

Press Release

Woolworth's core business to be maintained

- Continuation concept enables Neue Woolworth in Germany -**
- Majority of smaller outlets and their employees to be taken over by competitors -**
- Joint works council approves the formation of the transitional company -**

Frankfurt am Main, June 25, 2009. The approval of joint work council regarding the formation of a transitional company has enabled Woolworth's preliminary administrator to take a significant step forward. "Overcoming this significant obstacle increases the chance that Woolworth will continue to exist and that as many workplaces as possible will be maintained", says a pleased Ottmar Hermann, the preliminary administrator. This signature is the result of long and constructive negotiations that were carried out on behalf of the employees.

"Contrary to reports on closures, we are trying to maintain Woolworth's core business as part of our continuation concept", emphasises Hermann. The continuation concept provides for a clean-up of products with weak sales and margin performance, and a focus on medium-sized outlets with a sales area of 900 to 1600 square metres. As a matter of fact, a large part of Woolworth's 9,300 employees work in such outlets, which generally have 25 to 30 employees each. This concept may be able to save just under half of the workplaces. Experts are of the view that such medium-sized businesses will have the best development and future opportunities in the market.

At the same time, so-called mini outlets with a smaller square footage do not fit into the continuation concept. They generally feature a sales area of approx. 400 to 450 square metres with 10 employees on average. A number of different chain stores across Germany are very interested in businesses of this size. While location is their primary focus, the administrator also wants to place the employees along with the location. To protect Woolworth employees of mini outlets from imminent unemployment, they may be able to find new work at an outlet operator as part of the transitional company.

To secure the core business along with the Woolworth brand, the concept will be implemented on a step-by-step basis. Ottmar Hermann has commissioned 46-year old retail expert Heinz Thünemann with implementing the continuation concept. According to Hermann, the continuation concept is on the right path but is still subject to financing and feasibility. The administrator must still hold important discussions with landlords and negotiate new contracts. Hermann intends to create a rescue company in the form of 'Neue Woolworth Deutschland' (New Woolworth Germany; also NewCo), and search for an investor. Frankfurt's insolvency court will decide on the possible commencement of insolvency proceedings at the end of June or the beginning of July.

HERMANN Rechtsanwälte, Wirtschaftsprüfer, Steuerberater is a law firm which specialises in insolvency law, restructuring and corporate law. With its nine German offices, it has been cooperating with international firms in Zurich, Milan, Amsterdam and London for many years. The firm is a member of the global independent lawyers association Lawyers Associated Worldwide (LAW).