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Chairman's Address

2008 Annual General Meeting

I am pleased to report that the year ended 30 June 2008 was another record year for the company with the strong performance of existing stores and the roll out of 20 additional stores. We continued our expansion in the New Zealand market, opening an additional four JB Hi-Fi stores

In 2008 we saw:

- an increase in revenue of 43% to $1.8 billion
- an increase in net profit after tax of 61% to $65.1 million
- an increase in earnings per share of 59% to 61.8 cents

Total dividends relating to the 2008 year increased by 136% to 26.0 cents per share from 11.0 cents per share in the prior year. This represented a payout ratio of 42%, inline with boards targeted payout ratio of 40%.

Shareholders who invested in the IPO in October 2003 have achieved an annual compound return of 44.7% compared to 5.1% for the ASX 200 Accumulation Index over the same period[i].

The company's strategy has been and continues to be very consistent. Every day we look for ways to build upon our competitive advantage of the lowest cost of doing business of any listed retailer. With arguably the lowest cost base in the industry, including non-listed competitors, we are able to deliver a broad range of technology and entertainment products at every day low prices.

For the year ended 30 June 2008 our cost of doing business was 15.3%, a significant improvement from 16.0% the previous year. This was achieved by JB's unique product merchandising, mix and branding that drives very high levels of store productivity.

This cost advantage is continually enhanced by:

- increasing sales from established stores and the new store roll out, which improves our economies of scale in buying (product, advertising and services) and head office costs
- an appropriate application of technology and training to improve labour productivity without impacting customer service levels.

Lower operating costs have enabled the Company to improve profit margins whilst managing in a lower gross margin environment. Lower gross margins continue to result from a shift in product mix to lower margin products as well as strong levels of price competition.

JB remains unique amongst speciality retailers with its combination of hardware and software (music, movies and games). This combination makes it possible for the company to operate in shopping centres while many of our competitors remain in destination stores or bulky goods centres. The mix also provides regular store foot traffic without the need to rely on heavy advertising. The discount positioning has strong credibility with our customers and the look and feel of the stores attracts enthusiastic staff and creates an enjoyable shopping experience.

One of the key planks of our growth strategy has been geographic expansion and we are pleased to see that the JB Hi-Fi brand and offering continues to travel well outside our roots in Melbourne. We have successfully expanded into all Australian states and territories and aim to have seven JB Hi-Fi branded stores in New Zealand by 31 December 2008. We continue to believe that the Australian / New Zealand market can support at least 150 JB Hi-Fi branded stores before creating any material cannibalisation of existing store operations. A number of our new stores are located in major regional areas, which provides significant encouragement for the potential size of the group.

[i] As at 13 October 2008

The technology sector continues to provide above average retail growth rates for our industry segment. Flat panel televisions continue to grow strongly with household penetration rates still around 40% of that for all televisions. Computers and related accessories continue to grow strongly as a segment. Increased functionality with new technology is reducing the replacement cycle for digital video cameras, digital still cameras, navigation and personal audio. The adoption of High Definition DVD is still in its infancy. We continue to experience a convergence of technology; the best current example is the iPhone. We are well positioned across all the major segments; consumer electronics, computers and telecommunications to take advantage of this trend.

The success the Company has had at introducing new technologies to the mass market has made us an increasingly important partner to our product suppliers and allows us to refresh our merchandising mix as some categories begin to decline.

The Clive Anthony's brand continues to expand with 2 new stores opened in the 12 months to 30 June, 2008 and a further 3 stores planned to be opened in the current year. The operations of Clive Anthony's stores are now fully integrated with the JB Hi-Fi stores and are expected to benefit from the company's overall focus on cost and low price delivery. The whitegoods and cooking market although experiencing slower growth than the technology related segments are still large markets and will provide meaningful growth for the company into the medium term.

The company has been able to fund its growth over recent years through the combination of strong levels of cashflow generated from established stores and a prudent level of borrowings. At year end, the company had fixed charges cover of 3.3 times and interest cover of 11.0 times. In determining what is an appropriate and prudent level of debt, management and the board consider both operational and financial leverage. Operational leverage is best described as the fixed operating costs that must be met whether the business trades or not. As in any retail business, the largest of these is rent. For the reasons discussed already, JB Hi-Fi enjoys one of the lowest rental burdens of any retailer at 2% of sales. The fixed charges cover ratio captures the company's ability to meet both its rental burden and its financial burden and at 3.3 times, JB is one of the more conservatively geared listed retailers.

We are today operating in a unique environment and rightly every company in every sector is being scrutinised to discern how each will be affected. It is really in times like this that the strength of the business model and the skill of executive management is tested. So far, our retail proposition has proven to be valued by customers. Low levels of unemployment, falling interest rates and the possible switch from other big ticket purchases may continue to support a reasonable level of consumer spending in our major categories. We expect however that these more challenging times in retail will prove a catalyst for further industry rationalisation, increased market share for the Company and further enhancement of our competitive advantage.

Finally, our ability to operate profitably and to expand as quickly and successfully as we have is a testament to our people and the company's continued ability to attract and retain them. Store staff are typically enthusiasts of the product categories they work in, enjoy the interaction with the customer and understand the opportunities that a fast growing and successful company offers. Our support staff are equally dedicated and responsible for our success to date. Our ability to continue to attract high calibre people and motivate them will be a key determinant of our growth profile. Fortunately, we are well positioned to maintain our growth for many more years. On behalf of the shareholders I would like to congratulate Richard Uechtritz and his team on another record result and to thank them for their tireless application to making your company the most successful it can possibly be.

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