



ASX AND MEDIA RELEASE

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For Immediate Distribution

27 July 2006

DAVID JONES INCREASES 2H06 PROFIT AFTER TAX GUIDANCE

- **Profit after Tax Guidance for 2H06 increased to \$31 million – \$33 million (24% – 32% growth on 2H05) under AGAAP (AIFRS PAT Guidance for 2H06 is \$24.5 million – \$26.5 million);**
- **FY06 Profit after Tax Guidance of \$92 million – \$94 million (an increase of 18% – 21% on FY05) under AGAAP;**
- **4Q06 Sales Revenue growth expected to be approximately 5.5% on 4Q05;**
- **Well positioned to leverage next phase of longer term growth**

David Jones Limited (DJS) today announced that it has increased its **Profit after Tax (PAT) guidance for the second half of the year ending 29 July 2006 (2H06) to \$31 million - \$33 million** (under AGAAP). This represents a growth rate of approximately 24% - 32% on 2H05 and compares to the Company's previous guidance of 5%. On an AIFRS basis, the equivalent PAT guidance for 2H06 is \$24.5 million - \$26.5 million.

The key driver for the increased PAT growth guidance has been the Company's better than expected 4Q06 Sales performance. It is anticipated that Sales for the quarter (which ends on 29 July 2006) will be approximately 5.5% higher than 4Q05.

The stronger than expected Sales performance in 4Q06, coupled with the Company's success in reducing its cost base through the implementation of sustainable Cost Efficiency initiatives, has enabled the Company to significantly increase its Profit outlook for the year.

The FY06 guidance for PAT is now \$92 million - \$94 million (under AGAAP), an increase of 18% - 21% over FY05. On an AIFRS basis, the equivalent PAT for FY06 is in the range of \$79 million - \$81 million.

David Jones CEO Mr Mark McInnes said, "Our increased Profit after Tax guidance for FY06 is the result of all components of our business having performed well. **Sales** have been stronger than expected, our **Gross Margins** are at the top end of our target range, and our **Inventory** and **Cost of Doing Business** have been well managed, notwithstanding the high Sales growth in 4Q06. Our **Credit Card** business continues to track well with expected growth within its targeted range of 5% - 10%.

DAVID JONES

David Jones Limited A.C.N. 000 074 573
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OUTLOOK

Looking forward, the broader retail cycle appears to be trending upwards in line with the view expressed by independent economic forecasters such as Access Economics 6 -12 months ago. Whilst there are a mixture of positive factors such as tax cuts and negative factors such as interest rates and petrol prices impacting the economic outlook, independent forecasters in general expect favourable retail conditions in FY07 and FY08.

Mr McInnes said, "We are confident that our strong business model positions our Company well to continue delivering PAT and dividend growth in line with our previously stated guidance of 5% - 10% p.a. PAT growth in FY07 and FY08. This guidance is on the increased forecast profit base of FY06 and is on an AIFRS basis."

Further details about the Company's expected Trading and Profit outlook will be provided at its 4Q06 Sales announcement in mid August 2006 and at the FY06 Results announcement in late September 2006.

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PROFIT AFTER TAX (PAT) GUIDANCE SUMMARY

	2H06 (\$m)	2H05 (\$m)	Change (%)	FY06 (\$m)	FY05 (\$m)	Change (%)
PAT (AGAAP)	31.0 – 33.0	25.0	24 – 32	92.0 – 94.0	77.9	18 – 21
PAT (AIFRS)	24.5 – 26.5	20.5	20 – 30	79.0 – 81.0	68.0	16 – 19
Adjustment to apply AASB 132/139 *	-	(2.7)	-	-	(5.9)	-
PAT (AIFRS) Underlying *	24.5 – 26.5	17.8	38 – 49	79.0 – 81.0	62.1	27 – 30

*** IMPACT OF AASB 132/139 ON FY05**

Profit after Tax for 2H06 and FY06 reflects the full implementation of all AIFRS, including AASB132 *Financial Instruments: Disclosure & Presentation* and AASB139 *Financial Instruments: Recognition and Measurement* which were adopted at the beginning of FY06 on 31 July 2005.

The financial impact of adopting AASB132 and AASB139 is not reflected in the PAT for 2H05 and FY05 due to the Company electing not to early adopt these standards in line with common practice (as allowed under AASB1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*).

Had the Company early adopted AASB132 and AASB139 in FY05, the PAT for 2H05 and FY05 would have reflected the following AIFRS adjustments (after tax).

	2H05 (\$000)	FY05 (\$000)
Reset Preference Shares (RPS) dividends reclassified as a finance expense	(2,215)	(4,792)
Amortisation of RPS issue expenses	(427)	(854)
Fair value movement in derivatives	(67)	(231)
Total Adjustments relating to AASB 132/139	(2,709)	(5,877)

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