



# **JB HI-FI LIMITED**

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**Annual General Meeting**

**25<sup>th</sup> October 2005**

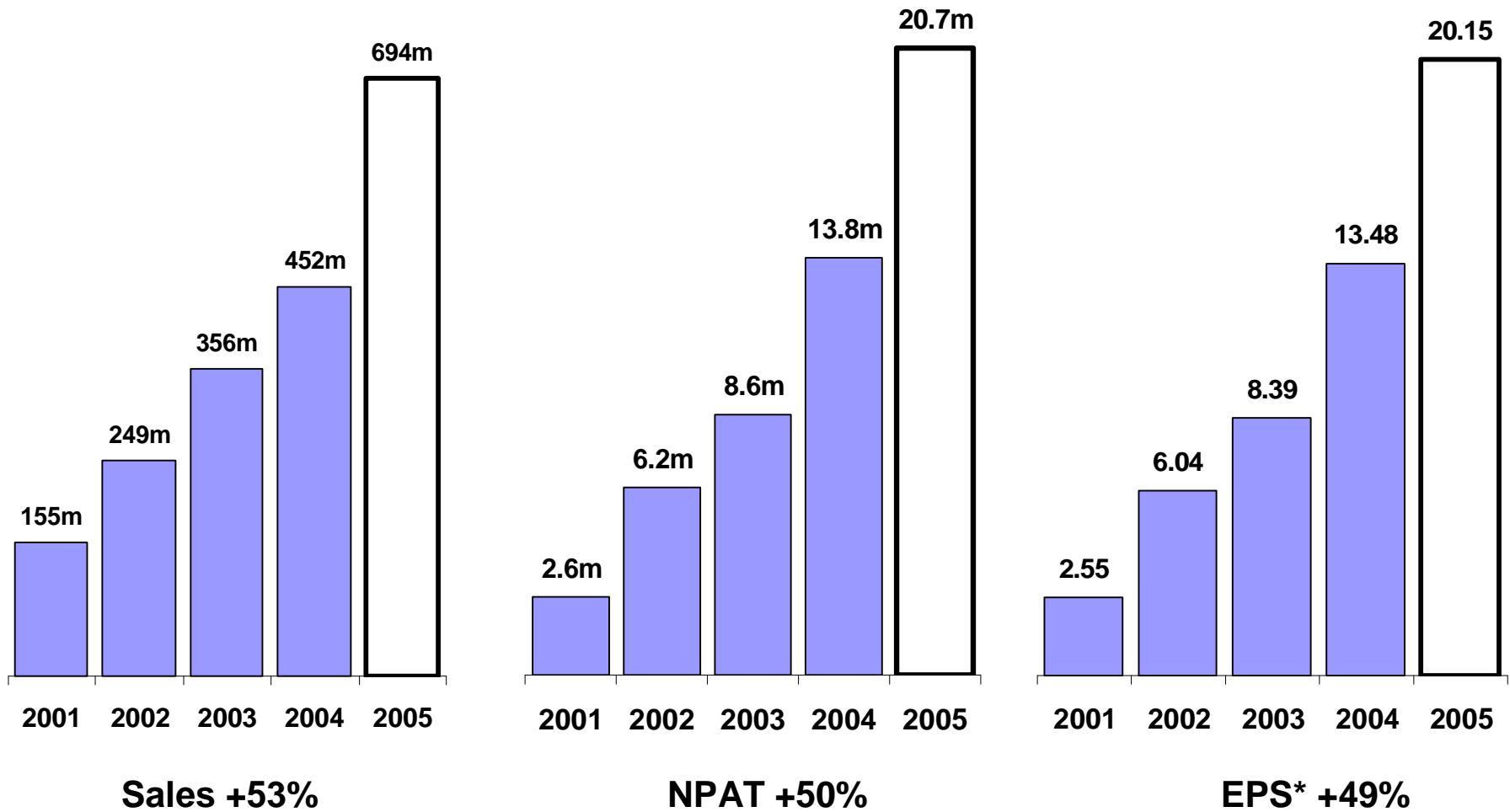
## AGENDA

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- Presentations by Chairman and Chief Executive Officer
- Item 1: Tabling & Consideration of 2005 Financial Reports
- Item 2: Adoption of remuneration report
- Item 3: Re-election of directors
- Item 4: Ratification of grant of options to Executive Directors in 2004
- Item 5: Approval of grant of Options to Executive Directors in 2005
- Other Business

# CHAIRMAN'S ADDRESS

Mr Patrick Elliott



\* Basic EPS: Assumes 102.12m shares FY01 through FY04

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## Strong Shareholder Return

- | Dividends were held constant with the previous year at 7.2 cents per share as operating cash surplus was reinvested in the store opening program.
  
- | Shareholders, who invested in the IPO in October, 2003 would have achieved a return of 33.8% compared to 14.5% for the ASX 200 Accumulation Index over the same period.\*

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## Sustainable Competitive Advantage

The company's strategy:

- | Every day focus on lowest cost of doing business in the industry
- | Enabling JB to deliver a broad range of every day low priced products to our customers.
- | For the year ended 30 June, 2005 our operating costs to sales was 17.0% an improvement from 17.8% the previous year.

This is achieved by JB's unique product ranging, mix and branding that drives very high levels of store productivity and a real focus on cost control.

This cost advantage is reinforced by:

- | increasing store sales and the new store roll out that improves our economies of scale in buying (both product and services)
  - | an appropriate application of technology and training to constrain our growth in costs at a slower rate than revenue.
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## Roll Out Continues

- | Continued expansion in Melbourne.
  - | Successful interstate expansion, including locations outside the major cities drawing from smaller populations
  - | Continued success in a variety of operation formats including shopping centres, home maker or big box centres and stand alone destination stores, again something that is unique amongst retailers.
  - | Flexible format provides JB with the flexibility to secure the best possible locations in each area.
  - | The store opening program in 2005/2006 will give the company critical mass for the first time in the key market of Sydney.
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## Diversified Product Offering

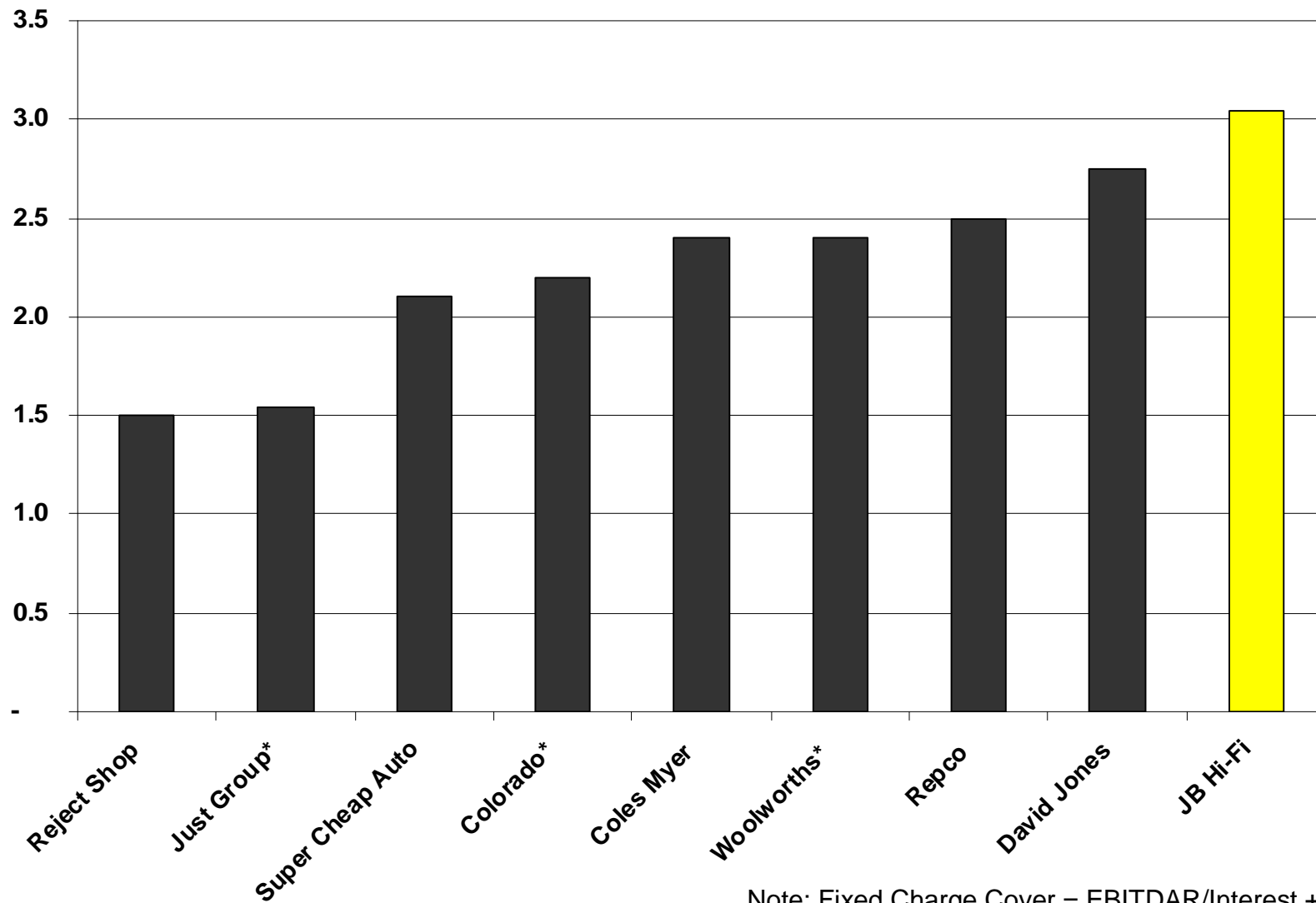
- | A large number of product categories are driven by the adoption and increasing penetration of new technology such as plasma and LCD TVs, MP3 players and DVD recorders.
  
- | The company continues to shift its product mix to be an early leader in new technologies promising high growth and significant volume.
  
- | Categories such as music and movies may be lower growth but provide constant foot traffic through the stores.
  
- | Other categories such as speakers, hi-fi components and car audio still represent a strong and profitable stream of business.

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## Funding of Growth Plans

- | The company has been able to fund its growth over recent years through the combination of strong levels of cash flow generated from established stores and a prudent level of borrowings.
  
- | Fixed charges cover of 3.05 times
  
- | Interest earned multiple of 6.49.
  
- | 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 less than 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 3.05 times, JB is one of the more conservatively geared listed retailers.

## Fixed Charge Cover Comparison - June 2005



Note: Fixed Charge Cover = EBITDAR/Interest + Rent Expense

\* Calculated from Appendix 4E

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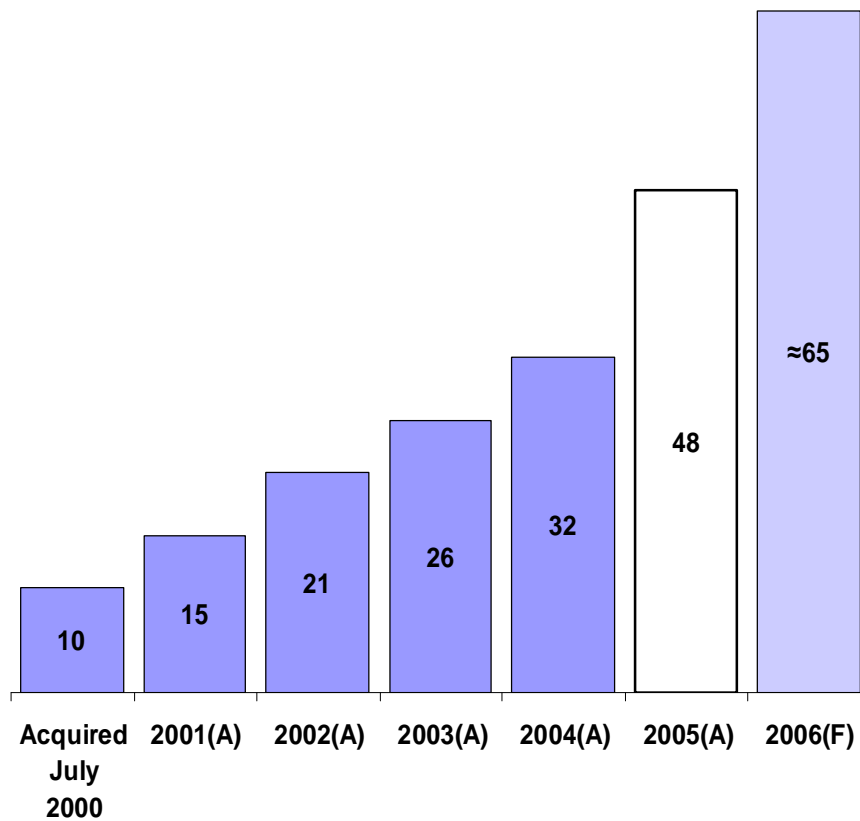
## People & Culture

- | 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.
  
  - | It is our ability to continue to attract high calibre people and motivate them that will be the ultimate constraint on our growth. Fortunately, we are well positioned to maintain our growth for many more years.
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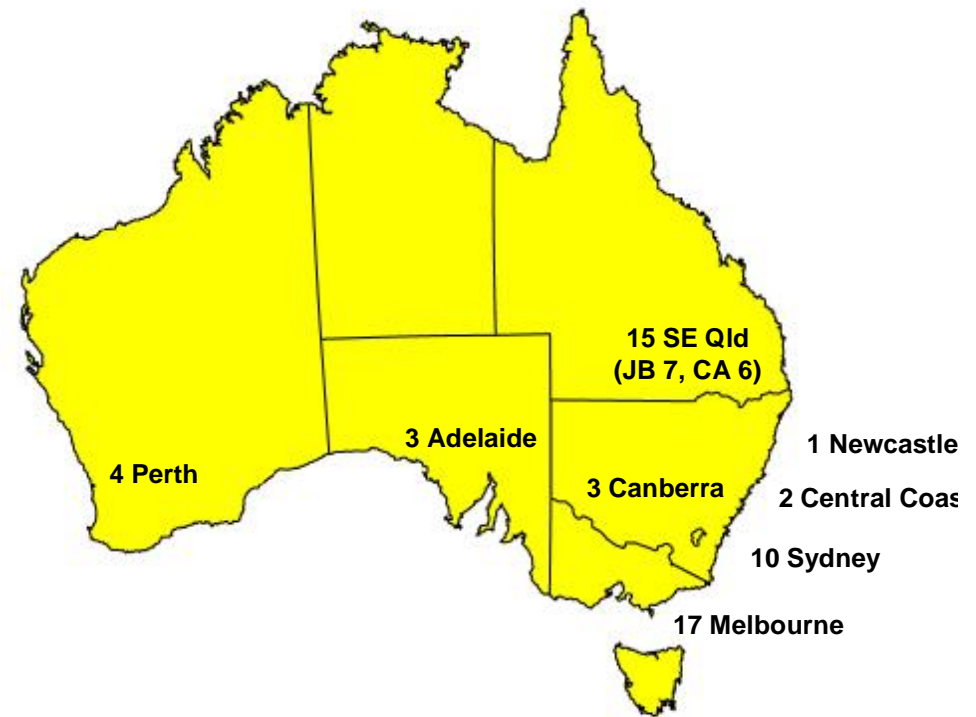
# CHIEF EXECUTIVE OFFICER'S ADDRESS

Mr Richard Uechtritz

## Store Growth



**Total Stores (Oct 05): 55**  
(JB 49, CA 6)



## **ITEM 1**

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### **Tabling & Consideration of 2005 Financial Reports**

To receive and consider the financial report of the Company for the financial year ended 30 June 2005 together with the directors' report and auditors' reports for the financial year ended 30 June 2005.

## **ITEM 2**

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### **Adoption of remuneration report**

To adopt the Remuneration Report for year ending 30 June 2005.

## **ITEM 3**

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### **Re-election of directors**

In accordance with the Company's Constitution:

- (a) Mr Patrick Elliott retires by rotation and offers himself for re-election;
- (b) Mr Will Fraser retires by rotation and offers himself for re-election.

## **ITEM 4**

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### **Ratification of grant of options to Executive Directors in 2004**

- (a) Ratification of grant of Options to an Executive Director – Mr Richard Uechtritz

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That pursuant to ASX Listing Rule 10.11 and for all other purposes, approval be and is hereby given, to the grant of 519,751 Options over Shares in the Company to Mr Richard Uechtritz exercisable at \$2.29 each, expiring on 23 July 2009, on the terms and conditions described in the Explanatory Notes.

- (b) Ratification of grant of Options to an Executive Director – Mr Terry Smart

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That pursuant to ASX Listing Rule 10.11 and for all other purposes, approval be and is hereby given, to the grant of 343,035 Options over Shares in the Company to Mr Terry Smart, exercisable at \$2.29 each, expiring on 23 July 2009, on the terms and conditions described in the Explanatory Notes.

## **ITEM 5**

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### **Approval of grant of Options to Executive Directors in 2005**

- (a) Approval of grant of Options to an Executive Director – Mr Richard Uechtritz

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That pursuant to ASX Listing Rule 10.11 and for all other purposes, approval be and is hereby given, to the grant of 101,568 Options over Shares in the Company to Mr Richard Uechtritz, exercisable at \$3.33 each, expiring on 22 July 2010, on the terms and conditions described in the Explanatory Notes.

- (b) Approval of grant of Options to an Executive Director – Mr Terry Smart

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That pursuant to ASX Listing Rule 10.11 and for all other purposes, approval be and is hereby given, to the grant of 101,568 Options over Shares in the Company to Mr Terry Smart, exercisable at \$3.33 each, expiring on 22 July 2010, on the terms and conditions described in the Explanatory Notes.

## OTHER BUSINESS

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