DAVID JONES LIMITED

ASX AND MEDIA RELEASE

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RECORD FULL YEAR PROFIT

RECORD FULL YEAR DIVIDEND

- **Highest Full Year Profit Result** reported by David Jones since listing in 1995
- **Strong Business Model** enabled the Company to deliver **19.2% Profit after Tax* growth** in FY05 despite weak retail conditions in 2H05 (**$77.9 mil FY05** vs. $65.3 mil in FY04)
- **Proven ability to manage the economic cycle** and to deliver increasing returns to shareholders throughout the peaks & troughs of the cycle
- **Total Company 'EBIT to Sales Ratio' up 65 basis points** (6.05% FY05 vs. 5.4% FY04)
- **Department Store EBIT up 13.7%**
- **Credit Card EBIT up 16.6%**
- **Cost of Doing Business reduced by 80 basis points** – 32.7% in FY05 vs. 33.5% in FY04
- Further **Cost Efficiency savings** expected in FY06, FY07 & FY08
- **Gross Profit Margins of 36.8% -** at upper end of 36.5%-36.9% target range
- **Strong Cashflows - $147million** cash on hand at year-end
- **FY05 Dividend up 18.2%** (**13 cents per share** in FY05 vs. 11 cents per share in FY04)

David Jones Limited (DJS) today reported **Profit after Tax* (PAT) of $77.9 million** for the financial year ended on 30 July 2005 (FY05). This represents **an increase of 19.2%** on PAT for FY04 ($65.3 million) and is **well above the Company's stated Strategic Review target** of 5%-10% PAT growth year-on-year until FY08.

David Jones Chief Executive Officer Mr Mark McInnes said, "Our FY05 Profit result is a record for our Company – it is the strongest full year result that our Company has reported since listing in 1995. It is particularly pleasing to report this result given that over the past 6 months we have experienced a challenging retail environment and a significant slowdown in consumer spending.

"At the announcement of our 1H05 results in March 2005 we acknowledged that since the unveiling of our Strategic Review in June 2003 we had experienced favourable retail conditions. We stated at that time that the true test of our business model would be our ability to continue to deliver PAT and dividend growth in times of a slowdown in consumer spending and challenging retail market conditions.

"Throughout the second half of FY05 we have experienced exactly this environment. The slowdown in consumer spending over the past six months has been well documented and extensively reported.

"Our business model has enabled us to manage the downturn by focusing on Financial Disciplines such as our Cost Efficiencies program, tight inventory management, rigorous management of our Capital Expenditure and generating continuing good returns from our Credit Card business.

"As a result our Company has today reported Profit after Tax growth of 19.2% and an 18.2% increase in dividends for the year. This clearly demonstrates the ability of our business model to outperform the economic cycle and generate increasing returns to shareholders, even during times of adverse retail conditions and flat sales revenue growth," Mr McInnes said.

FY05 FINANCIAL PERFORMANCE

SUMMARY OF KEY FINANCIALS

KEY ITEMS	FY05 $mil	FY04 $mil	% Change
Sales	$1,799	$1,769	3.3%**
Total EBIT	$108.8	$ 95.3	14.2%
PAT before RPS dividends	$ 77.9	$ 65.3	19.2%
Basic EPS after RPS dividend	17.4cps	14.6cps	19.2%
Full Year Dividend per ordinary share (fully franked)	13cps	11cps	18.2%

As announced on 25 August 2005 David Jones' **Sales Revenue** grew by 3.3%** on a like for like basis in FY05 (from $1.741 billion in FY04 to $1.799 billion in FY05).

The Company's **Earnings before Interest and Tax (EBIT)** in FY05 was $108.8 million up 14.2% on FY04 ($95.3 million). The **"EBIT to Sales Ratio"** for FY05 was 6.05%, which represents an increase of 65 basis points on FY04 (5.4%).

Both the Core Department Store business and the Credit Card business were strong contributors to the Company's FY05 Profit result. The **Core Department Store business** reported a **13.7% increase in EBIT** to $73.9 million in FY05 from $65 million in FY04. Core Department Store EBIT to Sales Ratio increased from 3.7% in FY04 to 4.1% in FY05.

David Jones' **Credit Card business** continued its strong performance track record reporting **growth of 16.6% in EBIT** to $32.2 million in FY05 from $27.7 million in FY04.

The **Total Cost of Doing Business (CODB) percentage** for FY05 was 32.7%, an **improvement of 80 basis points** on the FY04 CODB percentage (33.5%).

Mr McInnes said, "The Company's **Cost Efficiency program** has been in place for over 2 years. As indicated at the time of the 1H05 Results and our 4Q05 Sales announcement, the cost efficiency program has achieved its targets one year earlier than planned. This achievement has been particularly pleasing given that:

- a number of one-off costs were incurred in 2H05 in connection with the establishment and implementation of specific cost efficiency initiatives impacting FY06 – FY08; and
- the Cost Efficiency targets were achieved without taking into account the added benefit of $8.6 million reduction in depreciation expense in FY05 resulting from the Company's review of the useful life of all plant, equipment and software. (This reduction in depreciation expense equates to a corresponding increase to PAT* of just over $6 million in FY05)."

Gross Profit Margin for FY05 was **36.8%,** at the higher end of Company's targeted range of 36.5% - 36.9%. This is a strong result given the challenging economic conditions and the slowdown in consumer spending in 2H05.

Capital Expenditure for the year was **$38.9 million** significantly less than the Company's stated Strategic Review cap of $50 million per annum. This represents a 20% productivity improvement in FY05 on the Company's FY04 spend.

The Company continued its track record of tight **Stock** management, with aged stock inventory levels for the Group again being maintained below 5% of total inventory. The total level of inventory was 5.5% lower than was the position at the end of FY04. This was an excellent result given the slowdown in retail spending in 2H05 and is indicative of the tight inventory management measures implemented by the Company.

Cash on hand at year-end was $147.2 million compared to $97.8 million in FY04, with the additional cash generated due to the strength of the business, sustainable cashflows, and the sale of the Queen St property, which generated $27 million cash in July 2005.

DIVIDENDS

In keeping with the Company's Strategic Review commitment to return excess cash (not required in the business) to shareholders and as a sign of the confidence in the Company's ability to continue generating solid cashflows, the Board has declared a **fully franked dividend of 7 cents per ordinary share for 2H05 (vs 6 cps in 2H04).**

The **total dividend** per ordinary share for FY05 is **13 cents fully franked** and represents an increase of 18.2% on the Company's FY04 total dividend of 11 cents per share.

KEY PERFORMANCE INDICATORS SINCE IMPLEMENTATION OF THE STRATEGIC REVIEW

Mr McInnes said, "I am pleased to report that since our Strategic Review announcement our Company has achieved each of its stated targets. Most notably since FY03 our Company has delivered:

- an **increase in PAT of 82.0%** from $42.7 mil in FY03 (pre significant items) to $77.9 mil in FY05; and
- an **increase of 117% in fully franked dividends** to ordinary shareholders from 6 cents per share (cps) in FY03 to 13 cps in FY05."

The following table summarises the Company's key achievements since announcement of its Strategic Review in June 2003.

SUMMARY OF KEY PERFORMANCE INDICATORS POST STRATEGIC REVIEW

KEY ITEM	FY03	FY04	FY05	% Change from FY03 to FY05
Sales ($m)	1711.2	1769.5	1799.1	+ 5.1%
Total EBIT before Significant Items ($m)	65.2	95.3	108.8	+ 67%
PAT before Significant Items & before RPS Dividends (cps)	42.7	65.3	77.9	+ 82%
Basic EPS before Significant Items & after RPS dividends	9.2	14.6	17.4	+ 89%
Cash at Year End ($m)	17.3	97.8	147.2	+751%
Capital Expenditure ($m)	61.9	50.9	38.9	- 37%
CODB %	33.7	33.5	32.7	- 100bp
Full Year Dividend per ordinary share (fully franked) (cps)	6	11	13	+117%

OUTLOOK

Mr McInnes said, "The market conditions we have experienced at the start of FY06 are in line with what we expected and what we have consistently forecast over the past 12 months.

"We are cycling high 1Q05 Sales growth of 7.7%. Our 1Q05 performance was enhanced as a result of the 2004 Olympics and the launch of our '4 Years Interest Free' program in August last year. Our current Sales tracking rate for 1Q06 is in line with our expectations and our budget, and we expect Sales to be in the range of -3% to -4% for 1Q05 (vs last year). The one-off events in 1Q05 have affected our 'big ticket' categories, however, our other categories are flat on last year, giving us confidence in our Profit position.

"We anticipate that by 2Q06 we will see a modest improvement with flat Sales growth for the Christmas quarter and further strengthening of Sales growth in 2H06."

"Given that our Sales are in line with expectations, and that our business parameters are set accordingly, we reaffirm the guidance we provided at our 1H05 Results announcement on 22 March 2005 and are confident that the Company's business model will enable us to deliver 5%-10% per annum PAT growth in FY06 (albeit at the lower end of our target range, given prevailing retail conditions).

"We are also confident of delivering 5%-10% p.a. PAT growth in FY07 and FY08. This will drive continued growth in dividends and excess cash which will be returned to shareholders over time in the most efficient manner," Mr McInnes said.

ENDS

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NOTE:

* ***PAT*** *is Profit After Tax before Reset Preference Shares dividends and not utilising International Financial Reporting Standards*

** ***LFL*** *is "like-for-like" Sales which have been adjusted utilising calendar weeks to take into account the impact of the later start of FY05 due to FY04 being a 53 week trading year; and exclude the discontinued business of the Rockingham Western Australia store (which was closed on 31 July 2004).*

APPENDIX A

PROFIT SUMMARY	FY2005 $m	FY2004 $m	Change %
Sales - Department stores	**1,799.1**	1,769.5	+ 1.7%
TOTAL SALES	**1,799.1**	1,769.5	+ 1.7%
Gross profit - Department stores	**662.8**	657.2	+ 0.9%
% to sales - department stores	**36.8%**	37.1%	
Cost of Doing Business	**588.9**	592.2	- 0.5%
% to sales - department stores	**32.7%**	33.5%	
EBIT - Department stores	**73.9**	65.0	+ 13.7%
% to sales - department stores	**4.1%**	3.7%	
Credit	**32.2**	27.7	+ 16.6%
EBIT - Department stores + Credit	**106.1**	92.6	+ 14.6%
% to sales - department stores	**5.9%**	5.2%	
Property	**2.7**	2.6	+ 1.1%
EBIT - Total	**108.8**	95.3	+ 14.2%
% to total sales	**6.0%**	5.4%	
Net interest income / (expense)	**2.9**	(0.6)	n/a
Profit before tax	**111.7**	94.7	+ 18.0%
Income tax expense	**33.9**	29.4	+ 15.2%
Profit after tax	**77.9**	65.3	+ 19.2%

APPENDIX B

SUMMARY OF AIFRS IMPACT

The Australian Accounting Standards Board (AASB) has mandated that Australian companies will be required to comply with International Financial Reporting Standards (AIFRS) for future financial years commencing on or after 1 January 2005. AIFRS requires that comparative accounts be provided by companies showing their financial performance under both the Australian Accounting Standards and under the new AIFRS. Appendix 4E sets out full details of the impact of the adoption of AIFRS on the Company's accounts.

Whilst David Jones will be required to comply with AIFRS in the 2006 financial year, it is important to note the following:

- The **AIFRS changes are non-cash** related. AIFRS **does not impact David Jones' underlying business** which continues its **excellent performance** and continues to generate **strong Cashflows** and **strong Earnings**.

- **Under AIFRS, management maintains its NPAT guidance of 5%-10% growth** (on an AIFRS adjusted FY05 base) in FY06, FY07 and FY08 and looks forward to increasing Dividend payments in line with Profit growth over this period.

- AIFRS would have resulted in an accounting adjustment to the Company's Profit & Loss Statement of $9 million in FY05. The Board has resolved (with effect in FY06) to **increase the Company's Dividend Payout Policy to not less than 85% of Profit after Tax under AIFRS**. This increase is intended to reflect the fact that this adjustment is non-cash related and does not impact the Company's dividend paying ability. The higher dividend payout ratio is intended to ensure that the spirit of the Company's current payout policy (of not less than 75% of PAT under the Australian Accounting Standards) is maintained and shareholders are not adversely impacted or disadvantaged.

- Under AIFRS the Company's **Cash and Franking Credit position remain unchanged**. This means that the Capital Management options that the Company and its advisors have been considering, continue to be available. The Company has until the end of January 2006 to utilise all or part of its $75 million Retained Earnings balance in the FY05 Accounts (reported under AGAAP). The Company is **on track with its Capital Management Review**, including finalisation of financial arrangements relating to the Sale & Leaseback (due for completion in November 2005), and expects to announce its Capital Management Review findings soon after the completion of the refinancing.

- In addition to any Capital Management initiatives that are announced this year, the Company intends to undertake a **shareholder approved non-cash capital reduction in 2006** to offset the impact of AIFRS changes.

FY05	**AGAAP ($m)**	**AIFRS ($m)**
PAT pre RPS	77.9	68.7
RPS Dividend	4.8	4.8
PAT post RPS Dividend	73.1	63.9
Dividend per Share	13c	13c
Dividend Payout Ratio	76%	87%