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COMPANY ANNOUNCEMENT

15 December 2011

JB Hi-Fi TRADING UPDATE

JB Hi-Fi Limited today announces sales growth for the five months to 30 November 2011 for JB Hi-Fi branded stores in Australia and New Zealand of 7.8% (6.5% including Clive Anthony's branded stores) and comparative store sales for JB Hi-Fi branded stores of -1.8%. (AGM update 12th October 2011 reported total company growth for JB Hi-Fi branded stores of 6.6% and comparative growth of -3.5% for the 1st quarter FY12).

JB Hi-Fi CEO Terry Smart said "Sales in the second quarter have improved but unfortunately not enough to counter the impact of the first quarter decline in sales and margin driven in large measure by a high level of discounting in the market, with some retailers pricing inventory below cost to drive foot traffic and/or clear excess inventory. Throughout this period we have maintained our low price promise to customers and, as a result, our gross margin has been impacted by 27bps for the five months to 30 November 2011 against the prior year".

The TV panel category has also continued to see price deflation per unit running at 20% to 25% on a year on year basis. Growth in the number of panels sold has been positive with volumes up 15% on a comparative store basis. Pleasingly we continue to see market share growth in both dollars and units.

The company continues to see strong growth in Computers, IT and Accessories. Telecommunications while soft in the first quarter is now showing solid growth with the introduction of the iPhone 4S in early October 2011. Music and DVDs are performing in line with expectations and we continue to see market share growth in both categories. Gaming, while down on a comparative basis due to continued declines in Nintendo Wii & DS sales, is seeing good sales growth and market share gains in the PS3 and Xbox gaming platforms.

Online sales have been strong, up 80% on the prior period as we continue to innovate with additional services such as pick up in store, factory scoop and direct imports. With our high number of unique visitors (average of 934,000 per week) we continue to drive both in store and out of store sales.

JB Hi-Fi's digital music streaming service, JB HI-FI NOW, has now been launched with positive reviews as we continue to innovate to capture new markets with evolving technology.

We remain focused on our low cost of doing business while ensuring our longer term sales growth objectives are met by continuing to provide the right balance of customer service levels and labour productivity.

As a result of these factors, we expect EBIT for the Half Year 2012 to be around 5% below our first half last year, subject to the Christmas trading performance being in line with recent months' trends. This EBIT decline will result in earnings per share (EPS) being approximately 1% below last year. The impact on our EPS has been mitigated by our share buyback in May 2011 of 10.8 million shares, representing 9.9% of shares on issue at that time.

We have seen some positive sales trends in October and November. Combined with both the continued growth in the Computer and IT categories and the recently opened stores we hope to continue to build on this momentum into the second half FY12.

Christmas trading has started to build momentum and we are well positioned to take advantage of the busy trading period due to our large assortment of gift giving merchandise.

Our target of 214 JB Hi-Fi branded stores provides the platform for solid growth over the next 4 to 5 years. The new store opening program continues to perform well and we maintain our FY12 target of 16 new JB Hi-Fi stores with 10 stores already opened prior to the important Christmas trading period and we are on track to open the balance of 6 stores in the second half of FY12.



“The market remains challenging but we continue to gain market share, leveraging our highly productive stores and a low cost structure. Our unique brand proposition provides consumers with not only low prices but also an entertaining and engaging shopping experience. Consolidation in the consumer electronics and home entertainment sector is inevitable and is likely to accelerate over the short term with JB Hi-Fi a likely primary beneficiary of this trend. Combined with our new store roll out program, we should continue to enjoy total company sales growth and entrench our position as the leading retailer in this sector” said Terry Smart, CEO JB Hi-Fi.

JB Hi-Fi will release its Half Year Results on 13 February 2012.

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