



2007 ANNUAL GENERAL MEETING

THURSDAY 29 NOVEMBER 2007

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 exciting future that lies ahead for our Company.

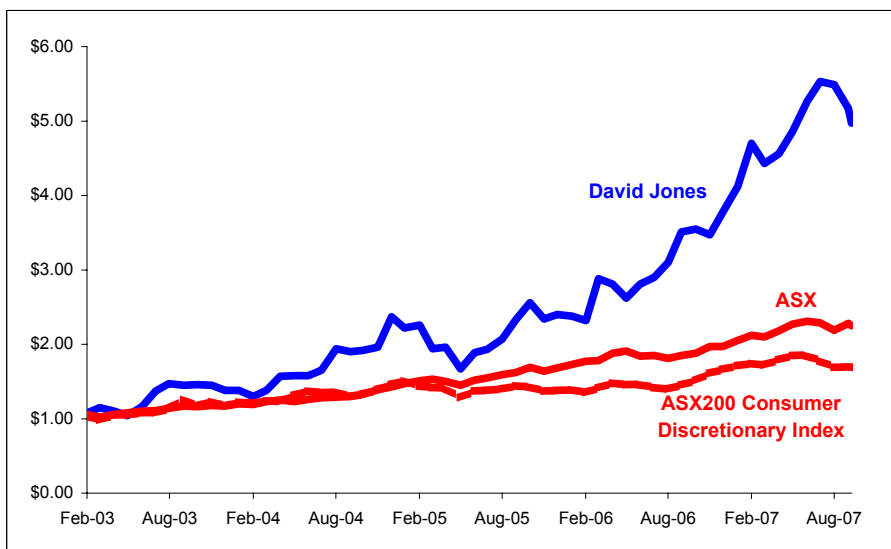
There are also a number of important items on the Agenda, which I will cover with you in some detail prior to our voting on these items.

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

As you know the 2007 Financial Year is the fourth year since implementation of the 2003 Strategic Plan and we are delighted to report that throughout this four year period our Company has:

- outperformed both the ASX200 Index and the ASX200 Consumer Discretionary Index in terms of **share price performance** (as can be seen from the screen behind me)

Graph 1 - Share Price Performance FY03-FY07 (\$)

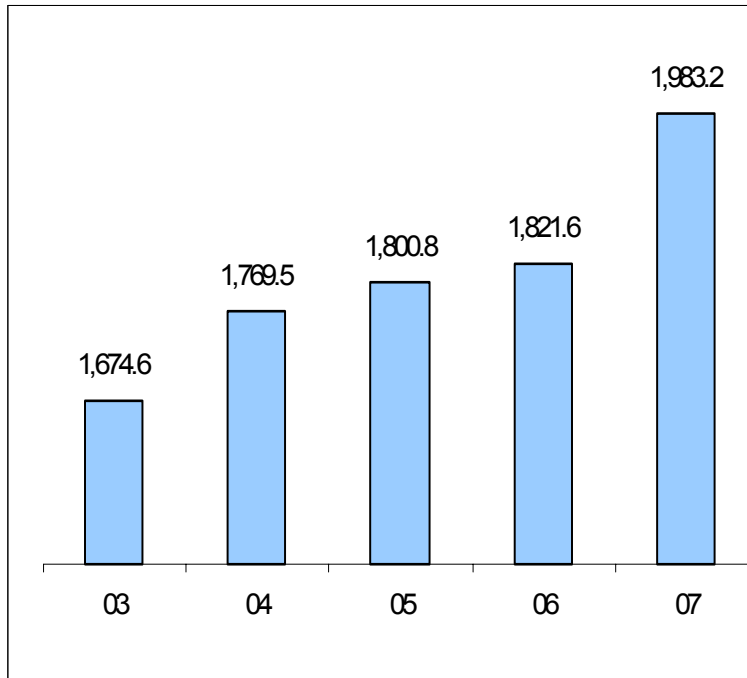


DAVID JONES

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

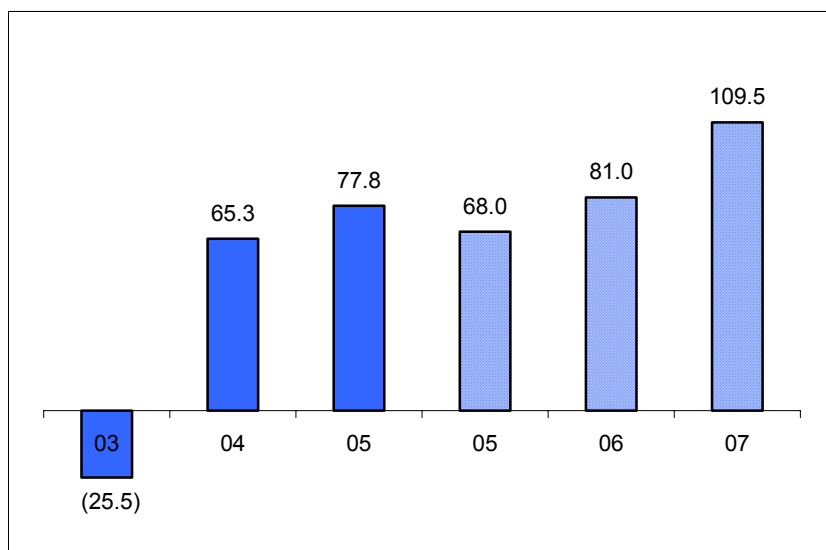
- delivered an increase in **Department Store Sales** of more than \$300 million since FY03, to \$1983.2 million in FY07 (as can be seen from the screen behind me);

Graph 2 – Department Store Sales FY03-FY07 (\$m)



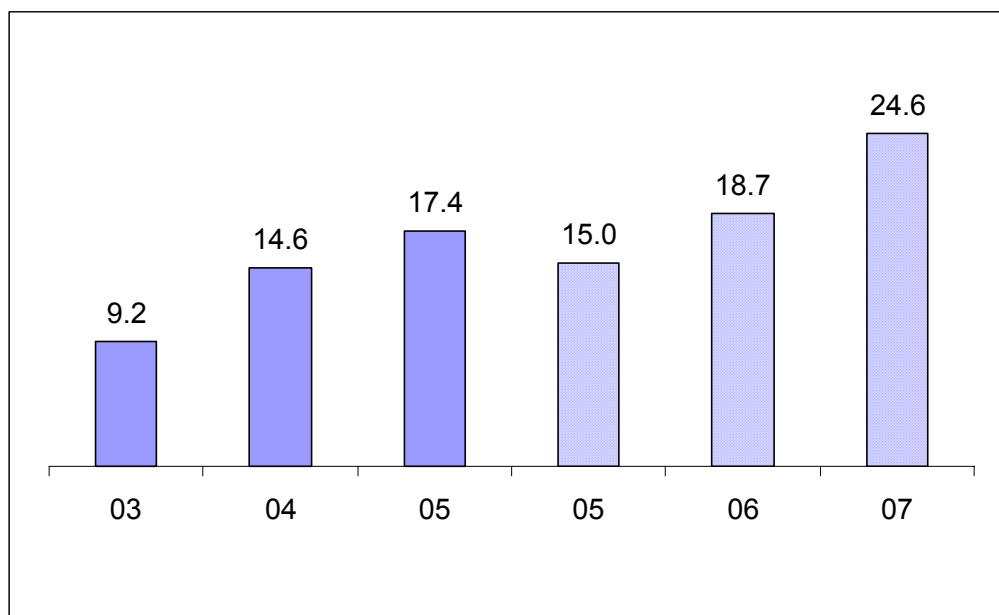
- delivered a year-on-year increase in **Profit after Tax (PAT)** (from a loss of \$25.5 million in FY03 (AGAAP) to \$109.5 million in FY07 (AIFRS) (as can be seen from the screen behind me);

Graph 3 – Profit After Tax FY03-FY07 (\$m)



- delivered an increase in **EPS** of 167% (from 9.2 cents in FY03 (AGAAP) to 24.6 cents in FY07 (AIFRS) (as can be seen from the screen behind me);

Graph 4 – EPS FY03 – FY07 (cents)



- delivered an increase of nearly 100 basis points in **Gross Profit Margin** over the past 2 years to 39.3% in FY07;
- decreased its **Cost of Doing Business** (CODB) by 140 basis points from 33.7% in FY03 to 32.3% in FY07; and
- maintained a tight control on **Capital Expenditure**

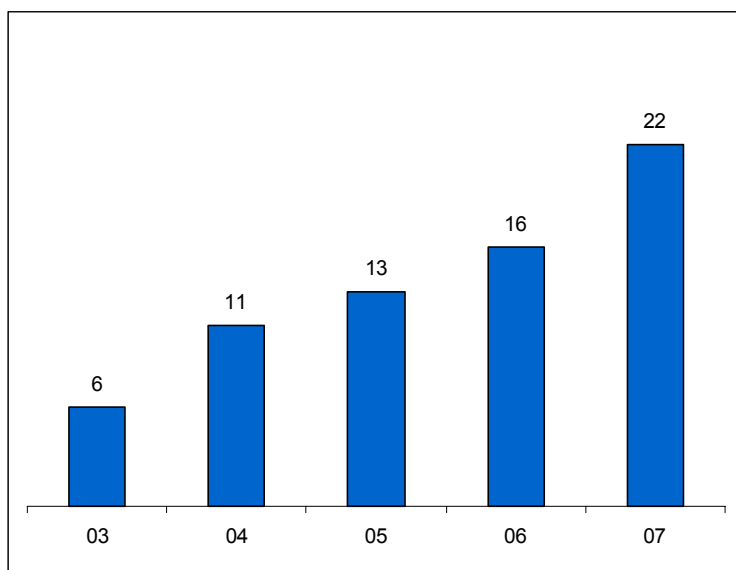
DIVIDENDS

In light of our Company’s strong financial performance in FY07 and the exciting opportunities that lie ahead, the Board has declared a fully franked dividend of 13cps for 2H07, which is a 44% increase on 2H06.

Added to the fully franked dividend of 9cps declared for the first half of the 2007 financial year (1H07), this takes the total dividend declared for the year to 22 cps, fully franked. This represents an increase of 37.5% on the Company’s FY06 dividend of 16cps.

The Board and the management team remain committed to you in delivering ongoing dividend growth. We have delivered a 267% increase in fully franked dividends to our ordinary shareholders since the time of the Strategic Review, by increasing from 6cps in FY03 to a dividend of 22cps in FY07 (as seen on the screen).

Graph 5 – Dividend FY03 – FY07 (cps)



I am pleased to report that over the past four years our Company has established a strong track record in terms of financial performance and shareholder returns.

This track record demonstrates the fact that we now have a proven business model, a capable management team and a solid foundation for future growth in shareholder returns, regardless of the peaks and troughs of the economic cycle. Most importantly, we have now established a solid foundation from which to implement our FY09 – FY12 Strategic Plan and to implement initiatives that will deliver longer-term success for our Company and ongoing growth in shareholder returns.

AGENDA

Turning now to the Agenda for today’s meeting. As set out in the Notice of Annual General Meeting dated 24 October 2007, we have a number of items on our Agenda today.

Most importantly, shareholders will be considering David Jones’ Financial and Statutory Reports. Shareholders will also be considering the re-election of Reginald Clairs and John Harvey as Non-Executive Directors of the Company, as well as considering the election of a new Non-Executive Director in Peter Mason.

In addition, shareholders will be asked to consider 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 items on the Agenda relate to remuneration, specifically the grant of ordinary shares under the Company’s Long Term Incentive Plan to our CEO and Finance Director covering the FY08-FY10 period.

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

CONCLUSION

I would like to take the opportunity to congratulate our management team for delivering an outstanding financial performance in FY07, and in fact every year since implementation of the 2003 Strategic Review.

Our Company’s financial health has been restored and management has implemented a strong business model with an excellent track record of delivering shareholder returns, regardless of the peaks and troughs of the economic cycle.

I thank shareholders for their support since the announcement of the 2003 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 unprecedented dividend of 22 cents per share in FY07.

I look forward to reporting back to you in 12 months and to our Company continuing to grow profits and dividends 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 2007 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.

As our Chairman mentioned, the 2007 financial year has been an important year for our Company. This is the third 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 26 September 2007, our Company reported its **FY07 Full Year Results**. The past 12 months were notable for our Company not only in terms of financial performance, but also because:

- We started to enjoy the first tranche of benefits and opportunities arising from the recent restructure within the Australian Department Store sector, including a more rational competitive environment and opportunities to expand our brand and store portfolio;
- We unwound the complicated Sale and Leaseback structure that was in place since 2000 by effectively “reacquiring” our flagship Sydney and Melbourne CBD store properties;
- We opened our first two new stores since 2001, in Westfield’s Burwood and Chermside centres;
- We completed the successful refurbishment of our Bourke St Cosmetics & Accessories Hall;
- We announced the sale of our Little Bourke Street Home Store for a very attractive price in excess of \$50 million;
- We unveiled plans for the \$85 million redevelopment of our Women’s and Men’s flagship Melbourne CBD stores in Bourke Street – this redevelopment will create 30% more selling space and will deliver to customers in Melbourne an unprecedented retail experience on par with the world’s best such as Selfridges, Nordstrom and Bloomingdales;

- We simplified our Company’s capital structure by converting all existing Reset Preference Shares into ordinary David Jones shares on 1 August 2007; and
- We decided not to renew our Bankstown and Eastgardens (NSW) leases on the basis that they were not economically feasible. David Jones exited the Bankstown centre in July 2007 and closed its Eastgardens store on 23 September 2007.

In terms of financial performance, FY07 was an outstanding year for our Company. We delivered a record Profit result and declared a record Dividend – both being the highest since listing in 1995. As can be seen from the screen behind me some of the highlights were:

- Our **Profit after Tax (PAT)** for the financial year ended 28 July 2007 was \$109.5 million*. This represents an increase of 35% on PAT for FY06 (\$81.1 million).
- **Sales Revenue** for the year grew by 8.9% in FY07 (from \$1,821.6 million in FY06 to \$1,983.2 million in FY07). On a like-for-like basis, Sales grew by 8.3% over FY06.
- **Earnings before Interest and Tax (EBIT)** in FY07 was \$176.1 million up 21.3% on FY06 (\$145.1million). The ‘EBIT to Sales Ratio’ for FY07 was 8.9%, which represents an increase of 90 basis points on FY06 (8.0%).
- **EBITDA** increased from \$174.0 million in FY06 to \$212.2 million in FY07 and now constitutes 10.7% of Sales.
- Our **Credit Card** business continued its solid performance track record, reporting growth of 5.8% in EBIT to \$36.1 million in FY07 from \$34.1million in FY06. We are pleased to report that our Credit Card business is in good shape as we look to transition to the new environment of General Purpose Card and Store Card in FY09.
- The total **Cost of Doing Business (CODB) percentage** for FY07 was 32.3%, an improvement of 40 basis points on the FY06 CODB percentage (32.7%). This performance reflects our strong cost efficiency focus since the Strategic Review in 2003.
- **Gross Profit Margin** for FY07 (under AIFRS) was 39.3% compared to 38.8% in FY06. This is an improvement of 50bp over the past 12 months and is especially pleasing given our strong GP% performance in recent years.
- **Capital Expenditure** for the year was \$62.2 million and included Capex for the new Burwood and Chermside stores, which were funded via the reinstatement of the Dividend Reinvestment Plan for three years. Extracting the cost of the Burwood and Chermside store openings, the Company’s Capex is well within its target cap of \$50 million per annum.
- We continued our track record of tight **Stock management**, with aged stock inventory levels for the Group again being maintained below 5% of total inventory; and
- The Company’s “**Cash on Hand**” as at 28 July 2007 was \$161.3 million (post allocation of \$63 million to the reacquisition of the Company’s Sydney and Melbourne flagship CBD stores). This compares well to the FY06 Cash levels at year-end of \$173.2 million and demonstrates the ability of the business to generate strong cashflows.

FUTURE OUTLOOK

In terms of outlook, in particular the immediate future, independent economic forecasters, Access Economics, are forecasting a continuing strengthening in retail spending and a solid outlook for **FY08**. The market conditions we have experienced at the start of FY08 are in line with this forecast and we are well positioned to capitalize on the expected strong consumer sentiment throughout calendar 2008.

This will be enhanced by the fact that:

- we will have had a full year of trading for our new Burwood, NSW and Chermside, Qld stores; and
- we are on track to open our new flagship QueensPlaza store in the Brisbane CBD in early February 2008.

We reaffirm our FY08 Profit after Tax guidance, provided on 26 September 2007, of 8% - 13% growth on FY07 underlying PAT base of \$109.5 million (i.e. 5%-10% plus the positive benefit to PAT in FY08 following the conversion of the Reset Preference Shares on 1 August 2007).

David Jones has benefited from the restructure of the Australian department store sector, which has come about as a result of the sale of the Myer department store chain by Coles to the TPG group in mid 2006. Since that time David Jones has entered into 3 new store leases with Westfield at Burwood, NSW, Chermside, Qld and Doncaster, Vic., as well as adding a number of new brands to our portfolio.

Our sales at the Burwood and Chermside stores since their opening have been outstanding and we look to leverage future opportunities due to the industry restructure, as they arise over time.

Looking **beyond FY08** to the longer term, we believe our Company has 5 key sources of value and growth, these being:

- The launch of a "David Jones" branded **General Purpose Card**;
- Identifying and securing **new store locations** in high value, high growth centres;
- Implementing a **high value strategic refurbishment** program including completion of the Bourke Street redevelopment in time for Christmas trading in 2009;
- Identifying and implementing **Cost Efficiency initiatives** that will reduce our Company's Cost of Doing Business percentage each year over the FY09-FY12 period; and
- Implementing **Gross Profit Enhancement programs** that will deliver returns over the next four years, including renegotiation of supply terms with suppliers.

These sources of value will be explained in further detail when we unveil our Company's FY09-FY12 Strategic Plan in early 2008. Suffice to say that these attractive growth opportunities 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.

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 FY07 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 FY07. 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 and 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.
