

EVERYONE'S A WINNER AT

THE REJECT SHOP

**ASX/Media Release
(ASX:TRS)**

The Reject Shop Announces a Downgrade to Profit Guidance as a result of Disappointing Seasonal Sales

The Reject Shop today announced a revision to its full year guidance following disappointing retail conditions since the November 2 interest rate rise announced by the Reserve Bank of Australia.

Although the first half trading period has not yet ended, the Company expects first half profit will be significantly down on the corresponding half last year. As a result, the Company has revised down its full year NPAT expectations for FY2011 from the earlier \$26 million to \$26.5 million; to between \$21 million and \$22 million.

Commenting on the impact, Managing Director Chris Bryce said, "As we noted at our Annual General Meeting in October we had been achieving our sales targets (with year to date comparable stores growth at 4.2%, above our targeted 3-4%). This was despite a strong element of price deflation over the past 12-18 months which has meant we have been selling more units to achieve the same retail dollars.

However, since the last interest rate rise comparable store sales for November, and December to date, has been negative, resulting in overall sales being significantly below expectations.

The drop in customer traffic and general customer spending since the interest rate rise was completely unexpected, however it is our understanding that overall customer traffic and spending is down across the retail sector.

Sales in our seasonal ranges such as Christmas, seasonal food and gifts have been the most impacted, which have been traditionally strong categories for us at this time of year. The unseasonably cool weather has also hampered sales in summer related merchandise.

Notwithstanding the slow sales in seasonal ranges, our non seasonal offer remains solid with pleasing growth coming across many of our base categories. The success of our new store openings this half also provides confidence there is continued demand for our offer. We are therefore continuing to seek new sites in accordance with our planned strategy.

A teleconference has been arranged for 12pm today, 9 December 2010 to provide the opportunity to clarify any matters raised in this announcement. The details for the teleconference will be posted in a separate announcement".

The Reject Shop Limited

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