

COMPANY ANNOUNCEMENT

27 October 2016

Chairman's Address 2016 Annual General Meeting

Good morning ladies and gentlemen. Welcome to the 13th Annual General Meeting of JB Hi-Fi Limited.

The financial year ended 30 June 2016 was another record year for JB HI-FI with sales, profits and dividends all up on the prior year. This result was driven by a combination of sales growth, solid gross margins and our low cost of doing business, underpinned by our continued emphasis on customer service.

JB HI-FI offers one of the largest ranges of home entertainment, consumer electronic and home appliances at discounted prices, positioned to appeal to all customers. We have the ability to bring brands to life and create engagement in categories. We have a culture of embracing change, which is seen as a "natural" part of the business, and are constantly innovating to ensure that we remain current and relevant to our customers.

We have a high level of loyalty and trust from our customers and have been recognised in the top three in the Australian Market Research ("AMR") Corporate Reputation Index over the past five years, and the number one company in 2016.

As previously advised, Gary Levin will be retiring from the Board with effect from the conclusion of today's 2016 Annual General Meeting. Gary has been a director of JB HI-FI since listing in 2003. He was also a director of the unlisted JB HI-FI for the three years prior to that. He has a deep understanding of the company and this has been evident over the past 16 years. On behalf of the Board and shareholders, I would like to thank Gary for his valuable contribution and service to JB HI-FI as an independent non-executive director.

In June 2016, we announced the appointment of Stephen Goddard as non-executive director with effect from 25 August 2016. Stephen has more than 30 years' retail experience having held senior executive positions with some of Australia's best known retailers. These include Finance Director and Operations Director for David Jones, founding Managing Director of Officeworks, and various senior management roles with Myer. Stephen is currently a non-executive director of SurfStitch Group Ltd and will shortly be appointed to the Board of GWA Group Limited. We are delighted to welcome Stephen to the Board, he brings great experience across a range of areas including finance, strategic planning, merchandise, store operations, supply chain and property, and we are very much looking forward to working with him.

JB HI-FI regularly reviews all aspects of its capital structure with a focus on maximising returns to shareholders. Continued solid earnings growth and prudent management of our balance sheet, including relatively low gearing, enables us to consider various capital management initiatives.

In the first half of FY16 we completed an on-market share buy-back of 0.7 million ordinary shares at a cost of \$13.2 million in order to offset the dilutionary impact of shares issued to employees under JB HI-FI's share option plans.

The Board believes that our dividend payout ratio of 65% appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth. The total dividend paid relating to FY16 was 100 cents per share, up 10 cents per share on the prior year.

As a major strategic initiative, we were pleased to announce on 13 September 2016 that JB HI-FI has entered into a binding agreement to acquire The Good Guys for total cash consideration of \$870 million, subject to certain purchase price adjustments at completion. The acquisition has been funded through a 1 for 6.60 fully underwritten, pro-rata, accelerated, renounceable entitlement offer of approximately \$394 million, with the balance funded through a combination of existing debt facilities plus a \$450 million new multi tranche acquisition debt facility. The entitlement offer was completed on 6 October with gross proceeds of \$394 million raised. As a result of the acquisition Richard Murray will take on the role of Group

CEO with overall responsibility for both businesses. Richard will discuss the transaction in more detail in his address later in today's AGM.

An integral part of the Board's ongoing strategy is to encourage innovation and diversification with new products, technology, merchandising formats, advertising and property locations in a controlled and responsible manner. This approach provides opportunities to increase revenue, margin and productivity. Our current strategic priorities include expanding the store network, introducing small appliances to existing JB HI-FI stores, continuing to grow our Online and Solutions businesses and the successful integration of The Good Guys.

As at 30 June 2016, JB HI-FI employed over 7,800 full-time, part time and casual staff across Australia and New Zealand. With up to seven new stores planned for FY17, approximately 210 new positions are expected to be created this financial year. Our motivated, passionate, knowledgeable and highly trained staff members continue to be one of our most important assets. We believe JB HI-FI is an employer of choice, with a busy and enjoyable working environment that helps us to continue to attract and retain high calibre staff.

The Board recognises the importance of governance, environmental and social matters to our shareholders, suppliers and customers and continually reviews and monitors developments in corporate governance which are relevant to JB HI-FI. The Board is committed to ensuring that JB HI-FI's business is conducted ethically and in accordance with high standards of corporate governance.

We are proud of our Helping Hands workplace giving program and the high level of participation amongst the Board, management and staff. Richard will expand on this further in his address.

The Board continues to remain focused on building long term shareholder value. For the record, since JB HI-FI listed in October 2003, the annual compound rate of return was 24.6% to 24 October 2016, compared to 3.9% on the ASX 200 Accumulation Index over the same period. More recently, for shareholders over the past three years to 24 October 2016, the share price is up on an annual compound basis by 12.4% whilst the ASX 200 Accumulation Index is up by 0.2%.

In closing, I would like to take this opportunity to thank my fellow directors, the executive and all the team at JB HI-FI for their unwavering commitment to the ongoing prosperity of your company and its shareholders.

I now invite Richard to address the meeting on the operational results.