



DAVID JONES J P Morgan Conference

October 2009

Presenters:
Mark McInnes – CEO
Stephen Goddard – Finance Director

David Jones International Investor Roadshow – Today's Agenda



1. An overview of David Jones
2. Track record of performance
3. Attractive Australian department store market
4. Distinctive competitive positioning
5. Strong and low-risk sources of growth
6. Strong core department store fundamentals
7. Growth fully funded requiring no additional debt
8. Capability to deliver growth at low risk
9. Conclusion



World-class department store in Australia



DAVID JONES

- Contemporary branded department store in Australia – similar brand portfolio to Bloomingdales or Selfridges
- Only two non-discount department stores in Australia – we are the only department store with a distinctive, branded offering
- 36 stores in major cities across Australia
- Over 170 years of history
- An iconic Australian brand

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Top 100 Australian company

- David Jones is an ASX-listed top 100 Australian company
- Market cap ~A\$2.6 billion
- FY2009 Profit after Tax of A\$156.5 million – 14.2% growth over last year and 22% p.a. growth since 2004
- Sales of A\$2.0 billion
- EBIT at 11.4% of sales
- Net gearing at ~11.4%
- **Total shareholder returns of 34% p.a. from 3 Feb 2003, when the current management team took over, to 1 Sep 2009**

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Overview of recent FY2009 results announcement

- Record FY profit result and dividend since 1995 listing:
 - FY09 total company PAT \$156.5m, 2H09 PAT* up 36.0% on LY
 - FY09 total company 'PAT to sales ratio' up 140bp to 7.9% (6.5% in FY08)
 - FY09 dividend increased to 28cps, 2H09 dividend increased to 17cps
 - Continued track record of returning cash to shareholders despite difficult trading conditions
- Strong department store business improvement:
 - Gross profit margin up 5bp to 39.6% in FY09, up 50bp to 39.7% in 2H09
 - CODB reduced by 90bp to 30.3% in FY09 (31.2% in FY08)
 - Inventory clean and 4.8% below LY – continued track record of strong inventory management
- Financial Services EBIT up 7.5% with new sign-ups of DJs Amex cards significantly ahead of expectations
- FY10 PAT guidance 0%-5% growth reaffirmed

* Underlying PAT – removing profit from sale of Bourke St Home Store in 2H08

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Core customer base

- DJ's core customer comprises 3 generations of women
 - daughter
 - mother
 - grandmother



from households with above average disposable incomes

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Track record of profit growth

Profit after tax

A\$ Millions



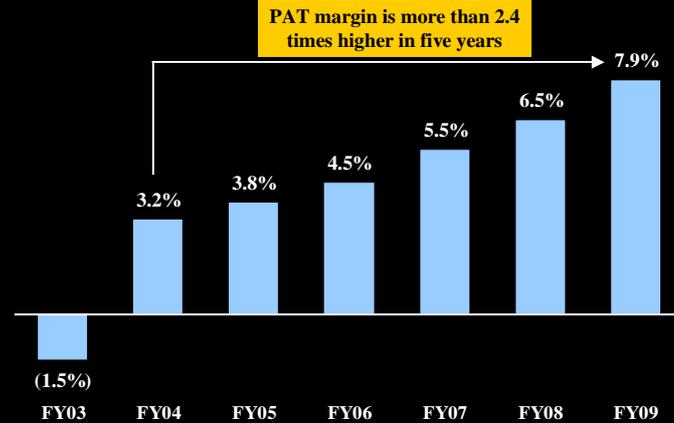
Note: AIFRS basis except FY2003 which is AGAAP. FY03 is after significant items, FY07 excludes one-off impacts of the unwinding of the Sale & Leaseback Transaction, FY08 excludes profit from sale of Melbourne Homewares store.



PAT margin growth

PAT margins

Percent of sales

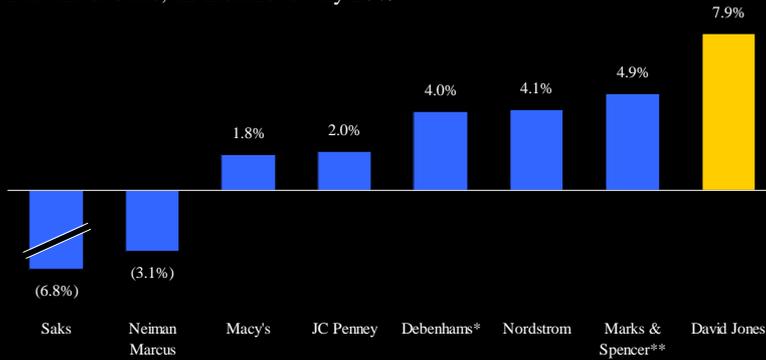


Note: AIFRS basis except FY2003 which is AGAAP. FY03 is after significant items, FY07 excludes one-off impacts of the unwinding of the Sale & Leaseback Transaction, FY08 excludes profit from sale of Melbourne Homewares store.



Industry-leading PAT margins

International department store PAT margins (before significant items)
Percent of sales, 12 months to July 2009



* Debenhams result is for 12 months to February 2009

** Marks & Spencer result includes International and UK (food and general merchandise) and is for year ending March 2009

Source: Company results announcements; Port Jackson Partners analysis



Sustainable cost-efficiency culture

Cost of doing business
Percent of sales



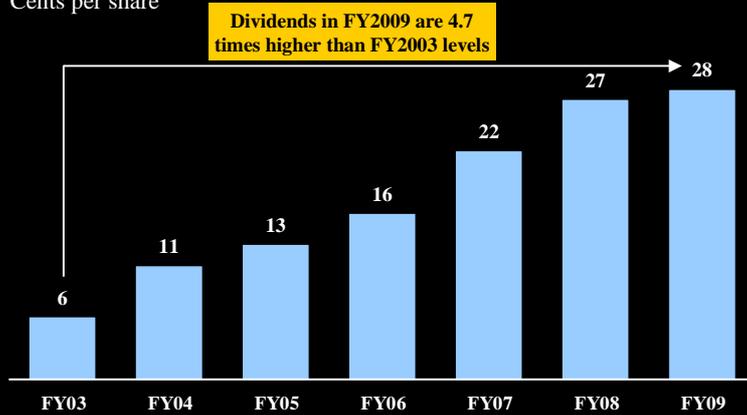
Note: Adjusted for AIFRS and Sale & Leaseback impacts



Dividend growth

Dividends

Cents per share



Low net debt

Net debt

A\$ Millions

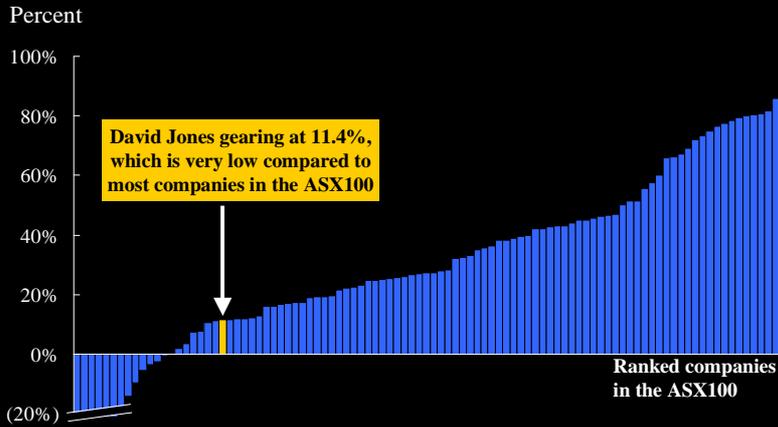


Note: Purchase of flagship Sydney & Melbourne CBD store properties in FY07; Store Card receivables transferred to Amex on 1 August 08 (after end of FY08)



Low risk balance sheet

Gearing* of companies in the ASX100



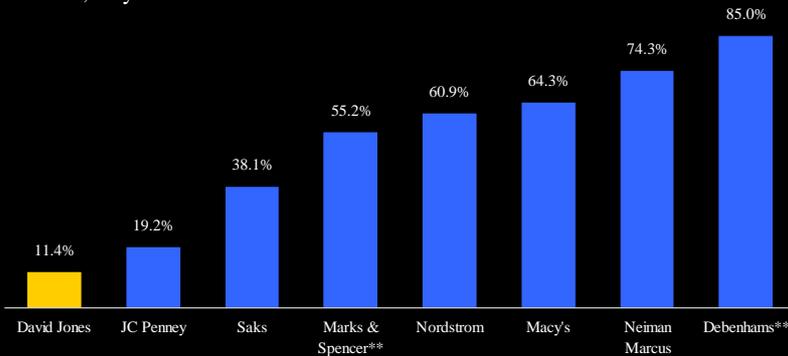
* Net debt over net debt plus book value of equity for latest reported figures as at 1 September 2009
 Source: Bloomberg as at 1 September 2009; Port Jackson Partners analysis



Significantly lower gearing than international peers

International department store gearing*

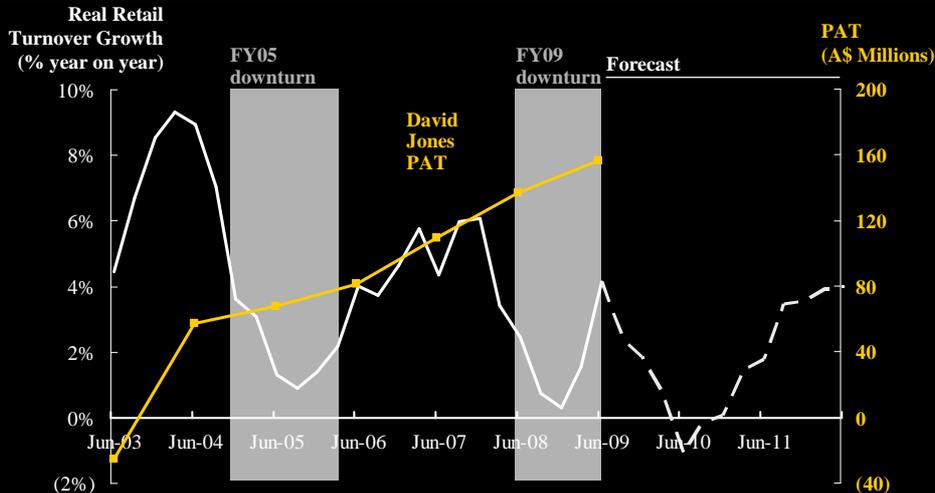
Percent, July 2009



* Net debt over net debt plus book value of equity
 ** Marks & Spencer result is for March 2009 and Debenhams result is for February 2009
 Source: Company results announcements; Port Jackson Partners analysis

2. Track record of performance

Track record of profit growth through the cycle



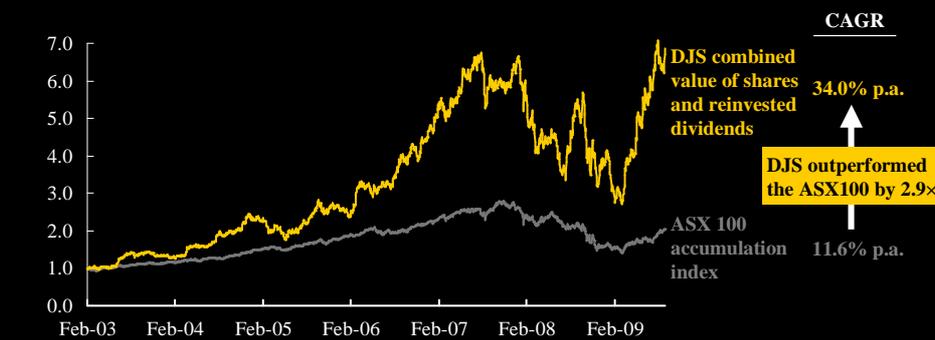
Note: AIFRS basis except FY2003 which is AGAAP. FY03 is after significant items, FY07 excludes one-off impacts of the unwinding of the Sale & Leaseback Transaction. FY08 excludes profit from sale of Melbourne Homewares store.
Source: Access Economics; Company announcements

2. Track record of performance

David Jones has outperformed the ASX100 over the last six and a half years



Value of \$1 invested on 3 Feb 2003 to 1 September 2009



	3 Feb 03	1 Jul 04	1 Jul 05	1 Jul 06	1 Jul 07	1 Jul 08	TSR p.a. to 1 September 2009
DJS	34%	32%	34%	25%	2%	75%	
ASX100	12%	10%	6%	1%	(9%)	(5%)	

Source: Bloomberg; Port Jackson Partners analysis

2. Track record of performance

David Jones' performance amongst the best in the ASX100



David Jones' performance relative to the ASX100

Metric		David Jones' performance		Position in ASX 100	
Dividends per share growth	CAGR from FY03-FY08	35% p.a.	▶	Top 10%	✓
Total shareholder returns	TSR over 5 years to 1 September 2009	29% p.a.	▶	Top 15%	✓
Earnings per share growth	CAGR from FY03-FY08	25% p.a.	▶	Top 25%	✓

Source: Bloomberg as at 1 September 2009; Port Jackson Partners analysis

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3. Attractive Australian department store market

David Jones operates in the attractive Australian department store market



- The Australian department store sector is growing and vibrant with an attractive industry structure
- Australian department stores have not experienced the sales declines seen in the US or the UK
- The Australian economy has been one of the most resilient in the current global downturn:
 - Australia has not entered into recession
 - “Economic conditions in Australia have been stronger than expected, with consumer spending, exports and business investment notable for their resilience. Measures of confidence have recovered.” *Glenn Stevens, Governor, RBA*

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3. Attractive Australian department store market

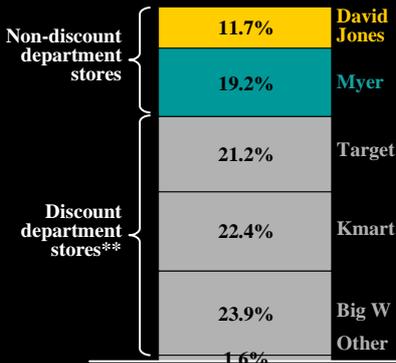
Attractive industry structure with few players and high barriers to entry



Australian Department Store market

Percent share*, FY09

\$18.7b



Attractive Australian Department Store industry structure

- **Only two full-line non-discount department stores in Australia:**
 - Each is differentiated in the market with their own distinct value proposition
- **High barriers to entry:**
 - Difficult to obtain sites in top shopping centres due to presence of incumbents
 - Existing stores have exclusive relationships with key desired brands
 - David Jones has over 170 years of history within the Australian market and is a cultural icon

Share of Department Store market

* Includes GST

** Estimates

Source: ABS 8501.0 Retail Turnover; Company Reports

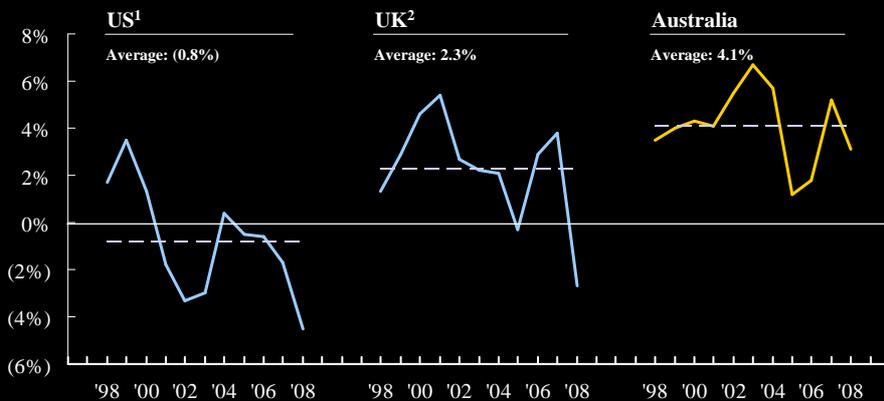
3. Attractive Australian department store market

Long term growth of Australian department stores much higher than the US and UK



Department store sales growth

Percent growth, year-on-year



¹ Discount and non-discount department stores, including leased departments

² Non-food, non-specialised stores

Source: ABS; US Census Bureau; UK National Statistics

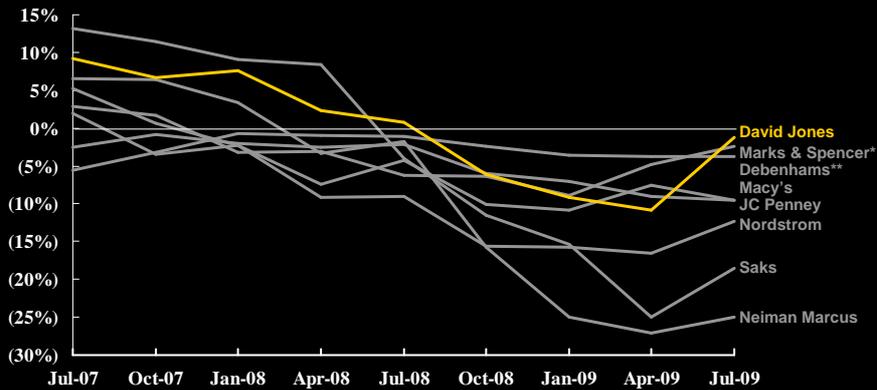
3. Attractive Australian department store market

More recently, David Jones' sales performance has been better relative to international peers



International department store LFL sales growth

Percent growth, year-on-year



* Marks & Spencer includes International and UK (food and general merchandise) and to quarter ending June 09 (displayed to July 09)

** Debenhams sales growth results are for half-year and to August 09 (displayed to July 09)

Source: Company results announcements

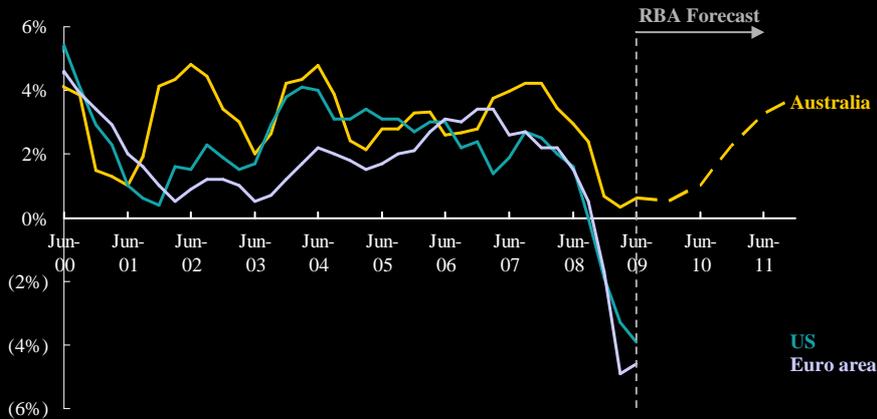
3. Attractive Australian department store market

Australia is not in a recession, unlike the US and Europe



Real GDP growth

Percent growth year-on-year, seasonally adjusted



Source: ABS; US Bureau of Economic Analysis (BEA); European Commission; RBA Statement on Monetary Policy (August 2009)



Distinctive competitive positioning

	Comparison vs competitor			
	Superior	Competitive	Inferior	
1 Best range of national and international brands	✓			<ul style="list-style-type: none"> • Superior overall shopping experience • Greater overall customer satisfaction • High customer loyalty
2 Superior customer service	✓			
3 Distinctive store ambience	✓			
4 Stores well-located to target customer	✓			
5 Strong brand	✓			
6 Prices			✓	

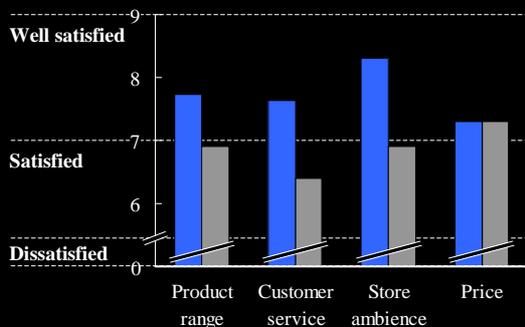


David Jones rated as superior by customers

Ratings of key elements of the value proposition by over 9,000 customers surveyed over three years

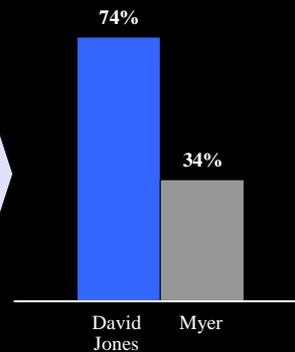
Average customer* rating out of 10

■ David Jones
■ Myer



Customers who rate their overall satisfaction at 8 out of 10 or more

Percent of customers surveyed*



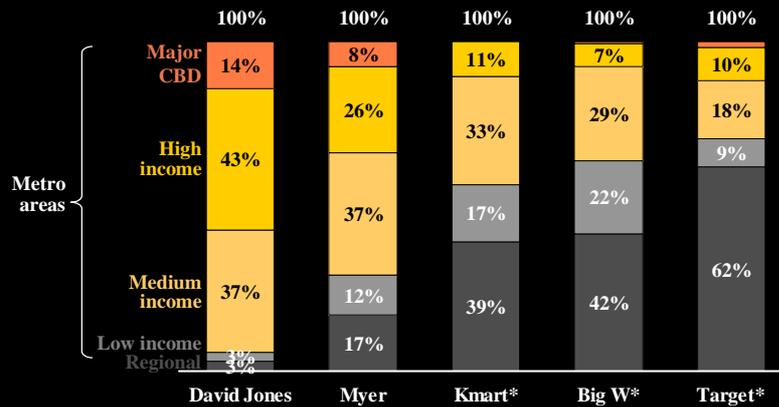
* Assessed by survey of over 9,000 customers over last three years
Source: The Leading Edge

4. Distinctive competitive positioning



Stores well-located to our customer base

Australian department stores – Portfolio demographics



* Kmart, Big W and Target stores as at early 2008
 Source: Pitney Bowes MapInfo (2006 Census data); Port Jackson Partners analysis

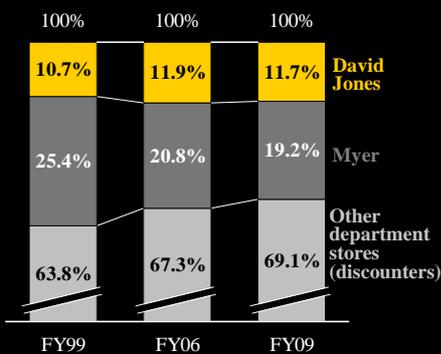
4. Distinctive competitive positioning



Enduring and resilient market share over the long-term

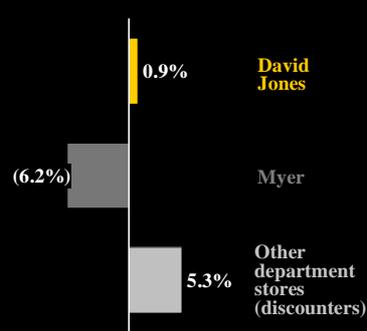
Market share within the department store sector

Percent of total sales*



Market share change FY99-FY09

Percentage point change*



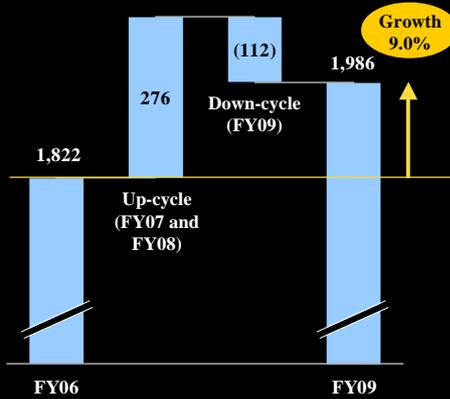
* Includes GST (FY06 and FY09) and wholesale sales tax (FY99); Myer's sales adjusted to remove the impact of Megamart and e.colesmyer in FY99 (estimated at \$169m worth of sales inclusive of wholesale sales tax)
 Source: Company financial reports and results presentations; ABS; Port Jackson Partners analysis

4. Distinctive competitive positioning

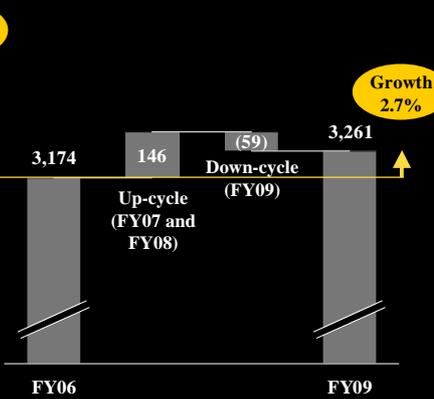
Strong sales growth through the cycle, and the next cycle is up



David Jones sales build-up FY06 to FY09
\$ Millions



Myer* sales build-up FY06 to FY09
\$ Millions



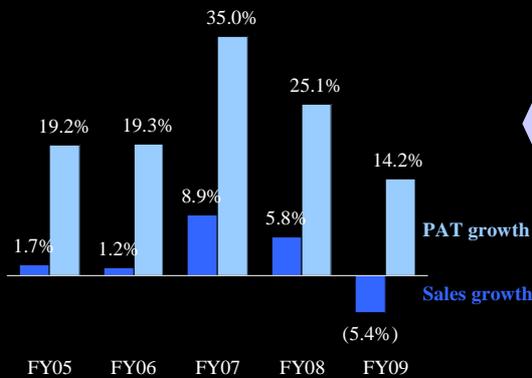
* FY06 excludes impact of Myer's "History Making Clearance"
Source: Company sales and profit results announcements; Port Jackson Partners analysis

5. Strong and low risk growth strategies – Leveraged to the up-cycle

Strong profit leverage in up-turn



David Jones sales growth versus PAT growth
Percent year-on-year growth



David Jones has profit margin expansion leverage to the up-cycle:

- ✓ Significant portion of costs are fixed, e.g., head office
- ✓ Gross margin management through the cycle

Source: Company reports

3. Attractive Australian department store market

The Australian market has been resilient in the global downturn and is set to recover

Key indicator	Quotes from the RBA
GDP growth	<ul style="list-style-type: none"> • “Growth has been stronger than in most other advanced countries” • “Australia’s export performance has been surprisingly strong, underpinned by a pick-up in Chinese demand for resources”
Unemployment rates	<ul style="list-style-type: none"> • “The rate at which unemployment is increasing has slowed recently” • “The unemployment rate [is] now expected to rise by less than had been expected”
Interest rates	<ul style="list-style-type: none"> • “[There has been a] 4¼ percentage point reduction in the cash rate since September last year, with the lower rates largely passed through to end-borrowers”
Banking sector health	<ul style="list-style-type: none"> • “Throughout the crisis period, the Australian banking system has proven to be much more resilient than its counterparts abroad” • “Australian banks generally had stronger balance sheets coming into the crisis period, and less exposure to high-risk assets”
Public sector debt	<ul style="list-style-type: none"> • Australia’s public sector net debt is forecast to reach ~9% of GDP in 2010 (<i>Treasury 2009-10 Commonwealth Budget</i>), compared with 70% of GDP in the US and 67% in the UK (<i>IMF World Economic Outlook, April 2009</i>)
Consumer confidence	<ul style="list-style-type: none"> • “Consumer sentiment has recovered noticeably, to be back at or above long-run average levels”

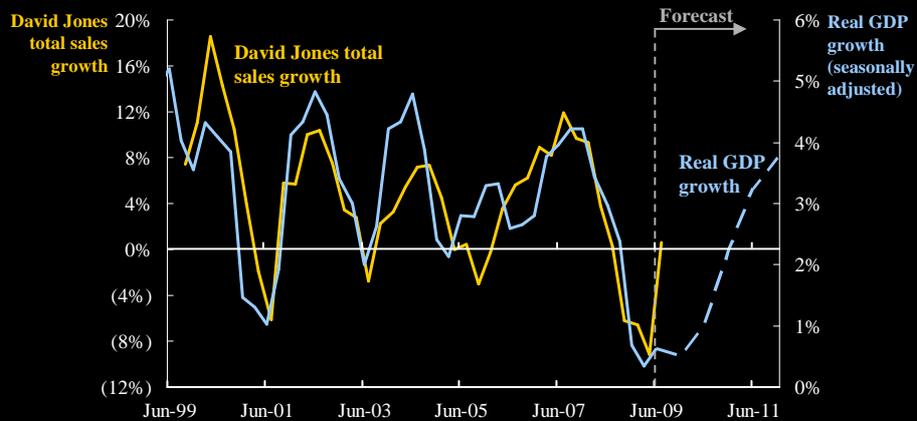
Source: RBA Statement on Monetary Policy (August 2009); Malcolm Edey, Assistant Governor RBA (19 August 2009)

5. Strong and low risk growth strategies – Leveraged to the up-cycle

David Jones to leverage the next up-cycle

David Jones sales growth versus real GDP growth

Percent year-on-year growth



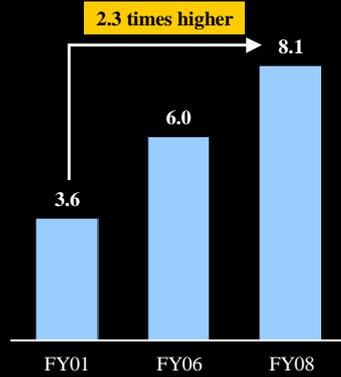
Source: ABS; David Jones results announcements; RBA Statement on Monetary Policy (August 2009)



Large and growing target customer base

Number of people living in households with disposable income above the 2008 average* (real terms)

Millions of people



- David Jones' target customer has above average disposable income
- From 2001 to 2008, this group has grown by 4.5 million people, or by 2.3 times, to 8.1 million people
- From 2006 to 2008, this group has grown by over 2 million people
- Even if a 3% rise in unemployment was entirely from our target customer base, this group will still have grown by 1.8 million people from 2006 to 2008

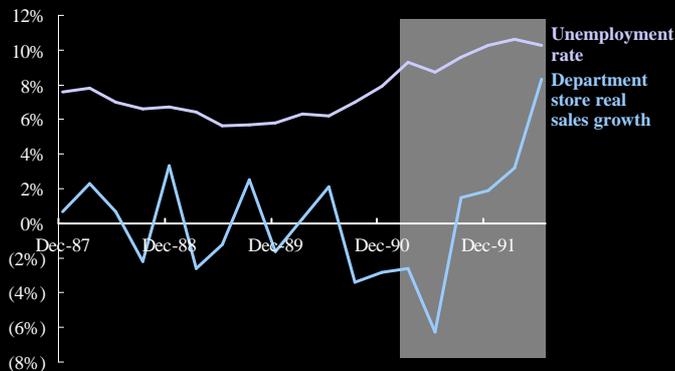
* Includes people in households with disposable income of ~\$41,700 and above
Source: ABS; Access Economics



High unemployment not an indicator of department store growth performance

Department store sales growth versus unemployment rate

Percent year-on-year growth; Percent unemployed



Source: ABS; Access Economics



New stores and major rebuilds to grow sales by ~15-25%

Four announced high value new stores

- Sunshine Plaza (Sunshine Coast)
- Whitford (Perth)
- Macquarie (Sydney)
- Pacific Fair (Gold Coast)

Up to four further high value new stores under negotiation

- Four further stores in active negotiation

Major rebuilds of two high value stores

- Melbourne CBD – increasing sell space by ~30%
- Claremont (Perth) – almost double original size

Seven high value store refurbishments completed or in progress

- Completed refurbishments of Queens Plaza, Bondi Junction, Robina and Sydney CBD stores
- Refurbs of Castle Towers and Kotara stores underway

3 – 5 further high value store refurbishments planned

- Additional refurbishments of key suburban sites

- New stores and major rebuilds will drive sales and sell space growth of ~15-25% over the medium term

- All new stores and rebuilds are high value – e.g., Doncaster worth ~\$55-60m in sales and ~\$7-8m in EBIT

- All refurbishments will provide a payback in 1-3 years

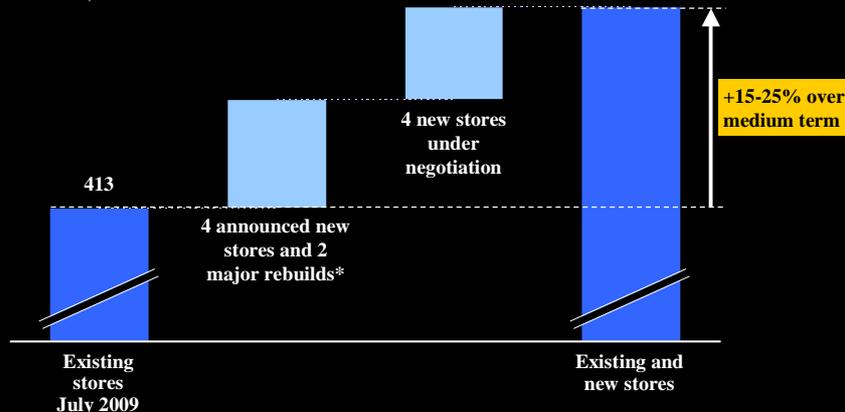
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New stores and major rebuilds to increase sales and sell space by ~15-25%

David Jones sell space

'000 m², estimate

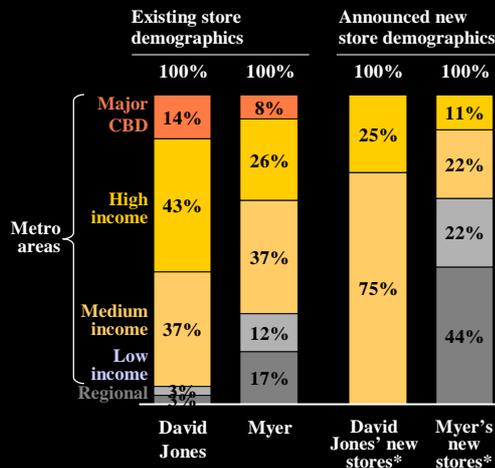


* David Jones' announced new stores include Sunshine Plaza, Whitford, Macquarie and Pacific Fair. Major rebuilds include Melbourne CBD and Claremont
Source: Company announcements and press releases

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New store strategy cements unique market position



- All of our new stores are high-value:
 - In high-income demographic areas
 - Within large catchments
 - In high-value centres
 - Full-sized department stores
- All of our new stores to perform in the top half of store portfolio:
 - Minimum benchmark by year two of \$5m+ store EBIT per store
- None of our new stores compete in low income and regional locations – the heartland of discount department stores

* David Jones new stores includes Sunshine Plaza, Whitford, Macquarie and Pacific Fair. Myer new stores includes Townsville, Ryde, Watergardens, Shellharbour, Greenhills, Mt Gravatt, Robina, Mackay and Plenty Valley
 Source: Pitney Bowes MapInfo (2006 Census data); Port Jackson Partners analysis



Financial Services business to deliver strong profit growth with low risk

- ✓ The David Jones/Amex alliance resulted in:
 - The transfer of \$374.3m of largely debt funded receivables to American Express
 - The release of ~\$35m of working capital from David Jones' balance sheet
 - American Express becoming responsible for the credit policy and the risk associated with the portfolio
- ✓ Our growth in David Jones American Express card holders is exceeding our expectations
- ✓ David Jones' guidance is for the Financial Services business to deliver EBIT growth of 7.5% per annum over the next four years (currently \$41.3m EBIT contribution)

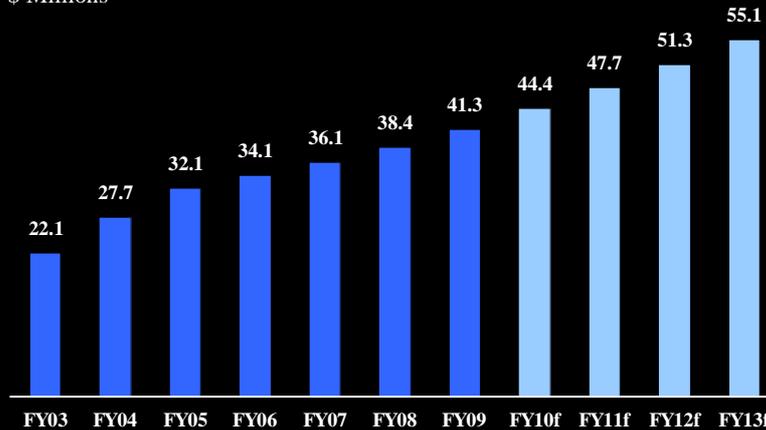
5. Strong and low risk growth strategies – Growth in Financial Services business

Financial Services business EBIT growth guidance of 7.5% per annum



Financial Services EBT

\$ Millions



Note: Forecast Financial Services EBT based on 7.5% p.a. growth guidance

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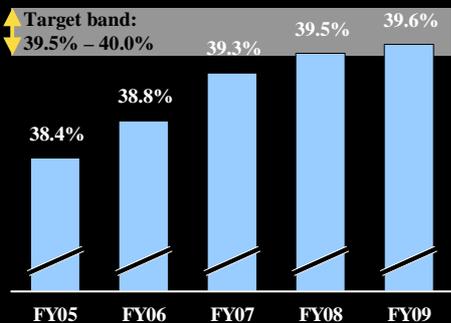
6. Strong core fundamentals

Sustainably improving gross profit margin



Gross profit margin

% sales



- David Jones has undertaken initiatives to ensure gross profit margins are within a target range of 39.5% to 40.0% through the cycle:
 - Benefits from 2,700 supplier negotiations continue to flow through
 - New stores and refurbishments to increase space allocation to high margin categories
- Up-cycles lend themselves to gross margin improvement

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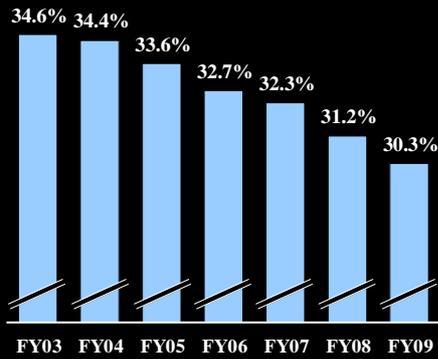
6. Strong core fundamentals

Continued CODB reductions while maintaining customer service levels



Cost of Doing Business

% sales



Note: Adjusted for AIFRS and Sale & Leaseback impacts

- Strong track record of improving CODB
- Maintained customer service levels while improving CODB – customer surveys continue to rate our service levels as consistently superior to our competitor
- Continuing to deliver initiatives identified in the FY09-12 Strategic Plan
- 58 initiatives to be delivered over FY2010, FY2011 and FY2012
- Significant fixed cost leverage to the up-cycle

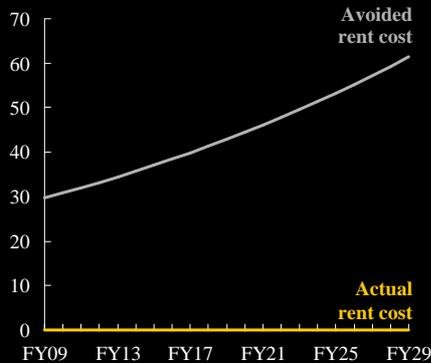
6. Strong core fundamentals

Permanent \$30m to \$61m cost advantage from owning our flagship CBD stores



David Jones avoided rent costs – Melbourne and Sydney CBD (including head office rent)

\$ Millions, estimate



* Assumes \$30m rent in FY09 growing at CPI + 1%
Source: Myer Sydney CBD lease; David Jones analysis; Port Jackson Partners analysis

- David Jones has no lease commitments for our Sydney and Melbourne CBD stores or our head office
- Owning our stores drives higher EBIT
- We own our stores while having low net debt and gearing
- Owning our stores means we have higher net tangible assets per share
- Owning our stores allows us greater strategic flexibility to redevelop our stores (e.g., major Melbourne CBD development)

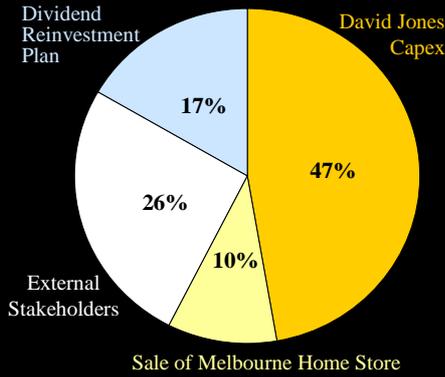
7. Growth fully funded requiring no additional debt

Growth funded from a number of sources with no additional debt



Investment funding distribution

% total spend, FY09-FY12



Total Investment	\$400m
External Stakeholder Funding	(\$100m)
Dividend Reinvestment Plan (FY09 and FY10)	(\$70m)
Sale of Melbourne Home Store	(\$42m)

Total Net Capital Funded by David Jones ~\$190m
i.e., ~\$50m p.a.

8. Capability to deliver growth at low risk

Management Committee with a proven track record



8. Capability to deliver growth at low risk

Management Committee with a proven track record



Management Committee	Position	Time in current position	Retail experience	Department store experience	Tenure with David Jones
Mark McInnes	CEO	6.5 years	27 years	22 years	12 years
Stephen Goddard	Finance Director	6.5 years	25 years	22 years	12 years
Paul Zahra	GGM, Stores & Operations	6.5 years	26 years	26 years	11 years
Colette Garnsey	GGM, Apparel, Accessories, Footwear & Cosmetics	6.5 years	24 years	24 years	15 years
Patrick Robinson	GGM, Home & Food	6.5 years	20 years	19 years	12 years
Damian Eales	GGM, Financial Services & Marketing	6.5 years	21 years	21 years	13 years
Antony Karp	GGM, Retail Development & Procurement	4.5 years	5 years	5 years	5 years
Karen McLachlan	GGM, Information Technology	6.4 years	10 years	10 years	10 years
Paula Bauchinger	GGM, Human Resources	4.5 years	16 years	16 years	10 years

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8. Capability to deliver growth at low risk

David Jones will deliver good growth with low risk



- ✓ Low balance sheet risk with low net debt
- ✓ Financial Services business that is not exposed to the retail cycle, that has delivered 7.5% EBIT growth in FY09 and has guidance of 7.5% p.a. growth each year for the next four years
- ✓ Alliance partner owns the receivables of the Financial Services business and is responsible for the credit policy and the risk associated with the portfolio
- ✓ Growth strategies locked-in and within our competence
- ✓ Capex requirements locked-in and fully funded by a combination of stakeholder contributions and David Jones funding requiring no additional debt
- ✓ Locked-in cost advantage through ownership of Sydney and Melbourne CBD stores

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Conclusion

1. The Australian economy has been resilient and has not entered into recession
2. The industry is attractive with good growth, only two non-discount department stores and high barriers to entry
3. David Jones has a distinctive competitive positioning that delivers enduring market share
4. David Jones has a proven performance track record
5. David Jones has strong and low risk growth strategies (ability to leverage the up-cycle, new stores and major rebuilds, and financial services business)
6. David Jones has strong core department store fundamentals (gross profit margin improvement, CODB reductions, ownership of flagship CBD stores)
7. David Jones has a consistent and experienced management team with a proven track record
8. David Jones has a low risk business model

Appendix



The resilience of the Australian economy

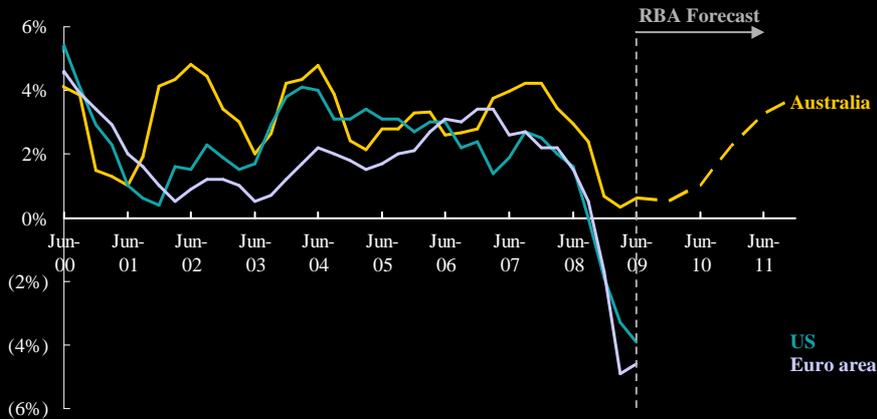
The Australian market has been resilient in the global downturn and is set to recover

Key indicator	Australian economic performance (various sources)
GDP growth	<ul style="list-style-type: none"> • Australia not in recession unlike most other OECD nations: <ul style="list-style-type: none"> – GDP growing at 0.4% year-on-year versus contraction of (3.9%) in the US and (4.6%) in the Euro area – High exposure to strong growth in China and India
Unemployment rates	<ul style="list-style-type: none"> • Amongst the lowest in the OECD: <ul style="list-style-type: none"> – Currently at 5.9% versus 9.4% in the US and the Euro area
Interest rates	<ul style="list-style-type: none"> • Australian consumers have benefited more from interest rate cuts: <ul style="list-style-type: none"> – Healthy banking sector has passed through majority of policy interest rate cuts (66% versus only 3% in the US) – High proportion of variable rate housing loans in Australia
Banking sector health	<ul style="list-style-type: none"> • Australia has four of the world's 13 AA-rated banks: <ul style="list-style-type: none"> – Banks not as highly leveraged entering the downturn – Less exposure to bad debts, e.g., only 0.5% of housing loans are non-performing versus 3.9% in the US and 1.9% in the UK
Public sector debt	<ul style="list-style-type: none"> • Low public sector net debt of ~9% of GDP in 2010 (US at 70% of GDP, UK at 69% of GDP)
Consumer confidence	<ul style="list-style-type: none"> • Recovered back to early 2007 levels

Australia is not in a recession, unlike the US and Europe

Real GDP growth

Percent growth year-on-year, seasonally adjusted



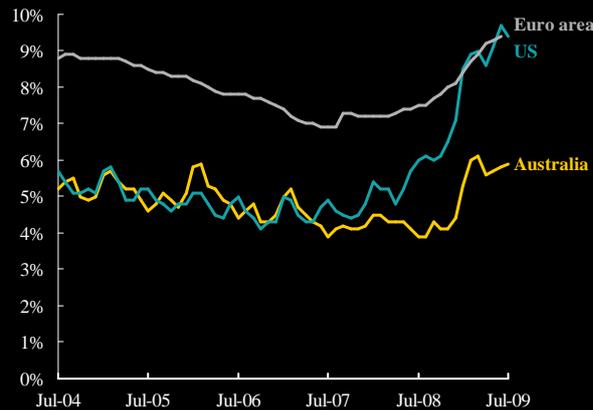
Source: ABS; US Bureau of Economic Analysis (BEA); European Commission; RBA Statement on Monetary Policy (August 2009)

Unemployment rates in Australia are forecast to remain well below other major OECD countries



Unemployment rate

Percent of labour force



- In May 2009, the Australian Treasury forecast that unemployment would peak at 8.5% in 2010/11
- In August 2009, the RBA confirmed that the peak will very likely be less than this initial forecast
- This peak is well below OECD unemployment rate forecasts of 10.1% for the US and 12.0% for the Euro area by 2010

Source: ABS; IMF International Financial Statistics; OECD Economic Outlook No.85 (June 2009); RBA; Treasury Budget (May 2009)

Policy rate cuts have had a greater impact on Australian consumers than OECD countries

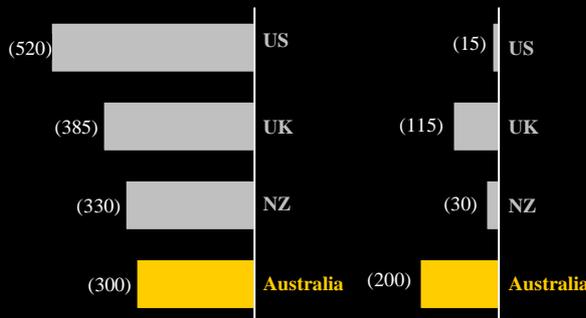


Rate change from start of easing cycle to December 2008

Basis point change

Policy rate cuts

Existing housing loans rate cuts



Australian consumers have benefited more from policy interest rate cuts:

- Australia's banks are in a stronger position following the global downturn – better able to 'pass on' rate cuts
- High proportion of variable rate home loans in Australia

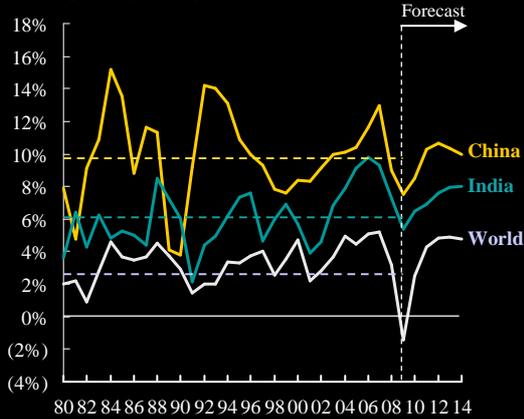
* Change from the start of the easing cycle to end December 2008
Source: ANZ Investor Discussion Pack (May 2009)

Australia will continue to benefit from strong growth in China and India



Real GDP growth*

Percent growth, year-on-year

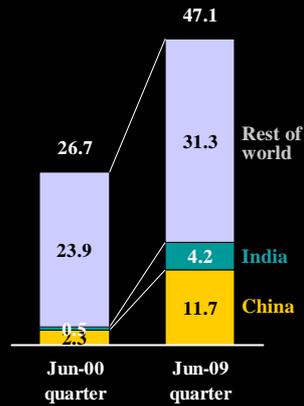


* Dotted lines indicate 1980-2009f average

Source: ABS; IMF International Financial Statistics; IMF World Economic Outlook (April 2009 report and July 2009 update)

Australian merchandise exports by destination country

\$ Billions FOB, seasonally adjusted



Public debt remains amongst the lowest in the OECD



General government net financial liabilities

Percent of GDP, 2010f



* Australian public sector net debt is for the Federal Government as stated in the 2009-10 Budget

Source: IMF World Economic Outlook (April 2009); Australian Government Treasury 2009-10 Commonwealth Budget



Housing prices are recovering and mortgage arrears are amongst the lowest in the OECD

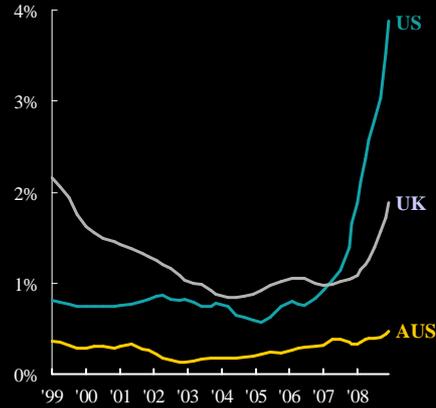
Housing prices in Australian capital cities

Index, March 2002=100



Non-performing housing loans

Percent of loans



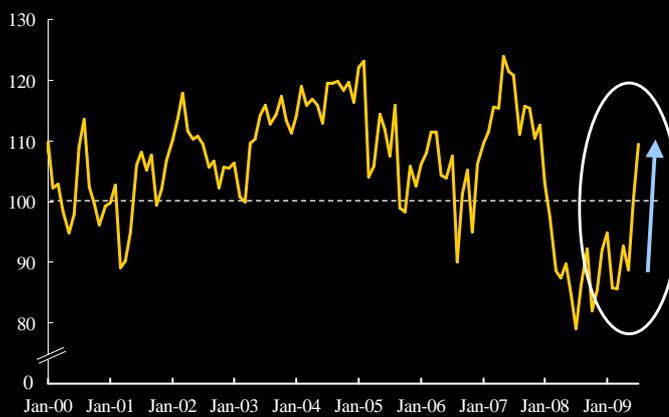
Source: ABS; S&P/Case-Shiller Home Price Index; RBA Speech by Glenn Stevens (May 2009)



Consumer confidence is starting to recover to early 2007 levels

Westpac-Melbourne Institute consumer sentiment index

Index



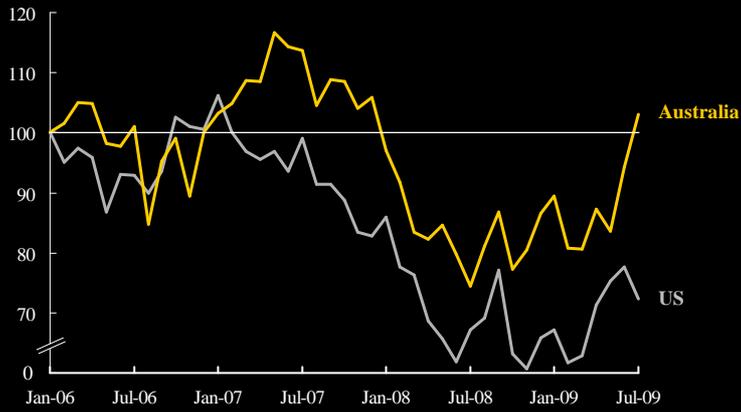
Source: RBA



Consumer confidence has recovered to early 2007 levels while US sentiment remains low

Consumer sentiment index

Index, Jan 2006 = 100



Source: Westpac-Melbourne Institute consumer sentiment index; University of Michigan consumer sentiment index



David Jones Limited
J P Morgan Conference
October 2009