

COMPANY ANNOUNCEMENT

12th October 2011

**Chairman's Address
2011 Annual General Meeting**

Good morning ladies and gentlemen.

It is difficult to overstate the challenges impacting the global and local economies. Yet in this environment your company has delivered an outstanding result with revenue growth of 8.3%, normalised EBIT growth of 11.9%ⁱ and normalised NPAT growth of 13.3%ⁱ for the year ended 30 June 2011. On a statutory basis, after allowing for the Clive Anthonys restructuring charge, NPAT declined 7.6% for the year ended 30 June 2011. Normalised earnings per share, however, grew 13.6%ⁱ. During the year, 18 new JB Hi-Fi stores were opened and we continued our expansion in the New Zealand market, opening three new JB Hi-Fi stores.

The total dividend relating to FY11 increased by 17% to 77.0 cents per share, up from 66.0 cents per share in FY10. This represented a payout ratio of 60%, in line with the Board's targeted payout ratio. It is the Board's current objective to grow dividends in line with earnings.

Shareholders who invested in the IPO in October 2003 have achieved an annual compound return of 31.7% compared to 2.6% for the ASX 200 Accumulation Index over the same periodⁱⁱ.

During the year the Company successfully completed a \$173.3 million off-market share buy-back which resulted in the purchase of 10.8 million shares, representing 9.9% of shares on issue. In the last 12 months we have returned over \$250 million to our shareholders, through dividends and our off-market share buy-back.

Low operating costs is a cornerstone philosophy for the Company. Low prices drive sales and increase our economies of scale which, in turn, allows the Company to share this increase in value between the customer via lower prices and the shareholder through increasing profit margins and dividends.

Our cost advantage is enhanced by:

- § increasing sales from established stores and the ongoing new store roll out, which improves our economies of scale in buying (product, advertising and services) and support office costs; and
- § an appropriate application of technology and training to improve labour productivity whilst maintaining customer service levels.

The rollout of JB Hi-Fi branded stores has continued across Australia and New Zealand. The Company has a target of 214 JB Hi-Fi branded stores, consisting of 164 Tier 1 large format stores and 50 smaller format Tier 2 stores. The Tier 2 stores are performing well adding further confidence to the scope of our rollout strategy. Building on our current base of 152 JB Hi-Fi stores at the end of FY11, we look forward to many years of growth as we continue our roll out.

Two new Non-Executive Directors were appointed to the Board during FY11. Mr Richard Uechtritz joined the Board in April 2011 and Ms Beth Laughton joined the Board in May 2011. Ms Laughton was also appointed to the Audit and Risk Management Committee in July 2011.

The Board has appointed Mr Uechtritz and Ms Laughton as additional appointees to the Board and therefore both will stand for election at today's Annual General Meeting.

As indicated when Mr Uechtritz's resignation as CEO was announced in February 2010, it was intended that he would rejoin the Board as a Non-Executive Director early in 2011. Mr Uechtritz is highly regarded, has an outstanding record in retail and we are delighted that he has rejoined the company as a Non-Executive.

ⁱ Excludes the Clive Anthonys one-off restructuring charge (\$24.7m post tax) announced in March 2011.

ⁱⁱ As at 30 September 2011.

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Ms Laughton is a Chartered Accountant, with extensive experience across a range of sectors. Her executive career was in corporate finance. In the last 12 years her primary focus has been on IT Services and Software, Outsourcing, Communications and Speciality Retail companies, including online retailing. The Board believes Ms Laughton brings a breadth and depth of skills to JB Hi-Fi in both retail and the broader corporate sector.

As announced previously, Dr Will Fraser has advised the Board of his intention to retire post today's Annual General Meeting. Dr Fraser has made a significant contribution to the Board since he joined at the time of the IPO in 2003 and he has been a strong and consistent contributor throughout his tenure. The Board thanks Dr Fraser for his efforts and wishes him well for the future. His positive influence on the Board process will be a lasting legacy.

At the end of the day, what makes JB Hi-Fi successful is the quality of its people. We largely retail third party products that are available from any number of merchants. We have seen competitors attempt to replicate product mix, promotional strategies and visual merchandising standards. What is difficult to replicate and is the real point of difference is our staff. Our people are passionate about the products and the JB brand and are highly productive. It is critical to the ongoing success of the business that we continue to attract and retain the highest quality staff. The remuneration structure continues to evolve and is a key focus of the Board. The objective is to reward individual and Company performance in a manner that is seen as fair to all stakeholders including employees and shareholders. We believe we have the right balance but will continue to look at market practice as it evolves.

Today we employ over 6,200 staff in Australia and New Zealand. In FY11 we saw a net increase in our total employees of over 600 or 11%. With each new store opening we create approximately 30 new employment opportunities. We would anticipate creating over 480 new employment opportunities in the Company in the 2012 financial year. We continue to attract high calibre, passionate retail professionals to manage our expansion and build on the JB Hi-Fi brand of product, price and service experience.

It remains the Board's strategy to encourage experimentation with new products, technology, merchandising formats, advertising and property locations in a controlled and responsible manner. This experimentation involves opportunities to increase revenue, margin and productivity. Innovation involves being prepared to make mistakes, recognising them early and allocating resources to the most promising initiatives. This willingness to innovate led the company to branch out from destination stores into shopping centres, to expand beyond its heritage in Victoria to become a national operator, to change its product mix to be a market leader in new and emerging technologies and more recently to refine its online capabilities and develop a digital offering. Whilst not every initiative undertaken has achieved the expected results, we have a proud history of delivering on innovation and will continue to invest in people to remain a leader in our sector.

The JB Hi-Fi Workplace Giving program "Helping Hands", launched in 2008, now has more than 1,200 employees or 20% of all JB Hi-Fi staff making regular weekly contributions. We have eight charity partners and to date the program has raised more than \$2 million including the matching grants made by the Company. Through the program, the Company is able to engage more closely with both its employees and the communities it services. Workplace Giving programs have proven to be a very effective way for employers and employees to join together to support the community. JB Hi-Fi works with The Australian Charities Fund (ACF) to develop and maintain the program and in doing so contributes to ACF's vision of seeing significant social impact through employers and community organisations working together. This was recently recognised in the form of the Organisational Engagement Award received by the Company at the inaugural Australian Workplace Giving Awards.

In conclusion let me take the opportunity to thank my fellow Directors, Terry and all the staff of JB Hi-Fi who have delivered another outstanding result for shareholders.

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