For Immediate Distribution **25 November 2005**

1Q06 SALES IN LINE WITH EXPECTATION
REAFFIRM FY06 PROFIT GUIDANCE

- **1Q06 Sales Revenue in line with expectation**
- **On track** to deliver in FY06:
  - **Net Profit After Tax growth** within 5% - 10% target range; and
  - **Dividend growth**
- **Good management of economic cycle**
- **Inventory well managed** – 1Q06 inventory levels lower than last year
- **Cost Efficiency** programs for FY06 fully implemented

David Jones Limited (DJS) today reported **Sales Revenue of $405 million*** for the first quarter of the 2006 financial year **(1Q06),** being the period 31 July 2005 to 29 October 2005. This represents –3.1% growth on 1Q05 ($418.1 million). The Sales performance this quarter was in-line with the Company's guidance (provided on 28 September 2005) of –3% to –4% Sales growth expected in 1Q06. This result reflects the fact that the Company was cycling high 1Q05 growth of 7.7% due to one-off events such as major promotional programs relating to the 2004 Olympics. If the one-off impact of these programs is excluded, the remaining core of our business traded slightly below last year.

David Jones CEO Mr Mark McInnes said, "Our Sales performance in 1Q06 was in line with our expectations and I am pleased to report that we did not encounter anything we did not anticipate. All aspects of our business have been well managed and we are on track to delivering our targeted Profit and Dividend growth in FY06.

"In 2H05 we saw a number of retailers report declines in profitability, despite growth in their top line Sales Revenue. We remain determined not to fall into this trap and to continue to deliver profit growth despite a difficult sales environment.

"We have consistently maintained that the key to delivering solid and consistent profit growth in times of slow retail demand, is to concentrate on:
- inventory management;
- gross profit margins; and
- cost efficiency savings,

and this is exactly what we did in 1Q06," Mr McInnes said.

Throughout the quarter the Company maintained tight **Inventory** control, reporting Inventory at lower levels at the end of 1Q06 compared to last year. **Costs** were also rigorously managed with the Company successfully implementing all of its Cost Efficiency programs for FY06 in 1Q06. These programs will enable the Company to deliver its targeted Cost of Doing Business (CODB) reduction of 20-40 basis points in FY06. Work has commenced on identifying and implementing Cost Efficiency initiatives that will deliver savings in FY07 and FY08.

Category mix and labour productivity were also carefully managed throughout the quarter to ensure they corresponded to customer demand and represented the most efficient use of inventory and labour without compromising service levels. The Company is on track to deliver **Gross Profit margins** within its target range of 36.5%-36.9% for FY06.

Mr McInnes said, "In terms of **Sales performance by category**, as expected, Sales in our "big ticket" categories such as Furniture, Electrical and Entertainment were affected by the softening in consumer spending, as were our Homewares and Menswear categories. Our other categories such as Womenswear, Cosmetics, Accessories and Childrenswear were flat on last year, giving us confidence in our Profit position for the year."

TRADING ENVIRONMENT AND OUTLOOK

In terms of outlook, the Company is well prepared as the leading gift-giving destination for the important Christmas trading period.

Mr McInnes said, "The slowdown predicted by external economic forecasters in 1Q06 has been felt at a top line Sales growth level this quarter. Independent forecasters are anticipating a modest improvement in consumer sentiment in 2Q06, with flat Sales growth expected in the Christmas quarter and further strengthening of Sales growth in 2H06 and FY07.

"We have adjusted our business parameters to reflect these forecasts; our business is well prepared and continues to be well positioned to address the expected outlook in consumer spending.

"Given the expected strengthening of consumer spending in FY07 we will be well positioned to capitalise on our investment in:

- the refurbishment of our first floor Elizabeth Street store "Young Fashion" department which will commence in January 2006 and is due for completion in April 2006;
- the refurbishment of the Ground Floor Cosmetics and Accessories Hall of our Bourke Street store in Melbourne (which will commence after the Commonwealth Games in March 2006 and is expected to be completed in October 2006); and
- our new Queen Street store in Brisbane, which is due to be completed in March 2007 and will double the existing trading floor space.

"Our Refurbishment plans are part of our Revenue Generating Initiatives program, which coupled with the Financial Disciplines we will continue to apply to our business, makes us confident that we will be able to deliver PAT growth within our 5%-10% target range (albeit at the lower end of the range in FY06, given prevailing retail conditions) as well as dividend growth in FY06, FY07 and FY08," Mr McInnes said.

The Company is on track with its Capital Management Review, including finalisation of financial arrangements relating to the Sale & Leaseback and will announce its Capital Management Review findings in December 2005.

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NOTE:

* *No adjustment of the Sales Revenue figure is required this quarter in order to compare it to 1Q05, as there has been no change in the store portfolio and both quarters relate to the same number of calendar weeks and comparable dates (i.e. FY05 and FY06 are both 52 week years as opposed to FY04 which was a 53 week year). Total Sales and like-for-like sales are the same.*