**For Immediate Distribution** **26 November 2008**

# 1Q09 PAT* IN LINE WITH GUIDANCE OF 5-10% GROWTH

- **1Q09 PAT*** in line with guidance of 5-10% growth despite difficult trading environment.
- **1Q09 Sales** were down 6.3% on 1Q08, **in line with management's expectations ($442.3 mil in 1Q09** vs. $471.9 mil in 1Q08). **The business was well prepared** to trade in this environment (Inventory was tightly managed & Cost Efficiency implementation program is well on track).
- **Adjusted LFL 1Q09 Sales** were **–5.2%** vs. 1Q08 (after **excluding** refurbishment disruption at the **Bourke St** store, which benefits from the EBIT protection payment).
- **Further adjusting** to take account of Sales disruption due to refurbishment at the Company's key Elizabeth & Market Streets, Bondi Junction & Robina stores **LFL Sales were –4.3%.**
- The Company is **well prepared** to continue the David Jones tradition as **the leading gift-giving destination** throughout the important Christmas trading period & subsequent Clearance trading in 2Q09.
- The Company has planned for LFL Sales to be –7.5% for each of the next 3 quarters of FY09 (which is worse than was experienced in the 1990/91 recession). On this basis the Company reaffirms its guidance of 5-10% PAT growth in FY09.
- If conditions continue to deteriorate and trading continues below its budgeted LFL Sales level of –7.5%, then the Company will reconsider its FY09 PAT guidance.
- The Company has a strong Balance Sheet, low Debt levels, strong Cashflows, clean Inventory levels and an attractive Store portfolio – providing a strong foundation for the expected challenging environment over the upcoming months.

David Jones Limited (DJS) today reported **Total Sales Revenue** of **$442.3 million** for the first quarter of the 2009 financial year **(1Q09)** being the period 27 July 2008 to 25 October 2008 (versus $471.9 million in 1Q08). This equates to a –6.3% change on 1Q08.

Despite a challenging macro economic environment, the Company reported its 1Q09 Profit After Tax (PAT)* in line with its 5-10% PAT growth guidance. The Company was well prepared in terms of inventory and cost management and its balance sheet is well set to handle the current trading environment.

On a like-for-like (LFL) basis Sales in 1Q09 versus 1Q08 were –6.1%. Adjusting for refurbishment disruption due to the Bourke Street refurbishment, (which is due for completion in November 2009), LFL Sales were –5.2% compared to 1Q08. Further adjusting for disruption to sales due to refurbishments at the Company's key Elizabeth and Market Street, Bondi Junction and Robina stores, **LFL Sales were –4.3%** versus 1Q08. In the case of the Bourke Street and Robina store refurbishments the Company will benefit from **EBIT protection payments** that cover the impact of the sales disruption whilst these stores are being refurbished. Importantly, in terms of 2Q09 the Elizabeth Street, Market Street, Bondi Junction and Robina store refurbishments have been completed in time for Christmas trading. This means the **disruption to trade experienced by these stores in 1Q09 will not be repeated in 2Q09** and David Jones customers will, throughout the critical Christmas trading period, enjoy an unparalleled shopping experience in these stores (which are amongst the best performing in the portfolio).

David Jones CEO Mr Mark McInnes said, "Throughout the up-cycle in 2006 and 2007 we ensured we prepared for the downturn that was expected in late FY08 and FY09. As such, our trading in 1Q09 was in line with our expectations and we were extremely well prepared for this environment.

"In 2Q09 we will continue the David Jones tradition of being the leading gift-giving destination for the important Christmas trading 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. Over the last 10 years we have built the best national and international brand portfolio in Australia. Despite the challenging macro environment, we are confident we can meet all of our customers Christmas needs," Mr McInnes said.

**FY09 – FY12 STRATEGIC PLAN UPDATE**

The Company has made significant progress in implementing its FY09 – FY12 Strategic Plan. The new David Jones American Express card was successfully launched on 30 September 2008, in time for the pre-Christmas 2008 trading period.

On 18 October 2008 the new Doncaster David Jones store officially opened, as part of the $600 million Westfield redevelopment. Customers have embraced the new store and it is to date performing well. Added to this, the Company has completed its strategic refurbishments of:

- the upper floors of the Sydney CBD Elizabeth and Market Street stores;
- the Bondi Junction (Sydney) store; and
- the Robina (Gold Coast, Qld) store,

all in time for Christmas trading.

In addition, the Company announced on 25 November 2008 that it had entered into a Property Agreement that would deliver:

1. 3 new stores in high growth, attractive demographic centres (Pacific Fair - Qld, Macquarie - NSW and Whitford - WA); and
2. 3 new strategic refurbishments of high value stores (Kotara - NSW, Marion - SA and Karrinyup - WA);

**OUTLOOK**

Looking forward, the Company expects difficult retail conditions for the remainder of FY09.

Mr McInnes said, "Despite this outlook our business is well prepared. We have set our trading budgets for FY09 at worse than the experience of the department store sector in 1990/91, where the market experienced four negative quarters ranging from –3% to –6% per quarter. We have set our internal LFL Sales budgets predicting levels of –7.5% for the remainder of FY09, which is at a worse level than seen in the 1990/91 recession.

"We have set our business parameters accordingly. Our Inventory has been tightly managed, our Cost Efficiency Programs are on track to deliver the savings required in this type of environment and we are managing our Gross Profit margins," Mr McInnes said.

The Company has prepared for 2Q09 LFL Sales at –7.5%, despite the benefits to come from the completion of the refurbishment of Elizabeth and Market Street, Bondi and Robina prior to Christmas.

Based on the above sales expectations, the Company reaffirms its guidance of 5-10% PAT growth in FY09. However, if conditions continue to deteriorate and the Company trades below its budgeted level of –7.5%, then it will reconsider its FY09 PAT guidance.

Mr McInnes said, "We are well prepared to continue the David Jones tradition as the leading gift-giving destination for the important Christmas trading period and for the subsequent Clearance period in 2Q09. We sell everything from Apple Ipods to Estee Lauder Beautiful perfume and remain the best place for all Christmas needs.

"Although FY09 will be a very challenging sales year, we believe our business model is fundamentally sound and our Company is at its strongest, from a financial perspective, since listing in 1995.

"Over the last five years we have completely transformed David Jones' business model and strategy from 'high debt/high risk' to a 'low debt/low risk' proposition, with a strong cash generating core business. This is best evidenced by the fact that in 2003 the Company incurred a $25 million loss, by FY08 the business' performance has been completely turned around and generated PAT of $137 million.

"Throughout this period we have taken the following steps to maximize the financial health of the Company and its Balance Sheet:

- exited previous underperforming businesses such as Foodchain, Online and low value stores;
- reacquired our flagship Sydney and Melbourne CBD store properties;
- converted all Reset Preference Shares on issue into ordinary shares in August 2007;
- sold the Bourke Street Home Store for $42 million to partially fund the redevelopment of our Melbourne CBD Store;
- transferred our receivables to American Express freeing up $35-$40 million in cash
- undertaken comprehensive renegotiation of merchandise supplier trading terms;
- improved trading terms with all non merchandise suppliers;
- negotiated with stakeholders to contribute significant capital to help fund future growth projects; and
- delivered a 09 -12 Strategic Plan for substantial future growth to the Company without requiring any additional debt.

"In this difficult financial environment, we have a business with:

- a strong cash position;
- low debt, against high quality assets in our Sydney and Melbourne CBD properties;
- a strong balance sheet;
- clean inventory levels with aged inventory well below 5%;
- an established Cost Efficiencies program;
- an alliance with American Express for the David Jones American Express card and our existing Store card;
- the best national and international brand portfolio across all categories;
- our service strategy that builds on our service heritage; and
- a strong store portfolio – we own the property on which our flagship Sydney and Melbourne CBD stores are located, we have exited underperforming, low profit stores and all of our existing stores are in the most attractive demographic locations differentiating us from other department stores in the Australian market.

"This provides us with a strong foundation upon which to trade through the challenging retail conditions forecast for the remainder of the year," Mr McInnes said.

ENDS

**FOR FURTHER INFORMATION CONTACT:**

Helen Karlis
General Manager Corporate Affairs & Investor Relations
David Jones Limited
02 9266 5960
0404 045 325

***Notes:***

*The Sales numbers quoted in this ASX Release have not been adjusted to take into account changes to the provisions for returns or lay-by. These changes are required under AIFRS and will be reflected in the half year-end Sales figures in the Company's Income Statement. Any change is expected to be immaterial.*

*PAT* refers to Profit after tax (PAT) after removing the one-off impacts of the sale of the Bourke Street Home store in 2H08.*