



For Immediate Distribution

22 February 2006

INCREASED 1H06 PROFIT* GUIDANCE

- **2Q06 Sales Revenue in line with expectations**
- **1H06 Profit after Tax Guidance* (PAT*) increased to 15% growth** (previously 5%)
- **Good management of economic cycle:**
 - **Strong Gross Profit Margin;**
 - **Excellent cost savings** result generated from Cost Efficiency initiatives;
 - **Inventory** levels below last year;
- Well positioned to leverage next phase of long term economic cycle

David Jones Limited (DJS) today announced that it **has increased its 1H06 Profit after Tax* (PAT) guidance from 5% to 15% growth**. This updated guidance represents triple the rate of growth previously given by the Company at the time of its 1Q06 Sales announcement when it stated that it expected its FY06 PAT growth to be at the lower end of its target growth range of 5%-10% p.a.

The Company today also reported **Sales revenue of \$557.6 million** for the second quarter of the 2006 financial year (**2Q06**) being the period 30 October 2005 to 28 January 2006. This represents -0.4% growth on 2Q05 (\$559.6 million). Sales performance this quarter was in-line with the Company's guidance of flat growth in 2Q06, given the business was cycling high 2Q05 Sales growth of 4.7%.

David Jones CEO Mr Mark McInnes said, "I am pleased to report that all aspects of our business have been well managed and as a result we have increased our 1H06 Profit* guidance.

"We have consistently maintained that 2Q06 Sales growth would be flat, given we are cycling last year's high growth and that the key to delivering solid and consistent profit growth would be to concentrate on:

- managing our Gross Profit margins;
- generating substantial cost efficiency savings; and
- maintaining Inventory levels below last year.

"This is exactly what we have done. Given the Christmas and Clearance trading period our performance in the second quarter of the financial year is a very important component of our overall performance for the year. We are pleased therefore that through our careful management of the key components of our business, we are in a position to increase our Profit* guidance for 1H06," Mr McInnes said.

DAVID JONES

David Jones Limited A.C.N. 000 074 573
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TOTAL SALES

PERIOD	FY06 \$mil	FY05 \$mil	% Change
First Quarter (1Q) of Financial Year	\$405.0	\$418.1 (representing 7.7% growth on 1Q04)	(3.1)%
Second Quarter (2Q) of Financial Year	\$557.6	\$559.6 (representing 4.7% growth on 2Q04)	(0.4)%
First Half (1H) of Financial Year	\$962.6	\$977.7 (representing 6% growth on 1H04)	(1.6)%

The Company has increased its 1H06 PAT Guidance as a result of its strong gross margin performance, the significant savings delivered through its Cost Efficiency program and its well managed inventory throughout the first half of FY06.

Mr McInnes said, "Despite the highly competitive market our **Gross Margin percentage** has improved in comparison to last year. This is a testament to the success of our strategic decision to differentiate our range of brands and to manage our Inventory on a category basis in line with Sales. It also positions us well to meet our targeted Gross Margin percentage range for the full 2006 financial year.

"I am pleased to also report that we have continued our track record of **well managed Inventory**, with inventory levels in 1H06 continuing to be lower than last year and Aged Inventory once again below our 5% benchmark.

"Last but not least, our "**Cost of Doing Business**" is **substantially lower** than last year due to the fact that we have implemented a range of Cost Efficiency Projects ahead of schedule and they have already started to deliver sustainable savings to our business," Mr McInnes said.

TRADING ENVIRONMENT & OUTLOOK

The Company reiterates the comments it made at the time of its 1Q06 Sales announcement in relation to economic outlook, stating that independent economists continue to suggest a modest improvement in consumer sentiment in 2H06 and further strengthening of Sales growth in FY07. In terms of 2H06, there is still some uncertainty about the trading environment outlook, hence the Company is maintaining its previous guidance of PAT* growth for the half being at the lower end of its 5%-10% target growth range.

Mr McInnes said, "We feel that our investment in our key store refurbishments including:

- our first floor Elizabeth St store "Young Fashion" department (which is due for completion in April 2006);
- our Bourke St, Melbourne Ground Floor Cosmetics & Accessories Hall (due for completion in October 2006); and
- our new Queens Plaza store (scheduled for completion in March 2007),

will position us well for the expected strengthening in consumer spending.

"Our Refurbishment Plans and Brand Strategy are all part of our Revenue Generating initiatives, which coupled with the Financial Disciplines we will continue to apply to our business, supports our long term sustainable market position and makes us confident that we will be able to deliver

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PAT growth within our 5%-10% target range as well as dividend growth in FY07 and FY08," Mr McInnes said.

ENDS

FOR FURTHER INFORMATION CONTACT:

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NOTES:

* *Our Profit After Tax ("PAT") guidance is based on projections under AGAAP in both FY05 and FY06. We believe the PAT percentage increase in FY06 over FY05 under AIFRS will be broadly comparable to our AGAAP guidance although further work is underway to confirm this position. We will provide our PAT position for FY05 and FY06 under AIFRS showing the adjustments from AGAAP at our 1H06 Profit announcement in March 2006.*

** *The sales numbers quoted in this ASX Release have not been adjusted to take into account changes to the provisions for returns or lay-by. These changes are required under AIFRS and will be reflected in the half year end Sales figures in the Company's Income Statement. Any change is expected to be immaterial.*

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