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## COMPANY ANNOUNCEMENT

31<sup>st</sup> October 2012

### Chairman's Address 2012 Annual General Meeting

Good morning ladies and gentlemen,

As I mentioned earlier, this is my first AGM as Chairman of JB Hi-Fi. I took on the role of Chairman on 1 June this year, when Patrick Elliott retired as Chairman. I will make some further comments in regard to Patrick's time as Chairman later in this address.

Turning to our most recent performance, the 2012 financial year was, without doubt, one of the most difficult for retailers in recent years. The Company faced challenges on a variety of fronts including weak consumer sentiment and abnormal levels of price deflation and competitor discounting. These, and other, factors have impacted earnings and we have experienced a disappointing drop in the Company's share price over the year of which your Board and Management are acutely aware.

Notwithstanding the difficult trading conditions, the Company still achieved record sales of \$3.1 billion and recorded a net profit after tax of \$104.6 million. The Company also increased its store network and market share, launched the JB HI-FI NOW digital music streaming service, achieved its first full year profit in New Zealand and has maintained a strong balance sheet, evidenced by our solid financial and operational ratios.

Key to these achievements throughout this challenging period was JB Hi-Fi's commitment to its core philosophy of having the biggest range and the lowest prices, supported by talented and enthusiastic staff. The Company has continued to maintain its high levels of service while ensuring costs are well controlled. JB Hi-Fi's low cost culture has enabled it to maintain the lowest cost of doing business of, not only any major listed Australian retailer, but also the Company's perceived international peers. These factors, along with the ongoing industry consolidation, mean that the Company is well positioned to benefit from any rebound in consumer spending in the future.

Despite the recent share price performance, as at 19 October 2012, shareholders who invested in the IPO in October 2003 have achieved an annual compound rate of return of 21.8% compared to 3.7% on the ASX 200 Accumulation Index over the same period. Of more recent times, over the past five years to 30 June 2012, the share price is down on a compound basis by 4% whilst the company's earnings per share has increased 22% and our dividend has increased commensurately.

Supported by our solid financial position and prudent capital management, the Board has maintained its dividend policy of a 60% payout ratio resulting in a total dividend of 65 cents per share relating to FY12. We believe maintaining a healthy balance sheet allows us to both reward shareholders and pay down debt, whilst ensuring the Company is in a position to take advantage of any future growth opportunities.

We believe JB Hi-Fi's greatest asset and the driver of its leading retail concept has been, and will continue to be, its people. For many years we have seen competitors attempt to replicate the Company's product mix, promotional strategies and visual merchandising standards, however, what is difficult to replicate and is the real point of difference is our people. Our people are highly productive and passionate about both the products and the JB Hi-Fi brand and it is critical to the ongoing success of the business that we continue to attract and retain the highest quality staff at all levels of the Company.

The Company currently employs over 6,500 staff across Australia and New Zealand. With each new store creating approximately 30 new employment opportunities, the 16 new JB Hi-Fi stores your Company expects to open in FY13 will result in around 480 new positions being created.

It has been, and continues to be, the Board's strategy to encourage innovation and diversification across the business in a controlled and responsible manner. We have a proud history of delivering on innovation, from our in store environment and system, to our online, digital and commercial businesses. We will continue to invest in people and technology to remain a leader in our sector.

In May this year and after more than 12 years as a member of the JB Hi-Fi Board, Patrick Elliott retired as both Chairman and as a non-executive director. Mr Elliott oversaw the Company's transition from private to public ownership and has been a strong and positive influence on the growth and performance of the Company. The Board warmly thanks Mr Elliott for his outstanding contribution to the Company over an extended period and wishes him well for the future.

One new executive director was appointed to the Board during FY12. Richard Murray, JB Hi-Fi's Chief Financial Officer, joined the Board in June 2012. Richard will stand for election at today's Annual General Meeting. I will outline the board's thinking in asking Richard to join the Board later in this meeting, under Item 3, Election of Directors.

Launched in 2008, the JB Hi-Fi Workplace Giving program "Helping Hands", has grown each year and now has over 2,000 employees or 32% of all JB Hi-Fi staff making regular weekly contributions. To date the program has raised more than \$3.8 million, including the matching grants made by the Company, for its nine charity partners. Through the program, the Company is able to engage more closely with both its employees and the community.

Following on from the success of the Australian program, we launched "Helping Hands" in New Zealand in May 2012 with five new locally based charity partners. The program has been well received with employee participation already at 18% and growing.

To close, I would like to take this opportunity to thank my fellow Non-Executive Directors, Terry Smart and all the staff of JB Hi-Fi for their unwavering commitment to the ongoing prosperity of your Company.

I will now invite CEO Terry Smart to address the meeting on the operational results.