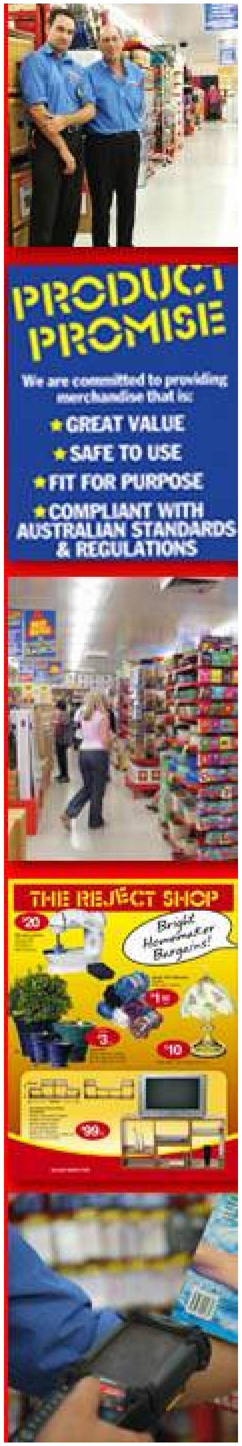
EVERYONE'S A WINNER AT
THE REJECT SHOP

The Reject Shop

Half Year Results Presentation

16 February 2011



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HY2011 Financial Overview
Trading Result – Changes to Key Metrics

$'m	HY2011	HY2010	% Inc/(Dec) Prior Year
Total Sales	**275.9**	**250.5**	**10.2%**
Gross Profit	120.2	113.1	6.3%
Total Operating Expenses	90.5	82.2	10.1%
EBITDA	**29.7**	**30.9**	**(4.0%)**
Depreciation/Amortisation	5.7	4.2	34.2%
EBIT	**24.0**	**26.7**	**(10.0%)**
Net Interest	1.6	0.7	139.9%
Tax	6.5	7.1	8.2%
Profit after Tax	**15.9**	**18.9**	**(16.0%)**
Sales Growth	10.2%	13.0%	
Gross Margin	43.6%	45.2%	
CODB	32.8%	32.8%	
EBITDA Margin	10.8%	12.4%	
D & A	2.1%	1.7%	
EBIT Margin	8.7%	10.7%	
EPS Basic (cents)	61.1	73.1	
Dividend (cps)	23.0	39.0	
Stores at half year end	211	192	

Sales up 10.2%

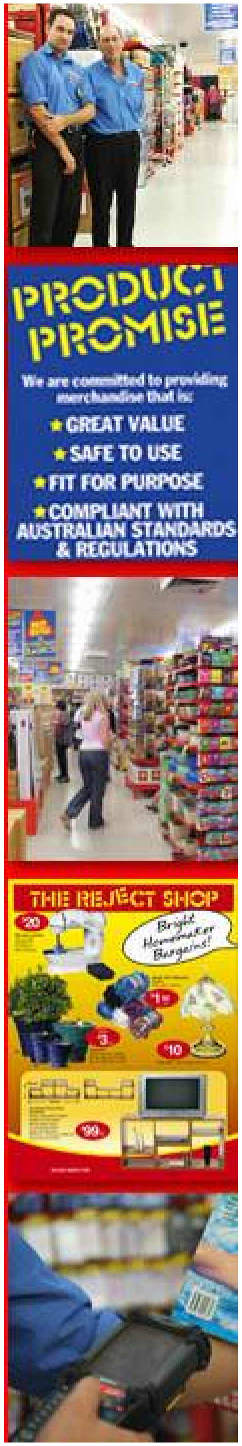
- 17 New Stores
- Comparable store's growth 1.1%
  - First Quarter - up 4.3%
  - Second Quarter - down 1.2%

EBITDA down 4.0%

- Reduced gross margin
- Increased Logistics costs

NPAT down 16.0%

- Increased Depreciation
- Higher Interest Expense
- More normalised tax expense ratio



HY2011 Financial Overview

Cash Flows & Balance Sheet

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($'m)	HY2011	HY2010
Gross cash flow†	**23.3**	**25.6**
Changes in working capital & other	(4.6)	12.9
Operating cash flows	**18.7**	**38.5**
New store openings	(5.4)	(8.1)
Existing stores maintenance	(1.5)	(1.5)
DC development	(0.6)	(9.1)
IT development	(0.8)	(0.6)
General capital maintenance	(0.6)	(0.6)
Net capital expenditure	**(8.9)**	**(19.9)**
Free cash flows	**9.8**	**18.6**
Key Statistics	**HY2011**	**HY2010**
Stock Turns (times)	4.9x	5.8x
Interest Cover (times)	15.0x	40.1x
Fixed Charges Cover (times)	1.6x	1.7x
Net Debt	$24.4m	$0.8m

† Gross cash flow equals earnings before depreciation and amortisation and after interest and tax

Operating Cash Flows

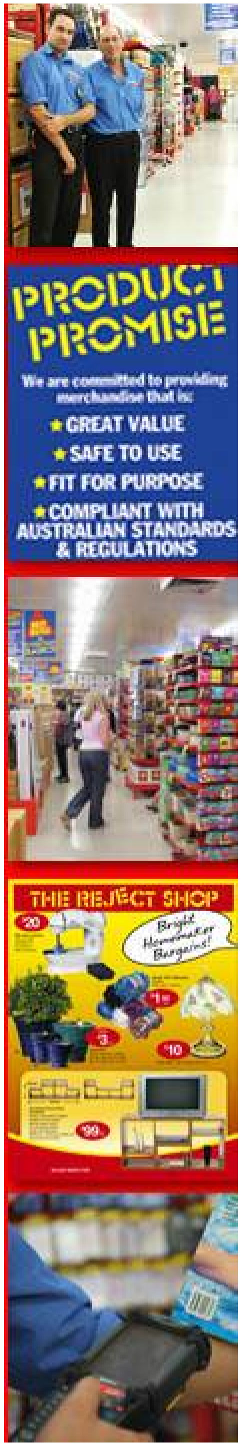
- HY 2010 – Inflated by:
  - Lower stock levels than required at December 2009
  - Higher local purchasing in December 2009
- HY 2011 – Reduced by:
  - Higher stock levels – slow seasonal sales
  - More traditional purchase mix

Capital Expenditure Reduced

- New Store Program continuing
- QLD DC expenditure reduced

Balance Sheet

- Planned Higher Debt Levels
  - New store growth
  - Investment in QLD DC



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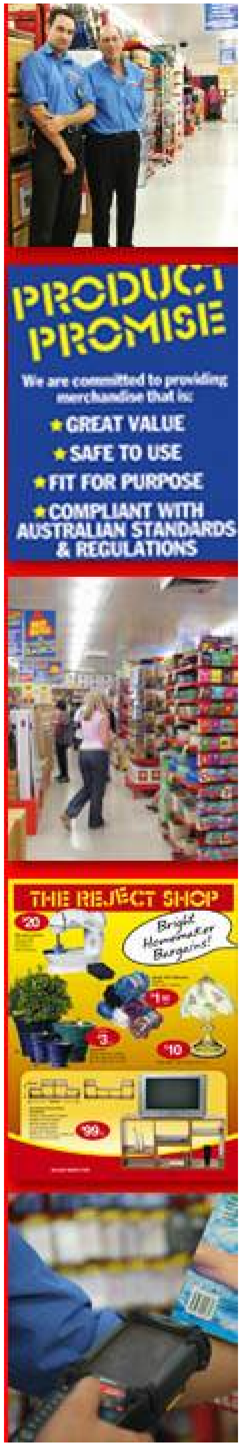
HY2011 Financial Overview
- Sales Momentum Lost from November

- Sales reflected two distinct trading periods
  - → To End of October – Consistent comparable sales growth
    - Store service maintained from two DC's
    - Most departments trading at or above budgeted sales
  - → From November – Sales Momentum Lost
    - Christmas sales disappointing
      - Some initial delays
      - Sell through below expectation (Units up)
      - High markdowns/carryover
    - Summer offer impacted by weather
    - Stockflow congestion in November/December impacted sales and costs



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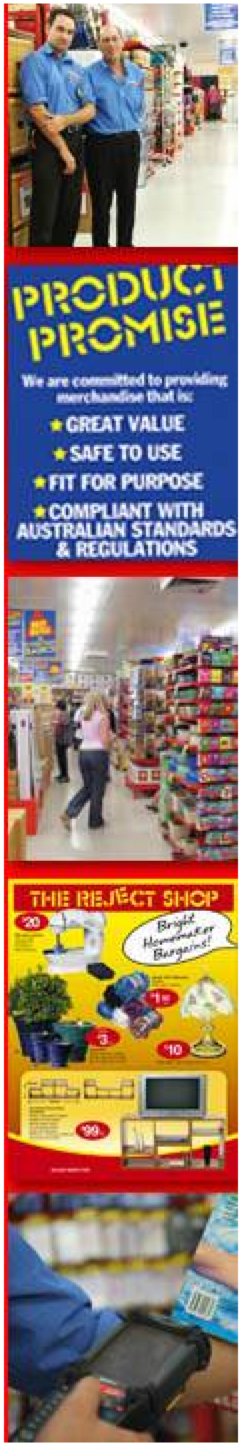
HY2011 Financial Overview
- Impact of Supply Chain Changes

- Key Financial Metrics Have Changed
  - → Gross Margin
    - Overseas consolidation costs – reduced margin
    - Internal freight to stores – improved margin
    - Increased costs of Ipswich DC – (rent, depreciation and management)
    - Some improved efficiency in Ipswich DC

- Supply Chain is More Complex
  - → Purchase Order Management
    - Increased Administrative Effort
      - Increased number of Purchase Orders
      - Increased documentation
    - Accurate Quantification to two ports
  - → Stockflow Management
    - Monitoring different timings to DC's
    - Monitoring different flows from DC to Stores



HY2011 Financial Overview
- Gross Margin/CODB Performance

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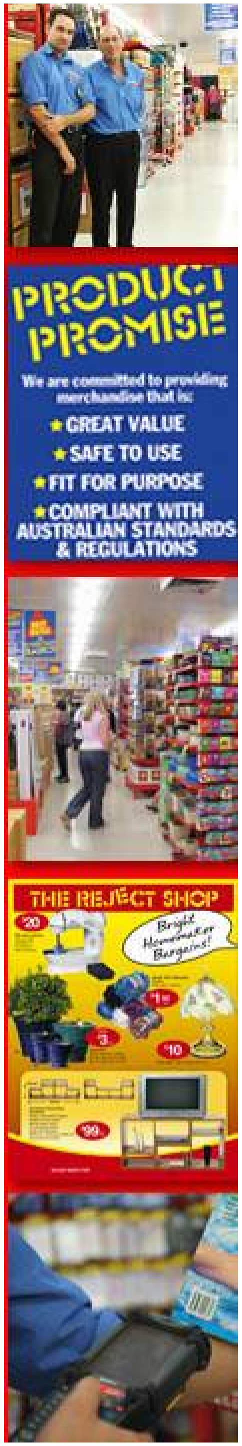
- Underlying Gross Margin below expectations, net of:
  - → Benefits from increase in $AUD; offset by price deflation
  - → Indirect consolidation costs higher than anticipated
  - → Seasonal sales below expectations
    - Less GP$ in Nov/Dec
    - Higher markdowns/carryover

- Underlying Logistics costs increased, net of:
  - → Ipswich Distribution Centre (as anticipated)
  - → Noticeable efficiency gains at Ipswich DC (outstripped Victorian DC's)
  - → Increased volumes via price deflation
  - → Congested pipeline late in the half.

- Other costs were well controlled, despite
  - → Increased store base
  - → Increased volumes via price deflation
  - → Investment in people



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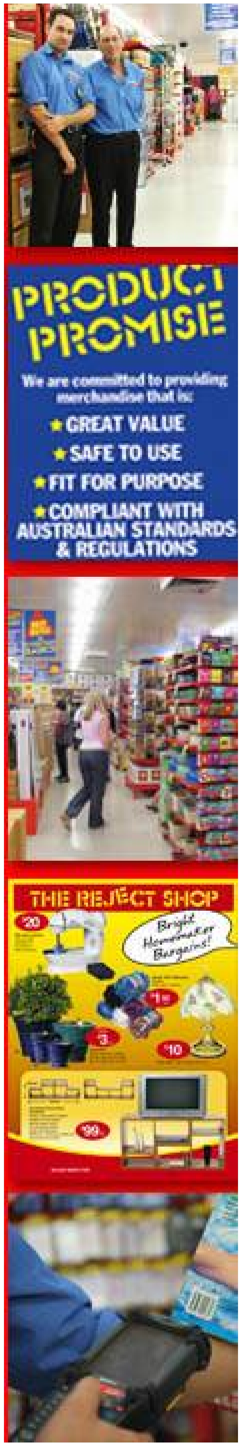
Second Half FY2011
– Impact of Queensland Floods

- **Initial Impact – Stores**
  - ➢ Limited physical damage to individual stores
  - ➢ Numerous store closures
  - ➢ Significant impact on store service and sales

- **Initial Impact – Ipswich DC Closure**
  - ➢ Ipswich DC Services
    - ➢ 90 Stores
    - ➢ Approximately 50% of Sales
  - ➢ Significant lost inventory
    - ➢ 80% of Ipswich DC stock lost
    - ➢ Sales impacted immediately
  - ➢ Significant equipment damage
    - ➢ All equipment on ground floor to be replaced
    - ➢ Base services unavailable (e.g. electricity)
    - ➢ Six month lead time on specialist equipment
  - ➢ Cleanup process extensive
    - ➢ Removal of Debris
    - ➢ Stocktake pending



Second Half FY2011
– Impact of Queensland Floods

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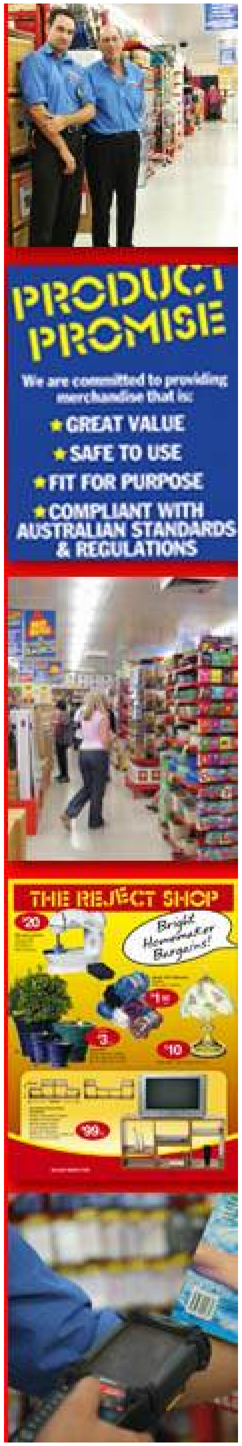
Continuing Impacts – Ipswich DC Closure

- Stockflow restricted
  - ➢ Victorian DC's capacity limited
  - ➢ Catalogue disruptions
  - ➢ Stores starved of "needed" stock
- Costs Increases
  - ➢ Freight
  - ➢ DC wages (including third party providers)
  - ➢ Recovery costs
- DCIP Re-Commissioning
  - ➢ Optimal operating capacity early FY2012
  - ➢ Limited processing from mid-March 2011
  - ➢ Planning underway for re-opening
    - ➢ Balance stockflow
    - ➢ Test equipment



Second Half FY2011
- Impact of Queensland Floods

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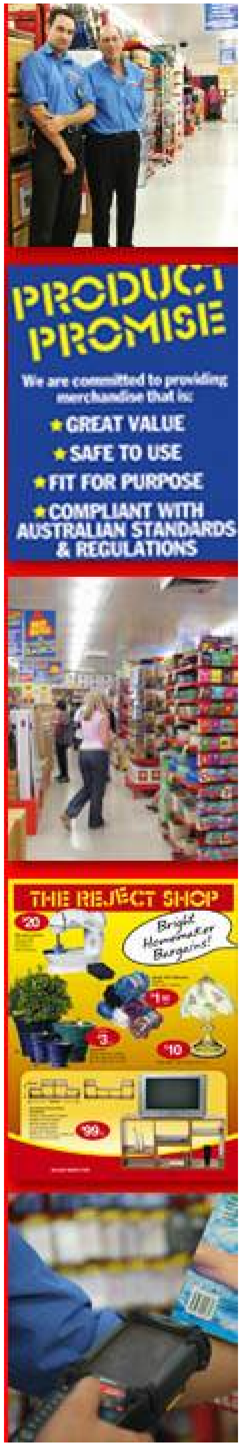
Insurance

- → Assets (Inventory/Equipment)
  - → Fully recoverable
  - → Time to assess and agree stock

- → Increased Cost of Working
  - → Justify reason for increased costs
  - → Monitor and capture expenditure carefully

- → Loss of Gross profits
  - → Prove Loss of Sales (all Stores)
    - → Lost stock – never sold
    - → Spread available stock across all stores (sub-optimal)
  - → Capacity constraints impacts timing and overall offer
    - → Lack of consistent service
    - → Third party distributions sub-optimal
    - → Catalogue distribution in Jan/Feb compromised



Second Half FY2011
Impact of Queensland Floods

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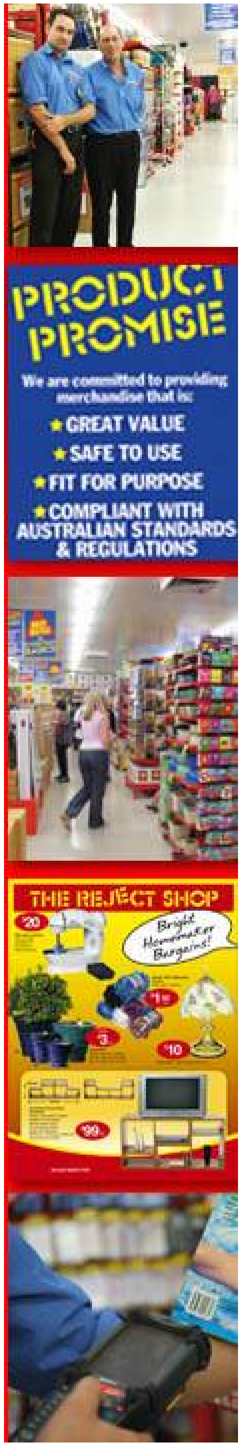
Working Capital Impacts

- → Impact on Trading Results
  - → Lost Sales / Gross Margin
  - → Increased Costs of Working
    - → Increased Freight
    - → Increased DC Wages
- → Inventory Replacement
  - → Local Purchases made
  - → Overseas purchases ordered/paid for
  - → Some Insurance payment received
- → Asset Replacement
  - → Deposits made on Specialist Equipment
  - → No recoveries received to date
- → Prudent Capital Management Required
  - → Increased Borrowings Sought and Approved
  - → Dividend Payment Moderated
    - → 23 cents per share
    - → Reflects appropriate distribution given above factors



The Long Term Plans
- Remain Unchanged

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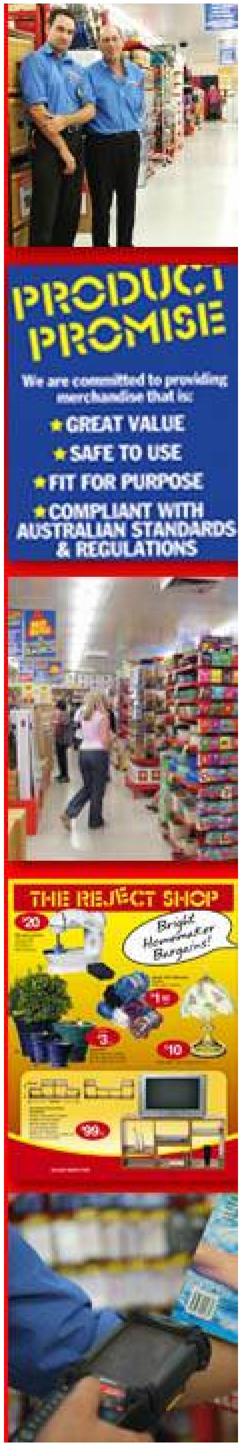
- Continued Store Expansion
  - → Far North Queensland now a strong growth corridor
  - → Site Availability remains the Key
- Supply Chain Improvements
  - → Servicing Two Ports
  - → DC to Store Service
    - Replenishment
    - Category/Item Management
- Improved Merchandise Planning and Forecasting
  - → People Investment Made
  - → System Development
- Enhanced DC Capability in Melbourne



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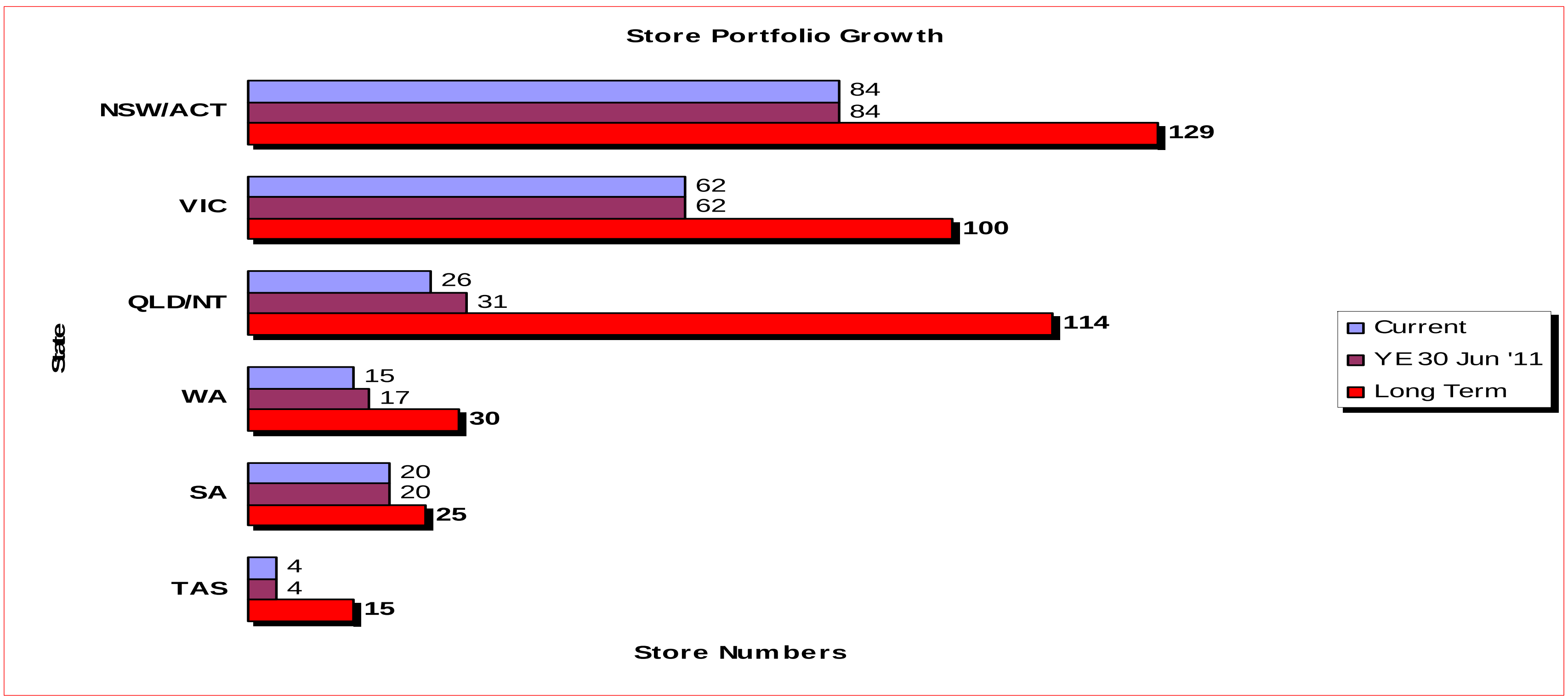
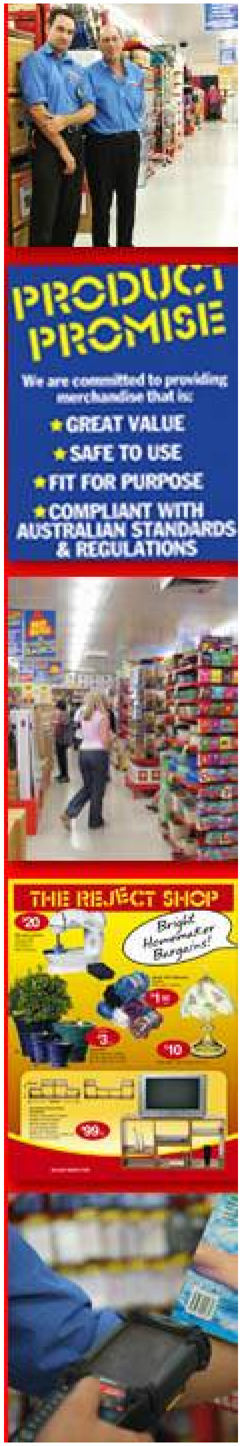
Long Term Plans Remain
- Store Expansion Ongoing

- First Half 17 new stores - Total Stores 211 (current)
  - → Expansion in all areas
  - → Far North Queensland expansion commenced (Townsville)
  - → New stores performing well

- Second Half and beyond
  - → 7 new stores
  - → 2 relocations
  - → Actively seeking new sites - 15 new stores secured for FY2012





Long Term Plans Remain
Supply Chain Opportunities

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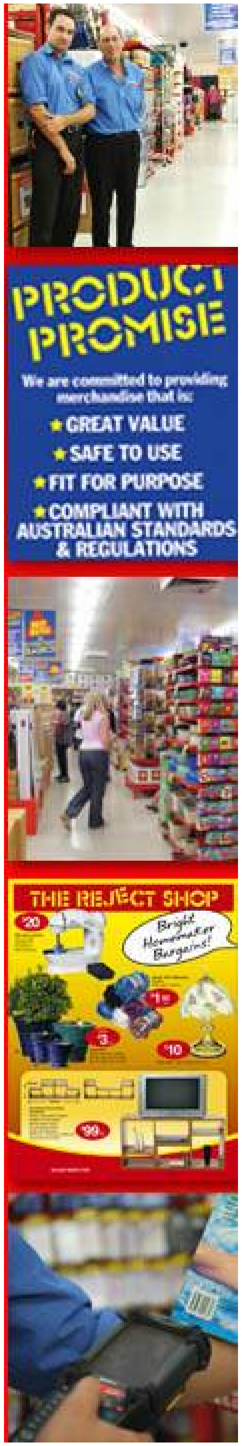
- Complexity Highlighted Improvements Required:
  - → Increase Purchase Order Management
  - → Analyse Sales Performance by Regions
- Improved Service to Stores Still a Priority
  - → Refine use of Replenishment
  - → Improve Category flow to stores
- Ipswich DC (post re-commissioning):
  - → Further efficiency gains
  - → Service by stock type requires refinement
- Melbourne Airport DC upgrade has been deferred
  - → Focus on Ipswich DC in short term (Additional Capacity in Melbourne Short Term)
  - → Upgrade to Ipswich Capabilities



FY2011 – Guidance
Unable to Update

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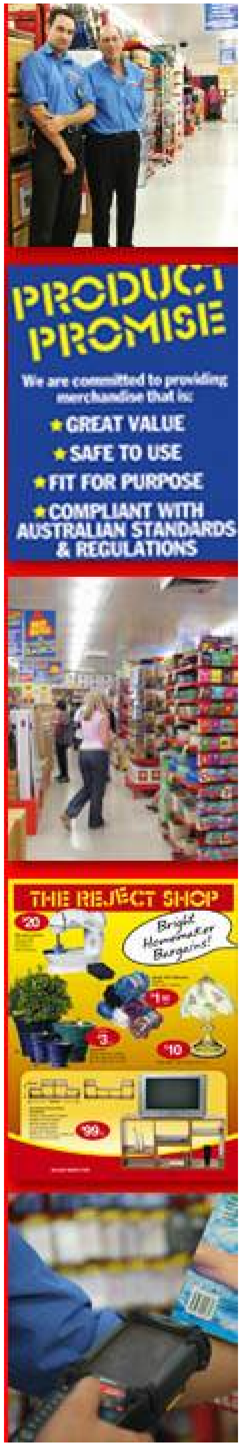
- NPAT guidance of **$21.0m - $22.0m** (in December) based on:
  - → Anticipated first half result, and
  - → Second Half plan
  - → December Trading post Guidance Update
    - In line with forecast
    - High markdowns in December and January
  - → January and February Sales Below Expectations
    - Store closures significantly impacted first few weeks
    - Catalogue distribution impacted in both January and February
    - DC closure has impacted stockflow
      - Post Flood stockflow has been disjointed
      - Capacity increasing although February remains problematic
      - Capacity aimed to be “normalised” by March



Contact Details

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Or visit our Website **www.rejectshop.com.au**