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DAVID JONES ANNOUNCES 3 NEW STORES & 3 STRATEGIC REFURBISHMENTS

- **David Jones has entered into a multi-faceted property agreement with a number of landlords** (including Westfield, AMP Managed Funds, Dexus and APPF) that will deliver:
 - **40,000 square metres of additional selling space (10% increase);**
 - **~\$200 million of additional Sales (10% increase);** and
 - **~\$26 million of extra Store Contribution (15% increase in Department Store EBIT).**

These financial benefits will commence flowing through to the Company in FY12 and be fully realised in FY13.

- The Property Agreement sets out the terms upon which David Jones will:

1. **Open 3 New Stores in shopping centres** at:

- Pacific Fair (Qld) – opening in late 2011;
- Macquarie (NSW) – opening in mid 2011; and
- Whitford (WA) – opening in early 2012.

Each of these new stores are in high value locations and subject to 25 year leases on terms which satisfy the Company's FY09 – FY12 Strategic Plan New Store benchmarks, by each delivering more than \$40 million of Sales p.a. and at least \$5 million of Store Contribution p.a. by year 2.

2. **Undertake 3 Strategic Refurbishments** of its stores in shopping centres at:

1. Kotara (NSW);
2. Marion (SA); and
3. Karrinyup (WA).

Each of these refurbishments will meet the Company's FY09 - FY12 Strategic Plan Refurbishment criteria by delivering a pay-back on capital invested by the Company within 1-2 years.

- **The Property Agreement requires no additional debt funding to be provided by David Jones.** All of the Company's spend for the new stores is projected to fall into FY11 & FY12 and will on average only utilise 30% of the Company's \$50m annual capex budget across those two years.

DAVID JONES

David Jones Limited A.C.N. 000 074 573
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David Jones Limited (DJS) today announced that it has entered into a multi-faceted property agreement with the landlords (namely Westfield, AMP Managed Funds, Dexus and APPF) of shopping centres at:

- Pacific Fair (Qld);
- Macquarie (NSW);
- Whitford (WA);
- Kotara (NSW);
- Marion (SA); and
- Karrinyup (WA).

The Property Agreement will enable the Company to deliver a significant number of key sources of value set out in the Company's FY09 – FY12 Strategic Plan.

David Jones Group General Manager of Retail Development Antony Karp said, "The Agreement entered into by our Company and announced today is important for a number of reasons. First and foremost it will deliver:

1. new stores in the most attractive demographic locations, in top centres where we are currently not represented;
2. additional value through the refurbishment of three high quality stores;
3. an extra 40,000 square metres of selling space to our store portfolio (this represents a 10% increase);
4. approximately \$200 million of additional Sales (10% increase); and
5. approximately \$26 million of extra Store Contribution (15% increase in Department Store EBIT).

"All new and refurbished stores covered by the Property Agreement have a payback of 1 to 2 years, with the financial benefit commencing to flow through to the company in FY12 and being fully realised in FY13.

"Last but not least, no additional debt funding will be required for the Company to deliver these stores. The Company's capital expenditure will be split across FY11 and FY12 and will on average only utilise 30% of the existing \$50 million p.a. Capex target for each of these years,' Mr Karp said.

KEY COMPONENTS OF THE PROPERTY AGREEMENT

3 NEW STORES

The Property Agreement sets out the terms and conditions of long-term leases for three new, high-value, David Jones department stores in existing shopping centres at:

- Pacific Fair (Qld);
- Macquarie (NSW); and
- Whitford (WA).

Each of these centres are located in high value regions with strong demographics, large catchments, attractive growth prospects and low department store penetration, enabling David Jones to capture market share and a growing customer base.

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The new David Jones stores in these centres are expected to perform in the top half of the Company's portfolio, each generating a minimum of \$5 million+ Store Contribution, broadly equivalent to \$40 million+ in Sales per store. In addition each new store will deliver a pay-back on capital invested by David Jones within 1-2 years.

1. Pacific Fair, Gold Coast, Queensland

Regional Overview:

The Gold Coast resident population is approximately 500,000 and growing at two times the national average. This is boosted by an estimated 10 million visitors per annum, which translates to an additional 80,000 people per day. The region's Average Household Income in 2006 was \$64,000 with the number of individuals earning more than \$78,000 per annum almost doubling in the five years since 2001. Department Store Type Merchandise (DSTM) (including the tourist market) is today estimated to be in the vicinity of \$3.3 billion per annum.

Competitive Context:

The Pacific Fair Shopping Centre is owned 60% by AMP Managed Funds and 40% by Westfield. It is the 14th largest shopping centre in Australia (in terms of Moving Annual Turnover) and is the 6th most visited shopping centre in Australia generating annual pedestrian traffic of over 17 million. The centre has 280 specialty stores.

The Pacific Fair Redevelopment:

AMP and Westfield have had a development application approved for a \$400 million redevelopment of the Pacific Fair Shopping Centre. The redevelopment will increase the total Gross Lettable Area (GLA) from 104,000 square metres to 145,000 square metres and will incorporate a new David Jones full-line department store and 100 specialty stores.

The New David Jones Pacific Fair Store:

The new David Jones store in the Pacific Fair centre will be a full-line, 14,500 square metre department store, set over two levels. The new store is expected to open in late 2011 and is subject to a 25-year lease.

2. Macquarie, New South Wales

Regional Overview:

Macquarie is situated 15 kilometres to the north west of the Sydney CBD. It has a resident population of approximately 330,000 and average household income in 2006 of \$102,000 per annum which is the fifth highest in the David Jones store portfolio. There are a growing number of high earners in this catchment. DSTM in the catchment area is currently estimated to be \$1.8 billion and is forecast to grow to \$2.8 billion by 2016 (average annual growth of 4.8%).

Competitive Context:

The Macquarie Shopping Centre is owned by AMP Managed Funds (50%) and Westfield (50%). It is the 16th largest shopping centre in Australia based on Moving Annual Turnover (MAT). Based on research undertaken of the north western Sydney region it is clear that David Jones is under-represented in this market, which provides the Company with enormous growth potential.

Macquarie Centre Redevelopment:

AMP and Westfield have lodged a development application for a \$300 million redevelopment of Macquarie Centre, which will increase total GLA from 96,500 square metres to 127,500 square metres. The redevelopment will create a new two level (predominantly fashion) mall, linking a new 14,000 square metre David Jones store to 100 new specialty stores.

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The New David Jones Macquarie Centre Store:

The new David Jones Macquarie Centre store will be a full-line, 14,000 square metre department store set over two levels. The new store is expected to open in mid 2011 and is subject to a 25-year lease.

3. Whitford, Western Australia

Regional Overview:

Whitford is situated on the coast of Western Australia, 25 kilometres north west of the Perth CBD. It has a resident population of approximately 260,000 and average Household Income in 2006 was \$84,200. The number of high earners (i.e. individuals earning more than \$78,000 per annum) has doubled in the period 2001 to 2006. DSTM in the trade area is currently estimated to be \$1.4 billion and is projected to grow to \$2.3 billion by 2016 (representing annual average growth of 6.1% which is the 2nd highest growth in the David Jones portfolio).

Competitive Context:

The Whitford City Shopping Centre is jointly owned by Westfield (50%) and Dexu (50%).

The centre is the third largest shopping centre in Western Australia, it attracts approximately 8 million people per annum and generates \$445 million in annual turnover, which has been growing on average at 12% per annum for the last 3 years. The centre currently has more than 270 specialty stores however it has no department store offering.

Whitford Centre Redevelopment:

Westfield and Dexu are planning a \$200 million redevelopment of the Whitford Centre. The redevelopment will include a new David Jones department store, a new mini major and approximately 90 new specialty stores. David Jones will be the only department store in the centre.

The New David Jones Whitford Store:

The new David Jones Whitford Centre store will be a full-line, 13,500 square metre department store set over two levels. The new store is expected to open in early 2012 and is subject to a 25 year lease.

3 NEW STRATEGIC REFURBISHMENTS

The Property Agreement also sets out the terms and conditions for the lease renewal and refurbishment of existing David Jones department stores in shopping centres at:

- Kotara (NSW);
- Marion (SA); and
- Karrinyup (WA).

Each of these stores are high value stores with the opportunity to increase space for high margin categories and to leverage the improving wealth demographics of the surrounding catchment areas. The refurbishment of these stores will enable David Jones to reinforce its "Home of Brands" positioning and enhance its customer shopping experience. The focus of each refurbishment will be to strategically differentiate these David Jones stores through improved high margin categories and brand mix.

On the basis of the terms of the Property Agreement each of these three refurbishments will deliver a payback on capital invested by David Jones within 1 - 2 years.

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1. Kotara (NSW)

The Hunter region (of which the Kotara and Newcastle catchments form a part) is an attractive growth area for David Jones due to the size of the market, its high growth, attractive demographics and under-representation of department stores.

The Kotara centre is 100% owned and managed by Westfield and recently underwent major refurbishment, which was completed in September 2007. Following completion of these works the Kotara Centre increased its GLA from 43,700 square metres to 62,900 square metres and became the largest centre in the Hunter region. The centre is currently anchored by a full line David Jones department store and is expected in its first year post redevelopment to deliver MAT in excess of \$400 million.

Under the terms of the new Kotara store lease, David Jones has extended its occupancy by a further 16 years (making the total term of the lease 25 years). In addition David Jones has increased its selling space by 2,900 square metres, resulting in total store GLA of 15,350 square metres.

In August 2008 David Jones announced its commitment to completely refurbish its existing Newcastle CBD store, as part of a larger redevelopment of the Newcastle CBD by GPT Group. The Newcastle David Jones store refurbishment will involve the temporary closure of that store from February 2010 until the opening of the new store proposed for August 2012. The renewal of the Kotara lease and its refurbishment and expansion are designed to align as closely as possible with the temporary Newcastle store closure and the two new stores once completed will cement David Jones' presence in the Hunter region and enable it to capitalise on the fact that department stores are under-represented in the region.

In the event that the Newcastle CBD redevelopment is delayed or does not eventuate and a new, refurbished David Jones Newcastle store does not open, the Company will have a fully refurbished, larger full line department store to capture EBIT lost from the Newcastle store.

2. Marion (SA)

The Marion Centre is the 7th largest shopping centre in Australia and is the only major centre servicing the South Adelaide catchment. It trades in excess of \$700 million in MAT per annum and is the most significant shopping centre in South Australia.

Westfield is currently in the planning stages for a redevelopment of the Marion Centre. Pursuant to the terms of the Property Agreement, David Jones has been granted a 25 year lease to trade in a completely refurbished store.

3. Karrinyup, Western Australia

The Karrinyup retail market size is estimated to be in the vicinity of \$1.8 billion and is projected to grow to \$2.8 billion by 2016. In a comparative context this will align the market size to that of Doncaster Shopping Centre in Melbourne. The region is currently under penetrated and provides enormous growth potential for David Jones.

David Jones currently has a 9,500 square metre store in the Karrinyup centre which is owned 37.5% by Westfield and 62.5% by Unisuper and is managed by AMP. The Karrinyup Shopping Centre is the premier fashion destination in the north Perth region and is the 5th largest centre in Western Australia with MAT of approximately \$410 million, attracting around 9 million customers per annum.

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David Jones with landlord support will expand into a 13,000-4,000 square metre full line department store subject to all approvals.

CONCLUSION

David Jones CEO Mr McInnes said, "The Property Agreement is a milestone achievement for our Company. It delivers enormous shareholder value in the form of:

1. an additional 40,000 square metres of selling space to our store portfolio (10% increase);
2. approximately \$200 million of additional Sales (10% increase); and
3. approximately \$26 million of extra Store Contribution (15% increase in Department Store EBIT).

"These financial benefits will commence flowing through to the Company in FY12 and be fully realised in FY13.

"The Property Agreement is also significant from a strategic perspective in that it enables us to make significant progress in implementing our FY09 – FY12 Strategic Plan. To date we have announced:

1. **four new stores** out of the 4-8 new store target set out in our FY09 – FY12 Strategic Plan; and
2. **nine refurbishments** out of the 11–14 high value store refurbishments outlined in the FY09 – FY12 Strategic Plan.

"All of these initiatives will deliver significant value in the form of at least \$5 million per annum of Store Contribution and \$40 million per annum of Sales for each new store and a pay-back within 1-3 years for each refurbishment, without the need for any additional debt and without exceeding our existing average capex limit of \$50 million per annum," Mr McInnes said.

ENDS

** Source: Department of State and Regional Development, ABS & Dimasi*

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