



# Q4 2008 Financial and Year End Highlights Chairman's Remarks and Strategic Outlook

Highlights of Q4 2008 and Year End  
Commentary by Gordon J. Reykdal (Chairman and CEO) - August 28th, 2008

## Introduction

Cash Store Financial is Canada's leading provider of alternative financial products and services.

The Company is driven by a dynamic workforce, a performance-based culture, and a commitment to strong business fundamentals.

Cash Store Financial currently maintains a rapidly growing network of more than 387 branches in over 160 communities nationwide.

The Company operates two of the strongest branded chains in the alternative financial services market.

**The Cash Store** and **Instaloans** each hold dominant positions in key markets.

By branch count, Cash Store Financial holds 25 percent of Canada's alternative financial services market and is the leading provider in Alberta, Saskatchewan, Manitoba, Atlantic and rural Canada.

Cash Store Financial is the only payday advance broker in Canada publicly traded on the Toronto Stock Exchange.

The Company currently employs over 1,500 associates in nine provinces and two territories.

Fiscal 2008 was a strong year for Cash Store Financial, marked by a 44% increase in earnings from continuing operations relative to the previous year.

This performance reflects a return to revenue levels exceeding those experienced prior to the voluntary elimination of roll-overs in the third quarter of fiscal 2005.

This was a necessary decision with long-term positive impacts that caused several consecutive quarters of revenue decline.

We have since experienced five quarters of year over year growth in revenue and earnings growth.

Record revenue of \$34.5 million in the fourth quarter for continuing operations represents a 10% increase relative to the same period in fiscal 2007.

This continued positive trending shows clearly that the business is well positioned for solid financial performance in future periods.

## Key Highlights

### Fourth Quarter

Income from continuing operations is up 60% to \$3.2 million compared to \$2.0 million in the fourth quarter last year.

EBITA from the quarter is up 72% to \$7.6 million from \$4.4 million in the same quarter last year.

Diluted earnings per share from continuing operations of \$0.16, compared to \$0.09 in the fourth quarter last year.

When the tax rate for the quarter is adjusted to a normalized rate of 33%, EPS would be \$0.20 diluted for the quarter.

Revenue from continuing operations is up 10% to \$34.5 million, compared to \$31.5 million in the fourth quarter last year.

Retention payments are down to \$4.2 million in the fourth quarter compared to \$5.5 million, on much higher loan volume.

## Year End Highlights

Income from continuing operations for fiscal 2008 was up 44% to \$12.5 million, compared to \$8.7 million in the prior year.

EBITA for the year is up 38% to \$26.3 million from \$19.0 million last year.

Diluted earnings per share from continuing operations was \$0.62, compared to \$0.42 in fiscal 2007.

Revenue from continuing operations is up 6% to \$130.8 million, compared to \$123.6 million in the prior year.

Retention payments dropped to \$20.1 million from \$23.4 million from the previous year. Again, this significant decrease occurred in concert with much higher loan volumes.

## Shareholder Returns

During the year the Company repurchased appropriately 1.35 million shares through a normal course issuer bid for an aggregate purchase price of \$6.0 million.

This amounts to 7% of the Company's outstanding shares.

As of June 30, 2008, the Company has returned \$9.5 million in cash to its shareholders through the repurchase of shares and dividend payments.

The Company is continuing this trend with the declaration of two dividends and a continuance of its share repurchase program.

The first dividend is a quarterly cash dividend of \$0.025 per common share.

The second dividend is a special annual cash dividend of \$0.075 per common share.

Both dividends are payable on October 2, 2008 to shareholders of record on September 18, 2008.

The number of common shares authorized to be repurchased during the current normal course issuer bid are 1.2 million shares, or approximately 8.9% of the public float outstanding on June 18, 2008.

## Discontinued Operations

On November 28, 2007, the Company's shareholders approved a plan to spin-off the Company's rental operations.

This spin-off transaction was completed pursuant to a plan of arrangement on March 31, 2008 and accordingly, the Company ceased to consolidate these assets and liabilities of the rental division transferred to Insta-Rent Inc. The results of these operations and its cash flows for the year ended June 30, 2007 and 2008 are represented as discontinued operations.

The successful spin-off of the rental division will enable the senior management team to focus efforts on the Company's core competencies.

## Industry Regulation

Several provinces continue to move ahead with regulation of the payday advance industry including British Columbia, Saskatchewan, Manitoba, Nova Scotia, New Brunswick and Ontario.

In the third quarter, the Company launched a successful bid before the Nova Scotia Utility and Review Board to secure a market-based approach to price caps for short-term consumer loans.

Drawing significantly on a framework proposed by Cash Store Financial, this past July the Nova Scotia Utility and Review Board issued an Order setting a cap of \$31 per hundred dollars lent.

This cap is fully accommodative of the Company's current pricing model. Accordingly, the Company will continue to operate in that province below the regulated cap.

The Board's recommended rate cap is expected to be fully implemented into law by the end of calendar 2008.

Nova Scotia has set an important precedent for other jurisdictions that are considering regulation of the industry.

The Public Utilities Board of Manitoba has set a rate of \$17 per hundred dollars lent, which the board has explicitly stated is intended to drive some operators from the market.

Cash Store Financial holds a dominant market position within the Manitoba market and intends to continue to operate profitably within that jurisdiction.

Notwithstanding, the Company has applied to the Manitoba Court of Appeal for a leave to appeal the board's ruling and this matter is now before the court.

It is not possible at this time to state when the Board's Order will be implemented, or if it will be implemented in its current form.

Cash Store Financial continues to be actively engaged with all provinces on regulatory issues.

This Company has been a long-standing advocate of improved consumer measures for the payday loan industry and we will continue our efforts in this regard.

We believe that regulatory certainty is in the best interests of this Company.

We have built this Company in anticipation of a stable regulatory environment and our forward growth strategy reflects our belief that regulations are coming.

## Class Action Lawsuit

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## Summary

As a young and continually expanding company, there is always room for improvements to our operational systems.

With this in mind, in the third quarter, I along with the Company's President and Chief Operating Officer, travelled from Newfoundland to Vancouver Island to meet with every manager in our national branch network.

We heard directly from those who bring our services to market about what we're doing right and, more importantly, what we can do better.

This process combined with an overall maturing of our workforce has facilitated a significant and ongoing improvement to the number of non-profitable branches as a percentage of the overall branch network.

New branches are accelerated to profitability at a more rapid rate and non-performing branches are converted to profitability within a smaller time frame, or they are closed.

Collection processes have improved, and the average number of new customers per month per branch has also increased.

Expansion of the branch network has been accelerated to a rate of 4-5 per month, with a further acceleration anticipated in the third and fourth quarters.

We are building a strong Company for the long-term and are very focused on continuing to build shareholder value.

## For additional information or if you have any questions, please contact:

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