DAVID JONES LIMITED
STRATEGIC REVIEW

3 June 2003

Key Strategic Outcomes

A focused organisation maximising shareholder return from our core department store business

Key Strategic Outcomes

As an outcome of focusing on core department stores, the plan will deliver to shareholders:

- A focused company with a clear sustainable strategy
- Raised earnings guidance for FY2004
- PAT guidance FY2004 $52-$56 million*
- 5%-10% PAT increase in subsequent years
- Exit of the Foodchain business
- Repositioning of Online

** Earnings guidance pre RPS*

Key Strategic Outcomes

- 3 Year Plan to save $50 million in total cost efficiencies by FY2006
  - $40m to offset strategic cost increases from key store refurbishments and service initiatives
  - $10m to flow through to EBIT by FY2006
  - SG&A% will reduce at least 50 basis points by FY2006
- Cultural shift to focus on cost efficiencies
- $50 million reduction in planned Capex FY2004 - FY2008

Key Strategic Outcomes

- Store Portfolio Review
  - Rockingham (WA) to close July 2004
  - Negotiate to exit Fountaingate (Vic) lease commitment
  - Writedown of $7.9m of Hornsby (NSW) assets; store to continue trading
  - All ongoing stores profitable providing a significant competitive advantage
- Comparable store sales revenue to reflect the economic cycle
- $60m-$70m of sales growth to come from key store refurbishments
- Sustainable core business gross margin of 36.5%-36.9%
- Credit card EBIT to grow 5%-10% FY2004-FY2006
- Return strong future excess cash flows to shareholders in the most efficient manner

Key Strategic Outcomes

- FY2003
  - 15%-20% profit after tax growth pre significant items and pre RPS on track
  - Significant items more than $78m (pre tax)
  - FY03 full year loss (post tax) expected to be more than $20m (pre RPS)
  - More definitive guidance cannot be provided until resolution of Foodchain and Fountaingate lease exits
  - Directors intend to pay 3cps fully franked final dividend FY2003

Company Vision

- **David Jones will be the best, full line, differentiated department store. Our Company will be a combination of capital city stores and key suburban locations. We will maximise shareholder return by focusing on delivering the core operating fundamentals of a department store**

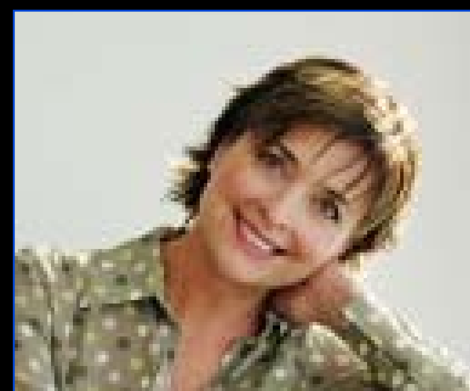
- **We will be the best differentiated department store by focusing on:**
  - understanding and delivering on our customer needs (both current and emerging)
  - a portfolio of the best international and national brands
  - continued delivery of range and promotion differentiation
  - gross margin sustainability
  - international best practice inventory management
  - capital expenditure effectiveness
  - building a sustainable culture for cost effectiveness
  - delivery of cost efficiencies
  - being the best economic cycle managers in the retail market

- **To achieve this we will focus on attracting, rewarding and developing people for high performance outcomes**

Market Positioning

The David Jones Customer

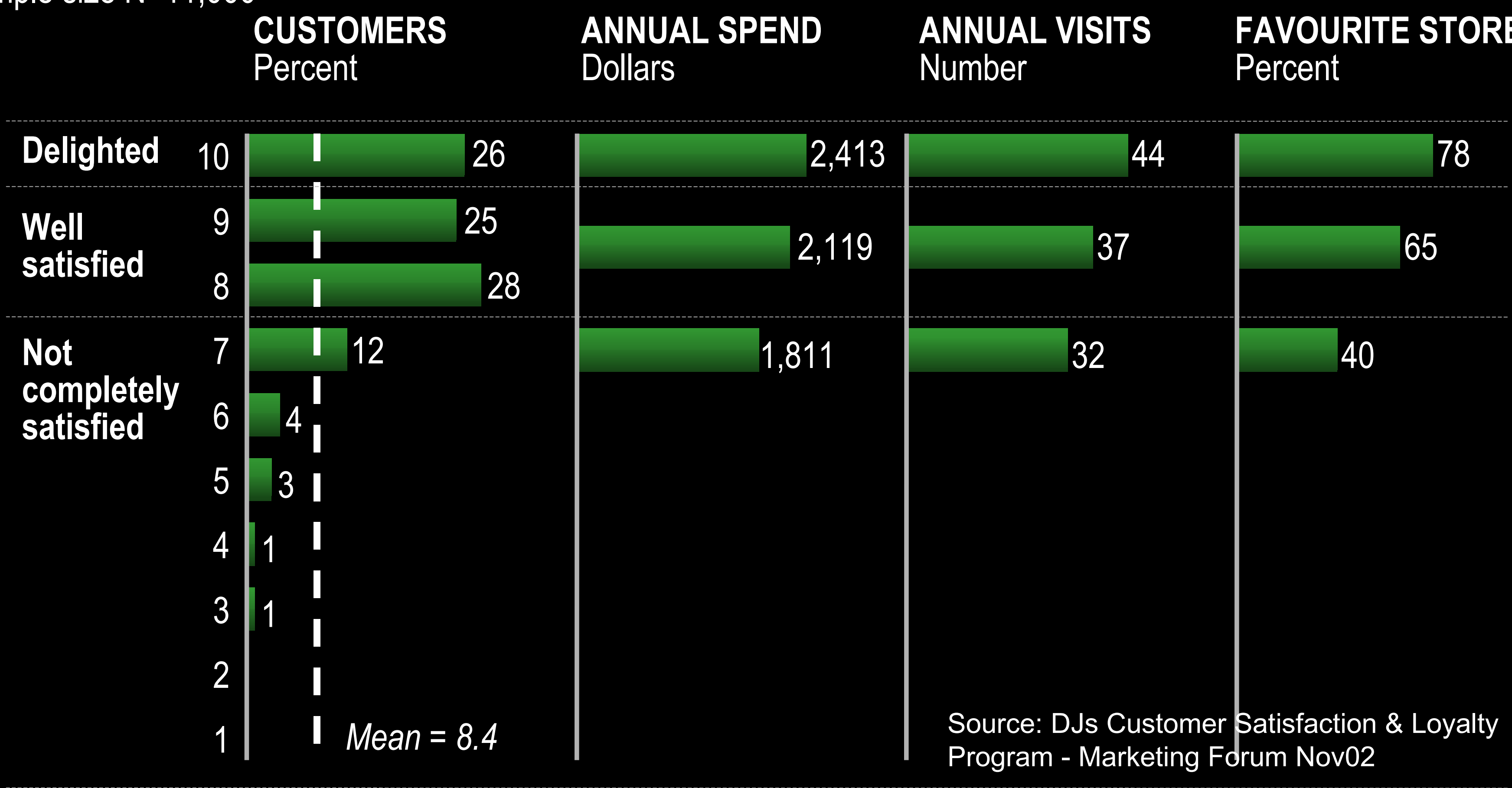





Market Positioning

David Jones Core Customers are Delighted

Sample size N~11,000



Source: DJs Customer Satisfaction & Loyalty Program - Marketing Forum Nov02

Market Positioning

Our target segment is valuable

20% of Total Population

Women = 52%

Men = 60%

Furniture = 63%

Homewares = 58%

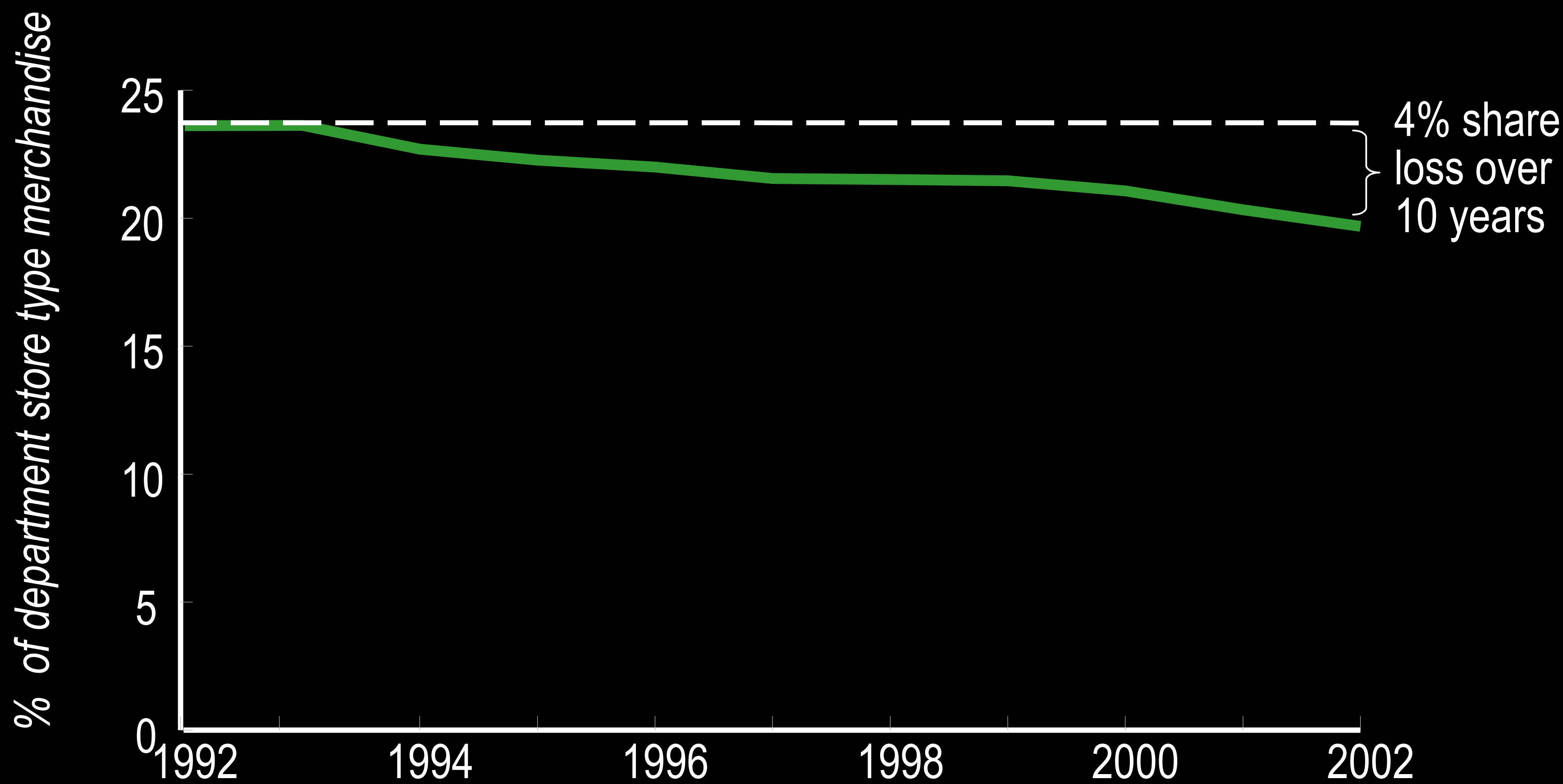
Perfume & Cosmetics = 48%

Proportion of Sales from David Jones

Based on analysis of Roy Morgan data

Market Positioning

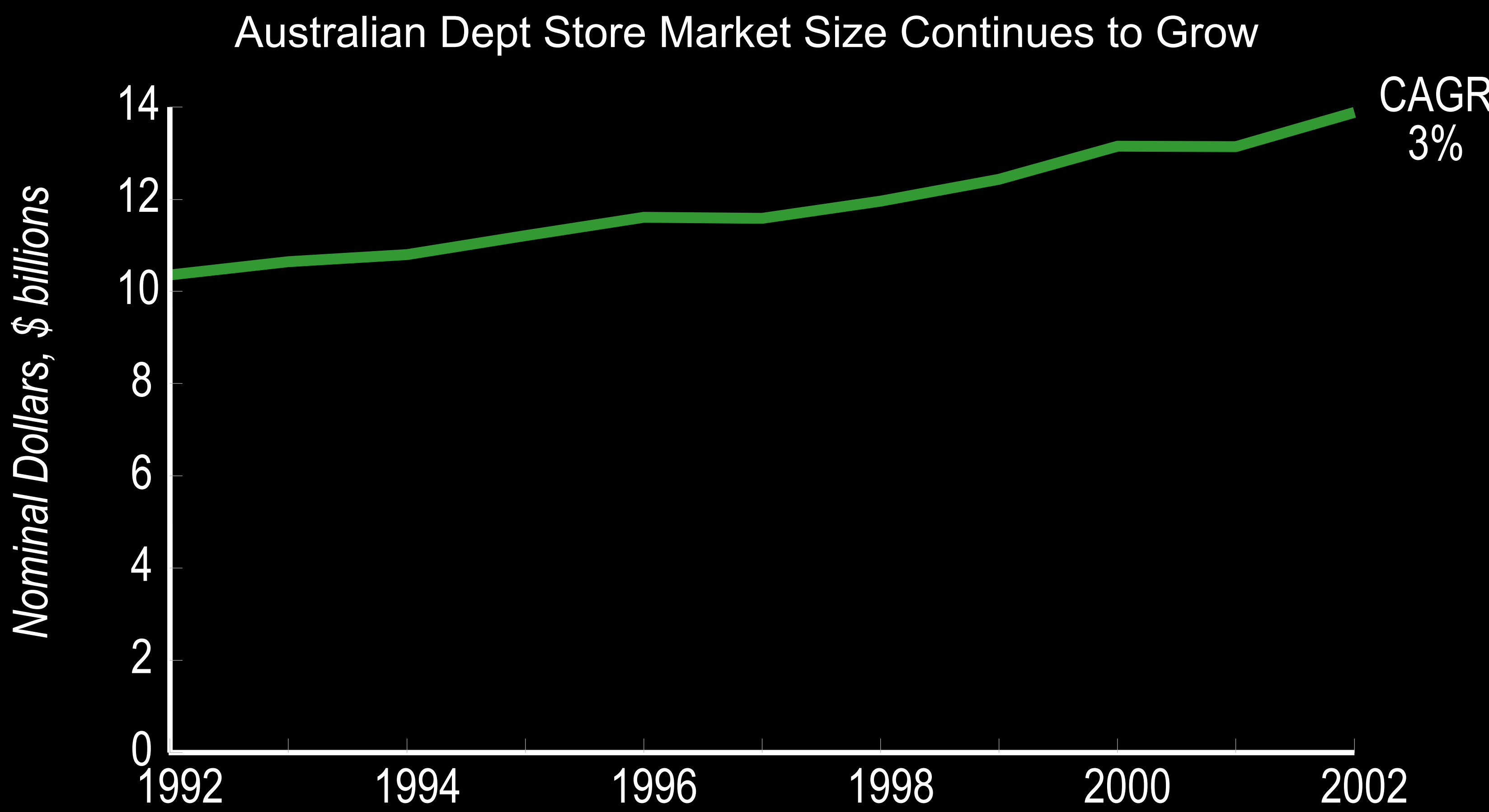
Department Store Share of DSTM



Source: ABS Retail Trade Australia

Market Positioning

The market will support a well defined, differentiated retail dept store

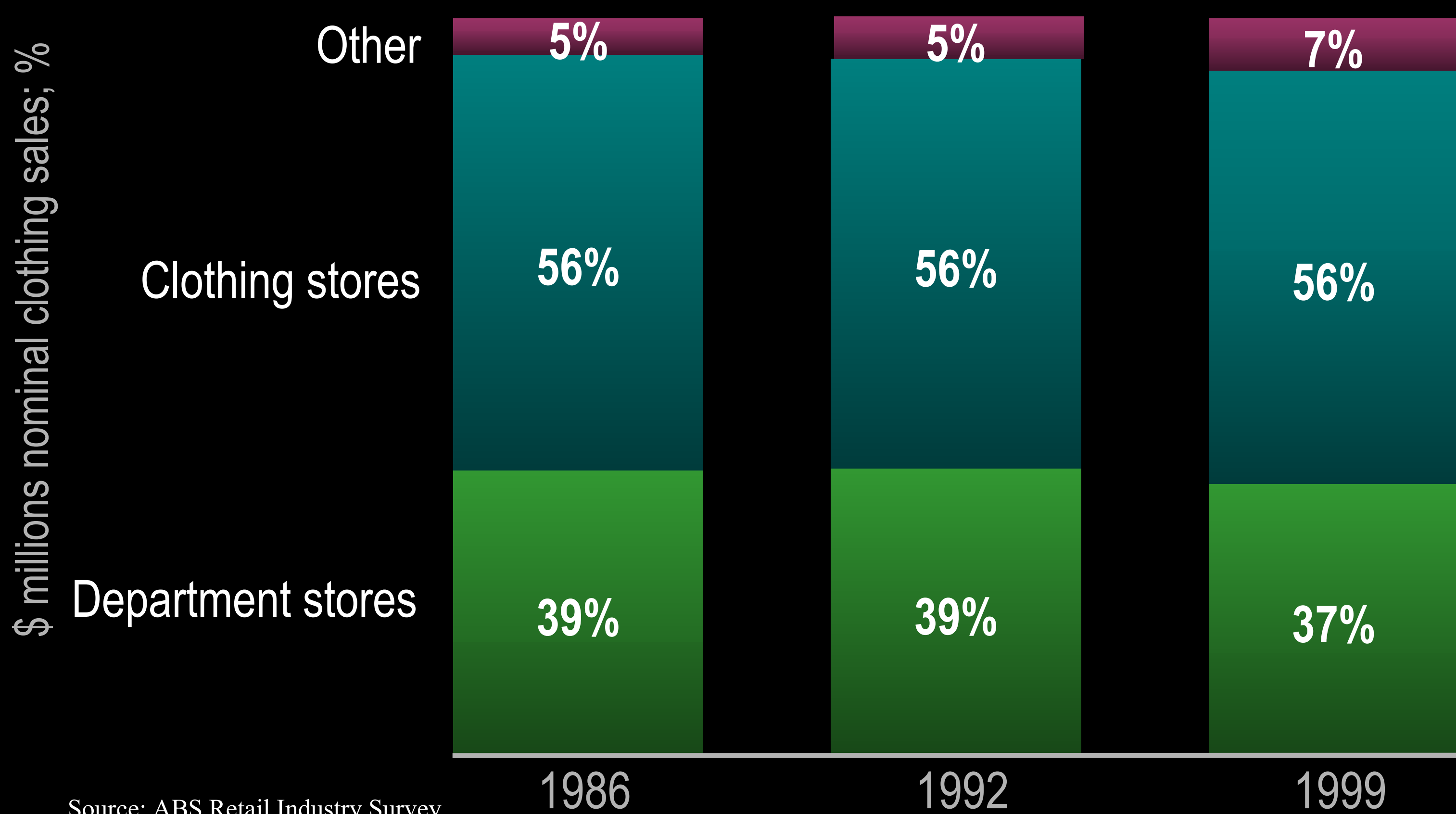


Source: ABS Retail Trade Australia

Market Positioning

The market will support a well defined, differentiated retail dept store

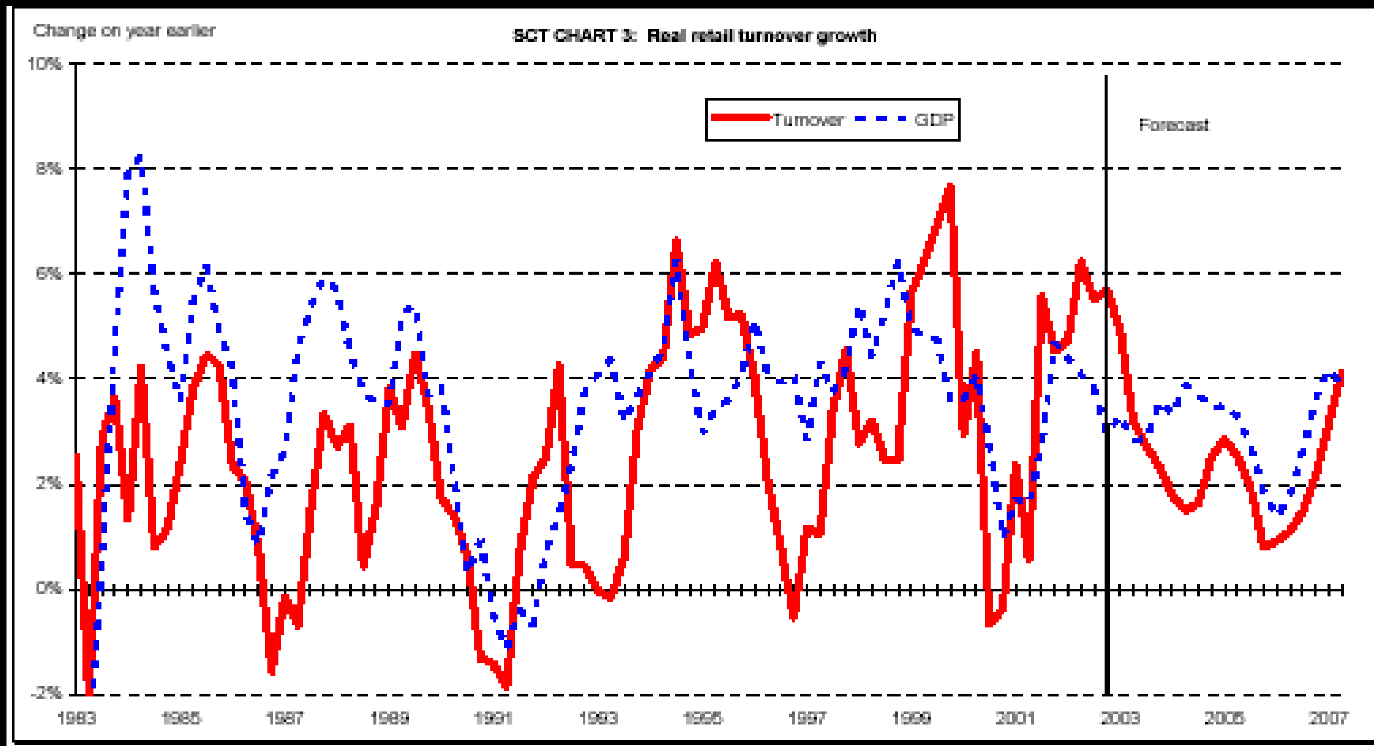
Specialty Retailers are not taking share of Clothing in Australia



Source: ABS Retail Industry Survey

Sales Revenue

Retail Sales Turnover



Source: Access Economics Business Outlook - March 2003

Sales Revenue

Management of the economic cycle

- Cyclical nature of discretionary spending incorporated in forecasts
- Economic forecasts suggest LFL growth, excluding stores under refurbishment

2004	2005	2006
0.5-1.0%	1.5-2.0%	0.5-1.5%

Sales Revenue

Benefit from Key Store Refurbishments

	2004	2005	2006	2007	2008
Eliz & Market Sts (Sydney CBD)	X	X	X	X	X
Bondi	X	X			
Bourke St (Melbourne CBD)		X	X		X
Queen St (Brisbane CBD			X	X	X
Hay St (Perth CBD)	X	X			
Claremont (WA)				X	X
Total Sales Growth from Refurb	1.0-1.5%	1.0-1.5%	1.0-1.5%		

Sales Revenue

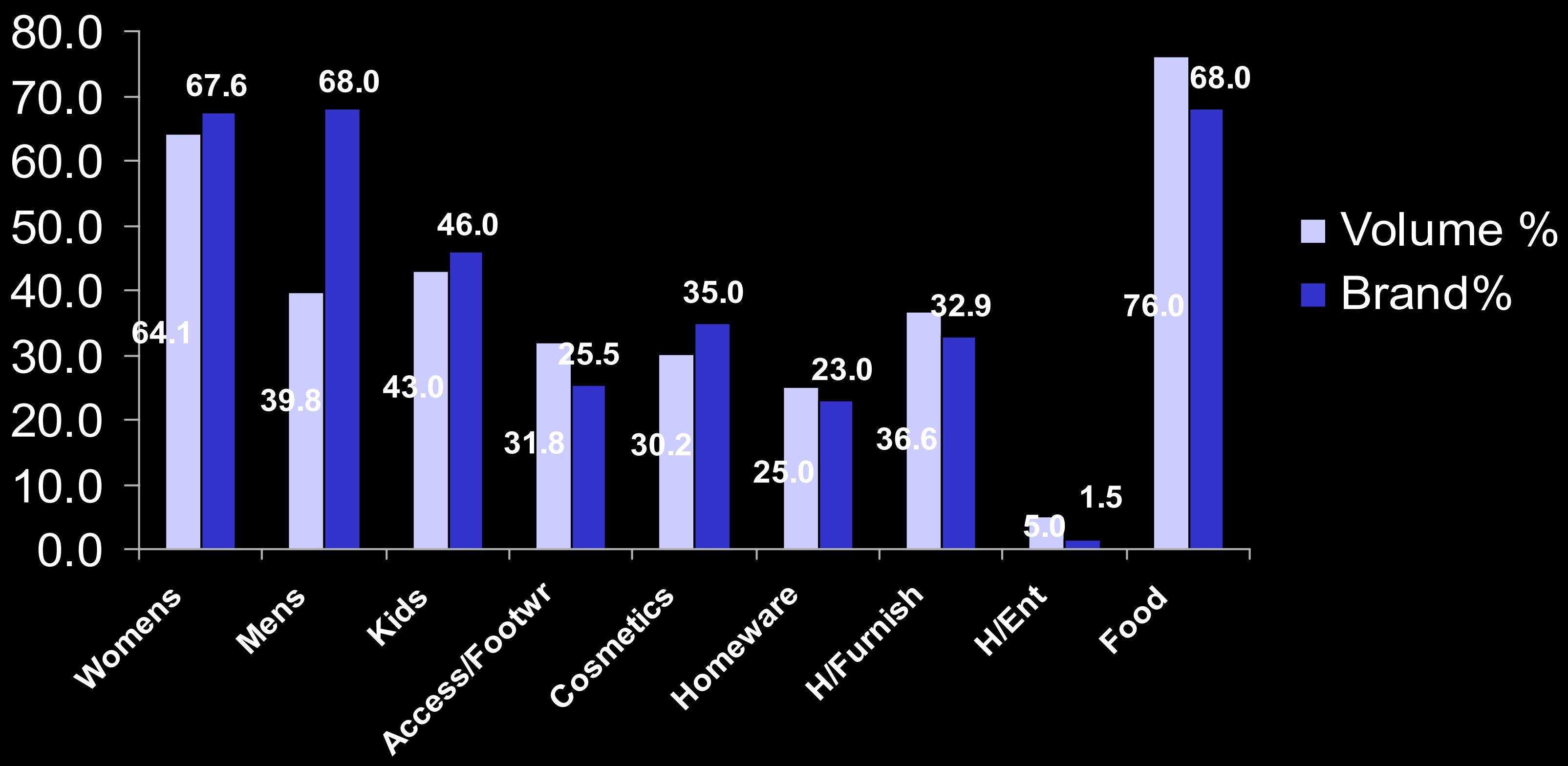
Total sales growth expectations:

A combination of the economic cycle and key refurbishment growth initiatives

	2004	2005	2006
Economic Impact on LFL Sales	0.5-1.0%	1.5-2.0%	0.5-1.5%
DJs Refurb Growth Expectations	1.0-1.5%	1.0-1.5%	1.0-1.5%
Total Range of Sales	1.5-2.5%	2.5-3.5%	1.5-3.0%

Sustainable Gross Margin

Differentiation - The best international and national brand strategy



Sustainable Gross Margin

Differentiation - The best international and national brand strategy

INTERNATIONAL BRANDS	David Jones	Selfridges (UK)	Neiman Marcus/ Nordstrom (USA)	Myer/ Grace
WOMENS & MENSWEAR				
Armani Collezioni	✓	✓	✓	X
Armani Jeans	✓	✓	✓	X
Max Mara	✓	✓	X	X
Bally	✓	✓	✓	X
Burberry	✓	✓	✓	X
Bvlgari	✓	✓	✓	X
Ferragamo	✓	✓	✓	X
Helmut Lang	✓	✓	X	X
Jil Sander	✓	X	✓	X
Ralph Lauren Jeans	✓	✓	X	X
Ralph Lauren Collection	✓	✓	✓	X
Donna Karan	✓	X	✓	X
Escada	✓	✓	✓	X
Calvin Klein	✓	X	X	X
Diesel	✓	✓	✓	X
Gant	✓	✓	✓	X
Bruno Magli	✓	✓	✓	X
Zegna	✓	✓	✓	X

Sustainable Gross Margin

Differentiation - The best international and national brand strategy

INTERNATIONAL BRANDS	David Jones	Selfridges (UK)	Neiman Marcus/ Nordstrom (USA)	Myer/ Grace
COSMETICS				
Giorgio Armani Cosmetics	✓	X	X	X
La Prairie	✓	✓	✓	X
Sisley	✓	✓	✓	X
Mecca	✓	✓	✓	X
Bobbi Brown Cosmetics	✓	✓	✓	X
Crème de la Mer	✓	✓	✓	X
HOME & FOOD				
Bang & Olufsen	✓	✓	X	X
Natuzzi	✓	✓	X	X
Nakamichi	✓	✓	✓	X
Orrefors Kosta Boda	✓	✓	✓	X
Godiva	✓	✓	✓	X

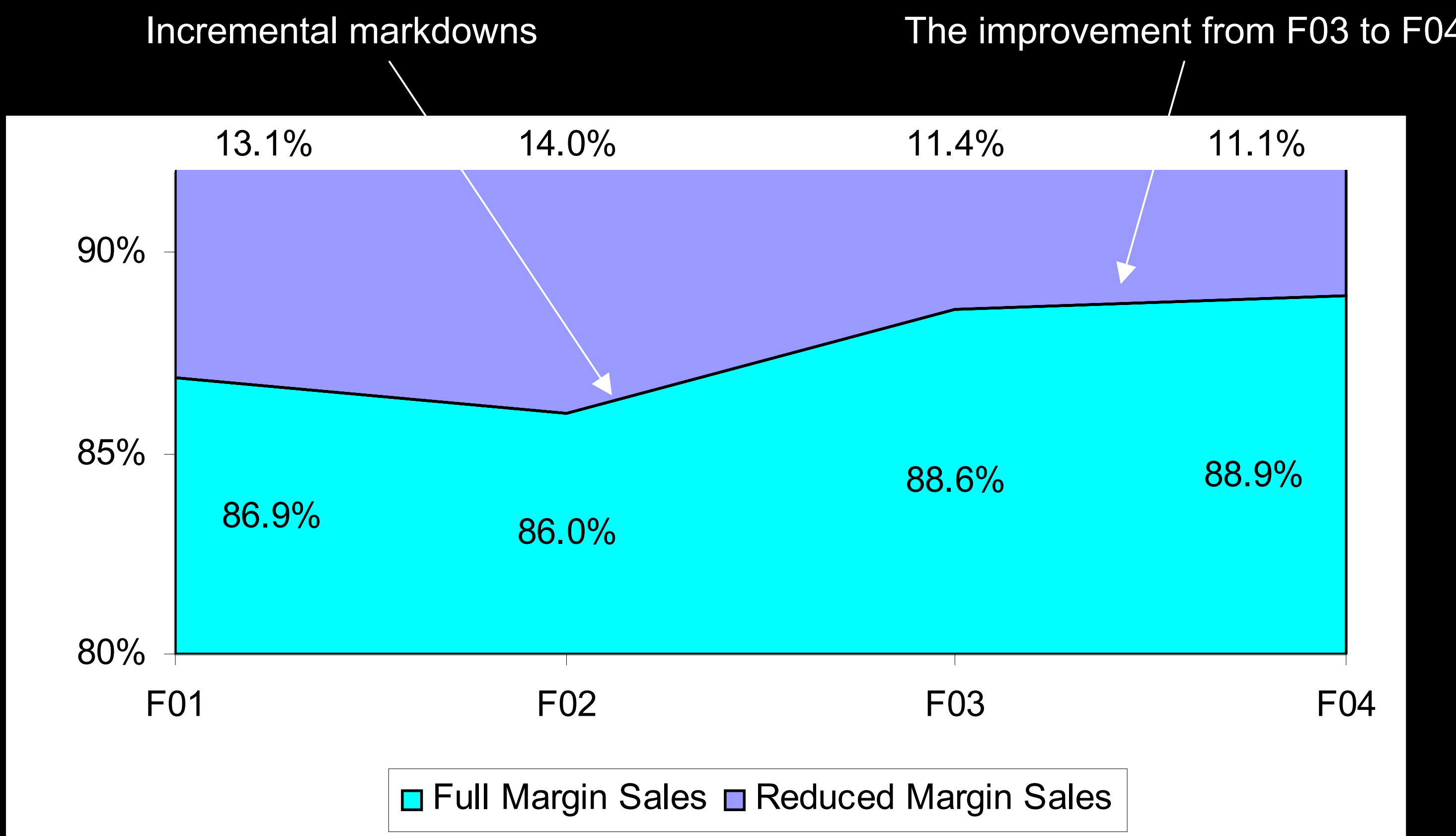
Sustainable Gross Margin

Differentiation - The best international and national brand strategy

AUSTRALIAN DESIGNER BRANDS	David Jones	Myer/Grace
Collette Dinnigan	✓	X
Akira	✓	X
Peter Morrissey Apparel	✓	X
sass & bide	✓	X
Marcs Baby Doll	✓	X
Trelise Cooper	✓	X
Easton Pearson	✓	X
Simona	✓	X
Sally Smith	✓	X
Veronika Maine	✓	X
Alannah Hill	✓	X
Calibre	✓	X
AG	✓	X
Carlson	✓	X
Zambesi	✓	X
Willow	✓	X

Sustainable Gross Margin

Differentiation - The best international and national brand strategy



Sustainable Gross Margin

Differentiation - The best international and national brand strategy

- Protects and drives sustainability of gross margin; 36.5% - 36.9% across next 3 years
- Increases leverage to David Jones for mass distributed brands
- Minimises impact of and protects against competitor activity
- Protects margins by sharing seasonality, fashion risk
- Protects against excess or aged inventory build-up
- Delivers brand partnerships of credible known brands

Sustainable Cost Culture

- Our strategic decision to invest in key stores leads to cost increases in rent, occupancy and depreciation
- Our strategic decision to invest in service leads to increasing labour costs
- These strategic cost increases need to be offset by a program of sustainable, organisation-wide cost efficiencies

Sustainable Cost Culture

- 3 Year Plan to save $50 million in total cost efficiencies by FY2006
  - $40m to offset strategic cost increase from key store refurbishments and service initiatives
  - $10m to flow through to EBIT by FY2006
  - SG&A% will reduce at least 50 basis points by FY2006
- $17m gross savings written into FY2004 budget

Sustainable Cost Culture

Human Resources - Cultural Change Underway

HR practices that drive and reward cost efficiency in our culture:

- Expectations & Measurement of Performance
  - 100% of management will be assessed on their financial outcomes and management of cost as part of our annual performance appraisal
- Pay for Performance
  - Annual remuneration review only rewards those managers who have achieved the results required of their job. All managers will have their bonus payment linked to cost targets
- Recruitment & Selection
  - All appointments are made against David Jones' competencies, which include assessment of business acumen/financial management skills

Sustainable Cost Culture

Cultural Change Underway -

- Non Merchandise procurement
- Logistics and Supply Chain
- Stores and Visual Merchandising
- Information Technology

Sustainable Cost Culture

Non Merchandise Procurement

Incremental Value		
F04	F05	F06
$2.5m	$2.5m	$2.5m
$15m over 3 years		

Background

- Procurement in David Jones has been decentralised, uncontracted and unsophisticated
- In excess of $200m + negotiable spend
- Cost benchmarking exercise suggested significant opportunity
- Spend categorised and opportunities prioritised
- Procurement specialists recruited
- New contract management principles adopted, for example:
  - GMs sign off negotiation schedule annually with Management Committee
  - Contracts renegotiated annually unless an efficiency guarantee provided
  - All spend over $500K pa to undergo regular competitive review

Sustainable Cost Culture

Non Merchandise Procurement

Our first negotiation – Top 10 Supplier:

- Agreed principles with existing supplier to maintain business
  - Efficiency deflation clause (not inflation)
  - Transparency of accounts (no hidden charges)
  - Third party costs extracted for secondary procurement (no loadings)
  - Progressive joint elimination of operational inefficiency
  - Fair margin for service
  - Ongoing performance management against agreed measures
- Target cost reduction of $6m over 3 years (cumulative)
- Same principles to be rolled out progressively to top 50 suppliers over 3 years

Sustainable Cost Culture

Logistics & Supply Chain

Initial focus on quick wins

- Examples:
  - In-sourcing warehouse management
  - Improved customer delivery logistics
  - Minimisation of inter-store transfers

Incremental Value		
F04	F05	F06
$1.2m	$0.8m	$0.3m
$5.5m over 3 years		

Strategic review of supply chain to occur in F2004

- Significant and sustainable benefit expected from F05 onwards
- Focus of value generation:
  - Reduction of inventories, improvement in working capital
  - Reduction of supplier costs, improvement of gross margin
  - Improved flow of inventory to selling floor, reduction in back-of-store costs

Sustainable Cost Culture

Logistics & Supply Chain

Example: In-sourcing Warehouse Management

- Warehouse management outsourced in 4 out of 5 regions
- In-sourcing more efficient where arrangement does not leverage suppliers network
- NSW warehouse transition occurred on 1 June 2003
- Year 1 savings of $500k in budget
- Expect to replicate strategy in other regions

Sustainable Cost Culture

Stores & Visual Merchandising

Background

- Cost Efficiency 3-day Management Workshop
- First time 100 of our senior managers worked together to benchmark costs at all levels of our store operations

Sustainable Cost Culture

Stores & Visual Merchandising

Strategy

- Eliminate waste and reduce inefficiencies
- No affect on our service heritage or revenue generation

Sustainable Cost Culture

Stores & Visual Merchandising

Approach

- Stores grouped by sales volume
- First time all stores undertook the same review, at the same time, using the same methodology
- Best practice opportunities identified through benchmarking, idea sharing and debate
- Opportunities prioritised using a simple matrix
- Implementation plans developed

Sustainable Cost Culture

Stores & Visual Merchandising

Outcome
2004

	$m
• Store Salary Productivity	2.452
• Back of House Efficiencies	1.183
• Expense Account Benchmarking	2.075
• Annual Leave Management	0.908
• Visual Merchandising Initiatives	0.900
TOTAL COST SAVINGS	**7.518**

None of the Cost Efficiency savings will affect service

Sustainable Cost Culture

Stores & Visual Merchandising

Imperatives
2005-2006

- Cost efficiencies from FY2004 sustained
- Business process review completed and implemented
- Productivity measured and managed
- Continued benchmarking of expenses
- Targeting additional savings of $6m-$8m each year

Sustainable Cost Culture

Information Technology

Cost Efficiency Initiatives

FY2004

- Telecommunications benchmarking & billing monitor

	Savings to Previous	Savings on B/Marks	Total Saving
Voice & Data	5-40%	7-16%	$400-$520k pa

- Consolidation of IT Services

	Total Savings
Application Server Consolidation	$84k pa
Technical Support Consolidation	$160k pa
In-house Project Management	$500k pa

Sustainable Cost Culture

Information Technology

Additional Cost Efficiency Initiatives

FY2005 - FY2006

- Automation of test scripts for mission critical applications

	Manual Effort	Automated Effort	Savings
Automated Stock Replenishment System	14-48 days	2-12 days	$100k pa

- A review of stores network bandwidth will result in savings for FY2005
- IT Service Process Re-engineering

	Savings
Reduction of Out of Hours Support	$15k-$25k pa
Reduction in Support	$100k-$200k pa
Data Retention & Archive	$15k pa

Sustainable Cost Culture

Information Technology

Cost Efficiency Initiatives

FY2005-FY2006

- Cost efficiencies from FY2004 sustained
- Targeting additional savings of $1m-$2m each year

Capital Expenditure

- Cultural change underway
- Capex Committee established
- Planned capex reduced by total of $50m FY2004-FY2008
- FY2009 - FY2010: $50m-$60m per annum
- $10m-$12m per annum in IT capital (included in total)
- New Point of Sale (POS) delivered in FY2007
- $35m per annum in rebuilding city or major suburban stores, driving sales growth and providing sustainability to strategy which delivers increased return on investment over time

Benefit of Capital City Store Investment

Hay Street - Perth

- $34m capex has been spent on Hay St. Selling space has doubled which leads to an additional $30-$40m sales per annum
- Store will contribute average ROFE of 21.4% over 15 years
- ROFE of 15% achieved in 5 years

Strong Cash Flow

- Operating cash flows to grow as revenue grows and cost reductions offset impact of cost increases
- Sustainable working capital practices in place
- Investment in the business reduced via lower Capex
- Future excess cash will be returned to shareholders in the most efficient manner
- Dividend reinvestment plan to be suspended before final dividend for FY2003

Financial Flexibility

- Long term operating leases have replaced store ownership for key CBD stores over past 3 years (Brisbane CBD sale concludes October 2004)
- EBITDA fixed charge cover around 2.5 x for FY2004 is appropriate for cyclical business
- Average debt of $50-60m, peaking at around $100-110m well within 22.5% target of net debt : net debt+equity and bank facility limits

Foodchain

Review Process

Options Considered:

- Integrate into core business
- Rollout more stores
- Continue with existing stores
- Exit or assign leases

Foodchain

Outcome

- All options retaining the business would continue destroying shareholder value
- Exit or assignment gives the best financial and strategic outcome
- Significant one-off charge in 2003 will occur
  - Non Current Asset write-off $19.7m
  - Restructuring charge $5.9m
  - Lease liability tba
- Exit or assignment negotiations to begin with landlords

Foodchain

Outcome

- Supports our strategy of concentrating on core department store business to improve shareholder return
- Eliminates financial uncertainty of performance
- Final cost of exit will be disclosed to market once all negotiations are completed. Provision will be taken in FY2003
- Continued development of strategic, profitable key department store foodhalls
  - Sydney - to open August 03
  - Bondi - opened February 03
  - Melbourne - to open July 04
  - Chadstone - opened December 99
  - Brisbane - to open May 06
  - Adelaide - opened August 00
  - Perth - opened October 02

Repositioning Online

Background

- DJO considered one of Australia's leading online retailers
- Like similar sites, DJO has been unable to meet sales growth expectations
- FY2003 expected sales $7m
- Strategic review gave full understanding of the future costs and revenue potential
- Future capital investment would not meet the company's investment criteria

Repositioning Online

Strategic Review Outcome

- Reposition the Online business to principally a marketing site
- General merchandise purchases no longer available after mid July
- Asset write-down and restructure charge to be taken in FY2003:
  - Non Current Asset Write-down $4.4m
  - Restructuring Charge $1.9m

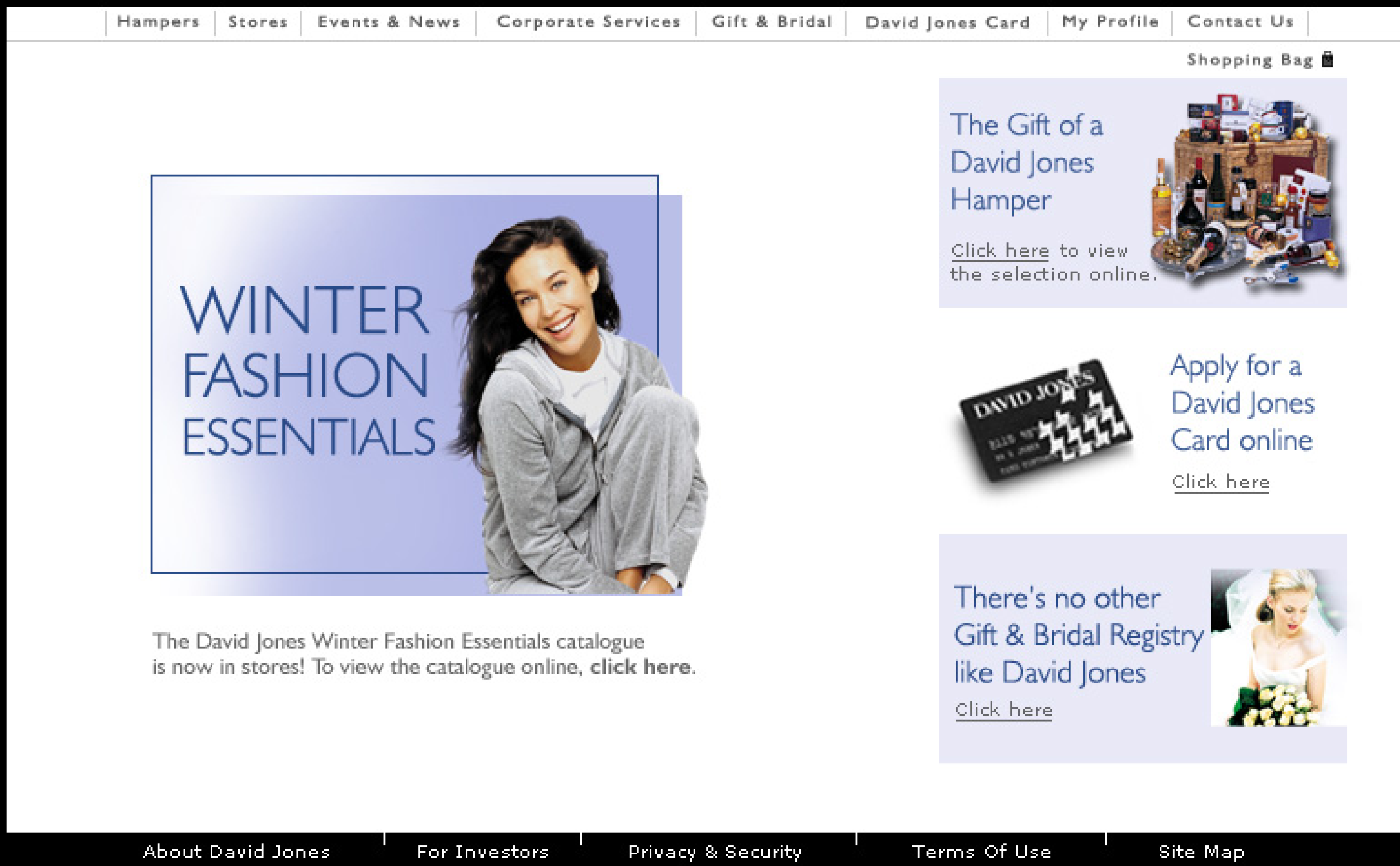
Repositioning Online

The Future

- New site launches mid July
- Christmas hampers continue to be available for purchase online from October to December
- Continue to fulfil valued services including:
  - Accessing David Jones Card statements
  - Viewing Gift & Bridal registries
  - Information about in-store events
  - Investor information
- DJO will also now display more than 20 print catalogues online, allowing customers to view and then visit or telephone local stores to arrange purchase and delivery

Repositioning Online

DAVID JONES



Store Portfolio Review

Background

- Strategic review of all locations
- All stores make a store profit, except Hornsby and Rockingham
- Only outstanding commitment for a new store is Fountaingate, due to open in FY2007-FY2010

Store Portfolio Review

Outcome

- Rockingham to close July 04
- David Jones will begin negotiations with the landlord not to open in Fountaingate and make a provision in the FY2003 accounts
- One-off writedowns FY2003 (pre tax)
  - Rockingham, WA $1.2m
  - Hornsby, NSW $7.9m
  - Fountaingate, VIC tba

Store Portfolio Review

Elizabeth St – Sydney CBD		✓	
Market St – Sydney CBD		✓	
Bondi – NSW		✓	
Brookvale – NSW	✓		
Castle Hill – NSW	✓		
Chatswood – NSW	✓		
Bourke St – Melbourne CBD			✓
Chadstone – Vic	✓		
Queen St – Brisbane CBD			✓
Rundle Mall – Adelaide CBD	✓		
Hay St – Perth CBD	✓		

These stores represent 60% of total company EBIT

Store Portfolio Review

The Future

- All stores to make store profit
- A profit positive portfolio of stores
- A profit positive store network is a significant competitive advantage

Credit Card

- Exceptional growth over last 2 years
- Strategic review complete and opportunities for future EBIT growth identified and achievable
- 5%-10% compound EBIT growth expected from FY2004-FY2006
  - Continued integration into core business marketing
  - Focused management of costs
  - Focused, well-managed interest free program
  - Interest margins - risk of rising interest rates can be offset through hedging
  - Continued good management of bad debts

Shareholder Rewards Program

Background

- Established as a competitive position
- Operating since 1 February 2000
- Reduced discount rates on 1 August 2002 in line with competitor offer

Shareholder Rewards Program

Outcome

- Lower discount rate has ensured that the scheme is value accretive to all shareholders
- David Jones will retain the scheme
- We continue to reserve the right to review the discount rates in light of competition and consumer behaviour to maximise outcomes for all shareholders

Significant Items FY2003

FY03 SIGNIFICANT EXPENSE ITEMS Excl. Lease exit costs - Foodchain and Fountaingate (ESTIMATES)	PROFIT BEFORE TAX IMPACT	PROFIT AFTER TAX IMPACT
	$000	$000
SIGNIFICANT ITEMS DUE TO STRATEGIC REVIEW		
RESTRUCTURING COSTS & ASSET WRITEDOWNS		
Foodchain Business Exit		
Non current assets write off	19,662	13,764
Restructuring costs	5,914	4,140
Lease exit costs	tba	tba
Port Melbourne[1]	4,552	4,552
Total Foodchain	**30,128**	**22,456**
Online Business Restructure		
Non current assets write off	4,444	3,321
Restructuring costs	1,904	1,458
Total Online	**6,348**	**4,779**
Rockingham Store Closure	1,176	824
Fountaingate Lease Exit	tba	tba
Strategic Review – General Restructuring	1,864	1,305
Hornsby (Carrying Value Adjustment)	7,944	5,561
Design Fees	6,122	6,122
TOTAL SIGNIFICANT ITEMS DUE TO STRATEGIC REVIEW	**53,582**	**41,047**

[1] Actual expense 1H FY03

Significant Items FY2003

	PROFIT BEFORE TAX IMPACT	PROFIT AFTER TAX IMPACT
	$000	$000
SIGNIFICANT ITEMS DUE TO ACCOUNTING AND OTHER ADJUSTMENTS		
Store Assets (Register Review)	1,707	1,195
Head Office Assets (Register Review)	2,007	1,405
Inventory Cost Refinement	2,875	2,013
Inventory Provision Refinement	3,600	2,520
Lease Stamp Duty	2,059	1,441
TOTAL ACCOUNTING POLICY REFINEMENTS/OTHER ADJUSTMENTS	12,248	8,574
TOTAL SIGNIFICANT ITEMS FY03 [2]	**65,830**	**49,621**

[1] Actual expense 1H FY03

[2] These numbers do not include an allowance for Foodchain and Fountaingate

FY2003 Profit Result

- Restructure will result in one-off significant items of more than $78m* (pre tax)
- Final FY2003 profit result will be a post tax loss of more than $20m* (pre RPS)
- More definitive guidance cannot be provided until resolution of Foodchain and Fountaingate exits
- Significant items relating to the restructure will be provided in full in FY2003

* These numbers include one-off charges and an allowance made by the company for Foodchain and Fountaingate. More definitive guidance cannot be provided until negotiations relating to the exit from the Foodchain and Fountaingate leases are completed

53rd Week in FY2004

- Additional week adds approximately 1.8% to sales
- Given the extra week falls in the period post clearance and pre season opening, it tends to be a break-even week
- Thus the anticipated profit impact is negligible.
- All guidance excludes the 53rd week

Strategic Review Summary

We have taken the hard decisions to achieve a focused organisation with consistent, sustainable earnings and strong cash flows:

- Clear, focused and sustainable strategy
- Raised earnings guidance for FY2004
- 5%-10% PAT growth expected for FY2005 and FY2006
- Fundamental change in approach to cost management
- Significant cost efficiencies to exceed the strategic cost increases from store refurbishments and customer service
- Future excess cash flows to be returned to shareholders in the most efficient manner

Strategic Review Summary

- Comparable store sales revenues to reflect the economic cycle, with store refurbishments to deliver sales growth
- A strong store portfolio with every store contributing to profits
- Sustainable gross margin position
- Capex reduced by $50m over FY2004 - FY2008

Strategic Review Summary

- Credit card EBIT growth of 5%-10% pa
- Tight management of cash flows to ensure financial flexibility
- Retention of value-accretive shareholder rewards program
- Dividend reinvestment plan to be suspended before the payment of final dividend for FY2003
- Directors intend to pay fully franked 3cps dividend for 2H FY2003

Strategic Review Summary

Outcome

- To deliver to shareholders a sustainable, value-enhancing company, with a clear path to ongoing earnings growth against a background of a strong cash flow position with excess being returned to shareholders in the most efficient manner

New Senior Management Team

Mark McInnes
Chief Executive Officer

Tracey Jones
Executive Assistant

Nawaz Cooper
Assistant

Stephen Goddard
Finance Director

Colette Garnsey
Group General Manager
Apparel, Cosmetics & Marketing

Patrick Robinson
Group General Manager
Home & Food

Paul Zahra
Group General Manager
Stores & Visual Merchandising

Teresa Gallo
Group General Manager
Human Resources

Karen MacRae
General Manager
Information Technology

Damian Eales
General Manager
Supply Chain, Logistics & Online

John Bolas
General Manager
Property & Projects