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COMPANY ANNOUNCEMENT

31st October 2012

Chief Executive Officer's Address 2012 Annual General Meeting

Thank you Greg and good morning ladies and gentlemen.

Firstly I would like to welcome Greg to the role of Chairman and also thank our former Chairman Patrick Elliott for his considerable contribution to the company over the past 12 years.

As Greg has mentioned, the financial year ended 30 June 2012 was one of the most demanding periods for retail. JB Hi-Fi faced challenges on both micro and macro levels, however it was pleasing to have achieved record sales of \$3.1 billion, driven by sales growth for JB Hi-Fi branded stores in Australia and New Zealand. Gross margins did however come under pressure and as a result earnings were affected.

Gross margin was impacted by a combination of the challenging trading environment, more aggressive and sustained levels of discounting in the market and increased shrinkage levels. Store closures by competitors such as WOW Sight & Sound, Dick Smith and Game also impacted margins as they cleared stock at low prices.

The Company grew sales in New Zealand by 17.8% to NZ\$222.2 million. The JB Hi-Fi brand continues to resonate well with consumers with the New Zealand operations in FY12 achieving their first positive EBIT at NZ\$3.6 million. This result was driven by solid market share gains across most categories, improved gross margins and good operating cost leverage.

Our consolidated cost of doing business at 14.9% was a pleasing result in an environment of negative comparable store sales and increasing wage costs in Australia, driven by the combined Fair Work award increases over the past three years of over 10%. In New Zealand, CODB continued to decrease driven by our continued improvement in operating leverage as sales grew.

Inventory management remains a key focus for the Company and we continue to look for opportunities to improve this and drive inventory turnover. We were naturally disappointed by the increase in shrinkage experienced by the company in FY12; however our shrinkage levels remain very low by industry standards running at 0.39% of sales versus an industry average of 1.07%.

During FY12 we opened 15 new JB Hi-Fi stores. Seven of these were in Victoria, four in New South Wales, three in Queensland and one in Western Australia. Three Clive Anthonys stores and one JB Hi-Fi store were closed. At the end of FY12, the Company had 166 JB Hi-Fi branded stores with 153 stores in Australia and 13 in New Zealand. There were 168 stores in total including the Company's two Clive Anthonys stores.

The Company continues to apply stringent store selection criteria with new sites offering JB Hi-Fi a high level of foot traffic and convenient access for customers. The Company's relatively low store numbers, combined with this considered approach to new store locations, means new stores should continue to deliver comfortably in excess of their cost of capital. The Company remains committed to its stated target of 214 JB Hi-Fi branded stores, which should lead to solid growth in the coming years.

By Christmas this year we expect to have opened 11 new JB Hi-Fi stores since 1 July 2012. As part of the Company's proactive management of its store portfolio, three sub-scale JB Hi-Fi stores have been closed over the past few months as these stores came to the end of their leases. We are pleased with the performance of the new stores opened so far this financial year and the Company is on track to open its previously stated guidance of 16 new JB Hi-Fi branded stores during FY13.

The popularity of JB Hi-Fi's websites continues to grow with online sales up 77.3% in FY12. Unique visitors to the websites increased 41.1% over the previous year to an average of 927,000 per week in FY12. While sales directly transacted through the online site are still relatively low at 1.6% of total sales, the site remains an important driver of both in store and online transactions.

JB HI-FI NOW, the Company's digital content delivery platform, continued to grow with the launch of the JB HI-FI NOW mobile apps in the June quarter of FY12. JB Hi-Fi's ongoing evolution of the NOW platform will include expanding into new digital markets.

JB Hi-Fi's Commercial business experienced good growth in FY12, with sales up 31.7% driven by an expanded national footprint and continued market share gains.

We continue to believe the future of retail is an integrated customer offer where our unique and high energy retail format, combined with our innovative online and digital platforms, will ensure JB Hi-Fi's customer proposition is one that our competitors will find difficult to match.

Trading conditions in FY13 have remained challenging, but are in line with our internal expectations, which are based on cycling the timing of prior year product releases and promotions. During the first quarter of FY13, total sales growth for JB Hi-Fi branded stores was 3.8% with comparable store sales negative 2.4%. Gross margin remains in line with the prior comparative period and our costs remain well controlled. While we expect the outlook to remain challenging for retail, we are confident that we can continue to grow our market share as product innovation continues to drive sales.

We have seen the very successful launch of the Apple iPhone 5 and the latest Microsoft operating platform Windows 8. We will also soon see the release of Apple's iPad mini and Nintendo's anticipated Wii U. The Company sees these as important drivers of sales growth as we head into the Christmas period.

The JB Hi-Fi model continues to prove itself at both the top and bottom of the retail cycle. With our low cost of doing business and focus on having the largest range and lowest prices, JB Hi-Fi is very well positioned to take advantage of any rebound in consumer spending.

The cornerstone of your Company's success is its exceptional staff and management who continue to enthusiastically embrace every opportunity that comes their way. I thank them for their contribution during what was a difficult year and together we look forward to a successful year in FY13.