



DAVID JONES LIMITED

FULL YEAR RESULTS

AUGUST 2002- JULY 2003

PRESENTERS:

MARK McINNES - CHIEF EXECUTIVE
STEPHEN GODDARD - FINANCE DIRECTOR

FY03 Highlights



- NPAT* (before significant items) \$42.7m; up 20% and at upper end of guidance
- Gross Profit, Costs, Significant Items and Profit After Tax all in line with guidance provided at Strategic Review on 3 June
- Achieved strong retail Gross Margins of 36.1% in 2H03; +71 basis points over 2H02 (FY03: 36.5%; FY02: 35.9%)
- Good progress being made on implementation of Strategic Review initiatives
- Foodchain exit and Online re-positioning completed & Fountain Gate lease arrangements renegotiated
- Significant Items \$84m (before tax) leading to final NPAT* loss of (\$25.5)m
- Final Dividend 3 cps (fully franked) declared; total dividend for FY03 6 cps

* before RPS dividend 2

Strategic Review - Outcomes since 3 June



- Foodchain
 - Business exited
 - All 4 stores closed
 - No contingent liability
- DJ Online
 - Business re-positioned
- Fountain Gate
 - Terms renegotiated
- Accounting & Other Adjustments
 - Finalised
- Cost Efficiencies
 - On track
- Capex Reduction
 - On track

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Our Merchandising Strategy



Our Strategy:

- The best national and international brands
- A combination of:
 - high value/high volume brands
 - dept store exclusive high value/high volume brands
 - dept store exclusive high value brands

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2H03 Update - Brand Rollouts

Our strategy is the continual development of key brands across our organisation. Brand rollouts for Summer'03 and Winter'04:

- Sportscraft
- Witchery
- Lisa Ho & Ho
- Giorgio Armani Cosmetics
- David Lawrence
- sass n bide
- Tommy Hilfiger
- Fred Bare
- Pumpkin Patch
- Peri Bedlinen
- Natuzzi Furniture
- Moran Furniture
- Apple Computers
- Bang & Olufsen

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2H03 Update - Country Road



- Country Road
 - we were disappointed by their decision
 - our door will always be open
 - a brand we should have
 - relationship with all suppliers will benefit from our Country Road learning experience

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2H03 Update



Our replacement sales strategy is robust.

Key Alliances:

- Sportscraft - Menswear in 34 stores, Womenswear in 9 additional stores and exclusive distribution on all other categories
- Witchery - 10 concept stores
- David Lawrence - rollout to 16 more stores
- Lisa Ho and Ho rollout to 9 stores
- Introduction of Gant womenswear, department store exclusive in 15 stores
- Strengthened relationship with top 5 suppliers in the market

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Our Competitive Strategy



- We have seen little change from the intense competitive environment that existed throughout FY03
- To differentiate on range, staff and store ambience for sustainability of gross margins and market positioning
- To vigorously compete on high value categories where little differentiation exists

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Stores Initiatives



- Hay Street (Perth CBD) - opened October 02
- trading strongly
- Market St Foodhall - opened August 03
- successful re-launch
- Bondi - to open November 03
- refurbishment well underway

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Cost Efficiencies



- \$17m of efficiencies built into 2004 budget
- 2004 bonus schemes communicated to all employees, including cost efficiency clauses
- Non merchandise procurement team in place - focused on reviewing all external contracts
- Group General Managers conducting 2005 cost efficiency workshops in Oct/Nov03 organisation wide
- Strategic supply chain review begins Jan04, completed in May for implementation in 2005/06/07
- Early days but encouraging cultural signs right across the organisation
- Full update to be given at the 2004 half yearly results

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Results Summary



	FY 2003	FY 2002	% Change
Total Sales (\$m)	1,711.2	1,668.2	+ 2.6%
Total EBIT – before significant items (\$m)	65.2	57.8	+ 12.8%
Total NPAT – before significant items (\$m)	42.7	35.5	+ 20.2%
NPAT - after significant items (\$m)	(25.5)	6.5	- 487.0%
EPS – before significant items (c)	9.2	8.8	+ 4.5%
DPS (c)	6.0	7.0	- 14.3%

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EBIT Summary



	FY 2003	FY 2002	Change
	\$m	\$m	%
EBIT contribution from:			
- Department Stores	47.5	53.1	- 10.5%
- Credit	22.1	14.9	+ 47.8%
- Property	2.5	2.5	-
- Foodchain (operating)	(6.9)	(12.7)	+ 45.8%
EBIT (before significant items)	65.2	57.8	+ 12.8%
Significant items	<u>(84.3)</u>	<u>(38.9)</u>	-116.9%
Total EBIT	(19.1)	18.9	- 200.8%

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PAT Comparison



	FY 2003	FY 2002	Change
	\$m	\$m	%
EBIT (before significant items)	65.2	57.8	+ 12.8%
Less Interest	<u>3.3</u>	<u>7.4</u>	<u>- 55.4%</u>
PBT	61.9	50.4	+ 22.8%
Less Tax	<u>19.2</u>	<u>14.9</u>	<u>+ 28.9%</u>
PAT (before significant items)	42.7	35.5	+ 20.2%
Less Significant items after tax	<u>68.2</u>	<u>28.9</u>	<u>-135.8%</u>
PAT (after significant items)	(25.5)	6.6	- 487.0%

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Significant Items FY2003



	F2003 \$m
Foodchain Business Closure	
– Lease Exit Costs	14.7
– Restructure Costs	5.0
– Non current asset written off	<u>19.3</u>
Total	<u>39.0</u>
Comment: Restructuring costs associated with the exit of the business (lease exit costs, asset writedowns, redundancies, etc.)	
Online Business Restructure	
– Lease exit costs	0.2
– Restructuring costs	2.3
– Non current asset written off	<u>3.9</u>
Total	<u>6.4</u>
Comment: Restructuring costs associated with the repositioning of DJ Online to principally a marketing site – asset writedowns, redundancies, etc.	

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Significant Items FY2003



	F2003 \$m
Other Restructuring	
– Store closure provision – Rockingham	1.3
– Lease termination costs – Fountain Gate	9.9
– Corporate Head Office	<u>1.2</u>
Total	12.4
Comments:	
– Provision for costs associated with planned closure of Rockingham in July'04	
– Payment associated with termination and renegotiation of lease arrangements for future Fountain Gate location	
– Costs associated with restructuring activities undertaken as a result of the Strategic Review	
Write down in Value of Plant and Equipment to Recoverable Amount	
– Hornsby	7.9
– Other stores	8.5
– Corporate Head Office	<u>2.3</u>
Total	18.7
Comments:	
– Writedown of Hornsby store assets to reflect true value in terms of current and expected trading performance	
– Writedown of assets on the Stores and Head Office asset registers that do not exist or are unusable, including design fees (due to a significant reduction in future capex spend on store refurbishments)	

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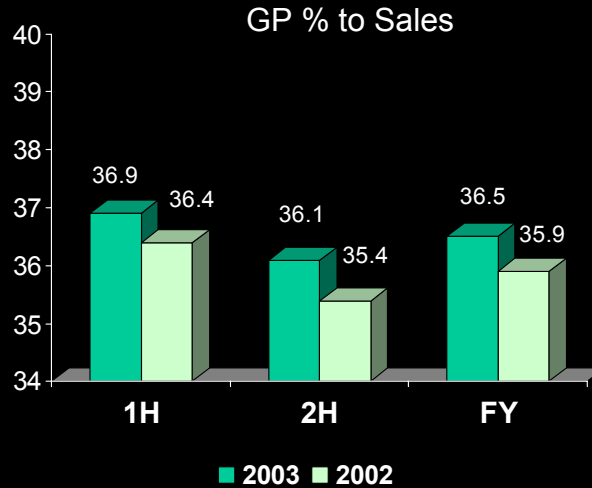
Significant Items FY2003



	F2003 \$m
Accounting Policy Refinements and Adjustments	
– Inventory cost refinement	6.4
– Other adjustments	<u>1.4</u>
Total	7.8
Comments:	
– A portion of internal charges for freight recoveries and import subsidies allocated to inventory on hand at year-end, and recognising as a reduction in the cost of inventories an additional adjustment for inventory that will become aged in the 6 months period after the reporting date	
– Adjustments related to the Strategic Review including an allowance for lease stamp duty	
TOTAL SIGNIFICANT ITEMS BEFORE TAX	84.3
Tax on Significant Items	(16.1)
TOTAL SIGNIFICANT ITEMS AFTER TAX	68.2

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Core Retail - Gross Profit



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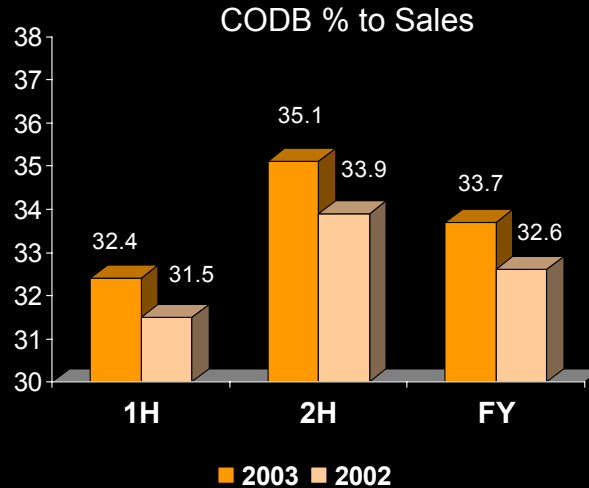
Core Retail - Inventory Management



- Well established inventory management practices
- Inventory levels clean and well managed
- Total sales +2.7%, stock levels +0.8%
- Aged stock levels are below 5% benchmark

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Core Retail – Cost of Doing Business



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Core Retail - Cost of Doing Business

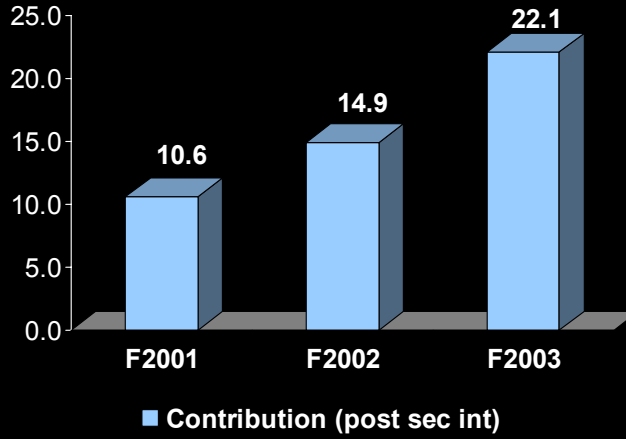
- Cost of doing business increased from 33.9% to 35.1% in 2H03
- Increases related to rent, occupancy, insurance and other areas
- Costs to be critical focus of strategic review
- \$17m cost efficiencies budgeted in FY04

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Credit - EBIT (post securitised interest)



\$m

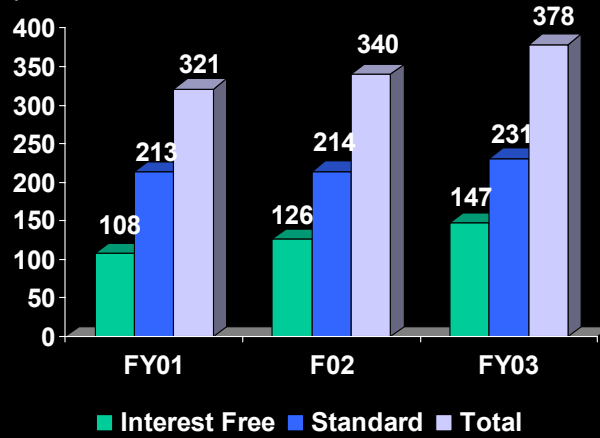


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Credit - Year-end Standard/Interest Free Receivables



\$m



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Credit Performance



- Continued integration into core business marketing
- Focused management of costs
- Focused, well-managed interest free program
- Interest margins - risk of rising interest rates can be offset through hedging
- Continued good management of bad debts

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Cash Flow



	F2003	F2002
	\$m	\$m
Operating cash flow before interest, tax and Sig. items	118.5	118.5
Interest	(3.3)	(7.4)
Tax	<u>(17.9)</u>	<u>(7.5)</u>
Operating cash flow before Significant items	97.2	103.6
Cash Significant items	<u>(18.5)</u>	<u>(4.3)</u>
Operating cash flow	78.7	99.4
Capital expenditure	(61.9)	(70.6)
Disposal of assets	0.2	0.9
Other	<u>0.1</u>	<u>0.1</u>
Net investing cash flow	(61.5)	(69.5)
Free cash flow	17.2	29.8
Dividends	(18.7)	(21.4)
Equity Proceeds	<u>(0.1)</u>	<u>60.6</u>
Net Cash Flow	(1.6)	69.0

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Balance Sheet



	F2003	F2002
	\$m	\$m
Current Assets		
Inventory	289.5	287.2
Other Current Assets	<u>72.6</u>	<u>81.9</u>
	362.1	369.1
Non Current Assets		
Property Plant & Equipment	246.5	272.4
Other Non Current Assets	<u>51.1</u>	<u>43.7</u>
	297.6	316.1
Total Assets	<u>659.7</u>	<u>685.2</u>

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Balance Sheet



	F2003	F2002
	\$m	\$m
Current Liabilities		
Creditors & Provisions	214.2	208.4
Borrowings	<u>0.1</u>	<u>0.2</u>
	214.3	208.6
Non Current Liabilities		
Creditors & Provisions	25.4	21.1
Borrowings	<u>-</u>	<u>0.1</u>
	25.4	21.2
Total Liabilities	<u>239.7</u>	<u>229.9</u>
Net Assets & Shareholder Equity	<u>420.0</u>	<u>455.3</u>

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Funds Employed



	F2003 (\$m)	F2002 (\$m)
Inventory	289.5	287.2
Trade Payables	<u>(182.7)</u>	<u>(166.8)</u>
	106.8	120.4
Receivables - current	55.2	62.8
Other Creditors - current	<u>(9.6)</u>	<u>(12.3)</u>
Working Capital	152.4	170.9
Receivables – non current	4.9	2.6
Other Creditors – non current	<u>(25.1)</u>	<u>(20.8)</u>
Fixed Assets	<u>258.7</u>	<u>286.5</u>
Total Funds Employed	390.9	439.2
Tax Balances	30.6	15.6
Restructuring	<u>(16.1)</u>	<u>(5.8)</u>
Dividend	<u>(2.6)</u>	<u>(12.5)</u>
Net Assets Employed	402.8	436.5
Net Debt	<u>17.2</u>	<u>18.8</u>
Equity	420.0	455.3

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Financial Health Indicators



	F2003	F2002
Year end net debt: net debt + equity	(4.3%)	(4.3%)
EBITDA Fixed Charge cover	2.34	2.25
EBIT Fixed Charge cover	1.75	1.63
EBITDA Interest cover	24.75	13.12
EBIT Interest cover	14.33	7.15
ROFE (year-end)	17.2%	13.6%
ROFE (average)	14.8%	12.4%
ROE (year-end)	10.6%	8.2%
ROE (average)	9.6%	9.0%

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Capital Management



- Strong operating cash flow
- ROFE FY2003 14.8% pre significant items
- Balance sheet well positioned to accommodate seasonal working capital requirements as well as long term capex program
- Group remains on track to achieve ROFE of 15% by financial 2004

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Dividend



- Ordinary final dividend 3cps (LY 3cps) fully franked
- Total dividend payout ratio, including RPS, 60-80% of normalised NPAT

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Outlook



- Q1 revenue constrained by
 - Market St and Bondi refurbishments
 - volatile consumer sentiment
- We will cycle strong LFL growth in Q1 of +5.8%, Q2 of +3.4% and Q3 of +2.7%
- Refurbishment plan comprises
 - Bondi to open 19 November 03
 - Bourke St, Melbourne Foodhall May-August 04
 - Elizabeth St, Sydney Ground and Lower Ground Floors May-October 04
- We are experiencing 1.5%-2.5% growth on last year and expect this to continue for the remainder of F04
- Accordingly, we are on track for F04 NPAT guidance of \$52-\$56m (pre RPS)

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FULL YEAR RESULTS
2002/2003

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