



2010 ANNUAL GENERAL MEETING

FRIDAY 3 DECEMBER 2010

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 strong future that lies ahead for our Company.

But before anything else, I will start by raising a major disruption that occurred at David Jones this year - the mutual termination of Mark McInnes in June 2010 and the subsequent action commenced against Mr McInnes, our Company and all its directors, by a former employee. These events were most unfortunate.

Given queries received from shareholders regarding these matters, I feel it is necessary to make some comment about them, but please remember that all parties concerned have signed up to confidentiality agreements which I am equally bound by.

In handling this complex set of issues, the Board at all times aimed to be transparent, responsive and to maintain the highest standards of corporate governance. Its focus was to ensure that the former employee was treated fairly, and that the stability of the Company was preserved for the benefit of its shareholders. We believe that this was achieved, with an immediate mutual termination of the former CEO, a smooth transition to our new CEO Paul Zahra, and the recent resolution of the litigation by the former employee.

In relation to Mr McInnes' departure from the Company, I will say this. Shortly after the former employee's complaint was received, Mr McInnes offered his resignation to the Board. In light of the unusual circumstances and after much consideration of all facts available to the Company at the time, the Board negotiated instead a mutual termination of his employment, a payment equivalent to 10 months of his base salary (i.e. \$1.5m), and a more robust non-compete clause. I want to reassure you that in making the termination payment, the Board was focused on stability for the Company and the best interests of our shareholders were at the forefront of our decision-making.

DAVID JONES

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

As stated on page 41 of our Annual Report, by adopting the approach of mutual termination rather than acceptance of his resignation, the former CEO forfeited:

- his 2010 STI payment;
- 381,737 Rights under the Long Term Incentive Plan; and
- 3,387,900 Rights under the FY2009 – FY2011 Retention Plan.

As previously announced, the Court proceedings with the former employee have been resolved and we are pleased that all parties are able to heal, learn, rebuild and move on.

The settlement sum of \$850,000 included a smaller contribution from Mark McInnes. The Company's portion of the settlement sum was covered by its insurance policies.

Some have queried why the Company settled this matter at all. First and foremost, we want to reassure you that it was a straight risk/return decision which was made after taking into consideration the interests of the Company, its shareholders, its brand and its employees.

Secondly, notwithstanding our view on the merits of our position, the settlement provided the Company with certainty of outcome without the burden of a final hearing. Thirdly, it goes without saying that had we continued with the litigation we would have been faced with heavy ongoing legal fees, commitment of many of our key executives to working on the case and potentially appearing as witnesses, all of which would have caused significant distraction from the important task of running the business at what is our busiest season of the year. In short, all things considered, it was the right thing to do.

Finally, while I cannot provide any guarantees, I want to reassure shareholders that the Company is doing its best to ensure that this type of situation does not recur. To that end, in late June this year, we commissioned a review of our HR policies and procedures to make sure that we were doing things appropriately. I am pleased to advise that the report concluded that our policies and procedures were sound. As part of the report, a number of minor areas for improvement were suggested and our HR team has already started to implement these.

I shall now move on to the rest of my address. Before I do so, I want to remind you that while you may have further questions about these recent events, there is likely to be little else I would be in a position to say regarding them during the course of the meeting due to the confidentially agreement I spoke about earlier.

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.

I am pleased to report that whilst Paul's appointment as CEO was made in difficult circumstances, our ability to appoint him promptly is a testament to our succession planning and has ensured our Company has not missed a beat. With 12 years on our management team and 28 years in retail, Paul has moved from his responsibility for Stores and Operations (a significant part of the business) into the role of CEO with energy and decisiveness. His appointment has rightly been welcomed warmly by our staff and suppliers, by the financial markets and commentators and by you, our shareholders.

I am delighted to report that our Company has had an outstanding year despite a challenging environment. Our Company has delivered another year of profit and dividend growth.

Whilst we started the year amid concerns about how the recovery of the economy and our ability to build on our record performance of last year we finished the year with another outstanding record financial result.

We recorded sales growth in each quarter and achieved some significant milestones including the opening of our magnificent refurbished store in Bourke Street Mall, Melbourne, and our refurbished stores in NSW – Kotara and Wollongong.

We are very pleased to have declared a record dividend once again. Our continuing success in a very challenging environment is a tribute to the strength of our brand, business model, distinctive competitive positioning and the great support of our customers, supplier partners and our employees.

FINANCIAL HIGHLIGHTS

The fact that our Company has delivered another year of record profit and dividend growth during such a challenging year demonstrates that we have a strong business model and are well positioned to leverage any improvement in economic conditions over the next 12 to 24 months.

Our Company has an established track record in terms of delivering a strong financial performance and good shareholder returns throughout both the steep downturns in the economy and the up-cycles.

Today, David Jones has:

- low net debt levels (\$86.4 million at year end);
- strong cashflows;
- high quality assets (we own our Sydney and Melbourne CBD store properties);
- a strong balance sheet; and
- pays attractive dividends.

DIVIDENDS

I am delighted to report that the Board declared a fully franked dividend of 18 cps for 2H10. This takes the total dividend for the year to 30cps, fully franked, which is a record dividend for our Company since its listing on the ASX and represents an increase of 7.1% compared to last year.

The Board and the management team intend to continue to deliver dividend growth to our shareholders and are committed to our dividend payout policy that not less than 85% of net profits will be paid to shareholders in the form of fully franked dividends.

CORPORATE GOVERNANCE

We continue to try to apply the highest possible standards of corporate governance to David Jones. We note that there have been recent changes and new additions to the ASX Listing Rules and Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council on diversity, share trading policies and the composition of remuneration committees. Whilst most of these changes have not yet come

into effect, David Jones has chosen to “early adopt” some of them. Pages 13 to 27 of the Annual Report sets out the details of our Corporate Governance policies and practices in more detail.

PHILANTHROPY & COMMUNITY

Our Company’s role in the broader community in terms of Philanthropy continues to be an area of strong focus for our Company.

David Jones is committed to making a valuable contribution to Australian society, in particular to causes that our customers feel strongly about. For this reason in FY10 David Jones continued its support to projects that focus on the health and well being of Australian women and children through our long standing support of the National Breast Cancer Foundation and the Children’s Cancer Institute of Australia.

I am proud to report that in FY10 a total donation of \$700,000 was made to our Company’s philanthropic partners, which include the National Breast Cancer Foundation and the Children’s Cancer Institute of Australia. Also, in FY10 we opened our new David Jones Rose Clinic in our Bourke Street Mall store and for the second year in a row, on 8 October 2010 we held the David Jones National Breast Cancer Foundation Donation Day, where the profits made from all sales in all stores were donated to the National Breast Cancer Foundation.

In addition, donations were made to the Children’s Cancer Institute of Australia including a research grant to support research into neuroblastoma.

OCCUPATIONAL HEALTH & SAFETY

The health, safety and welfare of all those in the immediate and wider David Jones family remains the highest priority for us. The review of our Employee Assistance Program led by our new CEO Paul Zahra continued this year with the emphasis turning to our support for any employees who need help for personal problems such as drug and alcohol abuse. We have introduced confidential third party counselling and support for any staff member who may need it for themselves or a member of their family.

Page 28 of the Annual Report sets out our Occupational Health & Safety policies, and pages 29 to 35 describe in detail David Jones’ commitment to its people, the community and the environment.

ENVIRONMENT

David Jones is committed to managing its operations in an environmentally sustainable manner, by investing in efficiency measures to reduce the impact that the business has on the environment and by developing robust management systems to ensure transparency and confidence in environmental reporting.

I am pleased to report that our Company:

- Has since FY06 reduced total electricity consumption by 16.1% on a like-for like basis excluding new stores and by 12.7% on a total basis;
- In FY10 exceeded the Australian Packaging Covenant’s 70 – 80% target for cardboard recycling and diverted a further 1,517 tonnes of cardboard and soft plastic film landfill in the 12 months to July 2010;

- Maintained its 15% decrease in diesel and fuel consumption achieved in FY09 and maintained emissions from direct transportation at less than 250 tonnes;
- Reduced the amount of raw materials used to make our plastic bags; and
- Sold more than 165,000 reusable tote bags in the last 3 years.

CHARLES BEYNON LLOYD JONES

We were saddened by the passing of Charles Beynon Lloyd Jones, a descendant of the founder of David Jones, on 11 July 2010. Charles Beynon Lloyd Jones was the Managing Director and Chairman of David Jones from the 1960’s up until 1980 when the business was acquired by Adelaide Steamship. Members of the Board attended the funeral and the Company commemorated Mr Lloyd Jones’ passing by lowering the Company flag to half mast in our Sydney CBD store and displaying a floral tribute in our Market Street Sydney CBD flagship store.

CONCLUSION

I would like to take this opportunity to thank the David Jones management team and employees for delivering to shareholders another outstanding financial result.

We have a strong FY2009 – FY2012 Strategic Plan which we will continue to implement, aimed at growing sales and shareholder returns even further. We have a strong team, a clear direction and a firm commitment to continued success.

Thank you, our shareholders, for your continued support.

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. Paul Zahra, to report to you in further detail on the Company’s performance and achievements in the 2010 Financial Year.

PAUL ZAHRA

Chief Executive Officer

INTRODUCTION

Thank you Chairman and good morning ladies and gentlemen.

As you know I commenced my role as Chief Executive Officer of David Jones Limited on 18 June 2010. This is the first opportunity I have had to report to you in person in this capacity and I wanted at the outset to express how honoured I feel to be given the responsibility to be the custodian of the iconic David Jones brand.

I take this responsibility very seriously and am committed to ensuring that the high standards and heritage of David Jones are upheld.

As the new CEO I would like to share with you my vision for our Company. My first priority will be to grow returns to shareholders in a sustainable manner by ensuring that under my

stewardship, David Jones brings the best branded department store shopping experience to everyone we serve, every time. This means that we will focus on delivering:

1. The best shopping experience for our customers;
2. The best place to work for our people;
3. The best partnership for our branded suppliers; and
4. The best investment returns for our shareholders.

Our Company has had an excellent financial track record since 2003 and I am pleased to report another record financial result in FY2010. Given the comprehensive involvement that the management team and I have had in the development and implementation of the FY2009 – FY2012 Strategic Plan I can assure you that our business strategy and business model will remain unchanged. In the future however we will overlay an increased focus on:

- sales growth on a comparable stores basis; and
- our people.

FINANCIAL HIGHLIGHTS

Despite a challenging and unsettling year in FY2010 our Company delivered a record result and declared a record dividend – both being the highest since listing in 1995. This demonstrates the strength of our business model.

Our Company’s key financial highlights in FY2010 include:

- delivering a 9.1% increase in NPAT (from \$156.5 million in FY2009 to \$170.8 million in FY2010);
- delivering Sales growth of 3.4% in FY2010;
- delivering a 7.1% increase in fully franked dividends to ordinary shareholders from 28cps in FY2009 to 30cps in FY2010;
- delivering an increase of 10 basis points in Gross Profit Margin from 39.6% in FY2009 to 39.7% in FY2010 despite heavy discounting and promotional activity within the Australian Retail Sector over the past 12 months as retailers cycled the 2008 and 2009 Government Stimulus packages;
- decreasing our CODB by 50bp from 30.3% in FY2009 to 29.8% in FY2010; and
- maintaining a tight control on capital expenditure leading to significant reinvestment in our Company’s core business whilst generating strong free cashflow.

DEBT POSITION

At year end our Company had \$86.4 million of net debt and our gearing was only 10.4%, which is very low compared to most companies in the ASX100. Our Company’s cash position is strong and sustainable, with significant future investment in the Company’s core business funded by external stakeholders, meaning that the growth program does not require any additional debt funding.

FY2010 STRATEGIC BUSINESS HIGHLIGHTS

In addition to financial achievements, over the past 18 months, we have also delivered a number of key strategic objectives.

Launching our redeveloped Bourke Street Mall Melbourne CBD flagship stores

On 13 August 2010 David Jones officially launched its two new Bourke Street Mall flagship stores in the Melbourne CBD. Following three years and an investment of approximately \$250 million (in buying the land and redeveloping the stores) we have created the pre-eminent department store in the Southern Hemisphere. The two new David Jones Bourke Street Mall stores offer customers:

- 30% more selling space spread across 11 brand new architecturally designed floors;
- more than 2,500 of the best national and international brands, 1,600 of which are department store exclusive to David Jones;
- a range of new services that demonstrate the evolution of department store retailing including an Aveda-Zucci hair salon, an Endota Day Spa, an OPI nail bar, a Shu Uemura Tokyo lash bar and a men's barber;
- Victoria's first in-store breast screening service through the establishment of the David Jones Rose Clinic which is expected to provide free screening to more than 7,000 women per year;
- more than 900 staff and a personalised shopping service; and
- Melbourne CBD's only Foodhall.

Enormous growth potential exists for David Jones in the Melbourne metropolitan market. Our Company is under-represented in this market, as evidenced by the fact that sales tripled in the 12 years prior to commencing our Bourke Street Mall store redevelopments.

Launch of our Refurbished Kotara and Wollongong Stores

The refurbishment of our Kotara store in the Hunter region of NSW was completed in October 2010 and has been trading very successfully since. The store has had a 40% increase in selling space and provides a bigger and better selection of high value, high margin brands.

We are confident of transferring sales from our Newcastle store which we will close in February 2011, to our Kotara store which is 7km away, and of recouping in excess of the EBIT contribution of the Newcastle store given the lower operating costs of trading out of one store instead of two.

In October 2010 we also successfully completed the refurbishment of our Wollongong store including the reallocation of space to higher margin categories. This is expected to deliver a 15% increase in Sales.

Renewal of our lease and expansion of our store at Karrinyup in WA

We entered into a new 20 year agreement for lease with AMP Capital on 16 July 2010 in relation to our Karrinyup Shopping Centre store in Perth. The new lease is on attractive terms and most importantly, delivers a 30% increase in trading space for our existing David Jones store. The Karrinyup centre is located in the high value, high growth northern Perth region. It has a main trade catchment of 195,000 people and an average wealth demography in line with that of Chadstone in Victoria and Southland in Victoria, both of which are among our best performing suburban stores.

Growing our “Home of Brands”

Throughout 2010 our Company has entered into department store exclusive brand agreements with key strategic suppliers such as:

1. Giorgio Armani, the leading Italian fashion house that has become synonymous with luxury and high fashion worldwide;
2. two of Australia’s leading surf and youth brands Quiksilver and Roxy. This is the first time in almost two decades that a leading surf brand is now available in an Australian department store; and
3. Carla Zampatti, one of Australia’s pre-eminent fashion brands. The agreement provides that both the Carla Zampatti and Bianca Spender brands are department store exclusive to David Jones.

Launch of our new value proposition for our David Jones American Express Card

In October we launched a new rewards program for our David Jones American Express Card. This value proposition is focused on rewarding everyday spend on the card. Whilst it is still early days we are pleased with the number of sign-ups for the card following the launch of the new value proposition.

Launch of our new Online Business

Last but not least I am pleased to report that on 2 November we launched our new David Jones online offering in time for Christmas. The site currently offers 1500 products and brands, many of which are department store exclusive to David Jones and we are looking at adding to this in the new year in a measured and stepped approach.

EMPLOYEES

As the new CEO, one area that I will be focussing on in addition to our financial performance and strategic direction is our Company’s employees. Our current employee engagement measures indicate that there is potential for us to improve. By increasing employee engagement we will drive improved customer satisfaction, increased sales and reduced costs.

As a result we have commenced implementing a suite of initiatives focussed on:

- Reducing staff turnover levels;
- Changing performance measures and incentives to drive focus on desired behaviours;
- Developing leadership capability; and
- Improving support for employees by providing counselling and other such services.

Our Company’s resilience in terms of sales performance throughout this challenging year is a credit to each of our employees who were instrumental in enabling our Company to deliver an excellent financial result.

I would like to take this opportunity to express thanks to each of our employees for their commitment and outstanding contribution in achieving our FY2010 results.

SUPPLIERS

I would also like to take the opportunity to thank our suppliers (both existing and new additions to our portfolio). Our suppliers are an integral part of our “Home of Brands”

strategy, which differentiates David Jones from its competitors. As a result David Jones is committed to nurturing and strengthening its relationship with each of its suppliers. We look forward to continuing to work closely with our suppliers in the year ahead, in a spirit of co-operation and mutual benefit.

CUSTOMERS

Most importantly I would like to thank all of David Jones’ customers for their patronage and support throughout the year. We are proud of our service heritage and strive to continuously uphold service excellence. We continue to listen to them and refine our offer to match their evolving needs.

NOW TURNING TO CHRISTMAS.....

I have just completed a nationwide store review. I have seen the plans for this Christmas and am pleased to report that our stores have never looked better, nor have we been better prepared for the all-important Christmas trading period. I am confident that our staff, stores and brand offering are set to shine and delight customers.

CONCLUSION

Our Company has a strong heritage and we are an iconic brand. This is something that I believe has been instilled in the minds of our entire management team and each of our employees. We have a strong business model, which has delivered excellent shareholder returns, year-on-year regardless of the peaks and troughs of the economic cycle and we will not be making any changes to it.

We are committed to continue to:

- deliver shareholder growth;
- implement the FY2009 – FY2012 Strategic Plan;
- uphold the David Jones brand with dignity and respect; and
- ensure we provide a great work environment for our people.

I am excited about the opportunities that lie ahead over the next few years and am confident of our ability to continue to deliver profit and dividend growth to shareholders. Preliminary work has already commenced to formulate the FY2013 – FY2016 Strategic Plan.

I thank you, our shareholders for your support and look forward to reporting back to you in 12 months.

I look forward to our team serving you over the Christmas period.

I will now hand back to our Chairman.
