RR Australia Limited

ACN 072 507 147

ASX RELEASE

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Sydney Australia

RR Australia – 67% increase in Profit after Tax and positioned for growth.

- Revenue up 16%
- 4% customer growth – 21% in 'new' customers
- Arrears 15% below prior year
- EBIT lift of 32%
- EPS[1] of 8.52 cents – 66% increase
- Zero net debt

RR Australia, which trades as Radio Rentals in all states and territories except South Australia, where it trades as Rentlo, today announced a full year Profit after Tax of $10.9m, which was a 67% increase on the prior year result of $6.5m.

This result exceeded market expectations and reinforces the Company's strong position. Most importantly the performance lift was generated purely from organic growth.

Total revenues for the period grew from $101.0m to $116.7m, a 16% improvement on the previous corresponding period and largely resulted from a continued high level of demand for flat panel TVs and PCs. This increase was mirrored in the growth of 36 month Rent Try Buy® contracts, which accounted for 34% of total installation rental income, up from 20% in the previous year.

Consequently there was a continued strengthening of finance lease revenues, which rose by 76.8%. Operating lease revenue was slightly down by 1.3% at $78.2m compared to $79.2m in the previous year. Within the operating lease segment whitegoods remained fairly flat, whilst furniture increased by about 64% and fitness product revenues grew eight fold.

The enhanced revenues generated a gross profit of $71.5m, which was 11% above the prior year, resulting in a 32% increase in earnings before interest and tax at $16.2m.

Net cash from operating activities increased 14%, despite a 23% increase in rental asset expenditure and payment of $3m in tax relating to the 06/07 year. In addition financing costs reduced from $2.4m to $0.2m.

Consequently the Company ended the year with a gearing of just 8%, zero net debt and some $15m in available funding. It is anticipated that these funds will be used to support the strategic initiatives currently in progress.

Also of significance was a 4% increase in customers, versus a 3.7% decline in the prior year. The capital city markets of Sydney, Melbourne and Brisbane were major growth areas and this was primarily driven by a significant increase in TV advertising.

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[1] Based on the total number of shares on issue at the balance date.

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Managing Director, John Hughes stated that “he was pleased to report such a positive result, particularly in a difficult trading environment and believes that RR Australia is in a very strong position to benefit from any further consumer downturn, given our rental offering. Growth in new business is encouraging and we will continue to pursue a strong marketing approach that has proven to be extremely effective.”

Mr Hughes added that “interest rate rises have had virtually no effect on the level of new business and is relative to a low proportion of our customers having mortgages”

This is reinforced by customer arrears continuing to track at some 15% below the prior year and a decrease in the percentage of bad debts. Mr. Hughes emphasised the point that “our focus on matching customer risk to product value, ensuring customer affordability, making automated payments mandatory and introducing a number of new account collection processes, has certainly stood us in good stead. Automated account payments are now approaching 65% of receipts and this will continue to increase although not dramatically due to the size of our base.”

During the latter part of the year the Company launched three new strategic initiatives: a trial of cash loans in Tasmania, the opening of two new stores under the Rentlo brand in South Australia and the development of a retail internet business.

Mr Hughes commented that “the trial of cash loans in Tasmania has now been extended to Victoria where we will continue to monitor progress before deciding to launch nationally and the South Australian stores, which opened in April, met with an incredible level of demand that is outstripping resources. In regard to the internet retail offering, feedback from suppliers and consumer research is even more positive than anticipated.”

Mr Hughes added, “As we move forward into the 08/09 period we will continue our emphasis on driving the core rental business whilst also striving diligently to execute the delivery of our new initiatives to the highest possible standard. Overall we anticipate that solid increases in our core rental business combined with positive outcomes from our strategic growth platforms will provide a very strong positioning, not only for the forthcoming period, but for many years ahead”.

The Company has declared a fully franked final dividend of 2.48 cents per share to be paid on 25th July 2008. The record date for determining the entitlement is 27th June 2008.

For further information please contact:

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