DAVID JONES LIMITED

ASX AND MEDIA RELEASE

For Immediate Distribution **24 September 2009**

RECORD FY09 PROFIT RESULT OF $156.5 MILLION
RECORD DIVIDEND OF 28 CENTS
POISED FOR GROWTH

- **Highest Full Year Profit Result & Dividend** since 1995 listing
- **2H09 PAT up 36.0%*** on last year ($65.4 million in 2H09 vs. $48.1 million in 2H08)
- **FY09 PAT up 14.2%*** to **$156.5 million** ($137.1 million in FY08)
- **Total Company 'PAT to Sales Ratio' up 140* bp** (7.9% FY09 vs. 6.5% FY08)
- **2H09 Gross Profit 39.7% up 50 bp on 2H08**
- **FY09 Gross Profit 39.6% up 5 bp on FY08**
- **CODB reduced by 90 bp** (30.3% in FY09 vs. 31.2% in FY08)
- **2H09 Dividend of 17 cps fully franked** vs. 16 cps in 2H08
- **FY09 Dividend of 28cps** vs. 27 cps in FY08
- **High value, low risk growth** strategy successfully being implemented
- **Reaffirm guidance of 0% - 5% PAT growth for FY10**
- **Strong Balance Sheet, low debt, poised to leverage next up-cycle**

David Jones Limited (DJS) today reported underlying 2H09 **Profit after Tax (PAT) of $65.4 million up 36.0%*** on 2H08 ($48.1 million). The Company also reported **full year 2009 (FY09) PAT of $156.5 million** for the year ended 25 July 2009. This represents an **increase of 14.2%*** on PAT for FY08 (of $137.1 million).

David Jones Chief Executive Officer Mr Mark McInnes said, "Despite an extremely challenging environment for all of the world's major economies over the past 12 months we are pleased to report that our Company has delivered a record Profit result and declared a record Dividend – both being the highest since listing in 1995.

"Our ability to deliver both Profit and Dividend growth over the past 12 months demonstrates the strength of our business model. Looking forward we are well positioned to fully leverage the next upturn in the economic cycle," Mr McInnes said.

FY09 FINANCIAL PERFORMANCE

SUMMARY OF KEY FINANCIALS

KEY ITEMS	FY09	FY08	% Change
Sales ($m)	1,985.5	2,098.0	(5.4%)
Total EBIT* ($m)	225.7	212.9	+ 6.0%
PAT* ($m)	156.5	137.1	+14.2%
Basic EPS* (cps)	31.5	28.4	+10.9%
Full Year Dividend per ordinary share (fully franked) (cps)	28.0	27.0	+ 3.7%

As announced on 5 August 2009 David Jones' **Sales Revenue** for the year was $1,985.5 million down 5.4% on FY08 ($2,098.0 million).

Earnings before Interest and Tax (EBIT) in FY09 was $225.7 million **up 6.0%** on FY08 ($212.9 million).

The Company's **Total 'PAT to Sales Ratio'** for FY09 was **up 140 basis points (bp)** (7.9% FY09 vs. 6.5% FY08).

The Company's **Financial Services** business continued its solid performance track record, reporting growth of 7.5% in EBIT to $41.3 million in FY09 from $38.4 million in FY08.

The total **Cost of Doing Business (CODB)** percentage for FY09 was 30.3%, an **improvement of 90 basis points** on the FY08 CODB percentage (31.2%). This performance reflects the Company's strong cost efficiency focus. Management utilised the strong economic climate in late 2006 and 2007 to implement the Cost Efficiency Programs that have delivered, and will continue to deliver, sustainable and significant cost savings (both fixed and variable). The Company has a further 58 cost efficiency projects which will be implemented over FY10, FY11 and FY12, and these projects are on track and will continue to deliver CODB reductions each year over the next three years.

Gross Profit percentage for 2H09 was up 50 bp on 2H08, delivering a full year result of **39.6%.** The Company's ability to deliver an improvement in Gross Profit (GP) margins during the difficult retail environment experienced in FY09 demonstrates the leverage that exists to improve margins when strong retail conditions prevail.

Capital Expenditure (Capex) in FY09 was well below the Company's $50 million per annum (p.a.) capex target after adjusting for the new Doncaster store and the Bourke Street Melbourne store refurbishment. The Company's Capex in FY09 in total was $99.1 million (which has been partially funded from proceeds of the Dividend Reinvestment Plan and the sale of the Bourke Street Home Store).

Inventory was well managed in FY09. The Company's year-end stock position in 2009 is 4.8% lower than in FY08, which means it has a very clean inventory position entering into FY10.

The Doncaster (Vic) store opened in October 2008 and has been performing strongly. It is on track to deliver $55-$60 million in sales and $7- $8 million of EBIT in its first full financial year of trading.

Mr McInnes said, “Our new Doncaster store has significant opportunity to ramp up its Sales and EBIT contribution as the store matures and is an excellent example of the calibre and quality of new stores that we have announced to date.”

David Jones continued its track record of strong free **Cashflow.** Despite FY09 being a peak year in Capital Expenditure (due largely to the Bourke Street store redevelopment) and an additional $22 million being paid to shareholders as dividends, the Company’s cashflows remain very robust with free Cashflow of $125.8m in FY09.

DEBT POSITION

In an environment where many companies are struggling to refinance their loans and to raise additional funding, David Jones has reduced its net debt by $471 million, equating to an 84% reduction since FY07.

The Company now has less than $100 million of net debt and its gearing is only 11.4%, which is low compared to most companies in the ASX100.

The 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.

DIVIDENDS

In keeping with the Company’s commitment to return excess cash (not required in the business) to shareholders and as a sign of its confidence in the Company’s ability to continue generating solid cashflows in both the short term and longer term, the Board has declared a **fully franked dividend of 17 cents per share (cps) for 2H09 (versus 16 cps in 2H08**).

The **total dividend** per ordinary share for FY09 is **28 cps fully franked** compared to the Company’s FY08 total dividend of 27 cps. This represents annual dividend growth of 3.7% and a payout ratio of 89.2% and is consistent with the Board’s undertaking to payout not less than 85.0% of Profit.

The record date for the final dividend will be 12 October 2009 and the dividend payment date will be 2 November 2009.

POISED FOR FUTURE GROWTH

Mr McInnes said, “Our ability to deliver our FY09 PAT and Dividend growth in the most difficult economic environment since the recession in the early 1990s, combined with our performance track record since 2003 demonstrates the strong business model we have and the solid foundation we have laid for future growth.

"Our Company is poised for growth for the following reasons, we:

- have a distinctive competitive positioning;
- are well positioned to leverage the next up-cycle;
- have a large and growing target customer base;
- are executing low risk growth programs in terms of our store portfolio and our financial services business;
- have strong core department store fundamentals;
- own our flagship CBD stores;
- have a consistent and experienced management team; and
- have a high value low risk growth business model," Mr McInnes said.

1. Distinctive Competitive Positioning

David Jones has a distinctive competitive positioning in the Australian Department Store sector which delivers a resilient and enduring market share.

Market research undertaken by The Leading Edge indicates that according to customers David Jones offers:

- the best range of national and international brands;
- a superior level of friendly customer service;
- a superior overall shopping experience; and
- the most distinctive store environment.

This distinctive competitive position delivers a superior shopping experience for our customers, greater overall customer satisfaction and a very high level of customer loyalty.

2. Strong Profit Leverage in an Upturn

David Jones is well positioned to achieve significant profit leverage to Sales growth in the next up-cycle due to the fact that:

- a significant portion of the Company's costs are fixed (such as Head Office costs);
- the variable components of the business such as Service and Inventory are well managed;
- the Company's growth projects require minimal fixed cost increases; and
- there is upside for Gross Profit Margins in a strong sales environment.

Mr McInnes said, "We have a demonstrated track record of profit leverage in our business during an upturn. During the up-cycle in FY07 and FY08 for instance, our Sales growth of 8.9% and 5.8% generated profit growth of 35% and 25.1% respectively.

"Historically David Jones is 'first-in and first-out' of a downturn, our Company has a track record of growing profits following a downturn and we are well positioned to take advantage of the next up-cycle," Mr McInnes said.

3. Large and Growing Target Customer Base

David Jones' business model is supported by strong underlying demographic trends, which remain compelling even during a downturn. The Company's target customer base is people with above average disposable incomes. According to recently issued ABS data this group has grown 2.3 times from 3.6 million people in 2001 to 8.1 million in 2008, growing by more than 2 million people since 2006.

4. New Stores and Major Rebuilds to deliver ~15% to 25% Sales Growth

David Jones announced in March 2008 that it proposed to open 4 to 8 new stores as part of its FY09 – FY12 Strategic Plan. To date agreements have been entered into to open four new stores at:

- Sunshine Plaza (Sunshine Coast, Qld);
- Whitford (Perth, WA);
- Macquarie Centre (Sydney, NSW); and
- Pacific Fair (Gold Coast, Qld).

In addition, the Company currently is in active negotiations to open a further four stores in high value locations. These new stores coupled with the Company's redevelopment of its Bourke Street Melbourne CBD flagship store (which will increase sell space by 30%) and the rebuilding of the Claremont store (which will almost double the store's size) is expected to deliver an increase of approximately 15% to 25% in Sales growth and selling space over the medium term.

The Company is also in the midst of implementing its Refurbishment Program. To date seven high value stores have been refurbished or are in the process of being refurbished. A further 3 to 5 high-value stores in key suburban sites are planned over the next 12 to 36 months. Each refurbishment will deliver a payback on capital invested within 1 to 3 years.

Mr McInnes said, "Our new store, rebuild and refurbishment strategy will deliver strong growth in our core business and has the added benefit of being low risk as it is fully funded and relates to attractive demographic areas where our brand is best suited. Furthermore, our New Store Strategy reinforces our unique market position with new stores being located in high-income demographic areas, with large catchments and within high value shopping centres.

"Importantly, our New Store and Major Rebuild strategy supports our GP margins as we allocate more space to high margin categories and brands," Mr McInnes said.

5. Financial Services Business

The David Jones/American Express alliance announced in February 2008 allowed the Company to:

- transfer $374.3 million of largely debt funded receivables to American Express;
- release approximately $35 million of cash from Working Capital; and
- be in the position where American Express has responsibility for the credit policy and the risk associated with the portfolio.

The Company's guidance is for the Financial Services business to deliver EBIT growth of 7.5% p.a. over the next four years (currently $41.3 million) with sign-ups of new cardholders to date far exceeding David Jones' expectations.

6. Sustainably Improving Gross Profit Margin
In 2H09 the Company's GP margin grew by 50 bp demonstrating the strength of the David Jones business model and the fact that it is well positioned to continue growing GP margins as the economy enters the next up-cycle.

The Company's GP margin target range is 39.5% to 40% throughout the economic cycle. Whilst traditionally gross profit margins decline during a downturn David Jones has delivered a 5 bp improvement in gross profit margins in FY09 despite trading through the most difficult economic environment since the recession in the early 1990s.

Looking forward the Company has medium to long term strategies in place to enable it to sustainably improve its GP margin within its target band. These include:

- reaping the benefits from the 2,700 supplier negotiations undertaken in 2007/2008 which are continuing to flow through to the business;
- increasing the space allocated to high margin categories and brands as part of the New Store and Refurbishment programs; and
- capitalising on opportunities that arise during the up-cycle to improve margins.

7. Continued Cost Of Doing Business Reductions
David Jones has a strong track record of improving its CODB, having materially reduced its CODB percentage over the past 6 years (from 34.6% in FY03 to 30.3% in FY09). This has been achieved without adversely impacting customer service levels.

The Company continues to have significant cost efficiency opportunities. A further 58 cost efficiency programs are being implemented over the FY10 to FY12 period that will sustainably reduce the Company's cost base and not impact customer service levels. The Company expects COBD percentage reductions in each of FY10, FY11 and FY12.

8. Permanent $30 mil - $61 mil Cost Advantage from Owning Flagship CBD Stores
David Jones reacquired its flagship Sydney and Melbourne CBD stores in September 2006. This has provided the Company with a $30 million cost advantage in FY09 by avoiding any rental costs on these stores and its Head Office. This $30 million saving is a permanent saving that will grow over time to an estimated $61 million p.a. in 20 years.

Mr McInnes said, "Owning our flagship Sydney and Melbourne CBD stores drives higher EBIT today for our Company and higher EBIT growth in the future. This in turn leads to higher returns to our shareholders, rather than to third party landlords.

"In addition to owning these flagship store properties, we have also reduced our net debt by over $470 million in the last two years and it means we have valuable assets backing our Balance Sheet," Mr McInnes said.

FULLY FUNDED GROWTH PROGRAM

As announced in March 2008, the Company's Growth Program (outlined above) requires a $400 million capital investment over the 4-year period commencing in FY09. The Company is funding this $400 million investment as follows:

- $100 million: External Stakeholder funding;
- $42 million: Proceeds from the sale of the Bourke Street Home store;
- ~$70 million: Proceeds from the Company's Dividend Reinvestment Plan; and
- ~$190 million: David Jones Capex which equates to ~$50million p.a.

No additional debt funding is required to fund the Growth Program.

MANAGEMENT TEAM WITH A PROVEN TRACK RECORD

To deliver the growth outlined above the Company has a management team with a depth of experience that is unparalleled in department store retailing today. The same management team that delivered the 2003 turnaround and has a proven track record of growing profits each year (including through two downturns) is still in place to deliver the growth outlined above.

All members of the management team are highly experienced in their functional specialties. The existing team has a track record of delivering Profit and Dividend growth each year for the past six years and being subject to the full accountability and transparencies of being a publicly listed company.

In aggregate the management team has in excess of 160 years department store retailing experience. David Jones has an incentivised employee structure from frontline staff to executive management.

HIGH VALUE LOW RISK GROWTH

Since 2003 management has undertaken considerable work to reduce the risk relating to the David Jones business model. Today the Company has:

- low debt levels;
- low Balance Sheet risk;
- a Financial Services business that is not exposed to the retail cycle and has guidance for 7.5% p.a. EBIT growth over the next four years;
- transferred ownership of the receivables relating to its Financial Services together with responsibility for the credit policy and the risk associated with the portfolio to American Express;
- ensured its growth plans are within its competencies;
- locked in funding for its growth plans without the need to draw down further debt; and
- locked in a long term cost advantage for the business through ownership of its flagship Sydney and Melbourne CBD store properties.

TRADING ENVIRONMENT & OUTLOOK

Mr McInnes said, "The next cycle in the economy is an upturn. History shows that our business is 'first-in and first-out' of a downturn. With stage 1 of our Bourke Street store redevelopment being unveiled in time for Christmas 2009 trading, our strong business model and growth strategy, we are well positioned and poised for growth.

"Pleasingly our Sales in the first eight weeks of FY10 are better than expected. To date our Sales increase is better than that reported in 4Q09 with Total Sales up on last year. This is a good sign as we begin to cycle the worst of last year's downturn and head into the all-important Christmas trading quarter. Whilst we are cautiously optimistic, it is important that we trade through 2Q10 before giving any guidance update and accordingly we reaffirm our guidance of 0% - 5% PAT growth in FY10," Mr McInnes said.

CONCLUSION

Mr McInnes concluded, "We are excited about David Jones' future. Our Company is poised for high value, low risk growth. Today we:

- have a distinctive competitive positioning;
- are well positioned to leverage the next up-cycle;
- have a large and growing target customer base;
- are executing strong, low risk growth strategies in terms of our store portfolio and our Financial Services business (~15% to 25% Sales growth from New Stores & Rebuilds and 7.5% p.a. EBIT from Financial Services);
- have strong core department store fundamentals;
- own our flagship CBD stores; and
- have a consistent and experienced management team.

"We have a high value, low risk growth program in place which is fully funded and requires no additional debt," Mr McInnes said.

ENDS

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

PROFIT SUMMARY	FY09 ACTUAL $m	FY08* ACTUAL $m	Change %
SALES	**1,985.5**	2,098.0	- 5.4%
Gross Profit	**786.1**	**829.8**	
% to sales	**39.6%**	39.5%	+ 5bp
Cost of Doing Business	**(601.8)**	(655.2)	
% to sales	**30.3%**	31.2%	- 90bp
EBIT - Department stores	**184.4**	174.6	+ 5.6%
% to sales	**9.3%**	8.3%	+ 100bp
Financial Services	**41.3**	38.4	+ 7.5%
EBIT - Total	**225.7**	212.9	+ 6.0%
% to sales	**11.4%**	10.2%	+ 120bp
Net interest expense	**(8.2)**	(15.5)	- 46.8%
Profit before tax	**217.4**	197.5	+ 10.1%
Income tax expense	**(60.9)**	(60.4)	+ 0.8%
Profit after tax	**156.5**	137.1	+ 14.2%
% to sales	**7.9%**	6.5%	+ 140bp

** Excludes the sale of Bourke Street Home Store in 2H08*

PROFIT SUMMARY	1H09 ACTUAL $m	1H08 ACTUAL $m	Change %
Sales	**1,061.2**	1,134.2	- 6.4%
Gross Profit	**418.9**	451.7	
% to Sales	**39.5%**	39.8%	- 30bp
Cost of Doing Business	**(304.5)**	(333.2)	
% to Sales	**28.7%**	29.4%	- 70bp
EBIT - Department Stores	**114.4**	118.4	- 3.5%
% to Sales	**10.8%**	10.4%	+ 40bp
Financial Services	**19.7**	18.4	+ 7.5%
EBIT - Total	**134.1**	136.8	- 2.0%
% to Sales	**12.6%**	12.1%	+ 50bp
Net Interest Expense	**(4.1)**	(8.3)	- 50.4%
Profit Before Tax	**130.0**	128.5	+ 1.1%
Income Tax Expense	**(38.8)**	(39.5)	- 1.8%
Profit After Tax	**91.2**	89.0	+ 2.4%

DAVID JONES LIMITED

PROFIT SUMMARY	2H09 ACTUAL $m	2H08* ACTUAL $m		Change %
Sales	**924.3**	963.8	-	4.1%
Gross Profit	**367.3**	378.1		
% to Sales	**39.7%**	39.2%	+	50bp
Cost of Doing Business	**(297.3)**	(322.0)		
% to Sales	**32.2%**	33.4%	-	120bp
EBIT - Department Stores	**70.0**	56.1	+	24.8%
% to Sales	**7.6%**	5.8%	+	180bp
Financial Services	**21.5**	20.0	+	7.5%
EBIT - Total	**91.6**	76.2	+	20.2%
% to Sales	**9.9%**	7.9%	+	200bp
Net Interest Expense	**(4.1)**	(7.2)	-	42.8%
Profit Before Tax	**87.5**	69.0	+	26.8%
Income Tax Expense	**(22.1)**	(20.9)	+	5.7%
Profit After Tax	**65.4**	48.1	+	36.0%

** Excludes the sale of Bourke Street Home Store in 2H08*