



2000 ANNUAL GENERAL MEETING

MONDAY 11 DECEMBER 2000

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S ADDRESS

Good Morning Ladies & Gentlemen and Fellow Shareholders

As it is now 10.00 a.m., the appointed time, and a quorum is present, may I welcome you to the Annual General Meeting of David Jones Limited and formally declare the meeting open. Last year we held the meeting in Melbourne to recognise the percentage of our shareholder base resident in Victoria. It also coincided with the opening of our new Chadstone store in suburban Melbourne. This year we return to Sydney

I am your Chairman, Dick Warburton

As well as introducing the Board, I'd also like to take this opportunity to talk briefly about how each member applies their specific expertise, experience and knowledge to the David Jones business.

PETER WILKINSON – CEO

Peter, your CEO, is undoubtedly one of the Australia's best retailers. As well as having an intimate understanding of our target market and the retail sector, Peter has amply demonstrated his considerable people management skills during the past three years by building a talented and enthusiastic team of senior managers. This team is already playing a critical role in implementing our strategies for growth.

REG CLAIRS

Reg came to our Board last year with strong retail skills and experience developed over his 34 years in the industry. Those skills have been highly valuable not only in a general sense but also specifically in the last 12 months regarding the development and delivery of the Foodchain concept and the introduction of David Jones Online.

JOHN COATES

John's administrative and organisational skills are outstanding. As President of the Australian Olympic Committee, he played a key role in making the 2000 Olympic Games the 'best ever'. John continues to play a vital role in making David Jones the 'best ever'. His knowledge and understanding of the property industry have been put to good use this year during the restructure of our property portfolio.

GEOFF HEELEY

As Chairman of the Audit Committee, Geoff brings considerable financial expertise and knowledge to our business, having worked in practical management roles in major Australian corporations. He is one of the key reasons that we can sleep soundly at night, not worrying about the possibility of a financial issue surprising us. He has quite rightly been labelled as one of the best chairmen of an audit committee in Australia. A job which is probably the epitome of a "thankless task".

DAVID JONES

David Jones Limited A.B.N. 75 000 074 573

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KATIE LAHEY

Katie is in regular contact with leaders from across a broad section of the private and public sector on a day to day basis. She has been able to provide valuable insights into trends and issues affecting our business. Katie provides guidance to the merchandise team, and has a strong affinity with our core target market. She is a mentor to a number of our women professionals in our business.

ELIZABETH NOSWORTHY

Elizabeth brings a range of specific and general skills to the Board. Her strong legal and property background, has been of great assistance to us in our property deals, in addition to her IT skills developed through her Directorship at Telstra.

BOB SAVAGE

We were very fortunate to be able to add Bob to the Board immediately after he retired as Managing Director of BM Australia. Bob has helped and guided the Board and Stephen Goddard and his team in the crucial area of IT skilling, not just in Business to Customer but also Business to Business and importantly regarding the broader use of the technology as a support to the business.

All bring very broad business skills and experience but as is required on all the best boards, their particular specific skills are heavily used.

I have asked Peter to discuss the contribution to the business of the management team and he will do that later.

Also present and on my left is the Company Secretary, John Simmonds.

Graham Paton, the partner responsible for signing the Auditors' report together with Chris George are the representatives here from Arthur Andersen, the Company's auditors.

INTRODUCTION

At the past 3 AGMs I have talked about our turnaround strategy. I explained that we were striving for long term gains rather than quick wins. I discussed the important signposts along the way and asked you, as shareholders, to trust me, your board, and the management team to deliver on that strategy.

I was well aware then, as I am now, what a big ask that was.

Today I would like to say thankyou for your patience and support and advise that the initial turn around strategy has been completed. To this end this years Annual Report is titled "Delivering the Goods" and we have enclosed a Report Card in the Report charting the progress on key deliverables.

Does this mean there is nothing left to do? Absolutely not! There is much we can still do and achieve.

Over the course of the remainder of my presentation to you this morning, and Peter Wilkinson's presentation that follows, we will talk to you about what we have achieved and the even higher bar that we have set ourselves for the business.

WHERE ARE WE NOW?**FULL YEAR RESULTS AND FIRST QUARTER SALES**

Profit before tax and abnormal items for the 52 weeks ended 29 July 2000 was \$88.9 million, an increase of 32.6% over the corresponding period 1998/99. David Jones Limited's profit after tax but before abnormals was \$50.1 million, an increase of \$9.1 million or 22.4% above the same period last year.

First quarter sales for David Jones in this latest 2000/2001 year showed an increase over the same quarter last year of 15.7% on an adjusted for wholesale sales tax basis. We were particularly pleased with the result from our apparel area which showed double digit increases at a time when the competitive general apparel market had actually shown weakness. This is the heart of our business and is one of the real testaments to the success of our strategy.

1997 – 2000 REFOCUSING ON THE FUNDAMENTALS

From mid 1997 to mid 2000 we set out to refocus on the fundamentals of our business. We set ourselves some challenging targets designed to build a strong base from which to grow. This meant spending heavily before the gains were able to show up in the revenue line.

The slide behind me illustrates the improvements in a number of key outcome areas. I'd like to particularly draw your attention to 4 of these to provide a perspective as to how far we have come:

- Return On Investment (before abnormals) up from 10% to 15%
- Earnings Per Share (Before Abnormals) up from 9 cents to 12.75 cents
- Earnings Before Interest Tax Depreciation and Amortisation up from \$96.7 million to \$126.9 million
- And importantly market share up to 13.09%. We have grown market share for each of the last 5 successive quarters. This growth indicates to us that not only have we taken market share from our competitors we have also taken share for the first time in many years from the specialty stores.

We now have a stronger business foundation in place. To be able to not only survive and then thrive in today's business climate, we can, and will, build on this to ensure we have a competitive business model.

GROWING OUR BUSINESS – AN OVERVIEW OF OUR STRATEGY

During this period of rebuilding the foundations, we deliberately placed growth on the back-burner. However, without growth, no business is sustainable. We believe we have now earned the right to grow.

In the past 12 months in tandem with completing the business turnaround we have been developing growth strategies which can be broken down into four key areas.

- Brand Presence - growing our physical presence through new stores and refurbishments
- Brand Delivery - Developing a multi channel brand delivery capability.
- Brand Leverage - Leveraging our brand to service our customers in new ways
- More Efficient Cost Structure – Building a more robust business model.

Let me touch on each of these individually.

Building Brand Presence

We have increased our selling space by 18% since 1998 through a combination of the Aherns acquisition, new stores and refurbishments. We should be increasing selling space in prime locations by a further 22% in the period 2000-2004. This figure does not include the new Foodchain by David Jones stores.

We are the premium department store brand in this country. Our unique positioning requires us to be highly selective regarding store locations. Over the next few years there is likely to be only limited opportunities for us to put new stores on the ground given the specific nature of our target market.

Over half of our selling space growth will come through refurbishment. We are focusing on enabling stores that are already strong performers to be even stronger performers.

Multi Channel Delivery – David Jones Online

Our online strategy represents the first step towards a multi channel delivery approach by David Jones. It is about long term opportunity not a quick win. We know it is an area in which we must be represented and are managing the introduction of this channel carefully. Indeed, it is management of risk as much as it is of growth.

I want to strongly make this point David Jones Online is NOT about setting up a stand alone "Dot Com" business. This is a clicks and mortar strategy. A trendy term but let me explain.

David Jones On-line is being used to provide an opportunity to customers who cannot currently readily access the brand. It puts us in touch with a broader audience and gives our existing customers another way to enter our stores.

Crucially though, it has close ties to and is supported by the core business and brand through systems, processes and accountabilities. It sits very much within the David Jones values and vision.

We do not expect this business to contribute profit for its first two years of operation. It is early days for David Jones Online but the signs are certainly encouraging.

Leveraging the Brand – Foodchain by David Jones

David Jones is an icon brand. In fact recent newspaper coverage regarding several brand awareness surveys mentioned that David Jones was in the top echelon of recognised brands.

Our customers have a clear picture of what the brand means in terms of service, value and delivery. The board has investigated opportunities to leverage this brand awareness with a view to growing our business.

We already have a strong capability in the food area. Our foodhalls produce some \$100 million a year in turnover. Our research into the needs of our target market told us that there was an unanswered requirement in the meal solutions area. Our target market is shopping for food more often as a result.

Foodchain is very different to our existing foodhalls and concentrates on meal solutions, the "what am I going to eat tonight" market. We provide everything from fully and partially prepared solutions to fresh produce. There is also a wine and spirits component, a small amount of grocery and a sit down and relax area.

The first of the Foodchain stores opened in Brighton in Melbourne a few weeks ago, if successful we plan to have a chain of around 40 within five years. We believe that we need to have around 7-8 stores to be in the profitable zone. This number SHOULD be in operation by the end of financial year 01/02.

We are not trying to compete directly with the grocery retailers. The total Australian market for food consumed at home* is worth in excess of around \$60b annually. If we achieve 40 stores on the ground it is possible Foodchain could account for around \$500 million of turnover per annum or less than 1% of the total market. We will occupy a very specific niche designed to service the food needs of our core customers. Hence the demographic location is so important.

Cost Management – The Securing our Future Project

Over the past few years we have taken out some \$24 million dollars in costs from the business. Peter and his team have done a great job within the individual discipline areas of operations, finance and stores of reducing the costs of doing business. But we're not finished yet.

Over the next 3 years a major strategic initiative that we are calling "Securing our Future" is targeting a reduction in the cost base of our business by a further \$24 million dollars net. This target should bring our Selling Goods and Administration costs to at or below 30% of total sales which brings us in line with international benchmarks.

The strong message that I would like to leave you with today is that this is not a simple cost cutting exercise. This is a strategic business review which looks cross functionally at redesigning and improving our processes to produce a more robust business model. We will at the same time build a structure that sustains these improvements, protecting and enhancing the strategy.

Capital Management – Funding our Growth

Our growth will be partially funded by the proceeds from the recently announced sale and leaseback of our Sydney and Melbourne stores, and also partially from cashflow.

In August we announced that David Jones had signed an agreement for the sale and leaseback of our Sydney CBD and Melbourne CBD stores. We have in conjunction with Deutsche Bank developed a genuinely innovative sale and leaseback mechanism which provides an effective purchase price for the assets comfortably in excess of book value along with funding for the infrastructure portion of the refurbishments.

In the interests of strong capital management it was imperative that the relatively low yielding property assets be removed from the balance sheet and replaced with an investment in our retail earnings stream which produces a much stronger return. Your board and management team were determined that we would not sell these properties until we could utilise the capital in such a way that it produced a return in excess of 15%. This is now the case.

I am very conscious of the fact that we only see you all as a group once a year and thought it worthwhile today to talk to you about the philosophy behind the selection of the board and how the board works with the management team.

We believe that a board needs to be looked at in a holistic way, that the whole should be greater than the sum of the parts. We are a retail company and while it is undisputed that we need retail talent on the board, which we certainly have, we also need a range of expertise covering property, information technology, the law, finance and a thorough knowledge of the business environment.

I think by any measure, but particularly given the market capitalisation of our company, the David Jones Board is a particularly strong one.

In the past 2 years two board members have retired and two new board members, Bob Savage and Reg Clairs, have joined us.

We conduct annually an independent 360-degree review of the board. This review assesses the contribution of the board as a group and as individuals. It also assesses additional skill requirements, and how well is the board interacting with and supporting management.

The board has worked closely with senior management to support the delivery of the turn-around strategy.

And now to general matters.....

The Share Price

It is of course a great disappointment that the share price does not yet fully reflect the turn around in our business and the solid financial results of financial year 99/00.

I use the words, “ does not yet fully reflect”, as the average share price over the past few weeks has been \$1.45, this is a year high. So we are starting to see some recognition

Our focus has been on improving the performance of the business by increasing operating efficiencies and identifying growth opportunities. We are a stronger business today and are confident that the market will further recognise this performance.

All we can do is continue work to improve the performance of our business, towards making David Jones an even better company by continuing to

- produce strong results,
- differentiate ourselves from our competitors, and
- build a business model robust enough to better withstand the inevitable economic cycles to which we are always subjected.

Ultimately we believe a good story cannot go unnoticed or unrewarded. We are working hard to communicate better to the market the fundamental nature of the change at David Jones and our plans for the future.

Shareholder Rewards Program

The Shareholder Rewards program was introduced in February this year. The response has been strong and we have seen an increase in our shareholder base of 65% to around 67,000 shareholders.

OUTLOOK

With regards to the economy I am reminded of the old Chinese curse "may you live in interesting times". Australia certainly finds itself in interesting, and somewhat confusing, times in terms of the overall economy.

Peter stated in our First Quarter sales results release that, "the market is, as expected, taking time to settle back into a normal trading pattern and continues to be somewhat unpredictable. There may be some softening in the overall retail market in the next quarter".

This has been echoed by some of the other heads of the major Australian retail companies. Most though, have agreed that it is very difficult to determine whether this is a one-off softness caused by the disruption to normal trading patterns by the introduction of the GST and the Olympics, or whether this is a long term trend.

The consensus of predictions for Australia's economic growth sees it remaining in the relatively strong area of 4%. While this is lower than recently achieved growth figures of 4.5 – 4.7 %, one must put in perspective that it is only a relatively short number of years ago that we would have "died for" continuing strong growth of 4% plus.

Growing employment with resultant lessening unemployment, along with continuing low inflation, usually augers well for good spending patterns. However, the question remains can it continue?

Where does this leave David Jones?

If there is indeed "softness" – and "softness" is the operative word – I believe David Jones is well placed to weather this complex period.

We have worked steadily over the past 3 years to build a more robust business model. We have just launched two new businesses and are growing our selling space. Our customers are continuing to respond favourably to our operational initiatives.

To tell you about these operational initiatives, I would like now to hand over to our CEO, Mr Peter Wilkinson.

But, just before I do, I would like to express, on behalf of the Board, my sincere thanks to Peter and the management team and all of the David Jones staff. I say to you all personally, your efforts in turning around this business are to be applauded. Thankyou for your hard work again this year and if you continue to produce an improvement on these results the market will show just reward.

PETER WILKINSON

THANK YOU CHAIRMAN AND GOOD MORNING LADIES AND GENTLEMEN

The Chairman has outlined our strategy for growing our physical presence through new stores and refurbishments, developing a multi-channel brand delivery capability, leveraging our brand to service our customers in new ways and building a more robust business model.

I'd like to comment on some key achievements over the past year, which have driven the improvement in our performance.

- Mark McInnes and his buying team have completely overhauled our brand strategy introducing 103 new brands to our stores. Many of these are exclusive to David Jones in Australia including Sisley, Chantecaille, Crème de La Mer and Armani Collezioni. Over the next 12 months you can expect to see more exclusives in this area.

The leading brands in the world now see David Jones as their brand building partner in the Australian market. They see us as a business which will take the same care with their brand as they themselves do. This makes it more likely that we will be able to develop exclusive arrangements and this adds greatly to our competitive edge.

Our inventory management systems continue to improve. A great deal is being accomplished in the area of inventory systems and business to business e-commerce. Aged stock levels are now under 5% which frees up open to buy for fresh product.

As a result of this work in the merchandising area we have seen strong improvements in key deliverables. Gross Margin Return on Inventory which has increased from 1.66 to 1.83 and our stockturn which has improved from 2.68 to 2.87.

- The David Jones credit card is an important part of our business contributing 23 million dollars to EBIT last year. The credit team under the guidance of General Manager Peter Helson continues to build this remarkable tool. Today some 42% of all sales at David Jones come via the David Jones card, this has increased from 35% only one year ago.

As a result, our transaction costs are lowered as we are not paying merchants fees to an outside provider, and very importantly, we continue to build a knowledge base about our customers which allows us to develop stronger relationships with them, service them better and market to them far more effectively.

- We have radically transformed the organisational model that underpins the business. We are continuing to develop an outcome oriented culture. A culture that constantly assesses performance in terms of benchmarked outcomes seeks out innovation and rewards those who perform at a high level. Julie Coates, our Human Resources director oversees this cultural reform process.

Our Human Resources processes provided support this year to the Aherns integration, the GST project, and the set up phase for David Jones Online and Foodchain. To be able to effectively do this in addition to continuing the important cultural development program is testament to the strength of our systems.

- Don Grover and his stores team in conjunction with Stephen Goddard and the operations team, have opened new stores in Adelaide, Chadstone and Southland this year. These stores show the market that David Jones is capable of producing a world class department store environment. I have received many compliments regarding the Adelaide store in particular from the leaders in the Australian retail industry. We look forward to producing a similar result in our Sydney and Melbourne CBD stores when they are refurbished.
- Customers expect a superior level of service in David Jones stores. Don and his stores team continually monitor our service levels using external surveys. These surveys tell us that we now have a substantial service differential over our major competitor. We must continue the hard work to maintain this edge.
- Our GST program was completed on schedule, and on budget. I am proud to say that 100% of the David Jones stores were open on time and on program. General Manager of the project, Felicity Herron and the GST team sponsored by CFO Brian Hill, produced a program that was designed as a whole of business approach centering around both ensuring any confusion for our customers was minimised and providing a long term sustainable GST solution.

And so to Growth.....

Brand Presence - New Stores and Refurbishments

Our refurbishment and new store program is designed, over the next few years, to see us complete the updating of our entire stores group. We will then move into a rolling cycle of refurbishments that will require a lower overall level of capital spend.

We are the premier department store brand in the country. Our retail environment has to support this. We must be able to offer a superior shopping environment conducive to sales. Our stores program is about much more than "nice places to shop".

The program has been in place since 1997 and this slide shows you the program completed so far.

Our results tell us that the improvement works have so far fulfilled our objective to produce more efficient selling space in our existing stores, and we are more effectively laying out each store. Let me show you two examples

- At our Castle Hill store in Castle Towers Shopping Centre

We needed to protect our market share from new competition. This very successful shopping centre was going through an extension and refurbishment. The potential for growth was clear and the demographics of the trade area were highly encouraging.

We increased the total store area by 26%, at the same time increasing the selling space by over 30%. Sales have increased, as has the net contribution of the store to profit.

- Adelaide

The new Adelaide CBD store has 4.5% less selling space than the previous store. The superior design and layout has produced an increase in sales which remains in excess of budget.

Development approval has been received for the refurbishment program for our Sydney CBD stores. Work is to commence in February 2001. We will create a world class retailing environment that you will all be proud of, with an additional proposed 5,000 square metres of selling space, whilst revitalising the heritage features of the stores.

Our carefully managed works program should ensure that an average of only around 7% of space is affected by refurbishment at any given point in time. The program will go on hold over the November – January period in each of the 4 years that it will take to complete the project.

Multi Channel Brand Delivery - David Jones Online

Our online offer commenced trading at the end of October. The high existing profile of our brand, our ability to leverage strong existing systems, marketing programs and relationships with suppliers provides us with an advantage over other online operations.

David Jones Online is very much an embryonic business that will be built up carefully to protect our brand. In the first 6 weeks of operation we averaged 50% growth week on week in sales spurred along somewhat by the Christmas season. The average order size has been 80% higher than budget. Most importantly we have been achieving our delivery and fulfillment goals.

The cost effective acquisition of theSpot.com's platform and infrastructure allowed us to leapfrog our e-commerce strategy. We have incrementally developed theSpot's infrastructure adding David Jones components, streamlining and strengthening the systems architecture and improving the ability to service customers to David Jones standards.

We are phasing in the introduction of categories and launched the offer with cosmetics, gifts and hampers. David Jones Online is leveraging our offline marketing program wherever appropriate, you may have noticed some items in your recent gift catalogue were tagged with "available online" messages.

We have secured the leading range of cosmetics and fragrances online in Australia. In fact we have one of the leading international ranges. More than 1,000 gifts are available which have been sourced through our existing buying office. Our popular range of hampers is consistent across stores, online and our call centre.

I hope that you will visit us at www.davidjones.com.au soon.

LEVERAGING THE BRAND - FOODCHAIN BY DAVID JONES

The Foodchain concept development is being steered by Operations Director Stephen Goddard. Working alongside Stephen to deliver Foodchain by David Jones is General Manager Shane Tremble. Both men have been responsible for bringing highly successful start-ups to fruition in the past and understand well the intricacies of doing this.

Location is critical to the success of Foodchain as it serves a niche market. We are very happy with the initial locations that have been signed up. Our second store is planned to open in Hawthorn in Melbourne in March/April next year, with the first Sydney store at Parramatta planned to open in July 2001.

The early days of the first store at Brighton have been encouraging with shoppers showing us that they understand and enjoy the concept we are delivering. This has been evidenced by high levels of return visitation as well as strong cross shopping of the various categories within the Foodchain concept.

The Securing our Future Project

Securing Our Future is all about business improvements, designing a platform for future growth. It is a whole of business review not an elementary cost cutting operation.

The project is being lead by Felicity Herron, the Manager who successfully delivered the intricate GST project. She reports directly to me and is backed by the total commitment of the Board, your management committee and myself. We have reviewed all of our business areas and identified areas of opportunity for change and improvement.

I launched the project recently in a multi-location hookup to groups of our employees. They are excited about the opportunity to design an even better David Jones, in fact some have already started to come to me with ideas.

We plan, as the Chairman mentioned, to reduce the cost base by \$24 million over 3 years bringing our Selling Goods & Administration costs in line with worlds best practice for department stores.

MANAGEMENT TEAM

I have mentioned the members of my executive team throughout my discussion this morning. I think it is important that you as our shareholders get to see them in action. I'd like to present a short video in which the management team discuss some of the highlights of financial year 1999/2000.

OUTLOOK FOR CHRISTMAS

There has been much comment and discussion in the media about an apparent weakness in general Christmas trading. It would be fair to say that we are finding this Christmas very different to the Millennium Christmas in terms of trading patterns.

David Jones is renowned for being a wonderful place to shop for Christmas, we are for many the Christmas store. This year's Christmas marketing program is well underway.

Strong merchandise and service programs have been put in place to position us well for this important season.

It goes without saying that your management team is strongly focused on revenue, costs and inventory management during this complex period.

CLOSING AND THANK YOU TO STAFF

I, like the Chairman, have spoken with you over the past few AGM's about our turn-around strategy. We have spoken today about the effects this strategy has had on our business.

At the risk of sounding like an overly proud parent I feel that it is important today to thank, in front of our shareholders, the David Jones staff who have put their heart and soul into turning around this business. It is impossible to overplay the truly fundamental changes they have brought about.

Change of this magnitude comes only off the back of a considerable amount of work. Without this team, the turn-around strategy was just words.

So to the literally thousands of staff across all of the David Jones business..... be assured of one thing.....I do not for one moment underestimate the commitment it has taken to bring about this turnaround and I thank you whole heartedly for it.

BEST WISHES TO SHAREHOLDERS

In closing I would like to wish all of you and your families a happy and safe Christmas and also advise that the speeches and slides used both in the Chairman's speech and my speech will be available on the David Jones website.