

EVERYONE'S A WINNER AT

THE REJECT SHOP

ASX/Media Release

THE REJECT SHOP LIMITED HALF YEAR RESULTS (FY2008) (ASX: TRS)

20 February 2008

Half year profit up 38.4%; Full year profit forecast upgraded

Result Highlights:

- Sales, \$190.1 million, up 27.2%
- Comparable store sales growth of 9.2% (26 wk comparative)
- NPAT of \$14.1 million up 38.4%
- 14 new stores opened in the period
- Full year forecast increased to \$16.3 -16.5 million, upgraded by 10% on prior forecast
- Interim dividend of 29 cents per share
- Dividend Payout ratio increased to 75% of NPAT

Summary:

	HY2008 \$ Million	HY2007 \$ Million
Sales	190.1	149.5
EBITDA	24.2	17.6
EBIT	20.9	15.2
NPAT	14.1	10.2

The Chairman of The Reject Shop Limited, Mr Brian Beattie, today announced a 38.4% increase in first half net profit after tax (NPAT) to \$14.1 million based on sales of \$190.1 million, up 27.2% on last year.

The half year ended 30 December 2007 incorporated a 27 week trading period compared to 26 weeks for the corresponding period last year, impacting the comparison between the periods on both sales and net profit after tax. Excluding the impact of the additional week's trading the NPAT increase would have been approximately 30%.

Profit growth was driven by a company-record comparable store sales growth of 9.2% (adjusted for the impact of an additional trading week) and 14 new store openings.

With the robust first half and encouraging sales to February the Company has upgraded its full year earnings forecast from an initial range of \$14.8m to \$15.0m to a range of between \$16.3m to \$16.5m, a 35% increase on FY2007.

On the strength of the result, Mr. Beattie was pleased to announce a fully franked interim dividend of 29 cents per share, up 71% on the prior year. The increase reflects the upgraded profit outlook and the increased dividend payout ratio from 65% to 75% of NPAT announced at the company's last Annual General Meeting.

The Reject Shop Managing Director, Mr Gerry Masters said, “The first half result was pleasing with consistently strong sales throughout the half. The performance of our new stores was especially encouraging with most stores opening in advance of the peak seasonal period and trading ahead of expectations.”

“I am enthusiastic about the momentum that has been created in the first half and the business is well positioned for continued strong growth in the second half. Sales continue to be strong and while share market volatility, interest rate rises and petrol prices may impact on the broader economy, we believe our offering resonates well with value conscious consumers wanting or needing to save money.”

“We plan to add 8 further stores during the second half bringing the total new stores to 22 for the year, with store opportunities in Tasmania progressing well. By the end of the year we will reach the significant milestone of 150 stores nationwide, which we believe represents less than half the long term potential store portfolio.”

“With our robust growth plans we have and will continue to invest in key areas. While improvement opportunities exist in all facets of our business our major focus over the next few years is on Logistics and Information Technology. In both these areas we see long term strategic benefits, but each will require significant capital and operational investment over the next few years.”

“In logistics we have evaluated our long term needs and are currently reviewing site availability in Queensland, with an additional facility planned to be operational in FY2011. In the meantime, significant effort is being devoted to shorter term opportunities which are logical steps towards where we want to be in the long term.”

“In Information Technology we have identified the appropriate Enterprise Resource Planning solution for our business and are planning to commence the implementation in mid 2008. The first phase of the new operating environment is expected to be operational in March 2009,” he said.

My thanks go to our team of people across all sectors of the business who worked hard on improving the value offer and the in store shopping experience for the customer.

The dividend will be paid on 18 April 2008 with the record date 4 April 2008.

Further information can be obtained from the Company’s website at www.rejectshop.com.au.

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