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MANAGING DIRECTOR'S REPORT
ANNUAL GENERAL MEETING – 26 OCTOBER 2011

Thank you Robert! Good Morning Ladies and Gentlemen.

I am very pleased to be able to report on another very successful year for our Company. Despite the widespread slowing in the growth of retail spending, we have been able to deliver another strong increase in both sales and profit across the Group.

Sales grew by 16% while earnings before interest and tax grew by 37%. These results have been achieved through a combination of the continued strong performance of the Supercheap Auto and BCF Boating Camping Fishing businesses and the full year contribution of the Ray's Outdoors business, which was acquired on 31 May 2010.

In my presentation today, I would like to start by outlining our Group strategy and then to reflect on the highlights of the 2011 financial year. I will then provide an update on the outlook for the 2012 financial year before concluding by outlining the rationale for the acquisition of the Rebel Group announced last week.

GROUP STRATEGY

So turning first to the Group's strategy. The core elements of this strategy were established in 2006 and have been refined each year to reflect the development of the Group and changes in the wider environment.

Our mission is clear. We are building a group of market leading specialty retailers that provide products, information and services that help our customers enjoy their chosen leisure activities, whether that's rebuilding their FJ Holden, going camping with the family, catching a barra, keeping fit riding their bike or indeed playing tennis at the local club.

We will build our businesses through a combination of organic development of our existing businesses and the acquisition of strong businesses in relevant adjacent retail categories.

Central to our strategy are the five areas in which we continue to invest to differentiate our businesses from our competitors:

- products and innovation
    - *Identifying and launching innovative value products, services and concepts quicker than our competitors whilst maintaining the relevance of our core range*
- passionate team members
    - *attracting, developing and retaining loyal and passionate team members*
- customer focus
    - *Having a clear understanding of our customers' requirements and delivering friendly and informative customer service through whichever channel our customers choose*
- core systems
    - *Leveraging our core systems and infrastructure to provide efficient and cost effective multi channel solutions*
- speed and discipline
    - *Executing our plans with speed and discipline to ensure we achieve our objectives*

We have four major strategic initiatives across the Group:

- development and growth of our existing businesses
- development of multi-channel retail and marketing capabilities
- development of our team members
- exploration of new growth opportunities in adjacent retail categories

Each of our existing businesses has a clear plan which has been developed around a clear view of their core customer. Major initiatives include the growth and improvement of store networks, the continued introduction of new products, development and sourcing of own brand ranges, supply chain efficiencies and new marketing campaigns.

Much has been written about the impact of the internet on retailing in Australia and whilst there are undoubtedly some threats, we believe that there are greater opportunities through developing multi channel capabilities.

Customer research highlights a clear preference to buy from on-line sites of businesses that also have a physical store presence. However, customers will increasingly expect to be able to access information and to buy from a retailer's website whenever and however they choose. This requires the development of the necessary IT and supply chain systems so we have established a full time project team to build these capabilities over the next three years.

We are also working on developing our customer relationship management systems which in time will enable us to have a deeper understanding of our customers and to market to them in more targeted and relevant ways.

Central to the success of our businesses has been the passion and commitment of our team members. We are continuing to work on a number of initiatives to enhance components of our offer to our team members. As much as we need to develop and deliver on a clear value proposition for our customers, we need to do the same for our team members.

Of course, I will turn to the area of new growth opportunities towards the end of my presentation.

REVIEW OF THE 2011 FINANCIAL YEAR

Turning now to a review of the 2011 Financial Year.

New stores, solid like for like sales growth and strong improvement in gross margins were the major drivers of the financial results. In accordance with our strategy, these were achieved through a continued focus on new product introduction, sourcing and supply chain initiatives and the development of business capabilities.

We continued to invest in future growth with $48 million in new and refurbished stores across the Group and $7 million in IT and supply chain projects. Despite this investment, net debt was reduced by $5 million with a further reduction in net working capital per store a key factor.

Underpinning our performance has been the contribution of our 6,300 team members. We have continued to improve team member retention which has further increased from 68% to 70% over the year. On behalf of all shareholders I would like to thank all of our team members for their hard work and contribution throughout the year.

Auto and Cycle Retailing

Sales in our Auto and Cycle division at $708.2 million were 6% higher than the prior period after adjusting for the extra week sales in the prior period. EBIT at $63.6 million was a very pleasing 32% higher than the prior comparative period.

Supercheap Auto continued to perform extremely well with strong like for like sales growth of 4.8% maintaining the rate of growth delivered over the last four years. Like for like growth in both customer numbers and in the average number of items per transaction were the major drivers of sales growth.

The business has continued to focus on new product introduction, with 20% of the product range renewed during the year, and in delivering further improvement in in-store stock presence and merchandising standards. The business also continued its store refurbishment program with a further 38 stores refurbished or relocated during the year and an additional three stores reconfigured as Superstores.

The business completed the rollout of the extended range of tools and garage storage solutions which required a significant relay of displays in many stores. This contributed to particularly strong like for sales growth in the Tools and Storage categories. The Car Exterior, Carcare and Car Audio/Visual categories also performed particularly well.

Gross margin improved by a further 1.7% points over the prior year and has now increased by 3.6% points over the last 3 years. There are many factors contributing to this exceptional result including direct sourcing of imported products, development of own brand ranges, investment in product quality reducing returns, supply chain efficiencies, improvement in trading terms and the stronger Australian dollar.

Nine new stores were opened and two stores were closed during the year which resulted in 274 stores across Australia and New Zealand at the end of June 2011. Some disruption to trading was experienced during the Queensland and Victorian floods and the Christchurch earthquakes with a number of short term store closures whilst one store in Sydney was closed for much of the year following a fire. The business has identified the potential for around 320 stores over the medium term.

The business has continued to develop its on-line and trade customer offer and has experienced strong growth in both areas albeit from a low base. Both areas represent opportunity for further significant growth in the future.

In June 2011, Supercheap Auto was proud to be recognised as the Oracle Retail World Australian Retailer of the Year.

Performance at Goldcross Cycles has continued to fall below expectations. Like for like sales declined by 14% during the year which was in line with trends across the wider bicycle market. More adults are riding bicycles but this has not led to an increase in spending across the domestic retail industry. In addition, fewer children are active cyclists. However, IBIS world are predicting growth in the bicycle market over the next 3 years.

The shortfall in like for like sales was offset by the contribution from two new stores opened during the year, control of operating costs and improvement in gross margin. Overall gross margin increased by 3.0% points through the successful launch of own brand bicycles and various supply chain initiatives, despite the impact of market wide discounting and stock clearance actions.

The Board has completed a review of the performance of the business and has determined that the most viable value creating strategy will be to maintain a focus on performance improvement without investing further capital. This will be achieved through relocating underperforming stores to smaller lower cost locations, reducing stock holdings, developing a range of own brand parts and accessories, driving supply chain efficiencies and adapting business processes to facilitate a greater focus on customer service.

Leisure Retailing

The overall results of the division for the 2010/11 year include a full year's contribution from the Ray's Outdoors business, compared to one month's contribution in the prior comparative period.

The division performed well with both sales at $384.1 million and EBIT at $32.0 million, 50% higher than the prior comparative period. The division was successful in securing, in the 2010/11 year, the $2 million synergy benefits from the acquisition of Ray's Outdoors which had been forecast to be delivered in the 2011/12 year.

Ray's Outdoors was completely integrated into the Group's supply chain and IT systems by October 2010 and the Merchandising and Marketing functions were integrated with BCF Boating Camping Fishing in January 2011. This has allowed both businesses to benefit from the scale of the combined division.

The BCF Boating Camping Fishing business has continued to deliver strong sales growth with nine new stores opened during the year and like for like sales growth in existing stores of 4.6%. Like for like sales growth was driven by an increase in both customer numbers and in average item value.

All three major categories performed well with Boating benefitting from the introduction of new products in the 4WD and kayak ranges. The business has continued to tailor the range at a store level to local market demand and to develop its range of own brand and exclusive products.

Sales growth has been particularly strong in Victoria, South Australia and Western Australia and it was pleasing to see solid growth in North and Central Queensland after the slowdown in this region in the prior year. Sales in Brisbane and the Gold Coast were impacted by adverse weather conditions during the peak summer trading period.

Membership of the BCF club has increased to over 750,000 with 16,000 members attending club nights during the year. The business has also successfully increased the amount of electronic direct marketing to club members. Visitor numbers to the BCF website increased by 86% during the year, as the business has continued to develop its library of online video content.

I should also pay tribute to the BCF team noting that they were one of the three finalists for the Oracle Retail World Australian Retailer of the Year. It certainly was a proud day to have two of our businesses recognised for their achievements.

The sales contribution from the Ray's Outdoors business was below expectations during 2010/11. For much of the year, the business suffered from high levels of out of stocks across key merchandise ranges through a loss of focus by previous management in the lead up to the acquisition in May of last year and during the integration period post acquisition.

The business is now fully integrated into the Leisure Retail division and the new management team have moved quickly to conduct an extensive review of product ranging and pricing policies to bring these into line with customer expectations. New product ranges are being introduced into the business and there is a strong focus on improving product quality. International and domestic branded product trade partners have been invited to have a greater presence in the stores.

A new customer value proposition has been developed along with a new marketing campaign and this was launched at the beginning of September. Early signs are promising with customers responding well to the new marketing campaign and product offer.

Good progress has been made in developing the network of Ray's Outdoors stores across Australia with 12 new stores opened during the year. A key challenge in the coming year will be to build brand awareness in Queensland, New South Wales, and Western Australia to match the level in the business' home state of Victoria.

Overall gross margin across the division increased by a very pleasing 2.0% points through the contribution of the higher margin Ray's Outdoors business and the work undertaken in BCF Boating Camping Fishing to increase the volume of directly sourced product, to improve supply chain processes and to secure improved trading terms. Gross margin in the Ray's Outdoors business was ahead of expectations at the time of the acquisition which partly offset the sales shortfall.

During the year, the division developed a third business concept to trade under the name FCO Fishing Camping Outdoors. This new business, which takes elements from both the BCF Boating Camping Fishing and the Ray's Outdoors businesses, has been designed specifically for the New Zealand market.

The business is being developed to provide a destination offer across a full range of outdoor leisure categories (Fishing, Camping, Boating, Kayaks, Outdoor Apparel and Footwear, BBQs) which is a gap in the current New Zealand retail market.

Plans are in progress to launch the business in November 2011 with 10 stores across the North Island and a further two stores in the post Christmas period. This will require a net capital investment of circa $12 million. The Board will monitor performance over the initial 12 month period before committing further capital. We have opened the doors of five stores so far as part of a soft launch and initial customer feedback has been positive.

At the end of June, the division had 78 BCF Boating Camping Fishing stores and 50 Ray's Outdoors stores trading across Australia. There is the potential for around 185 stores across Australia and New Zealand through the ongoing growth of the existing businesses and the development of the FCO business.

Group Logistics and Sourcing

The foundations established by the Company over the last four years have served the Group well over the last 12 months. The Ray's Outdoors business was integrated into the Group's supply chain operations within three months of acquisition. The Group's five distribution centres are capable of operating as 'multi-user' facilities supporting all of the Group's businesses. The New Zealand DC site will be relocated to a larger facility in the coming year to support the development of the FCO Fishing Camping Outdoors business.

In addition to the increase in units flowing through the distribution centres as a result of the growth of the Group's businesses, the BCF Boating Camping Fishing business was able to achieve gross profit improvements through directing more products through distribution centres rather than direct from trade partners to stores.

The value of product sourced by the Group Sourcing Team based in China increased by 150% to over $70 million. This growth has been a major factor underpinning the increase in gross margins across the Group's businesses over the last four years.

Some additional off-site storage was required during the lead up to peak sales periods and this remains an opportunity for further efficiency savings in coming years as the Group improves its inventory planning capabilities. The Group has continued to improve in stock position across its existing businesses and to reduce average stock holdings.

Corporate Social Responsibility

The Group has continued to support the Sids and Kids, Canteen and Heart Foundation charities. The Group is particularly proud of the work that has been done to support BrAsh Ataxia Telangiectasia, a charity raising funds to direct towards research into an extremely rare but vey serious degenerative condition. The Group's sourcing team have developed a range of products which are sold through the Group's stores with all moneys raised donated to the BrAsh A-T charity. The Group also supported the Queensland and Victorian flood recovery funds and the Christchurch earthquake recovery fund as well as raising funds for a number of team members affected by these disasters.

Supercheap Auto continues to support and market safe driving campaigns, BCF Boating Camping Fishing raises funds for the Coastguard and Ray's Outdoors has developed a relationship with the Cancer Council to raise funds for and awareness of skin cancer.

The Group has now appointed a Sustainability Manager to drive the Group's environmental initiatives including the reduction of packaging, power consumption and plastic bag usage and the development of recycling arrangements.

OUTLOOK FOR THE 2012 FINANCIAL YEAR

Turning now to the outlook for the 2012 Financial Year.

We have demonstrated over the last two years, during a period of a downturn in the growth in retail spending, that we can continue to deliver strong growth in both revenue and profitability. Although wider economic conditions mean that the short term outlook for retail spending remains uncertain, we remain confident of our ability to grow our store network, deliver like for like sales growth and improve gross margins. We also expect to deliver working capital efficiencies across the Group.

We have started the new year well, with our Auto and Cycle Retailing division delivering like for like sales growth of 5.3% and our Leisure Retailing division delivering like for like sales growth of 3.0% in the 15 weeks to 15 October.

Within the Leisure division, BCF Boating Camping Fishing has achieved like for like sales growth of 5.4% through the 15 weeks whilst Ray's Outdoors has achieved like for like growth of 9.2% since its brand relaunch at the beginning of September.

In the coming year, we plan to open five new stores, close one store, convert two stores to Superstores and refurbish another 30 stores in our Supercheap Auto business and to open 20 to 25 stores across the Leisure Retailing division.

We will continue to invest in developing our multi channel and customer relationship management capabilities. We will be able to offer our New Zealand Supercheap Auto customers the options of order on-line with either pick up in store or home delivery from the beginning of November with this functionality available to our other businesses in early 2012. We also expect to launch a loyalty scheme in the Supercheap Auto business in 2012.

ACQUISITION OF REBEL GROUP

As I mentioned towards the start of the presentation, one of the Group's four strategic initiatives is to explore opportunities to extend its retail operations into adjacent retail categories through either acquisition or organic development.

In 2006, we identified the Sports and Fitness category as one that has a good fit with the Group's mission and core capabilities. We have continued to assess the category since that time and we have been a keen observer of the progress made by Archer Capital as they developed the Rebel Group through the acquisition of Amart All Sports, Rowe & Jarman and Rebel Sports.

The Rebel Group is a strong business. It is the clear market leader with sales of $600 million and 24% market share in a category in which there are no other direct national competitors. The business has over 700,000 members of its loyalty program and with very strong brand awareness through the community.

Over the last two years, the Rebel Group has continued to grow profits despite the softening in retail conditions and its like for like sales performance has been more robust than many of its peers. The owners have continued to invest in developing the business in a number of areas such as its loyalty program, its on-line offer and store rostering systems.

The business has an exciting future. Participation in sports and fitness activities is set to increase as the public's concern for health and fitness increases partly as a result of government sponsored campaigns to raise awareness. There are 128 stores across the Rebel Group today and we see the potential for 185 stores over the long term.

We can apply Super Retail Group's capabilities in product development, sourcing, range management, marketing and supply chain to support the growth of the Rebel Group. There is a strong fit to Super Retail Group's operating model. At the same time, Rebel's scale and expertise in leisure apparel will assist the Group's Leisure Retailing businesses grow their apparel offers.

We have had the opportunity to conduct extensive due diligence on the business and are confident that our profit projections have been based on a realistic assessment of underlying maintainable earnings. We expect to achieve annualised synergy savings of around $10 million after two years.

The softening in retail conditions and downtown in equity market valuations have meant that we have been able to agree a deal to buy a large market leading business in an attractive category at a good price. The metrics for this transaction compare favourably to similar transactions in recent times and we are confident that the acquisition will create good value for our shareholders.

A key focus for the business will be to establish a plan for driving like for like sales. This will require a review of the ranging and marketing strategies, engaging team members and trade partners and a program of store refurbishments which will commence in 2012.

We expect that there will be modest profit growth in the Rebel Group businesses in the 2012 and 2013 financial years as we invest in strategies to grow the business for the long term. However, we expect to achieve a return on capital invested of 20% by 2016.

The acquisition completes on 31 October. We will continue to operate the business from its support office in Sydney and we are looking forward to welcoming Rebel Group team members into the Super Retail Group family at the beginning of November.

Following the completion of the acquisition we will have three very strong divisions retailing products, information and services to our customers across a wide range of leisure activities. Each division; Auto & Cycle Retailing, Leisure Retailing and Sports Retailing will be led by its own Managing Director reporting to me. We have an exciting future ahead of us.

Thank you for your ongoing support of our Company, we look forward to reporting to you on our progress in the coming year.

Peter Birtles
Group Managing Director and Chief Executive Officer