For Immediate Distribution **21 January 2009**

DAVID JONES UPDATES SALES & PROFIT GUIDANCE

- **2Q09 LFL Sales Guidance** revised to **approx. –9.5%** on pcp (plus the new Doncaster store sales) versus –7.5% guidance given on 26 Nov 2008.
- Access Economics' most recent forecasts predict that the **macro economic outlook over the next 6 months remains extremely challenging** & significantly worse than anticipated in their previous reports.
- Access Economics believes we are experiencing a "rolling downturn" which will continue in the second half of calendar 2009 with no sign of improvement until 2010.
- As a result of Access Economics' forecasts, the Company has budgeted **2H09 LFL Sales to be –10%** versus –7.5% LFL Guidance given on 26 Nov 2008.
- The Company has also set internal LFL Sales budgets for **1H10** at between **–3% and –5%** (off a Sales base of -8.1% LFL in 1H09), with a return to **flat sales growth in 2H10.** (This equates to 6 negative quarters, which is unprecedented over the past 20 years.)
- Given the trading environment, a **one-off organisational realignment** will be undertaken in January 2009. This will result in a reduction of 150 **Head Office & Administrative Support** positions. However, despite 2 consecutive quarters of negative sales, the Company has been a net creator of jobs in the first half. This one-off realignment will **NOT** involve any customer service jobs.
- In light of Access Economics' outlook, the Company's new Sales Guidance & after the costs of the realignment (which will all be incurred in 1H09), **PAT* Guidance for each of 1H09, FY09 & FY10** has been revised to **0% to +5% p.a**. cumulative growth off the FY08 base (previous PAT Guidance was 5% - 10% growth p.a.).
- Although trading conditions have been & are expected to continue to be difficult, the **Company's fundamental structure is in excellent shape**:
  - Inventory is well below last year's levels (Aged Inventory continues to be below 5%);
  - Cashflows are strong;
  - CODB reductions in 1H09 have been significant & will continue in 2H09 & 1H10; and
  - GP margins are at the bottom end of the Company's long-term targets of 39.5% - 40.0%.

  The combination of these factors will see an improvement in the Company's EBIT margins based on current guidance.
- The Company:
  - can fund all of its FY09 - FY12 Capex from its operating cashflow; and
  - has less than $100 mil debt (its bank facility extends until 2012). This debt relates to the repurchase of the Company's Syd & Melb CBD flagship store properties. The interest payable on the debt is significantly less than the commercial rent that would be payable by the Company for these properties.

  The Board today reiterated its commitment to return excess cash to shareholders in the most efficient manner over time & reaffirmed its Dividend Payout Policy of not less than 85% of PAT.

David Jones Limited (DJS) today announced that it has revised its Sales and Profit after Tax (PAT) Guidance for FY09 and FY10. In addition, the Board reiterated its commitment to return excess cash to shareholders in the most efficient manner over time. The Board also reaffirmed its Dividend Payout Policy of not less than 85% of PAT.

On 26 November 2008 the Company announced that it had set its internal 'like-for-like' (LFL) Sales budgets, predicting levels of –7.5% for the remainder of FY09 compared to the previous corresponding period (pcp). Based on these Sales levels the Company reaffirmed its PAT guidance of 5% – 10% growth in FY09. This guidance was given on the proviso that if conditions deteriorated and the Company traded below its budgeted level of –7.5%, the Company would reconsider its FY09 PAT Guidance.

In December 2008 and on 19 January 2009 Access Economics issued reports updating their outlook for the macro economic environment. Their view is that the retail slowdown is already worse than those experienced in 2000/01 and 1996/97. Their most recent forecasts predict that the macro economic outlook over the next six months remains extremely challenging and they expect the Australian retail outlook to be significantly worse than anticipated in their previous reports.

The Company has traded through most of 2Q09 and now expects LFL Sales to be approximately –9.5% for 2Q09 (plus the new Doncaster store sales) rather than the –7.5% guidance provided at the 1Q09 Sales announcement on 26 November 2008. Given 1Q09 LFL Sales declined by 6.1% and today's Sales Guidance for 2Q09 of –9.5%, 1H09 LFL Sales are expected to be approximately –8.1%. 1H09 Total Sales are expected to be approximately –6.7%.

On the basis of Access Economics' forecast and the Company's 1H09 trading experience, management has set appropriate business parameters by internally budgeting its LFL Sales in 2H09 to be –10%. This –10% guidance is off a base of 1.5% LFL Sales growth in 2H08.

Access Economics believes that challenging macro economic conditions will continue in the second half of calendar 2009 and that no sign of improvement will emerge until 2010.

Given Access Economics' forecast the Company has set its internal LFL Sales budget for 1H10 at between –3% and –5%. Management expects a return to flat sales growth by 2H10.

This effectively equates to six negative Sales quarters, which is unprecedented over the past 20 years of the Company's history. The Company has planned for a material change in its 2 year LFL Sales tracking rate for 2H09 by setting it at –8.5% (which equates to LFL Sales in 2H08 of +1.5% plus 2H09 LFL Sales of -10%) versus the 2 year LFL Sales tracking rate actually experienced in 1H09 of –0.9% (calculated by adding 1H08 LFL Sales of +7.2% to 1H09 LFL Sales of -8.1%).

David Jones CEO, Mark McInnes said, "By setting conservative Sales budgets we will be better able to manage our Inventory and Variable Costs.

"Given the current trading environment, we have also taken steps to ensure that our Company is appropriately aligned to trade through this challenging period. A one-off organisational realignment will be undertaken in January 2009 and will result in a reduction of 150 Head Office and Administrative Support positions.

"Despite two consecutive quarters of significant sales loss, our Company has been a net creator of jobs in the first half. We created 250 jobs in our new Doncaster store and despite closing our Claremont store on 24 January 2009 for redevelopment, all 60 staff will be redeployed.

"In addition, no customer service jobs will be lost as part of this realignment. David Jones has a long tradition of service and we aim to continue to offer customers the best national and international brands, at competitive prices with excellent service levels, within the best store environment. We want to work constructively with the union to preserve all existing customer service jobs," Mr McInnes said.

The Company has also revised its PAT Guidance for FY09 and FY10 as a result of Access Economics' macro economic outlook for 2009 and the costs relating to the organisational realignment (which will be incurred in 1H09). The Company's PAT guidance, after the costs of the organisational realignment, for each of 1H09, FY09 and FY10 based on the Sales Guidance announced today is 0% to 5% cumulative growth p.a. (off the FY08 base).

Mr McInnes said, "Although FY09 will be a very challenging year from a sales perspective, we have set solid foundations for our business and our business model is sound. In fact our Company is at its strongest since listing in 1995.

"We have exceptionally strong Cashflows, evidence of this being that since September 2006 we have (after funding Capital Expenditure (Capex) and paying healthy dividends) generated further cash, which has been applied to reducing our debt by $100 million.

"Our Inventory has been tightly managed and is well below last year's level, with our Aged Inventory below our 5% benchmark.

"Our Gross Profit (GP) Margin whilst under some pressure due to the nature of current market conditions is at the bottom end of our long-term GP target range of 39.5% - 40.0%, an excellent achievement in the current environment.

"Our Cost of Doing Business (CODB) reductions in 1H09 have been significant and we expect to generate further reductions in 2H09 and 1H10.

"The combination of these factors will see us continue to improve our EBIT margins for FY09 over FY08 based on today's Sales and PAT guidance. We have a strong track record of improving our EBIT margins and we can expect our EBIT to Sales percentage for FY09 to be in the range of 10.5% - 11.0% (up from 10.2% in FY08).

"Most importantly however, our Company can fund all Capex required by our business throughout FY09 –FY12 from our operating cashflows. We have debt of less than $100 million at half-year end (and our bank facility extends until 2012). This debt relates to the repurchase of our Sydney and Melbourne CBD flagship store properties in September 2006. The interest payable on our debt is significantly less than the commercial rent that would be payable for these properties," Mr McInnes said.

The Board of Directors today reiterated their commitment to return excess cash to shareholders in the most efficient manner over time. The Board also reaffirmed its Dividend Payout Policy of not less than 85% of PAT.

CONCLUSION
Whilst according to Access Economics the economic and retail outlook over the next 12 months appears to be extremely challenging, the Company has set its business parameters and has taken steps to help ensure that shareholders continue to receive attractive dividends.

Mr McInnes concluded, "Since the 2003 Strategic Plan we have developed our business model to be resilient with a strong foundation upon which to trade through the challenging retail conditions forecast in 2009. We have a large loyal customer base, who in times of difficulty and uncertainty trust David Jones to provide the best and broadest range of brands at competitive prices coupled with the best service.

"We are very optimistic about our future and we will use this time to make changes to our business to ensure we are ready when the economy eventually recovers, which it will inevitably do. When it does our Company will be ideally placed to maximise its returns," Mr McInnes said.

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Notes:
PAT refers to underlying Profit after Tax (PAT) after removing the profit from the sale of the Bourke Street Home store in 2H08.*