2006 ANNUAL GENERAL MEETING

FRIDAY 1 DECEMBER 2006

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S ADDRESS

ROBERT SAVAGE
Chairman

Ladies & Gentlemen and fellow shareholders, welcome again to our Annual General Meeting, our primary opportunity to meet with our shareholders and to report on our Company's performance over the past 12 months.

This morning, throughout the course of my report and our CEO's Report which follows, we will provide you with an overview of the past year and the bright future that lies ahead for our Company.

There are also a number of important items on the Agenda, which I will cover with you in some detail prior to our voting on these items.

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

As you know we have just completed our third, full financial year, following the 2003 Strategic Review. Over the past three years our management team has restored our Company's financial health, by developing and implementing a Business Model that has withstood the fluctuations of the retail economic cycle and delivered year-on-year record Profit and Dividend growth for shareholders.

As can be seen from the graphs on the screen, since June 2003 our Company has delivered:

- a significant increase in **Profit after Tax*** (from $42.7 million in FY03 (pre-significant items) to $81.1 million in FY06 (AIFRS));
- an increase in **Sales** of more than $100 million since FY03 to $1821.6 million in FY06 – this reflects the success of our "Home of Brands" strategy;
- a 901% increase in **Cash** (from $17.3 million in FY03 to $173.2 million in FY06); and
- a 167% increase in fully franked **dividends** to ordinary shareholders from 6 cents per share in FY03 to 16 cps in FY06.

Added to this, our Company's:

- **EPS** has increased by 103% (from 9.2c in FY03 (AGAAP) to 18.7c in FY06 (AIFRS);
- **Gross profit margin** has increased to 38.8% in FY06; and
- **Capital expenditure** has been reduced (from $61.9 million in FY03 to $32 million in FY06).

I am pleased to report that over the past three years our Company has successfully achieved **all** of the targets that were set at the time of the Strategic Review. In fact our Company has established an enviable track record in terms of financial performance throughout this period despite the difficulties many other retailers have experienced.

OVERVIEW OF FY06

FY06 was an exceptional year for our Company. We delivered our highest ever Profit result and Dividend since listing in 1995 and our management team was able to identify and capitalise on a number of key strategic opportunities that arose throughout the year.

A detailed review of our Company's performance and achievements in FY06, will be provided this morning by our Chief Executive Officer, Mark McInnes.

DIVIDENDS

In light of our Company's strong financial performance in FY06 and as evidence of the Board's confidence in our Company's ability to continue to generate strong Cashflows and Profit growth, I am delighted to report that a fully franked dividend of 9 cents per ordinary share was declared for the second half of FY06.

Added to the 7 cent fully franked dividend per share declared for the first half of FY06, this takes the total dividend declared for the year to **16 cents per ordinary share, fully franked**. This represents an **increase of 23.1%** on the Company's FY05 dividend of 13 cents per share.

The Board and the management team remain committed to delivering ongoing dividend growth.

REINSTATEMENT OF DIVIDEND REINVESTMENT PLAN (DRP)

In July this year our Company announced that it will be opening three new stores in the FY07 to FY09 period. These new stores will be located in Westfield Shopping Centres at Burwood, Chermside and Doncaster.

On 1 September 2006 the Board declared that the cost of opening these new stores will be funded by the reinstatement of the Company's Dividend Reinvestment Plan on a non-underwritten basis for the period FY07-FY09 (inclusive).

The reinstatement of the DRP is expected to provide a cash injection of between $15 million - $20 million per annum over the next three years. This is in line with the expected cost of funding the three new stores.

The Board suspended our Company's DRP in June 2003 as part of the Strategic Review, with the intention that excess cash would be returned to shareholders. The Board and I remain committed to and reiterate our intention that excess cash generated by the business will be returned to shareholders over time in the most efficient manner.

The three new stores are all high value stores and are the result of a unique opportunity that arose following the recent restructure within the Australian Department Store sector. All three stores will support earnings growth post FY08.

The Board's decision to reinstate the DRP for three years to fund the new stores, is based on management's analysis that contribution from these stores will be Earnings per Share (EPS) accretive and will more than offset the dilutive impact of reinstating the DRP. As such, on a net basis, shareholder value will be enhanced.

I am pleased to report that in relation to the 2H06 dividend, shareholders accounting for 24.74% of the issued capital elected to participate in the DRP. The cash raised from the reinstatement of the DRP is in line with the Company's target of generating between $15 mil-$20 mil p.a. to fund the three new stores in Burwood, Chermside and Doncaster in FY07-FY09.

AGENDA

Turning now to the Agenda for today's meeting. As set out in the Notice of Annual General Meeting dated 9 October 2006, we have a number of items on our Agenda today.

Most importantly, shareholders will be considering David Jones' Financial and Statutory Reports and the re-election of John Coates and Katie Lahey as Directors of the Company.

Shareholders will also be asked to consider an increase in the Non-Executive Directors' Total Fee Pool.

The next item on the Agenda is the adoption of the Remuneration Report. This is a very important issue and immediately prior to voting on this resolution I will provide you with an overview of our Remuneration Strategy and the Report.

The final item on the Agenda relates to the grant of ordinary shares under the Company's Long Term Incentive Plan to our CEO and Finance Director covering the FY07-FY09 period.

I will cover each of these important items in further detail prior to our voting on these items.

CONCLUSION

On behalf of the Board I would like to take the opportunity to congratulate our CEO Mark McInnes and the management team for delivering an outstanding financial performance every year since implementation of the 2003 Strategic Review. Our Company's financial health has been restored, our Strategic Review targets have successfully been met and we have demonstrated our Company's ability to deliver Profit and Dividend growth to shareholders year-on-year, regardless of the peaks and troughs of the economic cycle.

We are confident that the programmes implemented over the past 12 months will continue to deliver Profit and dividend growth for shareholders in FY07 and FY08. We believe our Company has many long term opportunities available to it and a very bright future, enabling it to continue to deliver growth in shareholder value and dividends.

We are currently reviewing our opportunities and strategy for the FY09-FY12 period and look forward to announcing this to shareholders and the market in mid 2007.

I thank shareholders for their support since the announcement of the Strategic Review. I am pleased and proud to be able to present this year's Annual Report and on behalf of the Board to declare an "all-time high" dividend of 16 cents per ordinary share in FY06.

I look forward to our Company continuing its stellar track record of performance and its commitment to creating and delivering value to our shareholders.

I will now hand over to our CEO Mr Mark McInnes to report to you on the Company's performance and achievements in the 2006 Financial Year.

MARK McINNES
Chief Executive Officer

Thank you Chairman and good morning ladies and gentlemen.

I would like to commence my Report by thanking you and the Board for your support throughout the year.

The 2006 financial year has been an important year for our Company. This is the second consecutive year since implementation of the 2003 Strategic Review that our Company has delivered a record profit and dividend. Our business model now has an established track record of delivering year-on-year growth in shareholder returns, regardless of the peaks and troughs of the retail economic cycle.

On 27 September 2006, our Company reported its **FY06 Full Year Results**. As can be seen from the screen behind me some of the highlights were:
- a record **Profit after Tax (PAT)** of $81.1 million. This represents an increase of 30.6% on PAT in FY05;
- **Sales revenue** for the year grew by 1.2%;
- **EBIT** in FY06 was up 25.7% on FY05;
- the **core David Jones Department Store business** reported a 41.5% increase in EBIT; and
- our **Credit Card business** continued its solid performance, reporting growth of 6.2% in EBIT in FY06.

As a result of developing and implementing a solid business model and effectively executing our core strategy over the past three years, I am pleased to report that we have successfully restored our Company's financial health from the difficulties we faced in 2002.

The restoration of our Company's financial health was of critical importance to our business in FY06 because it ensured we were in a strong position to:
- take advantage of the opportunity to effectively reacquire our Company's flagship Sydney and Melbourne CBD stores; and
- capitalise on the recent industry restructure.

In terms of the Industry Restructure, two primary benefits have resulted for our business – we have been able to expand our Store Portfolio and our Brand Portfolio.

From a Store Portfolio perspective one of the key impacts of the restructure of the Australian Department Store sector has been that it has given our Company negotiating leverage and opened up opportunities with landlords that were not previously available. On 20 July 2006, we announced the first tranche of these opportunities which involved entering into agreements with Westfield Management Limited to open new David Jones stores in their Burwood, Chermside and Doncaster shopping centres.

We continue to remain interested in a select number of other strategic store locations which we believe will provide growth opportunities over the FY09 – FY12 period. We are encouraged by the commercial approach landlords are taking in negotiations relating to these sites and will update the market when further progress is achieved.

In relation to our Brand Portfolio, the Industry Restructure has presented many opportunities for us to add further brands to our portfolio and to secure existing key department store exclusive brands on a long term basis.

On 20 July 2006 we announced that Tigerlily, Simone Pérèle, Sara, Luxaflex and Mambo have been added to our portfolio on a department store exclusive basis as a result of the industry restructure. Since that date we have signed long term department store exclusivity agreements with Saba, FCUK, Witchery (including the expansion of Witchery footwear and accessories) and Sportscraft footwear and accessories. We have also entered into an agreement with Country Road that will see this brand re-enter our entire store network in February/March 2007.

We expect further brand portfolio opportunities to arise as the sector continues to restructure and we are prepared and well positioned to capitalize on these.

Added to the industry restructuring opportunities that arose in FY06, we recognised at the start of the year that a very unique opportunity had arisen to effectively **reacquire the flagship David Jones Sydney and Melbourne store properties**. On 13 December 2005, our Company announced that it had entered into a heads of agreement with Deutsche Bank AG to effectively reacquire these flagship properties. Since 2000, these properties had been the subject of a sale and leaseback transaction (S&L Transaction). On 29 September 2006, the sale and leaseback structure was formally unwound resulting in our Company now owning these strategically important sites.

Ownership of these properties provides our Company with both long-term strategic and financial benefits. From a strategic perspective David Jones now controls key flagship property assets within its store portfolio. This is of particular significance given that the new ownership of Myer means it is inevitable that Melbourne's central retailing core will be redeveloped. Ownership of our three Bourke Street flagship properties will ensure our Company is the master of its own destiny and can leverage the best outcome for shareholders in this all important market.

In addition to the strategic benefits of unwinding the Sale & Leaseback Transaction there are also a number of important financial benefits which will result, including:

- the addition of $414 million of tangible assets to the Company's balance sheet;
- replacement of rental payments that escalate at 2.5% p.a. until 2079 with interest payments on a reducing level of debt over time;
- EPS accretion;
- the addition of $3 million p.a. to the Company's PAT; and
- the addition of a further $4 million p.a. to cashflow.

Our ability to effectively reacquire our flagship stores and to benefit from the industry restructure vindicates the hard work that has been undertaken to restore our Company's financial health. We are now in a position of strength to identify and capitalize on further strategic opportunities that arise and to begin the process of laying the foundation for our Company's longer term success and ongoing shareholder value growth.

In terms of the immediate future, as can be seen from the graph on the screen, Access Economics is forecasting a mild strengthening in retail spending and a solid outlook for **FY07**. The market conditions we have experienced at the start of FY07 are in line with this forecast. In **FY08** Access Economics is forecasting a peak in the cycle with a return to strong retail spending.

This expected strengthening in consumer sentiment in FY07 coincides with our Retail Development program including the:

- launch of our fully **refurbished Bourke Street** Ground Floor Cosmetics and Accessories hall;
- launch of our **refurbished Market Street Ground and First Floor Menswear** Fashion; and
- opening of our **new Burwood** store in April 2007.

The expected FY08 peak in retail spending will coincide with the:
- launch of our new **Queens Plaza** store;
- opening of our new **Chermside store**; and
- first full year benefit from our **Burwood** store.

Looking **beyond FY08** to the longer term, we believe we have a number of attractive growth opportunities that will enable us to continue our track record of delivering ongoing shareholder value and returns. I firmly believe our Company has a very exciting and lucrative future.

These longer term growth opportunities include:
- expansion of our store portfolio;
- development of our Financial Services business with specific focus initially on the introduction of a "general purpose card"; and
- expanding our core business EBIT through the continued expansion of our brand portfolio, reduction of our CODB and continuing our refurbishment program.

Before I end my report today I would like to take the opportunity to thank the people who have helped us achieve an outstanding FY06 result:
1. To the leadership team, represented in your annual report as the Management Committee. I firmly believe we have the finest group of leaders in their chosen fields of expertise. We have a group of proven leaders who will continue to drive this Company's profit and dividend growth.
2. To our employees who through their hard work enabled our Company to deliver an outstanding financial result. I would like to take this opportunity to thank each of you;
3. I would also like to take the opportunity to thank our suppliers for working closely with us in FY06. We look forward to continuing to work closely in the year ahead;
4. 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; and
5. Most importantly, I would like to thank our shareholders for their support. As CEO of David Jones I reiterate our commitment to continuing to deliver ongoing Profit and dividend growth.

Ladies & Gentlemen thank you for the opportunity to address you today. I look forward to being able to report back to you on our achievements over the next 12 months.

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