DAVID JONES LIMITED

ASX AND MEDIA RELEASE

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RECORD FY10 PROFIT RESULT OF $170.8 MILLION
RECORD DIVIDEND OF 30 CENTS
STRONG FOUNDATION FOR GROWTH

- **STRONG FY10 FINANCIAL RESULT**
  - **Total Sales up 3.4%** ($2,053.1 mil FY10 vs. $1,985.5 mil FY09) LFL Sales up 1.9%.
  - **Record PAT result** – highest since 1995 listing.
  - **PAT up 9.1%** to $170.8 mil (vs $156.5 mil in FY09).
  - **GP Margin** up 10 bp to **39.7%** (vs 39.6% in FY09).
  - **CODB** reduced by 50 bp (**29.8**% FY10 vs 30.3% FY09).
  - **Financial Services EBIT up 7.5%** in FY10.
  - **FY10 Dividend** up 2 cps to **30 cps** fully franked – highest since listing.
- **AHEAD OF TARGETS SET IN FY09 – FY12 STRATEGIC PLAN**
  - **PAT compound annual growth rate of 12%** from FY08 to FY10 – ahead of 5% -10% p.a. target.
  - Over 2 years (FY09 & FY10) **CODB reduced by 140 bp** vs. target of 50 - 80 bp over 4 years.
  - **GP Margin** well within target range – 39.7% (FY10) & 39.6% (FY09).
- **ON TRACK TO DELIVER PAT GROWTH OF 5% – 10% IN FY11 & FY12**
- **SOLID FOUNDATION FOR GROWTH IN FY13 – FY16**

David Jones Limited (DJS) today reported **full year 2010 (FY10) Profit after Tax (PAT) of $170.8 million** for the year ended 31 July 2010 versus PAT of $156.5 million in FY09. This represents an **increase of 9.1%**.

David Jones Chief Executive Officer Mr Paul Zahra said, "Despite intensive discounting and promotional activity in the retail sector this year as we cycled two Government Stimulus packages (Dec '08 and April '09) we are delighted to report that our Company has delivered a record Profit result and declared a record Dividend – both being the highest since listing in 1995.

"We are two years into our FY09 – FY12 Strategic Plan and I am pleased to advise that we are ahead of our stated targets. For the two years since FY08, PAT has a compound annual growth rate of approximately 12% p.a. compared to our target of 5% – 10% growth per annum (p.a.) and over the two years we have reduced our Cost of Doing Business (CODB) by 140 basis points (bp) compared to our four-year target of 50 – 80 bp.

"We are well on track in continuing to implement our Strategic Plan and deliver the targeted objectives of 5% – 10% PAT growth in both FY11 and FY12. We are also well positioned to fully leverage the next upturn in the economic cycle," Mr Zahra said.

FY10 FINANCIAL PERFORMANCE

SUMMARY OF KEY FINANCIALS

KEY ITEMS	FY10	FY09	% Change
Sales ($m)	2,053.1	1,985.5	+ 3.4
Total EBIT ($m)	249.2	225.7	+10.4
PAT ($m)	170.8	156.5	+ 9.1
Basic EPS (cps)	34.0	31.5	+ 7.9
Full Year Dividend per ordinary share (fully franked) (cps)	30.0	28.0	+ 7.1

As reported on 18 August 2010, **Sales Revenue** for the year was **$2,053.1 million** up 3.4% on FY09 ($1,985.5 million).

Earnings before Interest and Tax (EBIT) in FY10 was $249.2 million **up 10.4%** on FY09 ($225.7 million).

PAT of **$170.8 million** was delivered by the Company in FY10. This represents an increase of 9.1% on FY09 PAT of $156.5 million.

The Company's **Total 'PAT to Sales Ratio'** for FY10 was **up 40 bp** (8.3% FY10 vs 7.9% FY09).

The Company's **Financial Services** business continued its solid performance track record, reporting growth of 7.5% in **EBIT to $44.4 million** in FY10 from $41.3 million in FY09.

Gross Profit (GP) percentage for FY10 was **up 10 bp** on FY09, delivering a full year result of 39.7%. The Company's ability to deliver an improvement in GP margins during the difficult retail environment experienced in FY10 demonstrates the leverage that exists to improve margins when strong retail conditions prevail.

The total **Cost of Doing Business (CODB)** percentage for FY10 was **29.8%**, an improvement of 50 bp on the FY09 CODB percentage (30.3%). This performance reflects the Company's strong cost efficiency focus. The Company has a further 27 cost efficiency projects which will be implemented over FY11 and FY12 and these projects will continue to deliver CODB reductions of 10 - 20 bp each year over the next two years.

Capital Expenditure (Capex) in FY10 was $80.2 million and includes the cost incurred in the completion of the redevelopment of the Company's Bourke Street Mall Melbourne CBD stores and is broadly in line with the forecasts made in the FY09-FY12 Strategic Plan. Looking forward, the targeted Capex is $70 million p.a. in FY11 and FY12.

Inventory is clean and Aged Inventory is well below the Company's benchmark of 5%. At the end of FY10 Inventory was +15.3% due to:

- the 53rd week in FY10;
- the arrival of stock for the new season; and
- the Bourke Street Mall flagship stores' launch.

Adjusting for these items, the growth in inventory at the end of July 2010 was low single digit vs July 2009.

David Jones continued its track record of **strong free Cashflow.** Despite FY10 including capital expenditure for the Bourke Street store redevelopment and an additional $10.7 million being paid to shareholders as dividends, the Company's cashflows remain very robust with free Cashflow of $124.3 million in FY10 (vs $125.8 million in FY09).

DEBT POSITION

At year-end the Company had net debt of $86 million and our gearing was 10.4%, which is very 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 18 cents per share (cps) for 2H10 (vs 17 cps in 2H09)**.

The **total dividend** per ordinary share for FY10 is **30 cps fully franked** compared to the Company's FY09 total dividend of 28 cps. This represents annual dividend growth of 7.1% and a payout ratio of 89.2% and is consistent with the Board's undertaking to pay out not less than 85.0% of PAT.

The record date for the final dividend will be 11 October 2010 and the dividend payment date will be 8 November 2010.

FY09 – FY12 STRATEGIC PLAN UPDATE

The Company is half way through its FY09 – FY12 Strategic Plan and is well ahead of its financial targets.

PAT has a compound annual growth rate of approximately 12% over the two years of FY09 and FY10 compared to the Company's Strategic Plan target of 5% - 10% PAT growth per annum.

GP Margins have been sustainably improved with the Company delivering GP Margins well within its target of 39.5% - 40% in both FY09 (39.6%) and FY10 (39.7%).

The CODB has been reduced by 140 bp over the two-year period FY08 to FY10. This compares very favourably to the Company's Strategic Plan target of a 50 – 80 bp reduction over the four-year life of the plan.

The Company has maintained low debt levels ($86 million net debt as at FY10 year end) despite substantial investment in store refurbishments and rebuilds.

The Company has continued to grow dividends throughout the economic cycle declaring a record 30 cps dividend in FY10.

From a strategic perspective, the Company has entered into Agreements for Lease in relation to four high value, new stores at Whitford (WA), Sunshine Plaza (Qld), Pacific Fair (Qld) and Macquarie (NSW) and successfully opened a new store in Doncaster (Vic) which is trading strongly.

Seven of the Company's most important, high value stores have been refurbished and are trading well (Elizabeth St (NSW), Market St (NSW), Bourke St Women's Store (Vic), Bourke St Men's store (Vic), Bondi Junction (NSW), Robina Town Centre (Qld), and Castle Towers (NSW)).

Last but not least the Company has successfully launched the David Jones American Express card with sign-ups ahead of target.

ON TRACK TO DELIVER 5% - 10% PAT GROWTH IN BOTH FY11 & FY12

In FY11 and FY12 the Company will reap the EBIT benefits of the following **four key refurbishments**:

- Bourke St Mall (Vic) - both flagship stores refurbished to deliver 30% more selling space;
- Claremont (WA) re-opening after a rebuild in February 2011 with 85% more selling space;
- Kotara (NSW) to be completed in October 2010 will deliver a 40% increase in selling space; and
- Wollongong (NSW) to be completed in October 2010 and expected to deliver a 15% increase in sales.

The refurbishment of these four stores will deliver an increase in selling space in FY11. Over and above this increase, the Company is reallocating space to high margin, high growth categories which will deliver not only an increase in sales but also an improvement in the Company's GP Margin.

In terms of new store openings Mr Zahra said, "As a result of the Global Financial Crisis, a number of property developers have delayed projects that were scheduled to complete in FY12. Unfortunately this has had a flow-on effect on our business with two of our new stores due for completion in FY12 (Pacific Fair and Macquarie) being pushed back until FY13 and FY14.

"The only year in the FY09-FY12 Strategic Plan impacted by this delay in our business is FY12, in that the two stores that were scheduled to open and commence trading in that year have now been delayed by 18 – 24 months.

"We have addressed this issue by deciding to undertake **major strategic upgrades** of our Chadstone (Vic) and Warringah Mall (NSW) stores in FY11 for benefit in FY12. These upgrades involve a total reconfiguration of our stores with a focus on and reallocation of space to high margin categories, and more space allocated to high value, high growth categories. The upgrades also involve an increase in selling space.

"Both, the Chadstone and Warringah Mall upgrades will be completed during 1H12 and **will contribute incremental EBIT growth in FY12 equivalent to opening two new stores**," Mr Zahra said.

Also planned in FY11 and FY12 are **1,000 new branded installations**. 630 new branded installations (such as Nine West, Quiksilver, Roxy, Collette by Collette Dinnigan and Thomas Pink) will be undertaken in FY11 and the remainder in FY12. These new branded installations are expected to **deliver EBIT contribution in FY12 equivalent to undertaking 3 – 4 standard refurbishments**.

Mr Zahra said, "In addition to the EBIT growth we expect to see in FY11 and FY12 from our strategic upgrades and our new branded installation programs, we will continue to focus on our core competencies such as GP Margin improvements and CODB reductions.

"In terms of our **GP Margins** we are confident that as a result of the reallocation of space to high margin categories and the benefits from our 2,700 supplier renegotiations we will continue in each of FY11 and FY12 to deliver GP Margins within our target range of 39.5% - 40%," Mr Zahra said.

"In terms of **CODB reductions,** we announced in FY09 that we had 58 cost initiatives planned to deliver cost savings in FY10 – FY12. I am please to report that 31 of these initiatives were implemented in FY10 and have delivered a 50 bp reduction in our FY10 cost base. In FY11 and FY12 we have a further 27 cost initiatives planned for implementation, which will deliver a reduction of 10 – 20 bp in our cost base in each year.

The David Jones American Express card was launched successfully in a difficult economic environment in late 2008 and has to date exceeded expectations in terms of sign-ups. The Company has developed a strong 'sign-up selling culture' with **75% of all stores staff signing up at least one new account each season**. The Company reaffirms its 7.5% EBIT growth p.a. in Financial Services for each of FY11 and FY12.

Mr Zahra said, "Based on our strategic upgrades, our new branded installations, our 27 CODB initiatives, our strong GP model and our Financial Services business our Company is on track to deliver its targeted 5% – 10% p.a. PAT growth in both FY11 and FY12.

"In addition, the Company will look to leverage opportunities that arise as the economy strengthens. David Jones is well positioned to achieve significant profit leverage to Sales growth in the next up-cycle due to the fact that:

- the variable components of our business such as Service and Inventory are well managed;
- our Company's growth projects require modest fixed cost increases; and
- there is upside for Gross Profit Margins in a strong sales environment," Mr Zahra said.

SOLID FOUNDATION FOR GROWTH IN FY13 – FY16

In 2011 the management team will commence developing a comprehensive strategic plan for FY13 – FY16. This new plan will focus on the core department store business by building on existing themes such as new stores, store upgrades and refurbishments, the 'Home of Brands' strategy, GP and CODB initiatives, as well as growth of the Company's Financial Services and etail businesses.

Opportunities for FY13 – FY16 include:

- Opening the four high value, new stores for which leases have been signed - Pacific Fair (Gold Coast, Qld), Macquarie Centre (Sydney, NSW), Whitford (Perth, WA) and Sunshine Plaza (Sunshine Coast, Qld). Each of these new stores will deliver at least $5 million of EBIT p.a. by year 2 and in aggregate will deliver an additional $200 million in annual sales; and
- Leveraging the launch of the new David Jones American Express card value proposition in October 2010, which is focussed on delivering increased spend on each card.

Added to this, the Company will continue its focus on identifying and implementing GP Margin and CODB initiatives, enhancement opportunities, as well as growing its etail business.

TRADING ENVIRONMENT & OUTLOOK

Mr Zahra said, "Trading in the first seven weeks of FY11 has been in line with expectations. It is important that we trade through Christmas before giving any guidance update and accordingly we reaffirm our guidance of 5% – 10% PAT growth in FY11, noting that to achieve the upper end of this guidance the economic recovery needs to be in full swing, something which Access Economics does not expect until FY12.

"Having said that, the next cycle in the economy is an upturn. History shows that our business is 'first-in and first-out' of a downturn. With all of our CBD flagship stores trading undisrupted by refurbishment and redevelopment for the first time in 10 years, our refurbished Kotara, Wollongong and Claremont stores completed, our strong business model and growth strategy, we are well positioned for growth going forward," Mr Zahra said.

CONCLUSION

Mr Zahra concluded, "We remain committed to continuing to implement and deliver on the FY09 – FY12 Strategic Plan. To date we have delivered over and above the targets set out in that plan and we remain focussed on continuing this trend. We are well prepared to deliver our targeted 5% – 10% PAT growth in both FY11 and FY12.

"We are also preparing to commence work in 2011 on our FY13 – FY16 Strategic Plan and are confident that David Jones has an exciting future ahead of it.

"Today our Company has a:

- distinctive competitive positioning;
- low risk business model and a strong balance sheet;
- large and growing target customer base;
- track record of delivering profit and dividend growth throughout the economic cycle;
- strong core department store business; and
- strong position to leverage the next up-cycle.

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

ENDS

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PROFIT SUMMARY	FY10 ACTUAL $m	FY09 ACTUAL $m		Change %
SALES	**2,053.1**	1,985.5	+	3.4%
LFL Sales			+	1.9%
Gross profit - Department stores	**815.7**	**786.1**	+	3.8%
% to sales - department stores	**39.7%**	39.6%	+	10bp
Cost of Doing Business	**(610.9)**	(601.8)	+	1.5%
% to sales - department stores	**29.8%**	30.3%	-	50bp
EBIT - Department stores	**204.8**	184.4	+	11.1%
% to sales - department stores	**10.0%**	9.3%	+	70bp
Financial Services	**44.4**	41.3	+	7.5%
EBIT - Total	**249.2**	225.7	+	10.4%
% to total sales	**12.1%**	11.4%	+	70bp
Net interest expense	**(7.1)**	(8.2)	-	13.0%
Profit before tax	**242.0**	217.4	+	11.3%
Income tax expense	**(71.3)**	(60.9)	+	17.0%
Profit after tax	**170.8**	156.5	+	9.1%

PROFIT SUMMARY	1H10 ACTUAL $m	1H09 ACTUAL $m	Change %
SALES	**1,086.1**	1,061.2	+ 2.3%
Gross Profit	**434.5**	418.9	+ 3.7%
% to Sales	**40.0%**	39.5%	+ 50bp
Cost of Doing Business	**(308.9)**	(304.5)	+ 1.4%
% to Sales	**28.4%**	28.7%	- 30bp
EBIT - Department Stores	**125.6**	114.4	+ 9.8%
% to Sales	**11.6%**	10.8%	+ 80bp
Financial Services	**21.2**	19.7	+ 7.5%
EBIT - Total	**146.8**	134.1	+ 9.5%
% to Sales	**13.5%**	12.6%	+ 90bp
Net Interest Expense	**(3.3)**	(4.1)	- 20.1%
Profit Before Tax	**143.5**	130.0	+ 10.4%
Income Tax Expense	**(43.0)**	(38.8)	+ 10.9%
Profit After Tax	**100.5**	91.2	+ 10.2%

DAVID JONES LIMITED

PROFIT SUMMARY	2H10 ACTUAL $m	2H09 ACTUAL $m	Change %	
SALES	**967.0**	924.3	+	4.6%
LFL Sales			+	1.6%
Gross Profit	**381.3**	367.3	+	3.8%
% to Sales	**39.4%**	39.7%	-	30bp
Cost of Doing Business	**(302.0)**	(297.3)	+	1.6%
% to Sales	**31.2%**	32.2%	-	100bp
EBIT - Department Stores	**79.2**	70.0	+	13.1%
% to Sales	**8.2%**	7.6%	+	60bp
Financial Services	**23.2**	21.5	+	7.5%
EBIT - Total	**102.4**	91.6	+	11.8%
% to Sales	**10.6%**	9.9%	+	70bp
Net Interest Expense	**(3.9)**	(4.1)	-	6.0%
Profit Before Tax	**98.5**	87.5	+	12.7%
Income Tax Expense	**(28.2)**	(22.1)	+	27.7%
Profit After Tax	**70.3**	65.4	+	7.6%