



25 September 2009

The Manager Companies  
Australian Stock Exchange Limited  
11<sup>th</sup> Floor  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir or Madam:

**Communication to Shareholders**

Please see attached the following documents:

- Letter to Shareholders from the Chairman and Chief Executive Officer
- Brochure to Shareholders
- Sample press advertisement containing message to Shareholders

Yours faithfully  
DAVID JONES LIMITED

Caroline Waldron  
Company Secretary

**DAVID JONES**

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



## FROM STRENGTH TO STRENGTH

24 September 2009

Dear Shareholder,

### FROM STRENGTH TO STRENGTH: DAVID JONES ANNOUNCES RECORD PROFIT RESULT & DIVIDEND

To coincide with the release of our Company's 2009 full year results and given many shareholders have elected not to receive an annual report, we take this opportunity to update you on our financial performance and the exciting future that lies ahead for our Company.

As you know, the past year has been extremely challenging for all of the world's major economies. Despite a global recession and the weakest economic environment since the recession of the early 1990s, we are pleased to report to you that our Company has delivered:

- Its **highest full year profit result** since listing in 1995, with second half 2009 Profit After Tax (PAT) growth of **36.0%** and full year 2009 PAT growth of **14.2%**;
- Its **highest dividend** since listing in 1995 of 28 cents per share fully franked, equating to 4.7 times the dividend paid in 2003; and
- A **strong balance sheet** with low debt, backed by valuable properties.

This is an outstanding result during a time when many publicly listed companies have incurred losses for the year, are burdened by debt and have either not declared a dividend for shareholders or substantially reduced it.

David Jones shareholders have received returns from capital gains and dividends\* (on an average basis) of 34% p.a. from 3 February 2003 to 1 September 2009. This is almost three times the return of the ASX 100. In fact, on 1 July 2009 The Australian newspaper reported that David Jones was the "Best Performing Stock" in the S&P/ASX 100 Index for the year, delivering **61.9% capital growth\*\***.

Today our Company has low debt levels, strong cash flows, high quality assets, a strong balance sheet and a track record of delivering profit and dividend growth year-on-year.

On the basis of this solid foundation we are delighted to report that **our Company is poised for growth and has a very exciting future**. The enclosed booklet outlines our Company's growth strategy and our track record to date. It also notes that our growth strategy is fully funded and requires no further debt.

Please take the time to review the enclosed booklet and we look forward to reporting back to you at our Company's 2009 Annual General Meeting.

Yours sincerely,

Robert Savage  
Chairman

Mark McInnes  
Chief Executive Officer

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\*Compound annual growth rate of investment from 3 February 2003 to 1 September 2009 including the value of reinvested dividends.

\*\* Source: The Australian newspaper (1 July 2009) utilising data extracted from Bloomberg



FROM STRENGTH TO STRENGTH

**DAVID JONES**

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



# FROM STRENGTH TO STRENGTH

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# FROM STRENGTH TO STRENGTH

A MESSAGE TO SHAREHOLDERS FROM YOUR BOARD OF DIRECTORS

DAVID JONES LIMITED ACN 000 074 573

in these  
unprecedented  
times

David Jones  
is moving from  
strength  
to strength



Mark McInnes  
CEO David Jones Limited

Robert Savage  
Chairman David Jones Limited

**CAROLINE WALDRON**  
GENERAL COUNSEL AND  
COMPANY SECRETARY *SINCE 2005*

**MARK McINNES**  
CEO, EXECUTIVE DIRECTOR  
*SINCE 2003*

**STEPHEN GODDARD**  
EXECUTIVE DIRECTOR  
*SINCE 2003*

**REGINALD CLAIRS AO**  
DIRECTOR  
*SINCE 1999*

## Board of Directors & Company Secretary



**JOHN HARVEY**  
DIRECTOR  
*SINCE 2001*

**JOHN COATES AC**  
DEPUTY CHAIRMAN  
DIRECTOR *SINCE 1995*

**ROBERT SAVAGE**  
CHAIRMAN  
DIRECTOR *SINCE 1999*

**KATIE LAHEY**  
DIRECTOR  
*SINCE 1995*

**PETER MASON AM**  
DIRECTOR  
*SINCE 2007*



To coincide with the release of our FY2009 profit results, your Board would like to take this opportunity to demonstrate

why David Jones has been an outstanding investment,

why your company is in a strong position,

and why we are poised for growth.

# the strength of our track record

## Outstanding profit growth through the 'ups and downs' of the retail cycle

David Jones has a proven track record of substantial and consistent year on year profit growth since 2003.

Despite a global recession and the weakest economic environment since the recession of the early 1990s, we recently announced an FY2009 Profit After Tax of \$156.5 million, which is a 14.2% increase on last year.

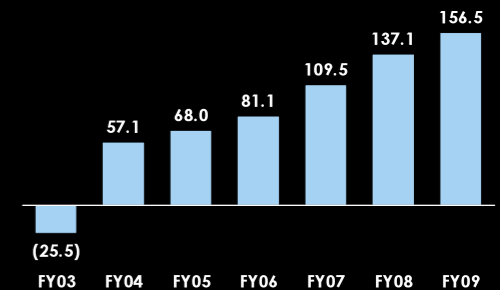
## Strong dividend growth

David Jones' dividends have increased 4.7 times since FY2003, from 6 cents per share, fully franked, to 28 cents per share, fully franked, in FY2009.

The David Jones Board has a commitment to return excess cash to shareholders in the most efficient manner over time. Since 2005 the Board has formally adopted a policy of paying out not less than 85% of Profit After Tax as dividends in each year.

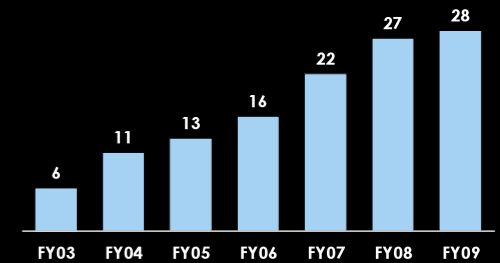
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### Profit after tax \$ Millions



Note: AIFRS basis except FY03 which is AGAAP. FY03 is after significant items. FY07 excludes one-off impacts of the unwinding of the Sale & Leaseback Transaction. FY08 excludes profit from sale of Melbourne Homewares store.

### Dividend growth Cents per share



# the strength of our investment returns

## Outstanding returns to shareholders compared to the ASX 100

David Jones' shareholders have received returns from capital gains and reinvested dividends (on an average basis) of 34% per annum from 3rd February 2003 to 1st September 2009. This is almost three times the return of the ASX 100.

## Value of \$1 invested on 3 Feb 2003



\* Compound annual growth rate of investment from 3 February 2003 to 1 September 2009 including value of reinvested dividends  
Source: Bloomberg, Port Jackson Partners analysis

An investment of \$1 made when the current management team was appointed on 3rd February 2003 grew to \$6.86 by 1st September 2009 from capital gains and reinvested dividends. On the same basis, an investment of \$1 in the ASX 100 grew to only \$2.06 over the same period.

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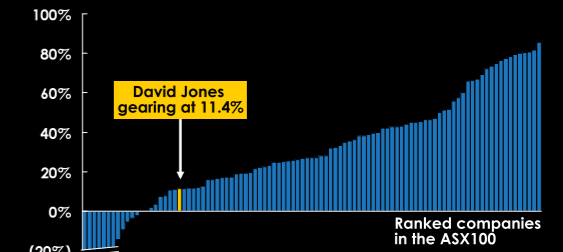
# the strength of our balance sheet

## David Jones has very low debt providing increased confidence to shareholders

David Jones has reduced net debt by almost half a billion dollars over the last 2 years. At a time when many companies are struggling with high debt levels and refinancing risks, David Jones has less than \$100 million of net debt compared with total assets of \$1.1 billion. Our gearing\* is only 11.4%, which is very low compared to most companies in the ASX 100, providing increased confidence to shareholders.

\*See graph

### Gearing of companies in the ASX100 Percent gearing\*



\* Gearing is calculated as net debt over net debt plus book value of equity for latest reported figures as at 1 September 2009  
Source: Bloomberg as at 1 September 2009. Part Jackson Partners analysis

## Our balance sheet is backed by valuable properties

David Jones reacquired and now owns its flagship CBD stores in Sydney and Melbourne, saving the company an estimated \$30 million per annum in rent that would otherwise be payable to a landlord. The company's balance sheet is backed by valuable property assets.

Elizabeth Street store, Sydney



# the strength of international best practice

## David Jones' profit margin is superior to our international peers

David Jones' Profit After Tax margin is higher than those of world-renowned department stores in the US and UK that we consider our peers, as shown.



## We have low financing risk compared to our international peers

David Jones' gearing is substantially lower than those of world-renowned department stores in the US and UK that we consider our peers, as shown.



# the strength of our differentiated business model

## David Jones has the brands Australians love

Our range of Australian and international brands is unparalleled. More than half of the brands in key categories are department store exclusive to David Jones including much-loved and popular names such as Sass & Bide, Industrie, Saba, Witchery, Veronika Maine, Ted Baker, Mimco, Orotan, Napoleon Perdis and many, many more.

## David Jones' customer service is world class

Our promise is to never compromise on service and our customers consistently rate our service significantly above that of our nearest department store competitor.\*

## Our stores set a benchmark in design and are strategically placed

Our stores set a benchmark in Australian department store retailing. Over the last 5 years, we have added over 1000 branded concepts to our stores. Our stores are strategically located, providing easy access for our target customers.

\*Assessed by survey of over 9000 customers over last three years by The Leading Edge.



# the strength of our management team

## The strength of experience, the strength of stability

The David Jones executive team has a combined total of over 160 years department store retail experience.

Through the ups and downs of the retail cycle the David Jones executive team has consistently delivered superior shareholder returns.



**TOP ROW FROM LEFT TO RIGHT:** KAREN McLACHLAN, PATRICK ROBINSON, ANTONY KARP AND DAMIAN EALES.  
**BOTTOM ROW FROM LEFT TO RIGHT:** MARK McINNES, PAUL ZAHRA, COLETTE GARNSEY, STEPHEN GODDARD AND PAULA BAUCHINGER.

## the team

**MARK McINNES**  
CEO

**STEPHEN GODDARD**  
FINANCE DIRECTOR

**PAUL ZAHRA**  
STORES & OPERATIONS

**COLETTE GARNSEY**  
APPAREL, ACCESSORIES,  
FOOTWEAR & COSMETICS

**PATRICK ROBINSON**  
HOME & FOOD

**DAMIAN EALES**  
FINANCIAL SERVICES & MARKETING

**ANTONY KARP**  
RETAIL DEVELOPMENT & PROCUREMENT

**KAREN McLACHLAN**  
INFORMATION TECHNOLOGY

**PAULA BAUCHINGER**  
HUMAN RESOURCES

# the strength of our new store growth strategy

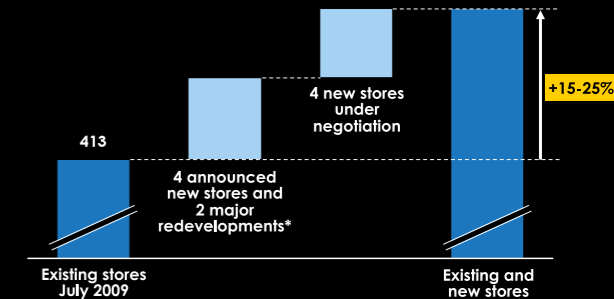
## David Jones has a strong, low risk growth strategy for new stores

David Jones plans to increase selling space and sales by 15%-25% in the medium term. This will be achieved through four announced new stores (Sunshine Plaza QLD, Whitford WA, Macquarie NSW and Pacific Fair QLD), major redevelopments of our Melbourne CBD and Claremont WA stores and four new stores currently under negotiation. All of these new stores will be high value, high growth and will be funded without the need for additional debt.



## David Jones selling space

'000 m<sup>2</sup>, estimate



\* David Jones' announced new stores include Sunshine Plaza, Whitford, Macquarie and Pacific Fair. Major redevelopments include Melbourne CBD and Claremont.

Artist's impression of façade for Little Bourke Street store, Melbourne

# the strength of our financial services growth strategy

## David Jones has a strong, low risk growth strategy in financial services

Through our alliance with American Express, David Jones has:

- delivered financial services earnings before interest and tax (EBIT) of \$41.3m in FY2009, a 7.5% increase over the previous year;
- transferred from David Jones to American Express \$374m of receivables, which had largely been debt funded;
- released approximately \$35m of cash from working capital; and
- launched the highly competitive David Jones American Express Card and exceeded our target for customer take-up.

Looking ahead, David Jones' guidance is for 7.5% EBIT growth per annum in financial services over the next four years.



the  
strength  
of our ability  
to leverage  
the up-cycle

## David Jones is ready for the next up-cycle

David Jones has a track record of profit growth through the ups and downs of the retail cycle.

David Jones' cost of doing business has reduced 430 basis points from 34.6%<sup>#</sup> of sales in FY2003 to 30.3% of sales in FY2009, while maintaining our customer service levels.

As the economy recovers, David Jones' cost and inventory management disciplines mean that we are well positioned to convert sales growth into profit growth.

<sup>#</sup>Adjusted for AIFRS and the sale and lease-back



# from strength to strength

David Jones has delivered outstanding returns for its shareholders since 2003.

Despite difficult economic times, your company is in a strong position.

David Jones is poised for growth.





DAVID JONES



# from strength to strength

## A MESSAGE TO DAVID JONES SHAREHOLDERS

### **The strength of our track record**

\$1 invested in David Jones on 3rd February 2003 grew to \$6.86 by 1st September 2009 from capital gains and reinvested dividends.

Profit After Tax has more than doubled in the last 4 years.

Dividends have increased from 6 cents per share in Financial Year 2003 to 28 cents per share in Financial Year 2009.

Our management team has extensive department store experience and a proven track record of delivering results for shareholders since 2003.

### **We are poised for growth**

Through our new store growth strategy we plan to increase selling space and sales by 15-25% in the medium term.

We have a valuable and growing financial services business in the David Jones Storecard and the David Jones American Express Card.

We have a strong balance sheet with low debt.

As the economy recovers, our cost, gross margin and inventory management disciplines mean that we are well positioned to convert sales growth into profit growth.

**Through the ups and downs of the economic cycle, we are going from strength to strength.**

# DAVID JONES

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