



DAVID JONES LIMITED

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Page 1 of 10

For Immediate Distribution

26 September 2007

RECORD RESULT FY07 PROFIT UP 35%* & DIVIDEND UP 37.5%

- **Highest Full Year Profit Result & Dividend** since 1995 listing
- **Proven business model, well placed to continue strong track record** (since 2003 Strategic Review) **of delivering year-on-year Profit after Tax* (PAT) & dividend growth** throughout the peaks & troughs of economic cycle
- **FY07 PAT up 35.0%* to \$109.5million*** (\$81.1 million in FY06)
- **2H07 PAT up 44.4% to \$38.5 million** (\$26.6 million in 2H06)
- **Total Company EBIT of \$176.1 million***
- **Total Company 'EBIT to Sales Ratio' up 90 basis points** (bp)** (8.9% FY07 vs. 8.0%** FY06).
- **Gross Profit Margins** well above target range – **39.3% (FY07)** vs. 38.8% (FY06)
- **Cost of Doing Business (CODB) reduced by 40 bp**** – 32.3%* in FY07 vs. 32.7%** in FY06
- **Basic EPS up 31.6%*** to 24.6 cents*
- **2H07 Dividend up 44.4%** (13 cents per share (cps) in 2H07 vs. 9cps in 2H06). **FY07 Dividend up 37.5% (22 cps in FY07 vs. 16 cps in FY06)**
- **PAT guidance for FY08 reaffirmed**

David Jones Limited (DJS) today reported underlying **Profit after Tax* (PAT) of \$109.5 million*** for the financial year ended on 28 July 2007 (FY07). This represents **an increase of 35.0%*** on PAT for FY06 (\$81.1 million).

David Jones Chief Executive Officer Mr Mark McInnes said, "We are delighted with our FY07 Profit result and dividend growth. Since the Strategic Review in 2003 we have delivered 4 years of strong PAT and dividend growth which demonstrates the fact that we have a proven business model capable of delivering attractive shareholder returns regardless of the peaks and troughs of the economic cycle, as well as a strong, capable management team. On the basis of this performance and the confidence it has in future performance, the Board has decided to declare a 44.4% increase in the 2H07 dividend for our shareholders," Mr McInnes said.

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DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 2 of 10

FY07 FINANCIAL PERFORMANCE

SUMMARY OF KEY FINANCIALS

KEY ITEMS	FY07	FY06	% Change
Sales (\$m)	1,983.2	1,821.6	8.9%
Total EBIT (\$m)	176.1*	145.1**	21.3%
PAT* (underlying) (\$m)	109.5*	81.1	35.0%
Basic EPS (cps)	24.6*	18.7	31.6%
Full Year Dividend per ordinary share (fully franked) (cps)	22.0	16.0	37.5%

As announced on 8 August 2007 David Jones' **Sales Revenue** grew by 8.9% in FY07 (from \$1,821.6 million in FY06 to \$1,983.2 million in FY07). On a like-for-like (LFL) basis, Sales grew by +8.3% over FY06.

The Company's **Earnings before Interest and Tax (EBIT)** in FY07 was \$176.1 million* up 21.3% on FY06 (\$145.1million**). The '**EBIT to Sales Ratio**' for FY07 was 8.9%, which represents an increase of 90 bp on FY06 (8.0%**).

The Company's **EBITDA** increased from \$176.5 million** in FY06 to \$212.2 million* in FY07 and now constitutes 10.7% of Sales.

David Jones' **Financial Services business** continued its solid performance track record reporting **growth of 5.8% in EBIT** to \$36.1million in FY07 from \$34.1million in FY06.

Mr McInnes said, "We are pleased to report that our Credit Card business is in good shape as we look to transition to the new environment of General Purpose Card (GPC) and Store Card in FY09."

The **Total Cost of Doing Business (CODB) percentage** for FY07 was 32.3%*, an **improvement of 40 bp** on the FY06 CODB percentage (32.7%**). This performance reflects our strong cost efficiency focus since the Strategic Review in 2003.

Gross Profit Margin for FY07 was **39.3%** compared to 38.8% in FY06. This is an improvement of 50bp over the past 12 months and is especially pleasing given our strong Gross Profit percentage performance in recent years.

Capital Expenditure for the year was **\$62.2 million** and included Capex for the new Burwood and Chermside stores, which were funded via the reinstatement of the Dividend Reinvestment Plan. Excluding the cost of the Burwood and Chermside store openings, the Company's Capex is well within its target cap of \$50 million per annum.

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.

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DAVID JONES LIMITED

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Page 3 of 10

The Company's "**Cash on hand**" as at 28 July 2007 was \$161.3 million (post allocation of \$63 million to the reacquisition of the Company's Sydney and Melbourne flagship CBD stores). This compares well to the FY06 Cash levels at year-end of \$173.2 million and demonstrates the ability of the business to generate strong cash flows.

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 its confidence in the Company's ability to continue generating solid cash flows in both the short term and longer term, the Board has declared a **fully franked dividend of 13 cents per ordinary share for 2H07 (versus 9 cps in 2H06)**. This represents an **increase of 44.4%** over 2H06.

The **total dividend** per ordinary share for FY07 is **22 cents fully franked** and represents an increase of 37.5% on the Company's FY06 total dividend of 16 cps.

The record date for the final dividend will be 16 October 2007 and the dividend payment date will be 8 November 2007.

OUTLOOK: FY08

The Company reiterates the comments it made on 18 July 2007, in relation to the outlook for 2008.

Mr McInnes said, "Access Economics continues to predict ongoing strong consumer sentiment in 2008, although we note that we are cycling a high base level of sales as of 1Q08. Having said this, our first 8 weeks of trading has been solid, with LFL growth in the vicinity of 5% over the corresponding period last year.

"Our business looks set to continue benefiting from the unique opportunities arising as a result of the recent industry restructure, we have a strong management team and a proven "Home of Brands" business model – as such, we are well positioned to continue to deliver PAT and dividend growth for shareholders throughout FY08," Mr McInnes said.

The Company reaffirmed its FY08 PAT growth guidance of 5%-10% on the increased FY07 PAT* base, excluding the positive benefit to PAT in FY08 following conversion of the Reset Preference Shares (RPS) on 1 August 2007, which equates to 8%-13% PAT* growth.

Mr McInnes said, "All the benefits we have achieved in our Gross Profit percentage (GP%) over the last 4 years are now in our base and we expect GP% to be broadly flat in FY08. We already have cost efficiency programs in place that will deliver a further 10-20bp reduction in our CODB in FY08, as well as 5%-10% EBIT growth in our Credit Card business."

The Company's profit guidance for FY08 includes the following property related matters:

In terms of high value, high return refurbishments, the Company successfully completed the refurbishment of its Bourke Street Cosmetics & Accessories Hall in October 2006. This has been an outstanding success not only in terms of returns generated but also in helping reinforce the 'David Jones' brand in the Melbourne market.

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A.B.N. 75 000 074 573



DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 4 of 10

The Company decided not to renew its leases in Bankstown or Eastgardens as the proposed terms were not economically feasible, given the Company's focus on return on investment. David Jones exited the Bankstown centre in July 2007 and closed its Eastgardens store on 23 September 2007.

The Company opened its Burwood (NSW) store in May 2007 and Chermside (Qld) in August 2007. Both these stores have traded strongly and have been extremely well received by customers.

The next project in the High Value/High Return Refurbishment Strategy is the launch of the fully refurbished QueensPlaza (Brisbane CBD) store, which is due to open in February 2008 and will double the existing floor space.

LONGER TERM GROWTH OPPORTUNITIES: FY09 – FY12

Looking forward to the longer-term horizon of FY09-FY12, Mr McInnes said, "Our Company has demonstrated a strong track record of delivering value to shareholders since implementation of our 2003 Strategic Review.

"We believe we have many longer-term growth opportunities available to us, in a range of areas, that will enable us to continue our track record of delivering ongoing shareholder value and returns."

One key area where further opportunities exist is the recent Australian Department Store Industry Restructure. On 20 July 2006 the Company announced the first tranche of strategic benefits that resulted from the industry restructure. At the time management stressed that these opportunities and benefits were the first of many expected to arise. Over the past year many further benefits and opportunities have arisen.

Mr McInnes said, "We have been surprised by the extent and breadth of opportunities that have arisen to date, as a result of the industry restructure. Whilst it is difficult to quantify some of these future opportunities at this time, what is clear is that they exist and they continue to evolve, as do a number of other opportunities in other areas of our business including GPC, our store portfolio, cost and margin initiatives.

"We are well positioned to identify and capitalise on all of these opportunities, as and when they arise. We intend to take the time needed to fully assess the competitive landscape and the evolving industry to enable us to take full advantage of these opportunities.

"We are currently formulating the Company's FY09-FY12 Strategic Plan and a detailed implementation program. Our Strategic Plan is focussing on key value enhancing areas such as:

1. **General Purpose Card (GPC):** selecting a financial issuer (Citigroup or AMEX) for the new "David Jones" branded GPC, negotiating a satisfactory arrangement with the issuer, developing an effective customer acquisition and existing card holder transition program and planning the launch of the card in August – December 2008;
2. **High Value Strategic Refurbishments:** delivering strong returns through capital investment in our core strategic store assets;

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DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 5 of 10

3. **Cost Efficiency Initiatives:** identifying and implementing sustainable Cost Efficiency initiatives that will reduce our CODB percentage each year over the FY09-FY12 period;
4. **Gross Profit Enhancement Programs:** developing and implementing margin improvement initiatives which will deliver returns over the next four years including renegotiation of supply terms with suppliers;
5. **High Value New Stores:** identifying and securing new store locations in high value, high growth centres.

"Each of these key areas, coupled with the recent industry restructure, provide us with confidence that we have many opportunities to deliver future growth in shareholder returns. We are pursuing these opportunities as they arise and evolve, and anticipate being in a position to unveil the FY09-FY12 Strategic Plan in the third quarter of FY08 once the full extent of the opportunities have been evaluated," Mr McInnes said.

"In 2003, we focussed on restoring investor confidence by concentrating on improving the performance of our core business and delivering solid PAT and dividend growth. As we enter the next stage of our Company's development, not only do we have the benefit of a proven business model and a capable and experienced management team, we also have a set of new and exciting opportunities that have the potential to deliver further shareholder value and to ensure the Company remains a very attractive investment proposition," Mr McInnes said.

ENDS

FOR FURTHER INFORMATION CONTACT:

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NOTE:

* *'Underlying Profit': PAT for FY07 reflects PAT after removing the one-off impacts of the unwinding of the Sale & Leaseback Transaction.*

** *Cost of Doing Business, EBIT and Interest for FY06 (\$ and % to Sales) have been adjusted to reflect a like-for-like comparison with FY07, by showing the position had the Sale & Leaseback been unwound at 29/9/05.*

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DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 6 of 10

APPENDIX A

PROFIT SUMMARY	FY07 ACTUAL \$m	FY06 ACTUAL \$m	Change %	Notional Adjust for S&L FY06 \$m	Adjusted % to Sales Ratio
Sales - Department stores	1983.2	1821.6	+ 8.9%		
TOTAL SALES	1983.2	1821.6	+ 8.9%		
Gross profit - Department stores % to sales - department stores	779.8 39.3%	705.9 38.8%	+ 10.5%		
Cost of Doing Business % to sales - department stores	639.9 32.3%	620.4 34.1%	+ 3.1%	(25.4)	32.7%
EBIT - Department stores % to sales - department stores	139.9 7.1%	85.5 4.7%	+ 63.7%	25.4	6.1%
Financial Services	36.1	34.1	+ 5.8%		
EBIT - Total % to total sales	176.1 8.9%	119.7 6.6%	+ 47.1%	25.4	8.0%
Net interest income / (expense)	(16.7)	1.9	n/a	(23.3)	
Profit before tax	159.3	121.5	+ 31.1%		
Income tax expense	49.8	40.4	+ 23.4%		
Profit after tax	109.5	81.1	+ 35.0%		

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DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 7 of 10

APPENDIX B

PROFIT SUMMARY	1H07 ACTUAL \$m	1H06 ACTUAL \$m	Change %	Notional Adjust for S&L1H06 \$m	Adjusted % to Sales Ratio
Sales - Department stores	1035.9	962.8	+ 7.6%		
TOTAL SALES	1035.9	962.8	+ 7.6%		
Gross profit - Department stores % to sales - department stores	409.7 39.5%	375.4 39.0%	+ 9.1%		
Cost of Doing Business % to sales - department stores	316.4 30.5%	310.7 32.3%	+ 1.8%	(10.2)	31.2%
EBIT - Department stores % to sales - department stores	93.3 9.0%	64.8 6.7%	+ 44.1%	10.2	7.8%
Financial Services	17.3	16.3	+ 6.1%		
EBIT - Total % to total sales	110.6 10.7%	81.1 8.4%	+ 36.4%	10.2	9.5%
Net interest income / (expense)	(7.0)	(0.1)	n/a	(9.3)	
Profit before tax	103.7	80.9	+ 28.1%		
Income tax expense	32.6	26.4	+ 23.3%		
Profit after tax	71.1	54.5	+ 30.4%		

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DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 8 of 10

APPENDIX C

PROFIT SUMMARY	2H07 ACTUAL \$m	2H06 ACTUAL \$m	Change %	Notional Adjust for S&L 2H06 \$m	Adjusted % to Sales Ratio
Sales - Department stores	947.3	858.7	+ 10.3%		
TOTAL SALES	947.3	858.7	+ 10.3%		
Gross profit - Department stores % to sales - department stores	370.2 39.1%	330.5 38.5%	+ 12.0%		
Cost of Doing Business % to sales - department stores	323.5 34.2%	309.7 36.1%	+ 4.5%	(15.3)	34.3%
EBIT - Department stores % to sales - department stores	46.6 4.9%	20.7 2.4%	+ 124.9%	15.3	4.2%
Financial Services	18.8	17.8	+ 5.4%		
EBIT - Total % to total sales	65.4 6.9%	38.6 4.5%	+ 69.7%	15.3	6.3%
Net interest income / (expense)	(9.8)	2.0	n/a	(14.0)	
Profit before tax	55.7	40.6	+ 37.2%		
Income tax expense	17.2	13.9	+ 23.6%		
Profit after tax	38.5	26.6	+ 44.4%		

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ASX AND MEDIA RELEASE

Page 9 of 10

APPENDIX D

The financial impact on FY07 PAT of unwinding the Sale & Leaseback is shown below:

	Profit Before Tax \$000	Tax Effect \$000	Profit After Tax \$000
Reversal of straight-line rent adjustment	36,679	(11,004)	25,675
Recognition of disruption allowance	7,068	(2,120)	4,948
Termination of interest rate swap arrangements	3,949	(1,185)	2,764
Administration Fees	(231)	69	(162)
Reversal of deferred income tax liability	–	65,893	65,893
	47,465	51,653	99,118

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ASX AND MEDIA RELEASE

Page 10 of 10

APPENDIX E

INCOME STATEMENT	CONSOLIDATED			
	2007 \$000	2007 \$000	2007 \$000	2006 \$000
	Before impact of unwinding sale & leaseback transaction	Impact of unwinding sale & leaseback transaction	After impact of unwinding sale and leaseback transaction	
Revenue from sale of goods	1,983,220	–	1,983,220	1,821,560
Cost of sales	(1,203,374)	–	(1,203,374)	(1,115,660)
Gross profit	779,846	–	779,846	705,900
Other revenues	88,728	–	88,728	84,515
Employee benefits expenses	(348,151)	–	(348,151)	(309,864)
Lease and occupancy expenses	(160,095)	43,747	(116,347)	(183,895)
Depreciation and amortisation expense	(36,095)	–	(36,095)	(28,949)
Advertising, merchandising and visual expenses	(56,389)	–	(56,389)	(60,460)
Administration expenses	(37,155)	(231)	(37,386)	(32,257)
Net financing expenses	(44,306)	3,949	(40,357)	(24,572)
Other expenses	(27,046)	–	(27,046)	(28,918)
Profit before income tax expense	159,337	47,465	206,802	121,500
Income tax (expense)/benefit	(49,821)	51,653	1,832	(40,380)
Profit after income tax expense attributable to equity holders of the parent entity	109,516	99,118	208,634	81,120
Basic earnings per share (cents per share)	24.6			18.7
Diluted earnings per share (cents per share)	22.7			17.1

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