



2002 EXTRAORDINARY GENERAL MEETING

MONDAY 17 JUNE 2002

CHAIRMAN'S BRIEFING TO SHAREHOLDERS

Thank you for joining us at today's Extraordinary General Meeting to vote on an amendment to the Company's Constitution.

It is important that you as the owners of this company have an understanding of the background leading up to today's meeting, as well as some context for the important business before the meeting.

At the time of our listing at the end of 1995 the department store business was in need of a significant infusion of capital, the development of a viable strategic direction and most of all intensive management.

The Board put in place a new team to put the core business back on track. Peter Wilkinson commenced as CEO in early 1997. Over half of our senior executives, those in General Manager level and above, changed in the first 12 months of Peter's tenure as he carefully put in place the team that could and would reinvent the department store business.

We now have a well-articulated, well-established brand and strategy. Bringing about meaningful change like this takes time and a great deal of focus.

This is a long-term business, David Jones has been around for 164 years; we are making decisions today that reflect the long-term nature of our business.

That our core business today is a fundamentally better one than at the time of listing cannot be disputed. What can be disputed is the way in which the share market values our business. Your board and management share your frustration at the current share price. Many aspects of our strategy over the past 6 years have been realised successfully, yet there remains a clear imperative to improve returns to you, our shareholders.

It is within this context that we undertook this year's strategic review.

Each year as part of our regular three year planning process David Jones considers its key strategic and business issues, growth initiatives, capital expenditure and funding. Decisions on any or all of these issues are not considered in isolation.

Importantly this years review was driven by an objective and realistic measure of accountability - a 15% Return on Investment benchmark. This target is based on international department store comparisons. It positions us at the upper end of this spectrum and provides a verifiable way to assess all future strategic and operational decisions.

I want to make an important distinction. Our ROI target drove the changes to our business strategy it was not an outcome of the strategy.

OUR CORE BUSINESS

Our core Department stores business is performing well. Our review confirmed that there was no need to alter the premium market positioning and associated service and branding strategies which have driven the group's core business growth. We will of course strive to retain and further improve the business.

DAVID JONES

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

Elizabeth Street Store 86-108 Castlereagh Street Sydney NSW 2000 Australia Telephone 02 9266 5544

The changes instituted as part of the turnaround strategy enacted from 1997 to 2000 provided us with a strong base to take the business forward. A platform was put in place which included rebuilding processes and procedures and putting in place the right team. We are seeing the benefits of this now.

This same platform allowed us to navigate the period from the end of calendar 2000 through to the end of 2001 which was by far the harshest non-food trading environment in 20 years and emerge in a stronger position than our competitors. We held true to our brand and ensured our business was well positioned for the upside in the market when it came.

Our strategy has delivered improved positioning, continued growth in marketshare and reduced costs for the group. This has allowed us to manage changes in the retail cycle better than our competitors. Our third quarter sales results - Total Company +10.0%, LFL +4.8% - demonstrate this. The cycle has turned and we have delivered an immediate material improvement in sales figures.

These results were achieved despite an unprecedented level of discounting present in the marketplace during the past year. We monitored the market carefully and strategically countered competitive activity where necessary. In doing so we acted to preserve gross margins.

We recently advised the market of changes to our shareholder rewards program. We are committed to retaining shareholder rewards, however it is important that it produces value for all shareholders not just those in the program. The primary objective of our discount program is to contribute to incremental sales without impacting adversely on profit. The David Jones program remains one of the best in the market.

CAPITAL EXPENDITURE

By necessity we have had a large capital investment program over the past few years. Results from the stores completed so far have been promising but there is still much to do.

We had envisaged having an even larger capital expenditure program over the next two years - in excess of \$120m per annum. We certainly do not resile from the need nor necessity for ongoing capital works, however in order to meet our 15% ROI targets we have set a ceiling of \$60m per annum going forward.

We believe that the program can be reduced and rescheduled without compromising the David Jones brand or potential sales growth.

AND TO OUR NEW BUSINESSES

David Jones Online is recognised as one of Australia's most successful internet retailing sites. While this is still a small business for us it has long term strategic importance. Revenue continues to grow and the business is on-track to meet its targeted breakeven point in FY2003. As such, minimal capital expenditure is required for the business which is now being further integrated into the core operations of the group.

I have talked with you previously about our Foodchain concept. We launched this business in November 2000. The concept development phase has delivered significant operational experience.

There have been a number of aspects about the business that have pleased us such as revenue growth trends. Customer reaction to the concept has been favourable. Two of our current group of four stores are within sight of store profit.

We announced our intention to undertake a significant write off related to development costs and rollout has been paused until we can assure ourselves that this business will contribute appropriately to the group. Various issues relating to the cost base must be addressed in order to ensure profitability going forward.

We continue to be encouraged about the long-term potential of the business however we must mitigate the potential risks to our bottom line before continuing with our plans.

