



**DAVID JONES LIMITED
2012 ANNUAL GENERAL MEETING
23 NOVEMBER 2012**

CHAIRMAN'S ADDRESS

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

You will be aware that yesterday I decided that after nine years as Chairman, and 13 years as a director of David Jones, I will retire as both a director and Chairman of your Company at the end of this year. This will be my tenth AGM at David Jones.

While it is always difficult for a Chairman to choose an ideal time to retire, I believe the Company is in an excellent position to deliver on its strategy with a stable management team and experienced directors to provide the Company with valuable oversight and direction.

The Board has been undergoing a renewal process with a number of long term non-executive directors, namely Katie Lahey, John Coates and Reg Clairs retiring during the year. They have been replaced with who I believe are two excellent non-executive directors – Steven Vamos and Jane Harvey. As part of the succession process, the Board also appointed Peter Mason as Deputy Chair in May this year.

I have helped Paul in the role of Chief Executive Officer and Managing Director over the last two and a half years. With this succession plan in place, and after 13 years of service to the Board, I have decided that now is the right time for me to announce my retirement.

The Board has decided that Peter Mason will replace me as Chairman at the end of the year. Peter has extensive experience as a professional director and his breadth of experience as Chair of AMP and a director of Singapore Telecommunications Limited is an asset to the Board of David Jones.

This morning through 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 initiatives that we are implementing for the long term success and strength of our business.

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.

Consumer Sentiment

The past year has been a difficult environment for retailers. Consumer sentiment remains subdued despite interest rate cuts by The Reserve Bank of Australia. The continued financial uncertainty in Europe and the US and volatility in global equity markets have all contributed to a general feeling of uncertainty. In addition, the strong Australian dollar has





contributed to price deflation and encouraged spending offshore. These macro economic conditions have inevitably impacted our Company's financial performance.

Added to the macro economic environment is the fact that the Retail Sector as a whole is undergoing structural change as online retailing gains momentum.

Future Strategic Direction Plan

In March 2012 our Company unveiled its Future Strategic Direction Plan, which set out our strategy to deal with structural changes in the retail sector as well as the challenging macro economic conditions. The Plan set out our Company's "blueprint" for future growth through transformation into a world class omni channel retailer, growth of our store network and strengthening our core business.

Implementation of our Future Strategic Direction Plan has required significant investment in 2H12, which will continue into FY13. The implementation process will take time, however, I am pleased to report that good progress has been made to date, in particular in terms of the launch of our new webstore, our investment in Technology and Customer Service.

Paul Zahra our Chief Executive Officer and Managing Director will provide an update on the good progress that has been made to date.

Property Portfolio

At the time of our FY12 results announcement we also provided the market with an update on our Property Portfolio.

David Jones owns four premium retail properties located in the heart of the Sydney and Melbourne CBD retailing precincts. These properties are reflected in our books at a cost of \$460 million.

Independent property consultant Cushman & Wakefield has provided us with an indication of the market value of these assets (excluding any development potential) and concluded that the market value of these assets is \$612 million.

Our initial review indicates further potential value upside over and above the \$612 million, from the development of airspace above the existing buildings. We are committed to owning these properties.

Dividend

Our Profit and Dividend in FY12 were impacted by challenging trading conditions and our significant investment in the transformation of our Company into a world class omni channel retailer. Our Company reported Profit after Tax of \$101.1 million and the Board declared a fully franked final dividend of 7.0 cents per share.

The total dividend per ordinary share for FY2012 was 17.5 cps (fully franked). This represents a payout ratio of 91% and is consistent with the Board's undertaking to payout not less than 85% of Profit after Tax.

Takeover Bid

As shareholders will be aware, in June and July, the Company issued a number of announcements relating to the proposed offer by EB Private Equity, which was subsequently withdrawn. The proposed offer and the Company's disclosure were reviewed by the



Australian Securities and Investment Commission (ASIC). ASIC has advised the Company it has concluded its investigation at this stage and it is not proposing to take further action in relation to the Company.

Corporate Governance

On a number of occasions in the past, the Board has stressed the crucial role that it believes public company boards must play if high corporate governance standards are to be upheld. This continues to be a key area of focus, as is our Company's role in the broader community and our commitment to high standards of OH&S.

The Annual Report set out details of our Company's corporate governance policies and practices and should assist shareholders in appreciating the importance that the Board places on corporate governance issues.

Community

David Jones is committed to building strong partnerships with organisations that benefit the Australian community and meet real social needs, in particular those focused on cancer related issues for women and children.

I am proud to report that in December 2011 David Jones was the recipient of the "Leadership in Corporate Giving" award from Research Australia in recognition of the continuous support and fundraising efforts made for our philanthropic partners.

I am also pleased to report that we are making good progress rolling out our Rose Clinic - Free Breast Screening Clinic across all of our national CBD flagship stores. To date Rose Clinics have been operating in the David Jones Elizabeth Street (NSW), Bourke Street Mall (Vic) and Queens Plaza (Qld) stores. On 28 September 2012 a new Rose Clinic was launched in our Perth CBD (WA) store and we have plans for a clinic to be opened in our Adelaide CBD (SA) store.

Occupational Health & Safety

We are committed to protecting the health, safety and welfare of all of our employees, contractors, visitors and customers. In FY12 we continued to improve our safety performance. The number of medical treatment injuries and workers compensation claims continued to decline against previous years and the national average for OH&S audits at our stores also improved in FY12.

Environment

David Jones is committed to managing its operations in an environmentally sustainable manner. Over the past year we have invested just under \$5 million in over 30 capital projects, launched new policies and procedures for energy management and developed additional reporting tools to identify opportunities to reduce consumption through behavioural change.

I am pleased to report that we have:

- Reduced electricity consumption by 6.9% in FY12;
- reduced the amount of waste sent to landfill by 54% since FY07;
- implemented changes to maintenance procedures for air-conditioning and commercial refrigeration over the past 12 months resulting in reduced greenhouse gas emissions; and
- launched a new sustainable tote to replace plastic bags.

**Supplier Partners**

Before concluding my report today I would like to take this opportunity to thank our suppliers and to acknowledge and appreciate those suppliers that have listened to our Australian customers and have harmonised their prices.

Customers

I also thank all of David Jones' customers for their patronage and support throughout the year. We are proud of our service heritage and have over the past year increased our focus and investment in service and have reset our benchmarks on international standards. I can assure you all that we are committed to delivering customer service excellence.

Directors

As mentioned earlier, during the year there were a number of changes in the composition of the Board, with a number of long-serving directors resigning. Reg Clairs, John Coates and Katie Lahey, all non-executive directors, resigned from the board in the second half of the financial year, and Steven Goddard, our former finance and executive director, resigned in October. I would like to thank each of them for their service and contribution and wish them all the best in their future endeavours.

Employees

Last but not least I would like to take this opportunity to express thanks to our employees for their commitment and efforts throughout a challenging year for our business. Our people are the "face" of David Jones and we appreciate their importance in delivering on our Company Vision.

I will now hand over to our Chief Executive Officer and Managing Director Paul Zahra to provide you with an overview of the 2012 Financial Year.



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CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR'S ADDRESS

Thank you Chairman and good morning ladies and gentlemen.

Firstly, I would like to start by acknowledging and thanking Bob for his contribution to the Board over the past 13 years and as Chairman for the last nine years. Bob has assisted me greatly in the role of Chief Executive Officer and Managing Director over the past two and a half years. He will leave the Company well placed to deliver on its strategy with a strong management team and an experienced Board.

Thank you Bob.

As mentioned by the Chairman the 2012 Financial Year was a challenging year for retailers in terms of subdued consumer sentiment and a number of macro economic factors such as financial uncertainty in the US and Europe. Despite these challenges we made good progress in implementing our Future Strategic Direction Plan.

Implementation of our Plan has required significant investment in second half financial year 2012 and this will continue in FY13. This investment has impacted our Profit Result in FY12 however I am pleased to report that we have delivered a number of important milestones for our business as a result of this investment.

Omni Channel Retail

First and foremost we have made good progress in transforming our Company into an Omni Channel Retailer.

Since March 2012 we have worked diligently to implement the foundation of our OCR business. We have built the necessary scalable physical infrastructure, implemented the required integrated systems, realigned our processes and invested in our people.

Our warehouse at Silverwater (NSW) has been significantly expanded and upgraded to be David Jones' national fulfilment centre capable of supporting the turnover equivalent of a large suburban store.

Co-located within our fulfilment centre is a new purpose built production house containing studios, post production and copywriting facilities. In addition we have established a new customer contact centre to handle customer enquiries.

We have also implemented a new scalable IT platform consisting of a new content management system, a new order management system and a new warehouse management system. This platform has been fully integrated into the David Jones proprietary systems giving our business one view of all products, pricing, promotions and inventory across all channels.



On November 6th we launched the first components of our omni channel strategy, providing our customers with new, integrated ways to browse and shop with David Jones, anywhere, anytime. We launched the first stage of our new Online site with the best range of local and international brands, a new mobile site that allows our customers to access the store wherever they are, a new David Jones Magazine iPad App that features 'click to buy' products from our catalogues as well as exclusive content and editorials. Our new blog 'black and white' has also been launched. This focuses on the latest trends in fashion, beauty and home. We have also implemented a store booking tool that can be used by our customers to book a number of instore services.

These new initiatives complement and integrate with our social community which has grown significantly. We have over 200,000 Facebook fans and over 21,000 more followers on Twitter, Instagram and Pinterest. We have also continued our move towards integrated marketing across all channels with a focus on digital marketing including investment in digital display advertising, Search Engine Optimisation, and the use of QR codes in press and catalogues.

The next components of our OCR roll-out will occur throughout FY2013 and will include the introduction of new functionality to our online site, click & collect, incremental delivery options, social commerce and the option to purchase online from our gift registry.

The establishment of the foundation of our OCR business and the launch of our new web store are important milestones in our transformation into a world class omni channel retailer. We will continue to invest in our OCR channels to deliver further enhancements.

Cost Price Harmonisation

In a world where customers have increased price transparency through technology it is important that we ensure our pricing is comparable to global prices. We are making good progress working with suppliers to achieve global cost price harmonisation and have had success in delivering retail price reductions over the past six months across hundreds of SKUs in categories such as Fashion, Beauty, Accessories, Shoes, Homewares and Electronics.

The cost price harmonisation process is complex and will take time, however our priority in our negotiations with suppliers is to maintain our gross profit margin percentage.

Customer Service & Engagement

As new channels of retailing emerge and gain popularity, retailers are increasingly competing internationally and customers' expectations are increasing. As a result we are investing significantly in customer service and engagement. Initiatives implemented include:

- Increased floor staff hours;
- Introduction of 100 new floor staff supervisor roles;
- Introduction of 200 new "Style Advisor" and "Sales Specialist" roles; and
- Continued investment in frontline sales training, improved performance reporting to sales staff and increased reward incentives for frontline staff.

We have also introduced 45 additional, new in-store events and promotions to ensure we engage more with customers. These events include Miranda Kerr in-store appearances, Napoleon Perdis in-store appearances, Trunk Shows and the Harpers Bazaar Bridal event.



Investment in Technology

Our Future Strategic Direction Plan has placed emphasis on investment in Technology. I am pleased to report that we are currently piloting our new Point of Sale (POS) system in our Birkenhead Point (NSW), Hornsby (NSW) and Bondi Junction (NSW) stores. Our new POS system will improve our customers' service experience and significantly reduce transaction times. Importantly our new POS system has multi-functionality and will play a pivotal role in our OCR Strategy.

In other areas of Technology I can report that we have appointed a preferred provider for our new Workforce Management System and are undertaking a tender for a new Traffic Analytics System.

Building Management Skills

As our business changes we are focussed on ensuring our management team has the right skill base and experience to implement our Future Strategic Direction Plan. A Support Centre Restructure took place in May 2012 to which a number of key external appointments were made, including Donna Player being appointed as the Group Executive of Merchandise and Brad Soller as the new Chief Financial Officer.

New Full Line Department Stores

We expect our store network to continue to be core to our business and, as a result, we are focussed on ensuring we have a presence in areas where for historical reasons we have not been represented. The Company has signed Agreements for lease for six new stores. The first of these new stores to open will be Highpoint (Vic), which is on track to open in the first quarter of calendar 2013. Our Indooroopilly (Qld) store will follow and is scheduled to open in the first quarter of calendar 2014.

Village Format Stores

In addition to our new full line department stores we have noted our intention to open several village format stores. These stores will be approximately 7,000 square metres in size with a focus on Fashion, Beauty and Homewares and will be located in areas with appropriate demographics which do not have a major shopping centre. This concept is based on the success of the Company's Claremont Quarter (WA) store.

In August 2012 we announced we will open a new village format store in Malvern (Vic). In addition, our Toowong Village (Qld) store has been refurbished and converted into a village format concept.

Our village format stores will leverage our existing merchandising, operating and service capabilities as well as the David Jones brand.

Refurbishments

Our Future Strategic Direction Plan listed a number of high value refurbishments to be undertaken over the next few years aimed at enhancing the customer shopping experience. Of these our Toowong Village (Qld) store refurbishment was completed in September 2012 and our Elizabeth Street and Market Street (NSW) refurbishments were completed in October 2012.

I am pleased to report that our recently refurbished Warringah Mall (NSW), Chadstone (Vic) and Marion (SA) stores are all trading well.



Our ongoing refurbishment program has ensured that our stores continue to provide the ambience and shopping experience our customers expect.

Best National & International Brands

We have continued to invest in and add to our brand portfolio to ensure that our brand offering remains fresh, exciting, new, and reflects what customers want. In August 2012 we announced the introduction of 85 new brands into our business taking the total new brands launched over the past 20 months to more than 220. New brands include Valentino, James Perse, Gary Bigeni, We are Handsome, Vivienne Westwood, Paul & Joe Sister and Nicholas Kirkwood.

Cost of Doing Business (CODB) Reductions

Our Future Strategic Direction Plan identified a number of Cost of Doing Business reductions which will go some way to offset the expected increases in labour, occupancy, utilities and financing costs, without impacting our service levels. During the year a number of Cost of Doing Business initiatives have been implemented that include eliminating administrative tasks through the consolidation of stocktaking activities and the introduction of product scanners within the Company's gift registry business.

In addition, Cost of Doing Business reductions have been delivered as a result of the May 2012 Support Centre restructure and energy efficiencies which have reduced usage by 6% over the past 12 months.

Gross Profit (GP) Margin Improvements

At the time of announcement of the Future Strategic Direction Plan we acknowledged that our GP Margins would be adversely impacted in FY2012 by the need to clear excess Inventory. To counteract this, we have identified and implemented initiatives designed to restore GP Margins to a sustainable target range over time. These initiatives include the renegotiation of vendor trading terms earlier in the year and a review of our category mix, with a view to increasing the selling space allocated to high margin categories.

In addition, we have reduced the duration of our Half Year Clearance event in June and our invitation event in October - each by two weeks.

Financial Services

In the second half of financial year 2012 we invested \$1.8 million into our Financial Services business to increase spend, balances and the number of cards on issue. This money was invested in a number of growth initiatives including:

- Launch of the new David Jones Platinum American Express card;
- Launch of Qantas Frequent Flyer points as a reward option under the David Jones Platinum and existing David Jones American Express cards;
- Introduction of 21 new cardholder events; and
- Renewed promotion of the David Jones Store Card.

FY2012 Financial Review

Turning now to our Financial Performance for the 2012 financial year.

Profit after Tax was \$101.1 million representing a decline of 39.9% on the prior year and was in line with the guidance provided to the market in March 2012. It also reflects our investment in 2H12 in implementing our Future Strategic Direction Plan.



Sales Revenue for the year was \$1.86 billion, down 4.8% on FY2011 reflecting the challenging trading environment during the year. There was however an improvement in the quarterly sales tracking throughout the year and we just reported that our 1Q13 sales were up 0.3%.

Gross Profit percentage for FY2012 was down 160 basis points to 37.5%. This is the result of discounting in a competitive environment and the impact of dealing with the excess Inventory on hand at the commencement of FY2012.

The Cost of Doing Business percentage for FY2012 was 31.8%. This reflects investment in the Company's Future Strategic Direction Plan, increased labour, utilities, property and financing costs and lower sales volumes.

Our Financial Services business reported growth of 3.6% in EBIT to \$49.4 million in FY2012. This is lower than the 7.5% EBIT growth achieved in prior years and reflects the Company's decision to invest in 2H12 in growing customer spend and balances.

The Company's Operating Cash Flow increased 7.8% to \$196.7 million. The Company continued to invest with capital expenditure of \$81.4 million and returned \$110.6 million to shareholders via fully franked dividend payments.

Christmas

Whilst we are busy implementing our Future Strategic Direction Plan, we are also highly focused on the upcoming Christmas quarter and meeting all the challenges that the macro economic environment may throw at us.

I have just completed a nationwide 36 store review where I personally met with each Store Manager, Sales Manager and key frontline team members and have seen all their plans for Christmas. Our stores and webstore have never been better prepared.

In 2Q13 we will continue the David Jones tradition of being the leading gift giving destination for the important Christmas trading period and the subsequent Clearance period. We have an inherent advantage at this time of year as we enjoy the status of a "one-stop" shop, with the broadest selection of gifts for everyone. Despite the short term outlook of challenging retail conditions, as with all economic cycles, a trough is followed by a peak.

Our vision is that David Jones will bring the best branded department store shopping experience to everyone we serve, anywhere, anytime, every time.

I do not underestimate the size of the challenges we are facing however I give you my commitment to deal with them with your best interests at heart. I am genuinely excited about the opportunities that lie ahead over the next few years and look forward to reporting back to you in 12 months.

Ladies and gentlemen thank you for your time today. The David Jones team and I look forward to serving you over the Christmas period.

I will now hand back to the Chairman.