

EVERYONE'S A WINNER AT

THE REJECT SHOP

ASX/Media Release

THE REJECT SHOP LIMITED
HALF YEAR RESULTS (FY2009)
(ASX: TRS)

18 February 2009

Half year profit up 10.1% (20% on a comparable basis)
Full Year Forecast - on track

Result Highlights:

- Sales \$221.6 million, up 16.6%
- Comparable store sales growth of 5.9% (26 wk comparative)
- NPAT of \$15.6 million up 10.1% (20% on a 26 week comparative basis)
- 15 new stores opened in the period
- Full year forecast guidance unchanged at \$18.6-\$18.8 million
- Interim dividend of 32 cents per share

Summary:

	HY2009 \$ Million (26 weeks)	HY2008 \$ Million (27 weeks)
Sales	221.6	190.1
EBITDA	26.6	24.1
EBIT	23.1	20.9
NPAT	15.6	14.1

The Chairman of The Reject Shop Limited, Mr Brian Beattie, today announced a 10.1% increase in first half net profit after tax (NPAT) to \$15.6 million, based on sales of \$221.6 million, up 16.6% on last year.

Given the company's strong financial position, the Board has declared a fully franked interim dividend of 32 cents per share reflecting the full year guidance, and consistent with the prior years interim dividend payout ratio. The dividend will be paid on 17 April 2009 with the record date of 1 April 2009.

The half year ended 28 December 2008, incorporated 26 weeks of trading compared to 27 weeks for the previous corresponding period, impacting the comparability between the periods of sales and NPAT. Excluding the additional week of trading in the prior year, the sales increase for the half was approximately 20.4% and the NPAT increase of approximately 20% (calculated by reducing NPAT of prior year by the estimated gross profit derived from the additional weeks sales less variable costs).

The Reject Shop Managing Director, Mr Gerry Masters said: "The first half result was particularly pleasing given the backdrop of economic turmoil and uncertainty impacting the sector as a whole. The strong result reflects our focus on staying close to the customer and being responsive to changes in customer trends. During the half we saw a noticeable shift to more basic day-to-day items such as food and cleaning goods which continue to generate strong sales momentum despite having lower margin characteristics.

“Sales growth was driven by 15 new store openings and comparable stores growth of 5.9% which was pleasing given the challenging trading conditions and a significant downturn in consumer confidence.

“The 15 new stores opened during the period outperformed our expectations. Particularly pleasing was the acceptance by customers of our first store in Tasmania which has continued to trade strongly since opening.

“While the significant decline in the Australian dollar negatively impacted gross margins during the period we were able to absorb the impact through stronger than anticipated sales and good cost control. We anticipate the need to pass some of these additional costs on through price increases in the second half, while recognising the need to carefully balance our product offering to ensure we continue to provide great value for money for our customers.

“Looking forward, we expect the overall market to continue to experience challenging trading conditions during the second half. Whilst we expect gross margins to moderate during this time we believe a combination of continued sales momentum balanced with tight cost control will deliver a result in line with our expectations. Sales during January have been encouraging, and consistent with delivering on our earnings guidance.

“While the focus on our day-to-day operations remains paramount, a number of strategic initiatives were advanced during the period. Our first merchandise orders sent via overseas consolidation centres were placed during the period. This is a significant step toward improving the quantification and timing of stock purchasing, as well as a core need to service our new Queensland Distribution Centre scheduled to open in July 2010,” he said.

The company’s new SAP system is approaching the ‘go-live’ stage with testing almost complete and the planning for the change well advanced. The scheduled implementation date is the end of April 2009.

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

The Reject Shop Limited

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