



DAVID JONES LIMITED
HALF YEAR RESULTS
AUG 2002- JAN 2003

PRESENTERS:

MARK McINNES - CHIEF EXECUTIVE

STEPHEN GODDARD - FINANCE DIRECTOR

Summary

- NPAT* up 18.3%
- Reaffirm full year NPAT* guidance of 15-20%
- Strategic Review on track for sign-off end May

* *(pre-significant items and preference share dividend)*



Key Points

- Good trading result from core department store business
- Management of cost base critical focus of Strategic Review
- Growth in Gross Margin in competitive environment
- Inventory well managed and Aged Stock below 5% benchmark
- Strong performance from Credit division



Results Summary

	1H 2003	1H 2002	% Change
Sales (\$m)	924.0	879.1	+ 5.1%
EBIT - core business (\$m)	50.5	48.1	+ 5.0%
Total EBIT - pre-significant items (\$m)	48.3	43.0	+ 12.5%
Total NPAT - pre-significant items (\$m)	32.0	27.0	+ 18.3%
NPAT - post significant items (\$m)	27.4	27.0	+ 1.5%
EPS - pre-significant items (c)	7.2	6.8	+ 5.9%
DPS (c)	3.0	4.0	- 25.0%



EBIT Summary

	1H 2003	1H 2002	Change
	\$m	\$m	%
Contribution from:			
- Retail	40.3	41.9*	- 3.8%
- Credit	10.2	6.2	+ 64.5%
- Property	1.3	1.3	-
- Foodchain (operating)	<u>(3.5)</u>	<u>(6.5)</u>	+ 45.3%
EBIT (pre significant items)	48.3	43.0	+ 12.5%
Significant items			
- Foodchain Restructure	<u>(4.6)</u>	-	-
EBIT	43.7	43.0	+ 1.6%

** includes \$2.3m disruption payment in 1H02*

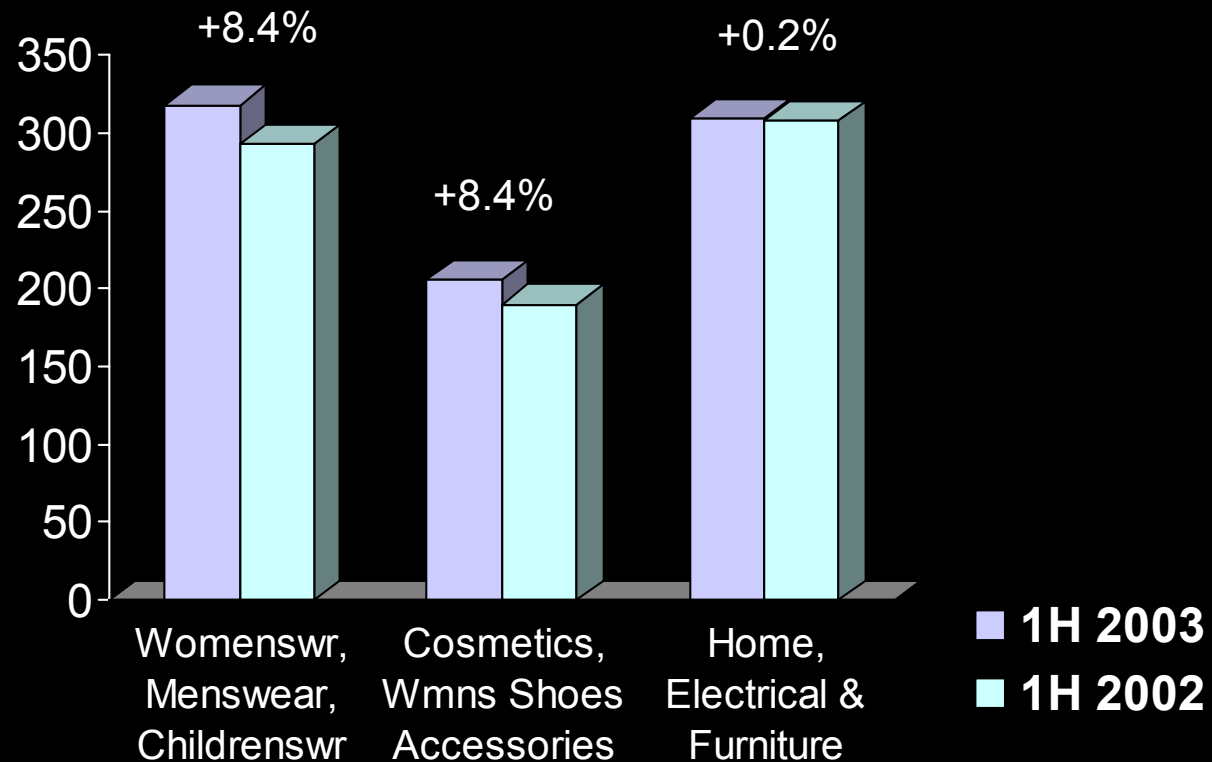


PAT Comparison

	1H 2003	1H 2002	Change
	\$m	\$m	%
EBIT (pre significant items)	48.3	43.0	+ 12.5
Less Interest	<u>2.0</u>	<u>4.2</u>	<u>- 52.9</u>
PBT	46.3	38.8	+ 19.3
Less Tax	<u>14.3</u>	<u>11.8</u>	<u>+ 21.2</u>
PAT (pre significant items)	32.0	27.0	+ 18.3
Less significant items	<u>4.6</u>	<u>-</u>	<u>-</u>
PAT (post significant items)	27.4	27.0	+ 1.5



Core Retail - Category Performance



Core Retail - Gross Margin

	1H 2003	1H 2002
Gross Margin	36.9%	36.4%

- Strategic approach to merchandising and inventory management
- High level of brand differentiation
- Shrinkage remains at benchmark levels



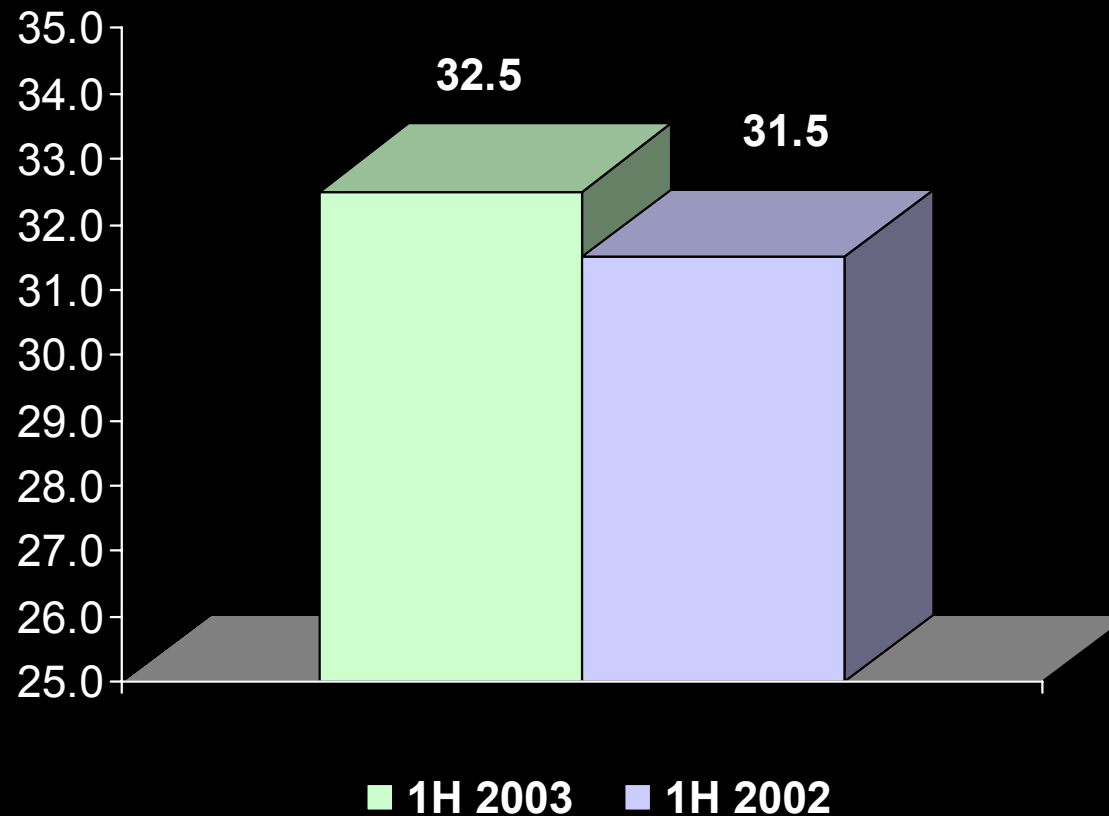
Core Retail - Inventory Management

- Well established inventory management practices
- Inventory levels clean and well managed
- Total sales +5.1%, stock levels (0.2%)
- Aged stock levels are below 5% benchmark



Core Retail - Cost of Doing Business

Cost of Doing Business as % to Sales



Core Retail - Cost of Doing Business

- Cost of doing business increased from 31.5% to 32.5%
- Increases related to insurance, food labelling and occupancy
- Costs to be critical focus of strategic review



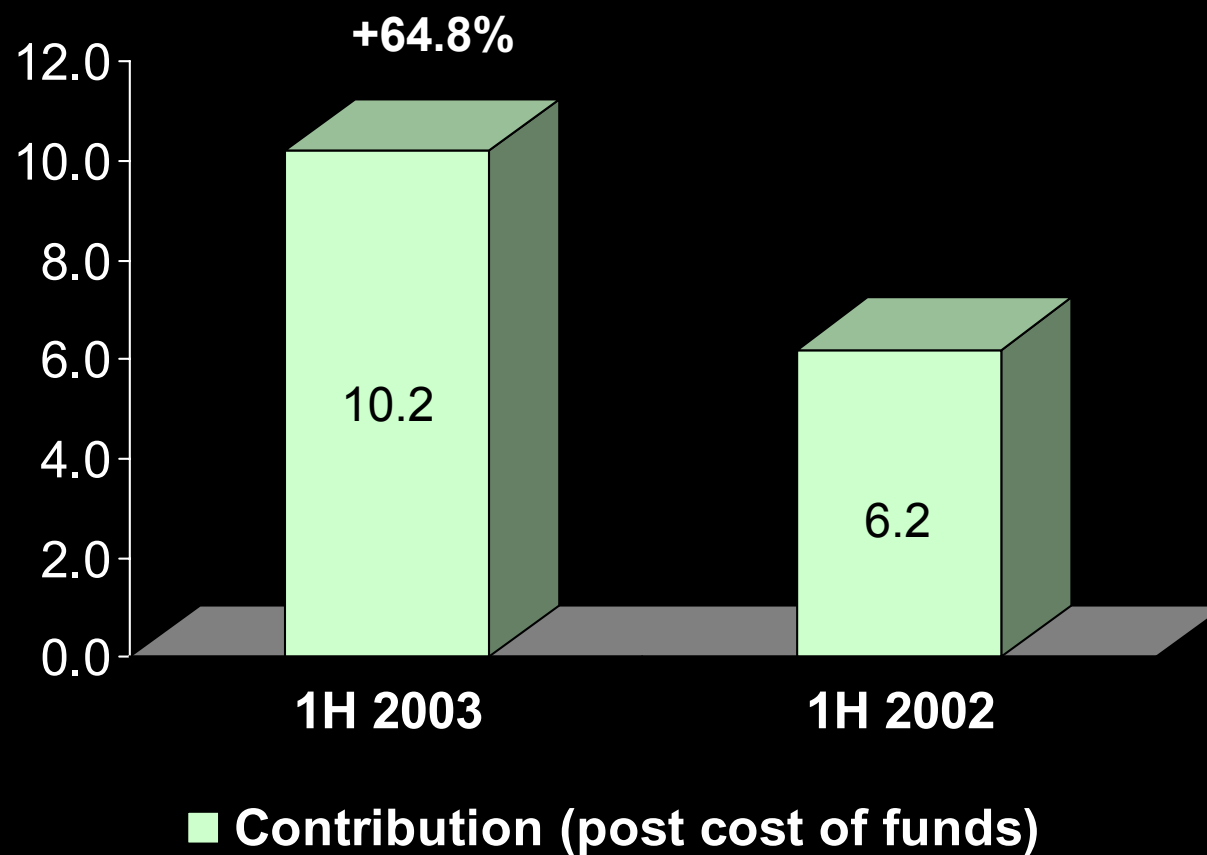
Core Retail - Property

- Completed Hay St refurbishment in October 2002
- Commenced Bondi refurbishment
- Bondi Foodhall now open as part of Stage 1 of refurbishment
- Queen St development underway



Credit Card

Credit Contribution



Credit Card

- Key brand differentiator and well integrated within business
- Strong result based on growth in overall card base, higher sales, lower operating costs and credit management focus
- Total card receivables \$407.3, + 11.5%



Foodchain - Overview

- 4 Stores trading - Brighton, Hawthorn, St Kilda, and Manly
- Parramatta closed December 02. Port Melbourne site exited February 03.
- Operating losses nearly halved due to better management of wastage, cost base, systems and procedures
- Manly opened late January 03 and trading within expectations
- Strategic review of Foodchain to be finalised end May 03



Balance Sheet

	F2003	F2002
<u>Current assets</u>		
Cash balance	43.6	13.2
Inventory	290.1	290.6
Other current assets	<u>68.5</u>	<u>63.2</u>
	402.2	367.1
<u>Non current assets</u>		
Property plant and equipmer	280.9	284.9
Other non current assets	<u>42.5</u>	<u>33.6</u>
	323.4	319.7
Total assets	725.6	686.8
<u>Current liabilities</u>		
Creditors and provisions	215.4	213.9
Borrowings	<u>2.4</u>	<u>13.2</u>
	217.8	227.2
<u>Non current liabilities</u>		
Creditors and provisions	24.2	11.5
Borrowings	<u>0.0</u>	<u>26.3</u>
	24.2	37.8
Total liabilities	242.1	265.0
Net assets and shareholders	483.5	421.8



Funds Employed

	1H 2003	1H 2002
Inventory	290.1	290.6
Trade payables	<u>-181.6</u>	<u>-166.2</u>
	108.5	124.4
Receivables	71.1	64.5
Other creditors	<u>-37.4</u>	<u>-29.3</u>
Working capital	142.2	159.6
Fixed assets	<u>294.0</u>	<u>301.5</u>
Total funds employed	436.2	461.1
Tax balances	14.0	3.0
Dividend	-2.7	-15.9
Provision for restructuring	<u>-5.2</u>	<u>0.0</u>
Net assets employed	442.3	448.1
Net debt	-41.2	26.3
Equity	<u>483.5</u>	<u>421.9</u>
	442.3	448.1
Average funds employed	459.7	482.2
EBIT before goodwill	49.3	43.9
ROFE	10.71%	9.10%



Cash Flow

	1H 2003	1H 2002
EBITDA	73.1	67.3
Working capital	5.1	12.7
Interest	-2.0	-4.2
Tax paid	<u>-8.5</u>	<u>0.9</u>
Operating cash flow	67.8	76.7
Capital expenditure	<u>-32.5</u>	<u>-41.5</u>
Free cashflow	35.3	35.2
Cash one off's	-5.0	0.0
Dividends	-12.5	-15.9
Equity proceeds	4.5	4.5
Sale of assets	<u>0.2</u>	<u>0.3</u>
Net cashflow	22.4	24.0



Cash Flow & Balance Sheet

- Cash flow from operations -\$9.0m
 - prior year tax refund
 - additional credit receivables in prior year
- Net debt to net debt + equity decreased to -9.3% (5.9% in 1H 2002) due to debt repayment following RPS issue.
- Seasonal peak debt in November
- Small inventory reduction as a result of inventory management and aged stock focus



Dividend

- Ordinary dividend reduced to 3c (LY 4c) fully franked
- Total dividend payout ratio 60-80% of normalised NPAT



David Jones - The Future



New Management Team

Chief Executive

Finance Director

GGM Apparel, Cosmetics & Marketing

GGM Home & Food

GGM Stores & Visual Merchandising

GGM Human Resources

GGM Information Technology

GM Supply Chain, Logistics, Online & Procurement

GM Property & Projects

GM Foodchain

Mark McInnes

Stephen Goddard

Colette Garnsey

Patrick Robinson

Paul Zahra

Teresa Gallo

Karen MacRae

Damian Eales

John Bolas

Jon McAtamney

GGM = Group General Manager

GM = General Manager



Strategic Review - Key Areas of Focus

- **Cost Efficiencies**
 - Development of a 3 Year Plan 2004-2006
 - Significant and sustainable reduction in costs without affecting service or brand level
 - 1st phase organisation review underway - complete by end March
 - Early development work is promising
 - back of store benchmarking
 - non merchandise procurement
 - logistics and warehousing
 - We have the team capable to deliver



Strategic Review - Key Areas of Focus

- **Effective use of Capital**
 - 3 Year Plan 2004-2006
 - Strategic and operational review of all capex
 - ROI benchmarks are the hurdle
- **Inventory and Margin management**
 - 3 Year Plan 2004-2006
 - Aim is to sustain existing performance throughout the life of the 3 Year Plan



Strategic Review - Key Areas of Focus

- **Foodchain Review**
 - Strategic and operational review complete by end May
- **Sales Growth**
 - 3 Year Plan 2004-2006
 - Likely LFL growth given cyclical nature of the market
 - growth from major refurbishments



Outlook for 2nd Half

- Economic forecasts suggest softening of consumer spending in 2003 and a slow down in retail sales growth
- Competitive environment likely to continue
- Disruption during refurbishment in Bondi and temporary closure of Market St foodhall reduces sales by > 2% leading to flat sales overall in 2H
- Gross margin improvement of at least 70 basis points over last year
- Credit result in line with 1H03 actual as initiatives mature
- Costs to be higher than last year by more than 100 basis points



Trading Environment & Outlook

- Despite flat sales environment for current half, company expects to deliver on FY profit guidance for F2003 of 15-20% increase in NPAT (pre significant items and preference share dividends)
- Framework for strategic review remains 15-20% increase in NPAT and 15% ROI for 2004





DAVID JONES LIMITED
HALF YEAR RESULTS
2002/2003

19 March 2003