

Michael Hill International considers that it has secured 17 prime locations that will provide a sound launching pad to the large US market. The majority of stores are clustered in and around Chicago with 2 stores in St Louis, Missouri, which is located at the southern tip of Illinois. This grouping of stores fits with our historical pattern of building a concentration of stores in new markets to leverage efficiencies in logistics, marketing and management supervision.

Michael Hill International views this as a strategic acquisition to test its retail model in the highly competitive US market, albeit at a time when the economy is challenging. The company does not expect these stores to achieve profitability for several years but believes the opportunity presented by the Whitehall Jewelers acquisition was one which would enable Michael Hill International to enter this market on favourable terms. Our short to medium term focus will be on honing our retail formula for future growth from this base.



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