2004 ANNUAL GENERAL MEETING

FRIDAY 26 NOVEMBER 2004

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S ADDRESS

ROBERT SAVAGE
Chairman

Ladies and Gentlemen, fellow shareholders, throughout the course of my report and our CEO's report, which follows, we will cover a number of issues ranging from our Company's financial performance and shareholder returns to corporate governance issues.

By the close of today's meeting we will have provided you with an overview of:

- the impressive turn around in our Company's performance over the past 12 months; and
- what lies ahead in relation to the remaining two years of our Strategic Review program.

As always, the opportunity to ask questions will be available to the meeting.

OVERVIEW OF FY04
This AGM is my second AGM as Chairman and the first for which I have been in the chairman role for the full 12 month financial year. It is also the first full 12 month financial result that our CEO Mark McInnes has delivered since his appointment in February 2003.

As such, it is the first opportunity we have both had to fully demonstrate our performance in our respective roles of Chairman and CEO.

At last year's AGM I said that under my Chairmanship and under Mark's leadership, our Company's focus would be on our core department store business and our strong credit card business, creating shareholder value through improved performance, stronger management of capital and cash.

It gives me great pleasure therefore, to be able to report to you that in the first full year since our Strategic Review restructure, significant progress has been made in turning-around the financial performance of our Company and in creating value for shareholders.

When we launched the review in July last year, we set a number of key strategic programs and metrics to measure our success. I am delighted to be able to tell you that under Mark and the senior management team, we have met or exceeded each of those performance targets. This is particularly pleasing given our Company has been operating in a market that continues to be intensely competitive.

Mark will provide a detailed report on our Company's financial and business achievements in FY04. However as Chairman, I am delighted to report a few of the highlights for the year.

Our Company has delivered a strong Net Profit after Tax result of $65.3 million (pre Reset Preference Share dividends). This compares to a loss of $25.5 million in FY03 and exceeded our target, which we announced at last year's AGM, of $52 million - $56 million. In addition, our Cash Flow position improved dramatically from $17.3 million in FY03 to $97.8 million in FY04.

As promised at last year's AGM I am pleased to report that no Significant Items were incurred in delivering our FY04 result.

The dramatic turn-around in our Company's performance in FY04 is the result of management's hard work and commitment in implementing the Strategic Review initiatives. The past 12 months have been extremely challenging and management has done an outstanding job.

We have now laid a solid foundation from which our Company's cash flows can strengthen and grow and from which we can deliver on-going earnings growth to shareholders in future years.

FY04 DIVIDEND

At last year's AGM I emphatically stated that the Board and I were committed to ensuring that rather than pursuing growth ventures we would return excess cash flows (not needed in the ongoing business) to shareholders, in an efficient manner.

On 23 March 2004 the Board announced a new dividend payout policy for our Company. Our new policy provides that in any full financial year, not less than 75% of our Company's Net Profit after Tax (and after Reset Preference Share dividends) will be paid out to ordinary shareholders in the form of a dividend.

As a testament to the fact that the Board and I are committed, not only in words but actions also, to returning excess cash flows to shareholders, I am pleased to report that a fully franked dividend of 6 cents per ordinary share was declared in the second half of FY04. This represents a 100% increase on the 2H03 dividend of 3 cents fully franked per ordinary share.

Added to the 5 cent fully franked dividend per ordinary share paid on 4 May 2004, this takes the total dividend paid to shareholders in FY04 to 11 cents per ordinary share, fully franked. I am delighted to report that this represents an 83% increase on FY03 and is the highest dividend our Company has paid since 1996.

The 11 cent FY04 fully franked dividend per ordinary share declared by your Board of Directors is indicative of the confidence we have in the Strategic Review initiatives, our Company's refocus on its core business and the longevity of this strategy as well as management's ability to continue to deliver shareholder value in the years ahead.

As part of our focus on delivering shareholder value, we have during the past year, carefully managed our use of capital and will continue to do so. Mark will give you details of some of our recent investments of capital and some of our projects going forward.

Many of you may have seen the recent publicity regarding the re-opening of our Cosmetics and Accessories floors in our flagship Elizabeth Street store. For those of you who have not yet visited this exciting refurbishment, I would encourage you to include it on your destination list as you shop for Christmas. It is an outstanding example of the use of our capital.

In terms of Capital Management, one very important initiative that is currently underway is a thorough review of our Company's Capital Management position. The Board and Management in conjunction with independent external advisers, Gresham Partners, is identifying and assessing Capital Management opportunities that have real potential to deliver additional value to shareholders over time. We will report back to shareholders on progress made in this regard in due course.

SHAREHOLDER REWARDS

On 22 July 2004, I sent a letter to all shareholders confirming the continuation of the David Jones Shareholder Rewards program. As explained in my letter to you, the loyalty market in Australia is undergoing significant change.

On 31 July 2004, following the cessation of the Coles Myer shareholder card and in an attempt to capitalise on potential incremental Sales, management launched a marketing campaign promoting the David Jones Shareholder Rewards program. To date, new shareholders applying for and utilising the program have generated relatively small additional sales in dollar terms.

Whilst it is still early days, management and the Board will continue to monitor the program. As we have said previously, we reserve the right to vary or suspend the program in the future if it ceases to be competitive or to generate value for all shareholders.

CORPORATE GOVERNANCE

At the time of my appointment as Chairman I publicly stated that Corporate Governance would be an area of focus under my Chairmanship.

I continue to be committed to Corporate Governance and to recognise the important role that public company boards should play in upholding high corporate governance standards.

The Board and I have carefully examined the Principles of Good Corporate Governance & Best Practice Recommendations issued by the ASX 's Corporate Governance Council and the Commonwealth Government's CLERP 9 amendments to the Corporations Act. We have adopted practices as appropriate to ensure that David Jones remains at the forefront in protecting stakeholder interests.

Full details of our Corporate Governance policies and practices are set out in the David Jones 2004 Concise Annual Report and on our Company's website.

I am proud to report that our Company has for the third consecutive year been awarded 5 stars for our Corporate Governance practices in an independent report prepared by Howarth/The University of Newcastle.

David Jones was also voted the Grand Prix Best Overall Investor Relations by a non-ASX 100 company in an independent survey of more than 200 fund managers and analysts undertaken by the global publication "IR Magazine".

Over the past 12 months some of the key steps we have taken to improve our Company's Corporate Governance policies and practices include:

- providing detailed disclosure of our CEO's remuneration package;
- providing detailed disclosure of the terms of our senior executive Long Term Incentive Plan; and
- discontinuing the Non-Executive Director Retirement Allowance.

In accordance with best market practice, the Board and I have not only abolished the Non-Executive Director Retirement Allowance for new nominees but also decided to discontinue payment of this allowance to existing Non-Executive Directors. In this way, all Non-Executive Directors will be remunerated on the same basis.

REMUNERATION

One very important responsibility that I as Chairman have, is to ensure that our Company:

- attracts and retains quality Executives to manage the Company and remunerates them to ensure they are incentivised to maximise shareholder returns; and
- attracts and retains high calibre Non-Executive Directors best able to protect the rights and interests of shareholders and to uphold accountability to shareholders for the Company's performance.

One component of being able to attract and retain quality Non-Executive Directors and Executives is to ensure the remuneration we offer for these roles is commensurate with other comparable companies.

Non-Executive Directors

With this in mind, we decided in August this year, that we would appoint an independent expert in the area of Board Remuneration (Egan Associates) to conduct a review of our Company's Non-Executive Director fees, in particular following our decision to abolish Non-Executive Retirement Benefits.

The recommendation from the review undertaken by Egan Associates was that in order to compensate existing Non-Executive Directors for the discontinuance of the Non-Executive Director Retirement Allowance and to maintain relativities with other comparable companies, our Company's Fee Pool for payment of Non-Executive Director fees should be increased.

A proposed item of Special Business to this effect, for your consideration, is set out in the Notice of Meeting for the 2004 Annual General Meeting.

Executives

In the interests of incentivising and retaining our key executives, the Board and I also undertook a review of the current market for senior executives. Our review highlighted that the market for experienced senior executives in Australia is highly competitive and that other retailers have had to source key appointments from overseas.

Our review has also indicated that we need to adjust the remuneration package for our Chief Executive Officer, Mark McInnes and our Finance Director, Stephen Goddard in line with the market to secure them for the future and to continue to incentivise each of them in the performance of their roles.

This adjustment will align them more closely to shareholder returns. We are proposing to do this by increasing the variable component of their remuneration package that is directly tied to delivering shareholder value – namely their entitlements to David Jones shares under our Long Term Incentive Plan.

We are proposing to offer (subject to the Board's discretion) both Mark McInnes and Stephen Goddard additional participation in our Company's LTI Plan including a supplementary offer for each of the 2003-2005 offer and the 2004-2006 offer – both of which were approved by shareholders last year, as well as a new offer proposed for the 2005-2007 period.

As explained in this year's Notice of Annual General Meeting each grant under our Long Term Incentive Plan is conditional upon our Company's performance meeting certain performance criteria and thresholds over distinct periods of three financial years each. The actual number of shares provided to eligible participants such as our CEO and Finance Director after each 3 year period will depend on the extent to which the performance measures have been satisfied. No shares will be granted prior to the final date of the relevant 3 year measurement period and even then, will only be granted if certain performance thresholds are achieved.

In this way the Board and I believe we are incentivising our key executives and remunerating them in line with the market, whilst at the same time ensuring that their remuneration is aligned to and dependent on the creation of shareholder value over the longer term.

A proposed item of Special Business to this effect, for your consideration, is set out in the Notice of Meeting for the 2004 Annual General Meeting.

OUTLOOK
In terms of outlook, whilst we are confident with our business strategy going forward, and whilst our first quarter sales for this year were very strong, we believe that the retail environment will inevitably be impacted by the economic cycle. Independent economists are suggesting a potential slowdown in consumer spending in calendar 2005.

We are confident that the continuing execution of our strategies will enable us to continue to prosper, however we have taken these independent forecasts into account in confirming our guidance for FY05 of 5% Profit after Tax growth. This growth will come off a high base following our strong FY04 profit performance

THANK YOU
Ladies & Gentlemen, on behalf of the Board I would like to congratulate the David Jones management team and all staff, ably led by CEO Mark McInnes, for delivering an outstanding FY04 performance.

I thank them all for their hard work and commitment throughout the year.

I would also like to thank shareholders for their support since the announcement of the Strategic Review.

I am proud and pleased to be able, on behalf of the Board, to return excess cash flows to shareholders in the form of a fully franked 11 cent dividend per ordinary share.

I thank those of you who have been shareholders for sometime, for your patience and support and I look forward to our Company being able to continue to create and deliver value to you, our shareholders.

I will now hand over to our CEO Mr Mark McInnes to report to you on our Company's performance and achievements in the 2004 financial year.

MARK McINNES
Chief Executive Officer

INTRODUCTION
Thank you Chairman and good morning ladies and gentlemen.

I would like to commence my Report to you today by thanking you for your support since my appointment as Chief Executive Officer in February 2003 and since the announcement of our Strategic Review findings in June last year.

Over the past 12 months I have had the honour of being the steward of our iconic David Jones brand and the responsibility of leading our Company through a critical period of refocusing on its core business and restoring its business and financial performance.

I am pleased therefore to be able to stand before you today and to report that our FY04 financial performance is the best financial result our Company has delivered since 1996.

I am also delighted to report that shareholder returns have improved dramatically in the past 12 months. We have increased the dividend payable to ordinary shareholders by 83.3% making the FY04 dividend the largest fully franked dividend our Company has paid to ordinary shareholders since 1996.

In addition, basic earnings per share has increased by 58.7% from 9.2 cents in FY03 (pre Significant Items) to 14.6 cents in FY04.

The improvement in our Company's financial performance has been recognised by the stock market and this has been reflected in David Jones' share price. Our Company's share price has improved dramatically over the past 12 months. Pleasingly for those of our shareholders who have been on the Register since listing in December 1995, this is the first time since 1997 that our Company's share price been trading above the IPO issue price of $1.80 per share (adjusted for a 20 cent capital return in August 1999).

FY04 FINANCIAL RESULTS & ACHIEVEMENTS

Whilst we have often stated that our Strategic Review program is a three–year plan and it is still early days, I am extremely pleased to say that FY04 has been a year of significant achievements for our Company.

We have delivered Net Profit after Tax of $65.3 million. This represents 53% growth in our Company's underlying Net Profit compared to FY03.

Pleasingly no Significant Items were incurred throughout the year making our FY04 result a 'clean' and transparent result.

Our Department Store Sales grew by 6%, from $1.67 billion in FY03 to $1.77 billion in FY04. This growth was the result of our ability to capitalise on positive consumer sentiment throughout the year by implementing a number of Revenue Generating initiatives.

Our Cash levels also improved dramatically throughout the year. Our Cash at year-end was $97.8 million compared to $17.3 million in FY03. This was due to a strong operating result and a substantial improvement in working capital and is a strong indication that our Strategic Review initiatives are starting to deliver one of our key objectives – namely, the strengthening and growth of our Cash flows, enabling us to return the excess to shareholders on an ongoing basis.

Our Net Profit after Tax position and our strong Cash flows translated into a fully franked dividend of 11 cents per ordinary share being declared in FY04. This represents an increase of 83.3% on the 6 cents per share dividend declared by our Company in FY03.

Throughout the year we introduced a number of important Financial Disciplines into our business. First and foremost we implemented a Cost Efficiencies program designed to generate savings from non-customer service related areas. I am delighted to report that we were able to generate savings in excess of our stated target of $17 million for FY04. I am also pleased to report that we reduced our Cost of Doing Business percentage by 0.2% from 33.7% in FY03 to 33.5% in FY04.

Apart from our Cost Efficiencies program, we also implemented strict guidelines and disciplines in relation to Capital Expenditure. As a result of these disciplines our Capex in FY04 was in line with our stated target of $50 million for the year compared to $61.9 million in FY03 and $70.6 million in FY02.

As foreshadowed at the time of the Strategic Review, we made the final change to our store portfolio in FY04 by closing the Rockingham (WA) store, following expiration of the lease at this site. Our Company now has 35 department stores in its portfolio each of which contributes a store profit.

One of the things I am most pleased about in terms of our FY04 achievements is the fact that our Company's core Department Store earnings contribution grew by 36.7% throughout the year – from $47.5 million in FY03 to $65 million in FY04. This was primarily the result of the Revenue Generating initiatives we implemented over the past 12 months such as the expansion and enhancement of our Brand Offering. A number of new brands (many on a department store exclusive basis) were introduced or signed-up throughout the year including Saba, Lisa Ho, Witchery, Ben Sherman, Ted Baker, Kenneth Cole, Sportscraft, Von Dutch, Free Soul, Mimco, Dior, Fendi, Prada, Napoleon, SK-II, Origins, MAC, Jo Malone, Ralph Lauren Home, Calvin Klein Home, Armani Casa, Donna Hay, Max Brenner and Godiva – to name a few.

In addition, throughout the course of FY04 we realised that the prevailing positive consumer sentiment provided a strategic opportunity for us to generate additional sales by increasing David Jones' market presence through further investment in Marketing. This strategy also enabled us to ensure we retained the leading department store market position, in particular following the rebranding of Myer in NSW.

Our increased investment in marketing in FY04 was funded from cost savings over and above our $17 million target for the year and was a strategic decision which demonstrates the flexibility of our Marketing program and our ability to utilise this program to protect and grow our business in a dynamic and competitive environment.

Our Refurbishment program was also a strong earnings generator for our core department store business throughout the year. We successfully re-opened our fully refurbished Market Street Foodhall in August 2003 and re-launched our newly refurbished Bondi Junction store in November 2003. Both of these projects have delivered excellent Sales contribution since their relaunch.

In August 2004 we successfully re-opened our fully refurbished Bourke St Foodhall and two weeks ago we unveiled our new Cosmetics and Accessory Halls on the Ground & Lower Ground floors of our flagship Elizabeth St store. The benefits of these projects will be seen in FY05.

Inventory management was another factor that played a key role in the improvement in our core Department Store earnings contribution. Throughout FY04 we continued our Company's track record of being amongst the industry's best in terms of inventory management.

Our well-established stock management practices resulted in aged stock inventory levels for the group being maintained below 5% of total inventory.

Last but not least our Credit Card business delivered yet another outstanding result in FY04. EBIT for the Credit Card business grew by 25.3% from $22.1 million in FY03 to $27.7 million in FY04. This was well in excess of our stated target of 5% - 10% compound EBIT growth for this business.

Ladies and Gentlemen, I believe our strong performance in FY04 vindicates our strategic direction and provides support and confirmation of our Strategy going forward. The tough decisions we made last year were the right decisions and we are now taking the right course of action to restore our Company's investment fundamentals.

OUTLOOK

Looking forward, we have many opportunities ahead of us. We are confident that our business model will enable us to continue to deliver earnings growth in future years.

The re-opening of the fully refurbished Ground and Lower Ground floors of our flagship Elizabeth Street store will provide a solid platform for future sales growth. We have identified our targeted $17 million Cost Efficiency savings for FY05 and written them into our budget. Our strong core business revenue performance in FY04 and the financial disciplines we have implemented, mean that we are in a strong position in relation to Capital Management as mentioned by our Chairman.

Whilst we have many opportunities ahead of us, we are nevertheless a trading business and as such are inevitably impacted by the economic cycle. Independent economic forecasters are cautious about the economic outlook and are suggesting a potential slowdown in calendar 2005. We have set our business parameters in line with this outlook. We believe however, that our ability to implement Revenue Generating initiatives and Financial Disciplines will enable us to lessen our susceptibility to the economic cycle.

We are also confident that they will enable us to achieve Profit after Tax growth even in times of economic slowdown.

FY04 has been a year of many significant achievements for our Company. I am delighted we have begun the process of restoring the investment fundamentals of our Company and that we have provided shareholders with a level of confidence in our ability to deliver results. I believe we are only at the beginning of a three-year journey, with many opportunities to create value for shareholders ahead of us.

CONCLUSION

Before I end my report today I would like to take the opportunity to thank the people who have helped us achieve an outstanding FY04 result.

Employees: First and foremost our employees have been integral to our achievements over the past 12 months. Without their hard work, commitment and dedication we would not have been able to report our excellent FY04 result. I would like to take this opportunity to sincerely thank each and every one of them. We have a lot more work to do over the next 2 years and I ask them to continue their good work in the years ahead.

Suppliers: I would also like to thank all of our suppliers for working closely with us in FY04. We are committed to continuing to work closely with them in a spirit of co-operation in FY05 and in strengthening our relationships with them.

Customers: Being a service-oriented business I would like to thank our customers for their patronage throughout the year. We look forward to continuing to provide you with a unique and special shopping experience.

Shareholders: Most importantly, I would like to thank our shareholders for their support throughout our first full year under the Strategic Review program. As CEO of David Jones I would like to reiterate my commitment and that of our management team, to continuing to deliver to shareholders a value enhancing company, with a clear path to on-going earnings growth against a background of strong cash flows.

Ladies & Gentlemen thank you for the opportunity to report to you today. I look forward to being able to report back to you on progress we are making over the next 12 months.

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